ANNEXURE- I

List of Objectors

Objection No.	Name & address of the objector
1	Shri Avtar Singh, Gen. Secretary, Chamber of Industrial & Commercial Undertakings, Office Complex: E-648-A, Phase-V, Focal Point, Near BSNL Exchange, Ludhiana-141010
2	Shri Dalip Sharma, Regional Director, PHD Chamber of Commerce and Industry, PHD House, Sector 31A, Chandigarh-160031.
3	Shri Amar Singh, Consultant, Mandi Gobindgarh Induction Furnace Association, C/O M/S Gain Castings Ltd.,New Grain Market, Mandi Gobindgarh
4	Shri Balbir Singh Kharbanda, General Secretary, Cycle Trade Union, Kharbanda Complex, Gill Road, Miller Ganj, Ludhiana-141003.
5	Shri S.K.Kashyap, Chief Electrical Distribution Engineer, Northern Railway, Headquarters Office, Baroda House, New Delhi.
6	Shri Padamjit Singh, Legal Head, Indus Towers Limited, DLF, Block F, IIIrd Floor, IT Park, Chandigarh.
7	Shri A.:Puri, General Manager(Proj.& Matrl.), Punjab Alkalies & Chemicals Limited, SCO. 125-127, Sector 17B, Post Box No.152, Chandigarh-160017.
8	Shri D.K.Mehta, Induction Furnace Association of Northern India, Room No.212, 2nd Floor, Savitri Complex, G.T.Road, Ludhiana-141003.
9	Shri Harinder Puri, Secretary, Steel Furnace Association of India, (Punjab Chapter), C/O. Upper India Steel Mfg. & Engg. Co. Ltd., Dhandari Industrial Focal Point, Ludhiana-141010.
10	Shri Bhupinder Singh, General Secretary, PSEB Engineers' Association, 45, Ranjit Bagh, Near Modi Mandir, Passey Road, Patiala.
11	Shri D.K.Mehta, Apex Chamber of Commerce & Industry (Punjab), Room No.204, 2nd Floor, Savitri Complex-1, G.T.Road, Ludhiana-141003.
12	Shri Gurnek Singh Brar, 1, Ranjit Bagh, Opp. Modi Mandir, Patiala-147001.
13	M/s Viom Networks Limited, Sebiz Square, 1st Floor, IT Park, C-6, Sector 6, Mohali-160062
14	Shri D.K.Mehta, All India Induction Furnace Association, 203/209, M.G.House, Community Centre, Wazirpur Industrial Area, Delhi-110052.
15	Shri Surinder Nath Karnail, Siel Chemical Complex, A Unit of Mawana Sugars Limited, 5th Floor, Kirti Mahal 19, Rajendra Place, New Delhi-110125.
16	Shri R.L.Mahajan, Er.-in-Chief(Retd)/PSEB & President Technocrats Forum, 197-G, B.R.S.Nagar, Ludhiana.
17	The Wholesale Cycle Dealers Association (Regd.), Gill Road, Miller Ganj, Ludhiana-141003.
18	Mochpura Shawl Association (Regd.), Mochpura Bazar, Ludhiana-141008.
19	Antarctic Industries Limited, C-44/47, Focal Point, Ludhiana-141010.
20	Er.H.S.Khurmi, Dy.CE, (Retd.), Power Engineer Associates, Office 19707 St. No.10, Ajit Road, Bathinda – 151001

Objection No.	Name & address of the objector
21	Er.H.S.Khurmi, Dy.CE, (Retd.), Power Engineer Associates, Office 19707 St. No.10, Ajit Road, Bathinda – 151001
22	Director, Jai Durga Construction,, Bathinda Goniana Road, Goniana
23	M/s Ansal Mittal Township Pvt. Ltd. SCO 16-17, Model Town Phase - 1, Near T.V.Tower, Bathinda -151005 (Pb.)
24	Shri Kiranjit Singh Gehri, President, Lok Janshakti Party, Bye Pass, Barnala Road, St. No.10, Guru Gobind Singh Nagar, Bathinda
25	Shri Modan Singh s/o Sh. Ganga Singh, Ex. Member. Village Gobindpura, Teh.Distt. Bathinda
26	Consumer Awareness Group, C/O Gurdev Singh Sodhi, Senior Advocate, Bathinda
27	Shri Shivcharan Singh, V.P.O. Phullewala
28	Shri Angad Singh, Col (Retd.), Gen. Secretary, Consumer Protection and Awareness Council (Regd.), K.No.831, Phase 3B-1, (Sector 60), S.A.S.Nagar (Mohali).
29	Er Padamjit Singh, Patron, PSEB Engineers Association, 45, Ranjit Bagh, Opp. Modi Mandir, Patiala-147001.
30	Government of Punjab

ANNEXURE - II

Objections filed by various stake holders, response of PSPCL and View of the Commission

The Commission would like to place on record, its appreciation to the participating consumers and organizations for the comprehensive input received both through the objections and public hearings. In the following paragraphs, the objections filed, response of PSPCL and view of the Commission on each of the objections have been briefly discussed. Aberrations, if any, are inadvertent.

Objection No. 1: Chamber of Industrial & Commercial Undertakings

Issue No.1: Transit loss and Cost of Coal

The transit losses shown in the ARR Petition for FY 2011-12 indicate that no proper action has been taken by PSPCL to reduce the transit loss to the level as directed by the Commission. Further, the total expenditure on the cost of coal can be reduced if the coal is purchased from the suppliers selling the coal at lowest market rates, while keeping in view the calorific value of the same. Further, PSPCL has not provided any justification for considering the transit loss of 2% for FY 2011-12, while the actual transit loss is submitted as 0.41% for GNDTP for first half of FY 2010-11.

Response of PSPCL

The plants operated by PSPCL are non-pit head stations and are located at a very large distance of about 1300 to 1625 kms from the coal mines. PSPCL is a regulated entity, whereas all other entities involved in the transportation of coal viz. coal production companies, railways, liaison agents, contractors etc. are not regulated. They are all bound according to commercial contracts and not by the regulatory norms. The contractual obligations from the said coal mine prevent the impact of transit losses on the cost of coal. PSPCL is putting best efforts to bring down the losses through contractual obligations, however the same should be considered as an uncontrollable factor and the burden for the same should not be passed to PSPCL. Also, some of the coal is getting sourced from the captive coal mine (M/s Panem Coal Mines) at Pichhwara Block. The contractual obligations from the said coal mine prevent the impact of transit losses on the cost of coal. Therefore, PSPCL is taking various steps to contain the cost of coal especially the issues of transit losses.

Cost of fuel is one of the major expenditures in running a power plant. Also better quality and calorific value of coal has also to be kept in view while purchasing the coal otherwise it may deteriorate the performance of power plant. PSPCL is trying all out efforts to make the coal available at cheaper rates that too with good quality and better calorific value.

Transit loss for FY 2011-12 has been considered 2% normative for the projection for the ensuing year. However, actual transit losses shall be submitted by the Utility during truing-up exercise.

View of the Commission

The Commission has carefully considered the issue of transit loss of coal and holds the same view at present as expressed in the Tariff Order FY 2010-11. As several agencies are involved in the movement of coal, it is difficult to put the entire responsibility for transit losses only on the PSPCL. The Commission has decided that a normative 2% transit loss is reasonable and the same has been adopted. Receipt of coal from the PSPCL's captive coal mine is on an FOR basis and no transit loss is permissible in that case.

Issue No.2: Cost of Power Purchase

In the ARR Petition for FY 2011-12, PSPCL has projected power purchase cost of Rs. 6349 crore, which is very high, and also the increase in purchase of power from external sources, quantity and amount of power purchase through UI is also increasing every year. It is suggested that this burden of extra expenditure should not be passed on to Industrial consumers. Further, as Bhakra and Pong dams are filled up to the maximum water level because of heavy snow in the mountains, PSPCL should purchase less power from the Central pool or other sources and maximum power should be purchased from the projects, which could supply power at cheaper rates.

Further, PSPCL should reduce the quantum of power purchase on account of open access by Large Supply category consumers from the power purchase projected by PSPCL. Similarly, the revenue generation from Large Supply consumers should also not be projected so high as the consumption of large consumers is expected to reduce on account of open access. Further, the power should be purchased with the objective of providing uninterrupted supply to the category from whom the cost can be recovered. Power purchase for Industrial consumers shall yield higher profit margin for PSPCL and will enhance industrial growth.

Response of PSPCL

The projected power purchase for FY 2011-12 will be required to meet the projected sales. Since the demand is increasing, more power will be required to meet the increased demand and hence the power purchase cost is projected to increase along with more power purchase. The real issue is the availability of cheaper power on long term basis. In order to arrange for the same, PSPCL has been making all out efforts to increase its share of in-house generation and has also been tapping the other Central generating stations for providing cheaper power on long term basis. PSPCL has enumerated a list of all such plants from where the power is envisaged to be sourced in the ensuing year in the ARR petition. PSPCL is concerned about its responsibility of ensuring adequate power supply for the consumers in its license area and believes that once the power supply from the aforementioned long term sources gets materialized, the suggested concerns of the consumers will get addressed automatically.

Regarding the issue of open access, the energy on account of Open Access has not been considered in the power purchase of PSPCL. It has claimed the revenue for large consumers corresponding to the sales of large consumers only and not on account of open access.

View of the Commission

Given the energy requirement and availability of power from different sources excluding short-term purchases through traders, 2077 MU of short-term power purchase has been approved by the Commission from traders. Further, the cost of such power that might be purchased through trading has been capped by the Commission.

Regarding power purchase on account of open access by Large Supply category consumers, Refer para 4.1.1.

Issue No.3: Interest Charges

If loans have been taken by PSPCL to compensate the loss due to free supply of electricity to agriculture consumers, then the Government of Punjab (GoP) should bear this interest expenses and the industrial or general consumers should not be forced to bear this extra burden. Further, the Supreme Court in the case of West Bengal Electricity Board v/s CESC has given its Judgment that cross-subsidisation should be stopped. In case the GoP intends to provide free power supply to the agriculture consumer then the loss occurred on account of the same should be borne by the State Government. Further, instead of giving free supply to agriculture consumers, PSPCL or GoP should invest the amount in installation and commissioning of new Thermal Power Plants in the State.

Response of PSPCL

The short-term loans are taken in order to meet the amount disallowed by the Commission in Tariff Order. The Commission allows the interest on short term loans only to the extent of working capital. The disallowance of short term loans by the Commission is putting adverse cumulative impact on the financial viability of the Utility. However, the issue is required to be addressed by taking all the stakeholders together and sensitising them towards the financial health of the Utility along with the concern of the consumers towards any increase in Tariff.

Further stopping cross subsidisation and installing new thermal projects instead of free supply to agricultural sector is prerogative of the Commission.

View of the Commission

Interest charges are allowed by the Commission as per Regulations on the approved borrowings of PSPCL. Subsidy on account of free supply of power to the agriculture sector is being paid, by and large, by GoP. Capacity addition in lieu of free supply of electricity is a matter to be decided by GoP.

Issue No.4: Employee Cost

In the ARR Petition for FY 2011-12, PSPCL has shown a higher employee expenditure of Rs. 3607.75 crore for FY 2011-12 as compared to Rs. 2746.73 crore for FY 2009-10. Further, PSPCL has not provided any time frame to rationalize manpower as committed by the PSEB. Further, in the previous Tariff Order for FY 2010-11, the Commission had allowed the Board to utilize a sum of Rs. 525.00 crore as Pay Commission arrears and this amount has not been spent by PSPCL as such, therefore, the Commission should adjust this amount in the ARR for FY 2011-12. Further, the number of employees retiring in FY 2011-12 has also not been mentioned by PSPCL, and during the Public Hearing, the Commission should ask PSPCL to put up the implementation plans as envisaged in the Petition for FY 2011-12.

Response of PSPCL

The basic pay of employees was revised from November 2009. Therefore, the impact of revision in basic pay for only 5 months was reflected in basic pay of employees in FY 2009-10. In FY 2010-11, this impact has been reflected for entire year. Also, the arrear of FY 2009-10 from August 2009 to October 2009 has been included in the employee expenses of FY 2010-11. The projections for FY 2010-11 and FY 2011-12 also include impact of one-third arrears of pay revision for the period January 2006 to July 2009 amounting to Rs. 285 crore for each year. As regards time frame, it has already been submitted in Para 4.9.6 of the Petition.

In Tariff Order for FY 2010-11, the Commission allowed Rs. 375.48 crore on account of arrears of pay instead of Rs. 525 crore as quoted by the objector. The actual amount spent on this account will be submitted at the time of truing-up before the Commission.

As regards number of employees retiring during FY 2011-12, the required information has been given in Format-9 in the Petition. As regards the implementation plans, the details have been submitted in Annexure-G of Volume-II.

View of the Commission

It is unrealistic to expect any drastic reduction in employee cost of PSPCL. The urgent and immediate need is to properly determine man power requirements over the short and medium term and gradually right-size the staff strength of the PSPCL. Presently, employee cost is allowed to the PSPCL only on the basis of the PSERC Tariff Regulations. The issue of employee cost is discussed in detail in paras 3.10 & 4.9.

Issue No.5: Energy Audit and T & D losses

The information related to 11 kV feeders upto December 31, 2010, number of feeders on which energy accounting is conducted, and feeder-wise loss levels, is available with PSPCL and the same has deliberately been omitted from the Petition by the PSPCL. Further, it is well-established fact that 1% reduction in T&D losses translates to about Rs. 100 crore reduction in the ARR of PSPCL and a reduction of about 4 paise per unit in tariff. The T&D losses have a direct link with the AP consumption and thereby have major impact on the requirement of subsidy to be provided by the Government.

Further, in reply to the objection raised during the ARR process for FY 2010-11 regarding status of incandescent lamp replacement with CFL, PSPCL submitted that 25 lac consumers would be implemented by 31 December, 2010 and the 2nd Phase covering 20 lac consumers will get implemented upto 31 March, 2011, however, in this year's Petition on Page 35 of Volume I, PSPCL has stated that they have started the process of replacement of incandescent lamps with CFL's and expects to achieve the target by December 2012. In this regard, PSPCL should submit the reason for delay in Implementation.

Response of PSPCL

PSPCL has submitted the information according to the formats specified by the Commission wherein nowhere the details of 11 kV feeders have been sought.

As regards reduction in T & D losses, PSPCL ranks among one of the best performing Utilities in the country. Further reduction in T & D losses is very difficult to materialize. Also in Abraham Committee Report in case the loss level of the utility is less than 20%, only 1% reduction in T & D loss has been suggested. However, PSPCL is working continuously to reduce T & D losses by making the system more efficient.

As regards replacement of incandescent lamps, under the scheme of Bachat Lamp Yojna, up to 4 no. incandescent lamps of each of 48 Lac domestic consumers are to be replaced with CFLs at a subsidized rate of Rs. 15 per lamp without any investment by PSPCL. Under phase-I the work in 13 no. circles has been taken up. Balance 7 no. circles shall be covered in phase-II. Entire work is expected to be completed by 31.12.2011. The delay in execution of this project has occurred on account of failure of few firms to execute bilateral agreement leading to cancellation of their Letter of Intents.

View of the Commission

The Commission obtains information as per the prescribed proformae.

The issue of T&D losses is discussed in detail in para 4.2.

Regarding replacement of incandescent lamps, under the scheme of Bachat Lamp Yojna, it is expected that PSPCL will expedite the process. Also, refer Annexure IV, Directive no. 1.

Issue No.6: Defaulting Amount

At the time of submission of its Petition for tariff revision for FY 2002-03, the Board had attached a list of consumers who were in payment default for more than Rs. 10 lac, however, in the ARR Petition for FY 2011-12, there is no mention of such payment defaulter list. Further, PSPCL has not mentioned anything about the efforts being made to recover this amount and the amount already recovered.

Response of PSPCL

PSPCL is regularly furnishing monthly returns to the Hon'ble Commission regarding receivables which includes the information on defaulting amount. However, regular efforts are being made for recovery of defaulting amount from the defaulters which are leading to the reduction in percentage of defaulting amount to the total billed amount over the last few years.

View of the Commission

It may not be necessary for the purpose of the ARR to seek detailed information on arrears due to PSPCL. However, the Commission does obtain data of outstanding arrears on a monthly basis with a view to ascertaining whether PSPCL has been taking adequate steps to liquidate arrears. A directive to this effect has also been issued which is being monitored on a monthly basis.

Issue No.7: Free Power to Employees

PSPCL has not indicated the cost of free supply of electricity to its employees. The free power given to the employees would have been transferred to the revenue, if charged at normal rates, which may have reduced from the ARR of PSPCL.

Response of PSPCL

The free supply to the PSPCL's employees varies in between 100 units per month to 155 units per month. The free supply of electricity is a kind of facility which is provided by the Utility to its employees and thus, forms an inherent part of their salary structure. Similar facilities are also allowed by other Government organizations like Railways, Roadways etc. Besides this, the free energy supply provided by the PSPCL forms the taxable income of the employees of PSPCL.

View of the Commission

The Commission agrees with the response of PSPCL.

Issue No.8: Maintenance Schedule

It has been observed that the maximum power shortage occurs during the months from June to September every year due to increased agricultural demand due to paddy cultivation. Therefore, PSPCL should be directed that the maintenance schedule for thermal Units and hydro Units may be so regulated that none of the Units are taken out for scheduled maintenance during these months for minor or major repairs.

Response of PSPCL

The maintenance of the plants is done in such a way that no unit is under shut down during the maximum power shortage period. However, the same may be considered for deferment for a limited period subject to technical issues, if any, and practicability of the same.

View of the Commission

The Commission agrees with the response of PSPCL.

PSPCL should plan the maintenance of its generating plants as per international standard practices adapted to local conditions.

Issue No.9: Monthly Minimum Charges (MMC)

Since PSPCL has not given regular, uninterrupted and quality supply to Industrial consumers, it is not justified to collect the Monthly Minimum Charges from the Industry and other consumers. The industry is passing through a tough period and striving hard for survival, continuing the levy of MMC will be a big blow for Industry. Further, some of the industries are not able to consume electricity even to cover the pre-revised MMC, therefore, they have no other option but to opt for permanent disconnection and closure of the Industrial units.

The small industries do not have a facility to opt for contract demand and therefore, are required to get connected load around 2-3 times higher than their operational load at any point of time. The charging of Monthly Minimum Charges is anti national in nature because the State/ country is having scarcity of electricity while PSPCL is compelling the consumers to waste the electricity because the consumer has to pay Minimum charges whether he needs electricity or not.

Response of PSPCL

The Monthly Minimum Charges (MMC) are levied on account of inherent cost associated with installation of network which includes O & M cost, interest cost, depreciation, interest of working capital, employees cost etc. Even in the absence of any usage by the consumers, PSPCL has to upkeep the network and the associated fixed costs are incurred. Further, the minimum thresh hold consumption to cover MMC can be achieved by 'switching on' the full load for approximately 1 to 2.5 hours or more per day depending upon the various categories. Accordingly, it is not justifiable to remove the MMC.

View of the Commission

The Commission in its Tariff Order for the year 2004-05 observed that a substantial portion of the erstwhile PSEB's costs are fixed in nature and which do not undergo change with fluctuations in actual energy consumption. Ideally, all such fixed costs need to be recovered through fixed charges, however, PSPCL obtains only a small fraction of this cost through MMC. The Commission holds the same view at present.

The Commission has also separately directed PSPCL to undertake a study to introduce a two-part tariff, comprising of fixed/demand charges, which would recover a good part of the fixed costs, and energy charges, which will recover the cost of electricity supplied. Once the two-part tariff is in place, the MMC may be re-considered.

Issue No.10: Power Cuts

Power cuts for LS and Category-II consumers have increased from 1 day to 3 days in a week. The consumers are forced to install diesel generators, which generate power costing around Rs. 11/ kWh. In this regard, it is suggested that the provision should be made in the Tariff Order to compensate the industrial units for power cut of more than 1 day per week at Rs. 11/ kWh for average daily consumption.

Response of PSPCL

PSPCL understands its responsibility and is trying its best to make power available to all consumers. Further, PSPCL is exploiting all the available resources in the best possible manner. Also, it is exploring all possible ways in which it can procure power and ensure quality and reliable supply to consumers.

View of the Commission

There may not be any case for payment of compensation on account of loss of production etc. caused by imposition of power cuts. At the same time, the PSPCL needs to take all possible steps to procure power at reasonable rates with a view to minimize duration of power cuts, in case they are required to be imposed. In a situation of considerable mismatch between availability and demand of power, unlimited purchase of power is constrained by the high cost of power available during the periods of peak demand.

Issue No.11: Peak Load Exemption Charges (PLEC)

The justification given by PSPCL for levy of PLEC because of higher cost of power purchase during peak times is unjustified as this cost is already included in Power Purchase Budget.

Response of PSPCL

PSPCL submits that:

- Removing the PLEC may provide a larger room for variation between demand and supply. The same may result in situations wherein PSPCL has arranged for lower supply in comparison to the demand and vice versa. Several mismatches between actual demand and supply of power may endanger the security and safety of the grid.
- During the peak load period, PSPCL procures power from the short-term sources to meet such extra demand, which often has to be purchased at high rates on account of poor grid conditions during peak load hours.
- At peak time, the frequency of the system generally falls and the power drawl under such conditions has to be made at high UI rate. Thus, procurement of power at lower frequencies puts extra financial burden on PSPCL.

Considering the above, PSPCL is of the view that PLEC charges may not be removed.

View of the Commission

In the Tariff Order for FY 2004-05, the Commission had observed that there is acute shortage of power in the State especially during peak load hours. Overdrawing under ABT during this period costs much higher than the average power purchase cost. The Commission also observed that both the additional cost of power purchase during peak load hours and the recoveries through PLEC are taken care of in PSPCL expenditures and receipts. Accordingly, the existing rate of PLEC is not considered unreasonably high especially in view of the exorbitant extra costs of power purchase involved. The Commission still hold the same view.

Issue No.12: Theft of Electricity

Controlling theft is the most efficient way of reducing the loading of the feeders and reduction in T&D losses.

Response of PSPCL

PSPCL appreciated the concern of the objector that theft should be controlled in order to reduce T & D losses. PSPCL is putting all out efforts to control the theft of power by identifying the unauthorized connections and cases of theft and penalizing the people involved in them.

View of the Commission

While it is necessary to take stringent action to control theft including legal action in accordance with the law, the Commission believes that it would be more effective if the issue of theft is systematically dealt with. This would include undertaking base line surveys, conducting energy audits at distribution level and segregation of technical and commercial losses. On this basis, the PSPCL would be able to take more focused steps to control and minimize theft.

Issue No.13: Reduction in Manpower

The Commission should direct PSPCL to reduce its manpower and also take other measures to reduce expenditure. The existing tariff is already very high and therefore, it should not be further increased.

Response of PSPCL

No response.

View of the Commission

Tariff is determined on the basis of the provisions of the Electricity Act 2003 and the Commission's own Regulations framed thereunder. Costs permitted to PSPCL are usually normative and no compensation is allowed where such norms are exceeded.

Objection No. 2: PHD Chamber of Commerce and Industry

Issue No.1: T&D losses

PSPCL has indicated that they will reduce the T&D losses from 18% in FY 2010-11 to 17% in FY 2011-12, which will be achieved after the implementation of certain schemes. Out of the schemes mentioned by PSPCL in the ARR Petition for FY 2010-11, except the reactive power management, none of the scheme is likely to reduce the technical losses; however, it may reduce the theft.

Response of PSPCL

The reduction in losses as projected by PSPCL is according to Abraham committee recommendations which clearly envisage the target of reduction of T & D losses by 1% if the existing loss levels are below 20%. The T & D losses are determined by the difference between energy purchased at Transmission periphery and energy realized at consumer end. T&D losses may be reduced by reducing both technical losses and commercial losses. Every scheme listed by objector directly or indirectly contributes towards reduction in losses. By reducing theft, PSPCL will try to reduce the commercial losses as it will help in realizing more revenue which may again result in reduction of T & D losses.

Views of the Commission

T&D losses comprise both technical and commercial losses. Controlling theft will result in reduction of commercial losses. However, the Commission expects PSPCL to expedite the implementation of various schemes initiated by it for reduction of T&D losses. Also refer paras 3.3, 4.2 & Annexure IV, Directive no. 1.

Issue No.2: Power Purchase

Cost of power purchased on account of agriculture consumption during paddy season should be borne by Government of Punjab and not by industrial consumers.

Response of PSPCL

PSPCL is filing the ARR Petition in accordance with PSERC Tariff Regulations, 2005. Power is purchased by PSPCL on the basis of overall demand and not on the basis of individual category. Also the Tariffs for various categories are determined by the Commission during the year. The real issue is the availability of cheaper power on long term basis. In order to arrange for the same, PSPCL has been making efforts to increase its share of in-house generation and has also been tapping the other Central generating stations for providing power on long term basis. PSPCL has enumerated a list of all such plants from where the power is envisaged to be sourced in the ensuing year in the ARR petition. PSPCL is concerned about its responsibility of ensuring adequate power supply for the consumers in its license area and believes that once the power supply from the aforementioned long term sources gets materialized, the suggested concerns of the consumers will get addressed automatically.

Views of the Commission

It is true that PSPCL has usually to make costly purchases to meet high demand during the paddy season but not all power that is obtained in this manner is consumed exclusively by AP consumers.

Issue No.3: Employee Cost

Employee Cost is increasing despite decrease in number of employees. The senior employees are much more and should be reduced by offering VRS to them. The employees cost should not be more than Rs 2400 crore per annum and the Commission should compare the same with the Tamil Nadu where the total number of consumers are more than Punjab but the employee cost is much less as compared to Punjab.

Response of PSPCL

The basic pay of employees was revised from November 2009. Therefore, the impact of revision in basic pay for only 5 months was reflected in basic pay of employees in FY 2009-10. In FY 2010-11, this impact has been reflected for entire year. Also, the arrear of FY 2009-10 from August 2009 to October 2009 has been included in the employee expenses of FY 2010-11. The projections for FY 2010-11 and FY 2011-12 also include impact of one-third arrears of pay revision for the period January 2006 to July 2009 amounting to Rs. 285 crore for each year. As regards VRS of senior employees, PSPCL submits that senior and experienced people are an asset for every organisation for its proper and efficient working.

View of the Commission

Refer objection no. 1, issue no. 4.

Issue No.4: Interest and Finance Charges

Interest on short term borrowings is high primarily on account of Government subsidy not being released on time. The Commission should not approve this increase in interest cost in the ARR. Further, since the subsidy for the period when free supply to the agriculture was announced is still pending therefore, such loans may be adjusted against the pending subsidy and not against the current subsidy.

As per the Electricity Act 2003, at the time of unbundling, the successor entities were to be given a clean balance sheet, therefore, the interest and finance charges on account of pending subsidy should not be approved in the ARR.

Response of PSPCL

Due to the interest on short term loans disallowed by the Commission, the Utility is facing the cash crunch. Since it has to repay the short term loans along with interest which is not allowed by the Commission, it results in further increase in liabilities of the Utility and this is making a cumulative impact on the Utility. It is adversely affecting the financial viability of the Utility. Therefore, the Commission is requested in the Petition to allow the interest and finance charges as per actual. The Commission is also requested that the Government of Punjab may be impressed upon to pay the interest on unpaid subsidy for the period of delay.

As regards the clean balance sheet, the available balance sheet is provisional in nature and it is yet to be finalized. PSPCL has filed the truing-up of FY 2009-10 on provisional basis according to the audited accounts and not according to the provisional balance sheet.

View of the Commission

The interest allowable to PSPCL on short term or long term borrowings is only in respect of costs that are allowed by the Commission as per norms. Also refer paras 3.14 & 4.13. The subsidy along with interest on delayed payment of subsidy is paid by GoP to compensate the Utility for any delay on this account. Also refer para 3.15.

The issue of the successor entities starting with a clean Balance Sheet falls within the ambit of GoP.

Issue No.5: Agriculture consumption

The computation of agriculture consumption on the basis of sample energy meters, which has been increased to 10% of tube-well connections is not prudent. PSPCL should be asked to provide energy meters to all the tube-well connections for the purpose of estimation of agriculture consumption.

Response of PSPCL

The computation of agriculture consumption on the basis of sample energy meters is done as per the directive of PSERC. The directive of PSERC is to provide sample meters on 10% of the total flat rate tube-well connections. Presently there are 1124397 no. flat rate AP connections ending December 2010 and 103679 no. sample meters have been installed which is 9.22% of the total flat rate AP connections.

View of the Commission

The Electricity Act, 2003 provides for metering of all electric connections. The Commission has already directed PSPCL to ensure that the provisions of the Act are complied with. The Commission reiterates its directive.

Issue No.6: kVAh Tariff

kVAh based Tariff has not been implemented and is being delayed by PSPCL. Till date, only the Committee has been constituted by PSPCL to formulate the Terms of Reference for short-listing of contractors.

Response of PSPCL

PSPCL submits that it has already floated Tender for engagement of consultants for conducting study and giving comprehensive proposal for implementation of kVAh based Tariff.

View of the Commission

The PSPCL should submit their comprehensive proposal for introducing kVAh tariff in a limited time frame after which the Commission will take a view in the matter. Also refer Annexure IV, Directive 5.

Issue No.7: Average Cost of Supply

For FY 2011-12, PSPCL has projected an increase of 2.2% in average cost of supply as compared to that in FY 2010-11. The increase in average cost of supply is meagre and moreover the industry is already subsidizing other consumer categories. Therefore, there should not be any increase in tariff for the industrial consumers.

Response of PSPCL

It is the prerogative of the Hon'ble Commission to decide the category-wise Tariff rates.

View of the Commission

The Commission processes the ARR according to its Tariff Regulations, and determines the cumulative revenue gap and accordingly revises the tariff for various categories of consumers, to recover the same.

Issue No.8: Open Access

The levying of cross subsidy surcharge on the open access consumer is not prudent, as wheeling charges and transmission and distribution line losses have already been charged under the Open Access Charges. Moreover, the cross-subsidization has to be eliminated during the years from 2005 to 2015, however, till date, no roadmap has been provided by the Commission.

Response of PSPCL

PSPCL is levying surcharge in accordance with Reg.17 of PSERC Open Access Regulations which is as under:

"17. Surcharge

1. In addition to transmission charges and wheeling charges, a consumer availing Open Access to the transmission system and/or distribution system shall pay a surcharge worked out in the manner laid down hereunder;

   Provided that such surcharge shall not be leviable in case Open Access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.…"

As there are large numbers of Open Access consumers in Punjab so surcharge has to be levied on open access consumers. As far as elimination of cross-subsidisation is concerned it is the prerogative of the Hon'ble Commission.

View of the Commission

The various charges including cross subsidy surcharge for open access consumers are leviable as per Commission's Regulations.

As regards the reduction in cross subsidy, the Commission in its Regulations has already specified the phased reduction in cross subsidy by the year 2015 though total elimination of the same is no longer envisaged in the Electricity Act, 2003. A gradual reduction in cross subsidy in percentage terms has been effected in previous years. An increase in average cost of supply will however, result in increase in cross subsidy in real terms.

Issue No.9: HT Rebate

The industrial consumers, who have installed their own sub-station of 66 kV and above may be given a rebate of 10% (instead of 3% on 66 kV and 5% on 220 kV), as the industry has to bear huge installation cost and maintenance cost.

Response of PSPCL

The opinion and the objection raised by the objector has already been discussed by the Commission in detail in the Tariff Order for FY 2009-10. The relevant paragraph is reproduced below:

"…The Commission observes that voltages at which supply is to be given to different categories of consumers have been specified in the Conditions of Supply since last more than ten years and the Board was required to release all new connections/additional loads/demands at the voltage specified in the Conditions of Supply. Therefore there is no logic in any rebate in tariffs to a consumer who is given supply at the specified voltage for that category. The Commission also observes that there is a need for the existing consumers getting supply at a lower voltage to convert to the specified voltage for benefit of the system and to reduce T&D losses. However actual conversion of supply voltage of the existing consumers will require some time. There could also be technical constraints in conversion of supply voltage or release of a new connection and or additional load/demand at the prescribed supply voltage which merits consideration…"

Further, the supply voltage for any connection depends upon the nature, quantum and type of load. New connections at higher voltage are taken by the consumers keeping their own interest in view. Accordingly the issue of continuation of rebate to HT consumers need not be reconsidered by the Commission.

View of the Commission

Presently HT rebate is available with effect from 01.04.2010 in compliance with ATE Order of 31.08.2010 read with the Commission's Order dated 06.01.2011. Cost of supply study has been initiated by PSPCL. The Commission shall take cognizance of this study keeping interests of all consumers in view.

Issue No.10: Power Factor Surcharge

At present power factor surcharge is being charged at the rate of 1% if the power factor falls below 0.9% to 0.89% whereas rebate is given for the same increase at the rate of 0.25%. The power factor surcharge should be at par with the power factor rebate.

Response of PSPCL

The power factor surcharge helps in maintaining the system performance If power factor falls below 0.9% to 0.89%, the consumers are penalized at the rate of 1% while if the power factor is raised above 0.9% then, rebate of 0.25% is given to the consumer as power factor incentive. Thus, it helps in maintaining the power factor and making system efficient. Further, it is as per the General Conditions of the Supply and Schedule of Tariff as approved by the Hon'ble Commission.

View of the Commission

In the Tariff Order FY 2004-05 the Commission had, after detailed discussion, besides fixing the threshold limit for power factor incentive as 0.90 in respect of Large Supply (General Industry), Medium Supply and 0.95 in respect of Power Intensive Units (PIUs) & Arc Furnaces and Railway Traction also allowed incentive for higher power factor @ 0.25% on consumption charges for each 0.01 increase in power factor above 0.90 for Large Supply (General Industry), Medium Supply and 0.95 for PIUs & Arc Furnaces and Railway Traction . The Commission holds the same view at present.

Issue No.11: Voltage wise Tariff

The large industry requested the Commission to fix the tariff on the basis of voltage of supply, i.e., 440 volts, 11 kV, 66 kV and 220 kV. This will simplify the procedure and reduce litigation.

Response of PSPCL

The fixation of Tariff rates on supply voltage basis is the prerogative of the Commission.

View of the Commission

It has been informed that PSPCL is conducting a study to determine voltage-wise & category-wise cost of supply for various categories of consumers. The Commission will take a view on the same, once the results of the study are available.

Objection No. 3: Mandi Gobindgarh Induction Furnace Association

Issue No 1: Status of ARR and Tariff Petition

According to para 3 of the Petition, it is submitted that the Petition is provisional since it is based on provisional accounts and there are certain formalities to be completed to finally separate the Balance Sheets of the two successor Companies, viz., PSPCL and PSTCL. Keeping the Petition provisional is not in the interest of the consumers. Hence, a time limit may be fixed to finalise the assets and liabilities of the successor Companies and they may be directed to submit the final Petitions.

Response of PSPCL

Finalisation of restructuring exercise is within purview of the State Government and beyond the control of the PSPCL and hence, cannot be commented upon.

View of the Commission

The projections in the tariff order are firmed up during review and true up subsequently.

Issue No 2: Cross Subsidy

The Regulations provides for reduction of cross subsidy and elimination of cross-subsidy within ten years from FY 2005-06 and thus the desirable reduction till the year 2011-12 is 60%. The per Unit cross subsidy for FY 2005-06 in absolute terms was 71 Paise per Unit. The target reduction in cross subsidy till FY 2011-12 is 42 Paise per Unit. Thus, the actual cross subsidy should be 29 Paise per Unit. Cross-subsidy in percentage terms for FY 2005-06 was 21.6% and the target reduction till FY 2011-12 is 12%. Thus, the actual cross subsidy should be 9%. The cross subsidy for LS consumers may be allowed up to the quantum suggested above

Response of PSPCL

The Electricity Act 2003 stipulates that cross subsidies have to be progressively reduced with in the band specified. Percentage-wise cross-subsidy for LS Consumers has come down over the years and during FY 2010-11, this figure is 14.37%. Commission may consider the issues raised by the objector appropriately keeping in view the financial health of PSPCL and ensure revenue neutrality of PSPCL.

View of the Commission

The Commission has in its Regulations already specified the gradual reduction of cross subsidy though total elimination of the same is no longer envisaged in the Electricity Act'2003. A gradual reduction in cross subsidy in percentage terms has been effected in the previous years. An increase in average cost of supply will, however result in increase in cross subsidy in real terms.

Issue No 3: Transmission and Distribution Losses

PSPCL has projected consolidated T&D losses at 17% for FY 2011-12. However, it should project only the distribution losses, while transmission losses are separately accounted for by PSTCL. Also, Sections 61(g) and 62(3) of the Electricity Act, 2003 provide for calculation of cost of supply of electricity to various consumer categories. Theoretically, the transmission losses of EHT consumers and HT consumers should not exceed 3% and 7%, respectively. Loading consolidated T&D losses on EHT/HT consumers is not justifiable. Hence, the tariff for EHT/HT consumers for the year may be loaded with transmission losses only.

Response of PSPCL

The boundary metering between the assets of PSPCL and PSTCL is not yet provided. In such a situation, the segregation of transmission and distribution losses is not feasible at this stage.

View of the Commission

Refer para 4.2.

Issue No 4: Agriculture Consumption

The assessment of AP consumption was made at 1930 kWh/kW/year by PSEB in FY 2002-03. The study conducted by Punjab Agricultural University, Ludhiana also resulted in similar assessment. The consumption depends on the kW, Power Factor, efficiency of the motor and the number of hours of supply. The multiple of Power Factor and Efficiency came to 0.62 and the expected hours of supply per annum was 1200 hours, leading to a consumption norm of 1935 kWh/kW/year. The study conducted by ABPS Infrastructure Advisory Pvt. Ltd. cannot be relied upon as there is vast difference between results given in initial report and the draft final report. Annual AP consumption may be calculated as per the number of hours of supply multiplied by the factor of connected load.

Response of PSPCL

The consumption in Agriculture sector not only depends on the connected kW, power factor, efficiency of the motor and number of supply hours but also on various other factors like quantum of rainfall, change in cropping pattern, changing water table, type of motor etc. It is due to these reasons that AP Factor may vary from year to year. PSPCL agrees with the observations of the objector on the results of study conducted by ABPS Infrastructure.

View of the Commission

The objective of the Commission is to make a more accurate estimation of AP consumption and towards that end the Commission is working in consultation with the PSPCL (erstwhile PSEB). The Commission has been repeatedly emphasizing the need of instituting regular energy audits at distribution level. Putting in place such a system in respect of AP feeders would be another step that will provide a useful cross check of AP consumption estimated through readings of sample meters. AP consumption is primarily to be estimated on sample meter readings and AP factor worked out on the basis of connected load. To the extent that there are aberrations in the reporting of data by PSPCL, consumption has to be suitably curtailed. In addition, the Commission has already directed PSPCL to ensure that the provisions of the Electricity Act 2003 Act for metering of all electric connections are complied with.

Also refer paras 2.2.3, 3.2.3 and 4.1.3.

Issue No 5: Open Access and Power Purchase

Mandi Gobindgarh Induction Furnace Association have been urging that the power purchase may be increased as per the requirement of Large Supply consumers and the purchase plan may be taken up accordingly. However, the Large Supply category is made to suffer through power cuts. The contention of PSPCL regarding Open Access consumers is uncalled for and not reasonable. In case PSPCL provides the required quantum of power to the Open Access consumers by improving power purchase, the situation explained in para 4.8.9.10 of the Petition (unimaginable load on PSPCL system because of Open Access) can be avoided. Open Access consumers will not opt for purchase of power through open access in case power is supplied without power cuts.

Response of PSPCL

Objection raised indicate that the real issue is the non-availability of cheaper power on long term basis. In order to reduce demand and supply gap, PSPCL is making all efforts to increase its own generation through addition of generation projects within the State and also increase its share through contracts with other Central Generating Stations for providing power on long term basis. These steps will lead to optimise the power procurement cost.

As regards Open access, Section 42 of the Electricity Act, 2003 states as under:

.....“42. Duties of distribution Licensee and open access

….

2. The State Commission shall introduce open access in such phases and subject to such conditions, (including the cross subsidies, and other operational constraints) as may be specified within one year of the appointed date by it and in specifying the extent of open access in successive phases and in determining the charges for wheeling, it shall have due regard to all relevant factors including such cross subsidies, and other operational constraints: Provided that such open access may be allowed before the cross subsidies are eliminated on payment of a surcharge in addition to the charges for wheeling as may be determined by the State Commission: Provided further that such surcharge shall be utilised to meet the requirements of current level of cross subsidy within the area of supply of the distribution licensee : Provided also that such surcharge and cross subsidies shall be progressively reduced and eliminated in the manner as may be specified by the

State Commission: Provided also that such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.

..."

Further Reg. 17 of PSERC (Open Access) Regulations, 2005 states as under:

"17. Surcharge

1. In addition to transmission charges and wheeling charges, a consumer availing Open Access to the transmission system and/or distribution system shall pay a surcharge worked out in the manner laid down hereunder;

   Provided that such surcharge shall not be leviable in case Open Access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.
2. The current level of cross-subsidy shall be the cross-subsidy for a consumer category as determined by the Commission in the Tariff Order applicable for the year for the distribution licensee of his area of supply;
3. The current level of cross subsidy for a consumer category shall be the basis for determination of the surcharge applicable to that consumer category. The surcharge shall be equal to one-half(50%) of the current level of cross subsidy ;
4. The Surcharge shall be paid to the distribution licensee of area where the premises of the consumer availing Open Access are located ; and
5. The consumers availing Open Access exclusively on interstate transmission system shall also pay the same surcharge as determined under this Regulation.
6. The consumers availing Open Access through dedicated lines even without involving licencee's Transmission and / or Distribution System shall be liable to pay same surcharge as determined under this Regulation."

At present the surcharge to be levied on open access consumers is zero in Punjab. It is required to provide Open Access to its consumers provided that appropriate mechanism for addressing the cross-subsidy impact is put in place so as to ensure PSPCL remains revenue neutral.

View of the Commission

Providing open access is mandated under the provisions of the Electricity Act, 2003. Accordingly, the Commission has notified its Open Access Regulations.

Regarding power purchase, refer para 4.8.

Issue No 6: Time Limit for Energy Meters Installation

Almost one decade has lapsed and satisfactory level of AP consumption acceptable to all stakeholders has not yet been achieved. A directive may be given to PSPCL to install the energy meters on 100% connected load before 31st March, 2012. The Commission has already directed the Board to install the meters and comply with the provisions of Section 55 of the Electricity Act, 2003. However, the explanation given in the Petition is that the reading of the expected number of meters is not feasible manually and PSPCL is making efforts to take meter readings online. However, it will not be feasible in the near future to read each and every meter online. It is also not the requirement of the Act.

Response of PSPCL

PSPCL is already complying with the directives of the Commission with respect to the AP metering under which the size of sample meters is being increased to 10% for assessment of AP Consumption. To arrive at accurate AP consumption, it has already segregated AP Load from other mixed rural load on more than 90% of the feeders by erecting independent 11 kV lines. Data of pumped energy of more than 2200 no. AP feeders have started flowing through AMR system. However, there are some discrepancies in the data formats which are under rectification by the contractor. The consumption calculated on the basis of sample meters can be cross verified from AMR data immediately after validating and testing the AMR system shortly.

View of the Commission

Same as issue no.4 above.

Issue No 7: Government Subsidy

PSPCL has submitted that the unpaid subsidy due from GoP for FY 2009-10 is Rs. 152 crore and that for FY 2010-11 is Rs. 334 crore. The interest on the loans taken against this overdue subsidy may be disallowed. This is as per the order of the Hon'ble Supreme Court.

Response of PSPCL
PSPCL has to borrow from short-term market to meet the cash expenses on account of unpaid subsidies from Government of Punjab and has to pay interest to lenders on this account. PSPCL as a regulated entity has to recover these costs either from consumers or from the Government. The Commission may consider the objection keeping the financial position of PSPCL in view.
View of the Commission
Subsidy is being paid, by and large, by GoP along with interest on delayed payment of subsidy. Also refer paras 2.18 & 3.15.

Issue No 8: Return on Equity
PSPCL has claimed Return on Equity @ 22.96%, which is not in accordance with PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005. Income tax and surcharge on it is payable by the Utility and cannot be passed on to the consumers. RoE @ 14%, as specified in the Regulations should be allowed.
Response of PSPCL
Section 25 (1) of PSERC Tariff Regulations 2005 states as under:

"25. Return on Equity

1. Return on Equity shall be computed on the paid up equity capital determined in accordance with Regulation 24 and shall be guided by the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 as amended by the CERC from time to time. The same principles will apply for distribution business also as far as possible….."

PSPCL accordingly in the Petition, has requested the Commission to allow return on equity on the basis of CERC Tariff Regulations, 2009
View of the Commission
Refer paras 3.16 & 4.15.

Issue No 9: Energy Balance
The projection of sales to various consumer categories in Table 4.1 of the Petition does not show the sales quantum projection to Large Supply consumers, while in Table 4.2, the growth rate for Large Supply consumers is shown as 6.54%. It seems that the scheduled power cuts to Large Supply consumers are not considered while projecting sales. This will increase the power cuts further. It will be appropriate to take growth rates of previous years, which was 8.51% and accordingly power purchase may be allowed for higher quantum. The Large Supply consumers are getting the facility of Open Access, but PSPCL is facing technical problems when Open Access consumers shift their load. It will be better if PSPCL purchases power though Open Access and supplies to the consumers.
Scheduled power cuts are being imposed during the winter months as well. This year during summer and the peak load period, power cuts have increased to much higher level than the previous years. Intimating the Utility beforehand about switching the load to open access is not possible, Utility may purchase power through open access and supply to consumers.
Response of PSPCL
There is a deviation in the approach for projecting the sales of Large Supply consumers. This is due to significant increase in open access transactions during FY 2010-11 which is expected to rise further. PSPCL has estimated the sales to Large Supply consumers based on the best available information.
PSPCL has been making all efforts to increase share of its own generation and has also been tapping the other Central generating stations for providing power on long term basis. PSPCL has enumerated a list of all such plants from where the power is envisaged to be sourced in the ensuing year in the ARR petition.
PSPCL is concerned about its responsibility of ensuring adequate power supply for the consumers in its license area and believes that once the power supply from the aforementioned long term sources gets materialised, the suggested concerns of the consumers will get addressed automatically. It may not be feasible for PSPCL to collect information from individual customers on their open access requirement and then procure power on behalf of them. PSPCL has not got any spinning reserve to absorb the severe fluctuations caused by open access. The Hon'ble Commission may decide on a feasible mechanism between the open access consumers and PSPCL to mitigate severe fluctuations caused by switching of loads of Large Supply consumers.

View of the Commission
The Commission has estimated sales to metered categories including Large Supply category as per its regulations.
PSPCL needs to take every step possible to procure power at reasonable rates with a view to minimizing duration of power cuts should they be required to be imposed. In a situation of considerable mismatch between availability and demand of power, unlimited purchase of power is constrained by the high cost of power available during the periods of peak demand. Further, PSPCL must take all possible steps to add generation capacity in the shortest possible time frame. Also, refer paras 4.1 & 4.8.

Issue No 10: Interest and Finance Charges
Interest and Finance Charges were Rs. 857 crore in FY 2007-08 and increasing since then. The projected requirement for FY 2011-12 is Rs. 2203.27 crore. The reasons for this steady increase are required to be established.
Response of PSPCL
PSPCL recognises the increasing burden of interest and finance charges and its adverse impact on the financial viability of PSPCL over the past few years. Cumulative disallowances, adjustment of subsidy payments by Government of Punjab against interest on loans over the years have led to such a situation. It is in the interest of all the stakeholders that burden of loans on PSPCL should be reduced. PSPCL appreciates the concern of consumers in this regard and requests the Hon'ble Commission to address the issue by giving appropriate directives to all the stakeholders.
View of the Commission
GoP and the PSPCL need to ponder over the rising debt and accumulated loans of the PSPCL and decide upon measures necessary to contain the same so that financial health of the Utility improves over time. However, the Commission is allowing interest and finance charges on the basis of notified Regulations.

Issue No 11: Aggregate Revenue Requirement
The major components of the Aggregate Revenue Requirement are fuel cost, employee cost and interest charges. All three expenses are increasing at a much higher rate in FY 2010-11 and FY 2011-12 as compared to FY 2009-10. The basis of increase in costs may be thoroughly examined before accepting the projections.
Table 4.33 of the Petition (Revenue Gap) reflects ever increasing trend of Revenue Gap. This increase in Revenue Gap may be thoroughly examined and reduced to the minimum with specific direction to reduce the gap by minimum 30% every year. Accordingly reduction in tariff should be allowed.
Response of PSPCL
Increase in fuel cost, employee cost and finance charges are based on actual expenditure incurred and the reasons for the same have already been elaborated in the Petition.
Revenue gap has increased due to the cumulative effect of amount disallowed by the Commission under various heads. Short-term loans are raised by PSPCL to meet the cash crunch. The Commission allows short-term loans only to the extent of working capital which again result in non-repayment of short-term loans and thus, increase in outstanding liabilities. This situation is leading to piling up revenue gap which is creating a cumulative adverse impact on the financial viability of the Utility**.**
View of the Commission
The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariff for various categories of consumers, to recover the same.

Objection No. 4: Cycle Trade Union
Issue No.1: Advertisement
The method of advertising the ARR Petition is wrong and incomplete and is not in the interest of public/consumers of PSPCL.
Response of PSPCL
The objector has neither explicitly detailed the manner in which the current process is wrong and not in the interest of the consumers now suggested alternate manner in which the same could be made more effective. PSPCL is following the process as directed by the Commission. While doing so all technical and financial details are duly shared by PSPCL.

However, in case the consumer can suggest any other manner so as to make the process more effective, the same may be considered by the Hon'ble Commission.

View of the Commission

The public notice is issued to draw attention to the ARR Petition, which is otherwise available on the website and in the offices of PSPCL. The process is in line with the nationwide practice.

Issue No.2: Tariff hike

The advertisement does not mention the proposed category-wise increase in tariff as well as Monthly Minimum Charges from existing tariff to new proposal for FY 2011-12, as was adopted by PSEB till the formation of PSERC. There should be no increase in tariff and MMC.

Response of PSPCL

PSPCL has projected the anticipated Annual Revenue Requirement and requested the Commission to approve the same. The final impact on Tariff could be ascertained once the Hon'ble Commission, after applying the prudence check, approves the final Aggregate Revenue Requirement for the year 2011-12 and further decides the way by which such Aggregate Revenue Requirement is to be recovered through tariff from the consumers.

View of the Commission

It is indeed desirable that the ARR should include specific tariff proposals as well. However, increase in tariff is to be effected to cover the gap between projected revenue and expenditure of PSPCL. An estimation of the tariff increase is therefore, possible even if the ARR does not specify the proposed tariff increase.

Also refer objection no.3, issue no.11.

Objection No. 5: Northern Railway

Issue No.1: Traction Tariff

The existing energy charges of Railway traction at Rs 5.41/kWh is not justified, as the projected net cost of power purchase of PSPCL for FY 2011-12 has been indicated as Rs 3.57/kWh. Further, the increase in Railway Traction tariff will have cascading effect on passenger fares as well as on the prices of commodities being hauled.

The Govt. of India, Ministry of Energy, issued an Advisory Circular dated May 1, 1991, wherein it emphasized the importance of providing electricity for Railway Traction at reasonable price so that electric traction does not prove to be costlier than diesel traction, which involves the consumption of precious diesel oil. Further, the Appellate Tribunal for Electricity (ATE) has in its Judgment dated November 28, 2007 in case of Northern Railway Vs Uttarakhand Electricity Regulatory Commission (UERC) in Appeal No 219 of 2006, stated that the tariff fixed for the appellant is much more than the HT Tariff also remains unexplained, therefore, Railway tariff should be reduced below HT Tariff.

Response of PSPCL

In the State of Punjab, single-part tariff is applicable whereas two-part Tariff is prevalent in Haryana, Delhi, UP and Uttarakhand. However, the same should be done by taking into account the financial health of the Utility and its inability to meet its ARR with even the existing tariffs as submitted in Tariff Petition. A comparison of traction Tariff is tabulated under:

S. No	State	Approved Traction Tariff	
		Fixed Charge	Variable Charge
1	Maharashtra	Nil	Rs 5.80 / Unit
2	Delhi	Rs. 150/kVA/Month	Rs 3.60/ kVAh
3	Gujarat	Rs. 160/kVA/Month	Rs. 4.55/ Unit
4	Punjab	Nil	Rs. 5.41/ Unit
5	Uttarakhand	Rs.160/ kVA/Month	Rs. 3.10 / Unit
6	Haryana	Rs. 125/kVA/Month	Rs. 4.55/ Unit
7	Madhya Pradesh	Rs. 200/kVA/Month	Rs. 4.50/ Unit
8	Chattisgarh	Rs. 300/kVA/Month	Rs. 2.60/ Unit
9	Bihar	Rs. 180/ kVA/Month	Rs. 4.38/ Unit

S. No	State	Approved Traction Tariff	
		Fixed Charge	Variable Charge
10	Karnataka	Rs. 180/ kVA/Month	Rs. 3.55/ Unit

Therefore, the total amount payable would be higher as it would include fixed charges as well. Moreover, Railways obtain continuous power supply as compared to other industrial consumers as no peak load restrictions, weekly-off days or power-cuts are imposed in their case. Moreover, Railways traction load fluctuates considerably and generates harmonics, which are damaging the system.

View of the Commission

The quality of service rendered to the Railways is far better as compared to other consumers of the PSPCL as neither peak load restrictions nor weekly off days nor normal power cuts, are applicable to Railway Traction. Moreover, the load of Railways fluctuates considerably and also generates harmonics, which adversely affects the system.

Tariff fixation is governed by stipulations of the Electricity Act, 2003 and in doing so, Regulatory Commissions are required to be guided by the provisions of the National Electricity Policy, National Electricity Plan and the Tariff Policy. Significantly none of these make any reference to the need for a preferential Tariff for Railways or for fixing it at levels which are at par or lower than those applicable to industrial/bulk consumers. Also, a careful perusal of Article 287, to which a reference has been made, reveals that this Article primarily deals with exemption from taxes in the supply of electricity to the institutions of Govt. of India and the Railways and implies that where there is a tax on the sale of electricity, the price applicable to the Central Govt. agencies or to Railways will be net of that tax. It does not stipulate the manner in which tariff applicable to Railways is to be determined.

However, the Commission is of the view that a study needs to be instituted by PSPCL to investigate into the character of the load of the Railways including the impact of harmonics etc and their consequent financial implication.

Issue No.2: Cost of Supply

PSPCL, in its Petition for FY 2011-12, has not mentioned the category-wise/voltage-wise cost of supply. In this regard, the ATE in its Judgment dated 26 May, 2006 in Appeal No. 4 of 2005 directed that the “Commission should determine the cost of supply of electricity to different classes and categories of consumers”. The Commission should work out the cost of supply to Railways, as the provisions of the Electricity Act, 2003 also mandate that the tariff should progressively reflect the cost of supply of electricity by gradual reduction in cross subsidy. The cost of supply to the Railways would be the lowest if determined category-wise as it takes supply at 132/220 KV.

Response of PSPCL

Determination of tariff is the prerogative of the Commission. As regards cost of supply, PSPCL submits that M/S TERI has already been appointed as consultants to conduct ‘Cost of Supply’ study. Their proposed methodology is under study with PSPCL. The study is scheduled to be completed by March 2012. It is a time-consuming exercise as it involves logging of actual data over a long period.

View of the Commission

So far, the Commission did not find it feasible to design tariff based on cost of supply as the relevant data is not available. In fact, the distribution licensee has been directed to ensure that a study is undertaken to obtain the relevant information which would in future guide the Commission in this respect. However, a road map for reduction of cross subsidy already stands provided and the Commission is gradually moving towards that objective.

Issue No.3: T&D losses

The proposed T&D loss level of 17% for FY 2011-12 is appreciable but the T&D losses of other Discoms are still lower as compared to PSPCL. PSPCL should make extra efforts to reduce the losses and its benefits should be passed on to the consumers by way of reduction in tariff.

Response of PSPCL

The Abraham Committee recommendations have been referred while proposing target of loss reduction in FY 2010-11 and FY 2011-12, in which it is clearly mentioned that the target of T & D losses may be reduced by 1% if the existing loss level is below 20%.

View of the Commission

Refer paras 3.3 and 4.2.

Non achievement of T&D loss levels by PSPCL does not cast any additional burden as the Commission determines the cost allowable to PSPCL on the basis of targets prescribed and not on the actual loss incurred.

The Commission is fully concerned to contain T&D losses and had given suitable directives in this regard (Annexure IV, Directive 1). Implementation of directive, shall be closely monitored by the Commission.

Issue No.4: Traction tariff versus Central Generating Station Rates

The Traction tariff should be based either on the cost of generation or cost of purchase from Central Generating Stations such as NTPC/NHPC, with reasonable additional charges for wheeling of power and administrative charges. Projected figure of power purchase for PSPCL for FY 2011-12 from Central Generating Stations such as NTPC/NHPC is Rs 2.86/1.76 per kWh, whereas existing traction tariff for Railways is Rs 5.41/Unit. Therefore, the Commission should direct PSPCL to correct the distortion in tariff.

Response of PSPCL

PSPCL has to pay for transmission losses and charges in Northern Region in addition to bearing transmission and distribution losses in its own system. These other administrative, operational and maintenance costs have to be added to the cost of its own generation or purchase of power from Central Generating Stations. Taking these factors into consideration, there is merit in charging higher tariff to Railways as compared to other consumers.

View of the Commission

Same as issue no.1 above.

Issue No.5: Time bound revision of Contract Demand

A time-bound schedule should be formulated for the revision of Contract Demand for Railway Traction loads. It is suggested that PSPCL should revise the Contract demand within 30 days from the date of application by Railways.

Response of PSPCL

The Commission, in the matter of re-determination of tariff for FY 2008-09 (Petition No. 5 of 2008) has already ruled as under:

“4. Revision of Contract Demand

The Commission has specified a time frame for the release of new connections and approval of additional load/ contract demand in its Electricity Supply Code and Related Matters Regulations, 2007. In view thereof, the Railways’ concern that applications for enhancement in CD require to be addressed in a specified period has already been addressed.”

PSPCL understands that revision of Contract Demand may require system strengthening at times. In case system strengthening is not required for revising Contract Demand as per request of the consumer, the suggested schedule can be implemented. However, where system strengthening is required, the request of the consumer for increase in Contract Demand could be accepted only after the completion of works and the time frame cannot be committed in advance.

View of the Commission

The Commission agrees with the response of PSPCL. The issue has been addressed by the Commission in the PSERC (Electricity Supply Code and Related Matters), Regulations, 2007 and Conditions of Supply effective from April 1, 2010.

Issue No.6: Power Factor Surcharge and Incentive

Northern Railways' load is inductive in nature and without adequate capacity of capacitor banks, inherent power factor of traction load is around 0.70 lagging. Therefore, Railways have to spend substantial amount on setting up of capacitor banks to attain the Power factor of 0.95. This arrangement also compensates the lower power factor of other loads connected to the Grid, thereby increasing the grid stability and reducing the requirement of reactive power as well as line losses. During the off-peak period when other types of HT loads reduce considerably, the Railways traction load on the grid remains almost constant. Further, the rebate should be enhanced for Railways to 0.5% for every 0.01 increase in Power factor above 0.90 as is the case in neighbouring states like Haryana.

Response of PSPCL

The opinion and the objection raised by the objector has already been discussed by the

Commission in its Order of 19.1.2011 in the matter of Re-determination of Tariff for FY 2008-09 (Petition No.5 of 2008) & FY 2007-08 (Petition No.7 of 2007) as under:

"5. Power Factor Surcharge/Incentive

A power factor incentive is already available to all Large Supply (general industry), Medium Supply, Bulk Supply and Domestic Supply/ Non-Residential Supply Consumers with loads exceeding 100 kW and catered at 11 kV or higher voltages. Presently, this incentive @ 0.25% on the bill amount for each 0.01 rise in power factor above 0.90 when the monthly average power factor exceeds 0.90. The threshold for allowing power factor incentive in the case of Power Intensive Units, Arc Furnaces and Railways Traction has been fixed as 0.95. This distinction has been kept since basic characteristics of this category ensures a higher power factor. In the circumstances, the Commission has always held that incentive should be made available for actual improvement in system conditions and not just for maintaining the status quo. It is evident that there is neither any discrimination only in respect of Railways while determining a higher threshold limit for power factor incentive but there is ample justification for maintaining that distinction. The Commission, accordingly, finds no merit in the contention of Railways for lowering the threshold limit for power factor incentive from 0.95 to 0.90 and for allowing higher power factor incentive at the rate of 0.5% for every increase of 0.01 in power factor."

PSPCL understands that the differential power factor incentive is due to various consumers having different inherent power factor. Moreover, the requirement of attaining a power factor of 0.95 is applicable not only in the case of Railways but also to other Power intensive units and arc furnaces. Therefore, PSPCL requests the Commission not to consider the request of the Railways.

View of the Commission

Refer objection no. 2, issue no. 10.

Issue No.7: Revenue Gap

Increase in revenue gap by 46.86% from FY 2010-11 to FY 2011-12 even after yearly tariff hike reflects the inefficiency of PSPCL. PSPCL has not submitted any specific proposal to bridge the revenue gap therefore, tariff of consumers should not be increased.

Response of PSPCL

The revenue gap of Rs.9656.53 crore as submitted in the petition is the projected cumulative revenue gap for FY 2009-10, FY 2010-11 and FY 2011-12. As regards the proposal to bridge this revenue gap, PSPCL submits that the revenue gap is finally determined by the Hon'ble Commission by applying its own yardsticks/ norms and it gets changed from what is projected by PSPCL. As all the norms/ yardsticks to be applied by the Commission are not known to PSPCL hence, no proposal has been given to bridge this gap.

View of the Commission

The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariff for various categories of consumers, to recover the same.

Though it is desirable that the ARR should include specific tariff proposals as well, however, increase in tariff is to be effected to cover the gap between projected revenue and expenditure of the PSPCL. An estimation of the tariff increase is therefore, possible even if the ARR Petition does not specify the proposed tariff increases.

Issue No.8: Simultaneous Metering of Maximum Demand

The Commission should issue the Order for levy of maximum demand charges and demand variation charges by taking into account the simultaneous maximum demand at all metering points.

Response of PSPCL

Metering and billing is carried out for each supply point separately and provision at each individual supply point is made to serve contract demand at that supply point. Also, PSPCL's network is not robust enough to supply the entire load of consumers from one point.

View of the Commission

The Commission in its Order of 19.1.2011 in Petition No.7 of 2007 (on remand by ATE) has held that the Commission would separately go into the matter of simultaneous metering of maximum demand after hearing both the Railways and PSPCL.

Issue No.9: Incentive for Timely Payment

The financial position of PSPCL will not deteriorate, rather it would improve by providing incentive for timely payments. Such practices are being adopted to encourage the consumers for making timely payment voluntarily.

Response of PSPCL

PSPCL is following "Punjab State Electricity Regulatory Commission (Electricity Supply Code and Related Matters), Regulations, 2007" in the matter of billing of consumers. The said Regulations do not provide for any discount related to timely payment of bills.

Moreover, the Commission in its Order of 19.1.2011 in the matter of Re-determination of Tariff for FY 2008-09 (Petition No.5 of 2008) & FY 2007-08 (Petition No.7 of 2007) has already ruled as under:

"7. Timely payments

The Commission is inclined to agree with PSPCL that every consumer is expected to make timely payment of bills and while a surcharge is leviable when payment is delayed, there is at present no rebate offered when it is effected in time. Rebates for timely payment is a common issue affecting all consumers and the Commission deems it prudent to continue with the present system."

View of the Commission

Response of PSPCL is based on Commission's recent order on the issue and hence, the Commission tends to agree with the same.

Issue No.10: Newly electrified sections

Rajasthan Electricity Regulatory Commission (RERC) has provided a rebate of 5% on energy charges for Traction tariff on new electrified railway sections and Kerala State Electricity Board (KSEB) has also specified reasonable Traction tariff.

Response of PSPCL

The Commission in its Order of 19.1.2011 in the matter of Re-determination of Tariff for FY 2008-09 (Petition No.5 of 2008) & FY 2007-08 (Petition No.7 of 2007) has ruled as under:

"8. Rebate on newly electrified routes

The Commission is at a loss to comprehend the logic of rebates sought on newly electrified routes. The Railways is the Largest Public Sector enterprise with vast resources, dedicated income and receiving occasional budgetary support from the Govt. of India. That it should seek to obtain a contribution from electricity consumers in any State towards the cost of improving its system appears completely unreasonable and unjustified."

Therefore, PSPCL requests the Commission to not allow any such rebate for Railways.

View of the Commission

Response of PSPCL is based on Commission's recent order on the issue and hence, the Commission tends to agree with the same.

Issue No.11: Implementation of MYT Framework

As per Tariff Policy, Multi-Year-Tariff regime is to be adopted from April 1, 2006 and review after three years in 2009-10. The Commission should direct PSPCL to take necessary stepsin this direction without any further delay.

Response of PSPCL

The Hon'ble Commission has already invited comments/ suggestions on the draft MYT Regulations for the first Control Period notified on its website. After finalisation of MYT Regulations by the Hon'ble Commission, PSPCL would submit the MYT Petition in accordance with MYT Regulations.

View of the Commission

Multi Year Tariff Regulations are under process in the Commission.

Issue No. 12: Existing Tariff for Railways

Firozpura, Ambala and Delhi divisions of Northern Railways draw electric power from PSPCL. There are large numbers of connections/supply points on HT and LT. The annual consumption through these supply points is approximately Rs. 26.33 crore. As payment of electricity charges from Railways is assured, in sharp contrast to the poor scenario of payments from private consumers, it is requested that Railways should be given a special treatment by way of reduction in existing tariffs.

Response of PSPCL

Section-45 (4) of the Electricity Act 2003 states as under:

"Section-45

…4. Subject to the provisions of section 62, in fixing charges under this section a distribution licensee shall not show undue preference to any person or class of persons or discrimination against any person or class of persons."

Therefore, in accordance with Section-45 (4) of the EA 2003, special treatment cannot be provided to Railways by way of reduction in existing tariffs.

View of the Commission

Same as issue no.1 above.

Issue No.13: Domestic Consumption

a. Entire domestic consumption (approximately 40% of the total consumption) is being paid under Bulk Supply category at the higher rates of 436/463 paise per unit. The domestic tariff schedule applicable for individual outside consumers are in the slab of 282 to 452 paise per unit. Thus, the tariff charged by PSPCL is arbitrary and unreasonable.

b. Many other SEBs are allowing Railways to avail separate lower tariff for domestic consumption. Railways should be allowed to avail tariff schedule of DS category for their domestic consumption either by providing sub-metering facility for domestic consumption or by allowing Railways to take new connections under schedule DS including benefits of lower tariff slab. However, Railways, as an organisation is charging its employees as per domestic schedule.

c. In order to provide benefit of lower slabs for domestic consumption, the billing should be done by calculating the average energy consumption per dwelling unit after diving total energy consumption by number of residential quarters and then appropriately applying the slab rates on this average consumption per dwelling unit.

d. There is single point metering at all these connections and maintenance of total infrastructure is Railways' liability. Even the distribution loss on these networks is Railways' liability. It is appropriate that a rebate of 15% be given over total energy bill towards maintenance and operation of distribution network.

e. Minimum charges should not be levied on supply points connected to rural feeders as it is difficult to consume minimum energy because of low reliability of the supply on these feeders.

Response of PSPCL

a to c. Railways are provided a single point Bulk Supply connection through a dedicated line. The distribution network for supply of power to all connections within the Railway premises are installed and operated by Railways. Since, PSPCL is providing the bulk supply connection to such Railway premises, therefore Bulk Supply Tariff is applicable (same is also applicable to other Bulk Supply consumers like MES).

d. PSPCL understands that undertaking the O&M of distribution network, metering and billing of consumers in its premises represent a common set of activities for any BST consumer. No specific rebate is allowed to any BST consumer for undertaking such activities under the tariff schedule approved by the Commission.

With regard to the contribution of the Railways toward loss reduction, PSPCL understands that the Hon'ble Commission has already discussed the same in detail in the Tariff Order for FY 2008-09. The relevant para has been reproduced below:

"……..Commission observes that voltages at which supply is to be given to different categories of consumers have been specified in the Conditions of Supply since last more than ten years and the Board was required to release all new connections/additional loads/demands at the voltage specified in the Conditions of Supply. Therefore there is no logic in any rebate in tariffs to a consumer who is given supply at the specified voltage for that category."

Moreover, the Commission in the matter of redetermination of Tariff for FY 2008-09 ruled as under:

"2. HT Rebate

The Commission has already to the fact that quality of supply for Railway Traction is far superior to that made available to other customers in the State. Due note has also been taken of the fact that fluctuating Railway Traction Load causes harmonics which adversely affect the system. Keeping both these factors in mind, it was considered appropriate that no rebate be made available in the case of traction supply."

e. PSPCL has to design the infrastructure in order to provide the required power to the Railway traction load even through the rural feeders. It is therefore desirable that the current system of levying the minimum charges should be continued.

View of the Commission

a.toc: The Commission in its Tariff Order FY 2004-05 held that mixed loads of Northern Railway are justifiably covered under Bulk Supply Tariff. The terms of this category are applicable to all bulk supply consumers and there is no reason for Railways to be made an exception in this regard. The Commission holds the same view at present.

d. For the present, the Commission is inclined to agree with the response of PSPCL. However, it may be worthwhile for PSPCL to examine the rationale of concession provided by utilities cited by the Railways.

e. As informed by the then PSEB, now PSPCL in Tariff Order FY 2008-09, most of the supply points in rural areas are connected to Urban Pattern Supply feeders which have reasonable reliability of supply. Rather more T&D losses have to be borne to provide supply to these points. Hence, the present dispensation is justified.

Issue No. 14: Billing, Revision of Contract Demand and Other Issues

a. Northern Railways is having number of connections at various locations. Separate bills are being issued by different Executive Engineers having different Bill Recovery Points. Suggestions for rationalisation of bills are as under:
   i. A consolidated bill can be issued incorporating consumptions of all such connections to Northern Railway.
   ii. Alternatively, a system of payment at flat rate based on last year's consumption may be made and reconciliation may be done later.

b. A time-bound schedule may be formulated for release of new connections and revision of contract demand for Railways

c. Charges for testing of energy meters are recovered, which should not be recovered from Northern Railways, Railways have their own Electrical Inspector to the GoI and approval of Electrical Inspector is taken before charging of installations.

d. An increase in 67.93% in tariff rates will increase financial burden on Railways to the extent of Rs. 17.89 crore per annum. PSPCL should be directed to keep the energy charges with moderate increase for FY 2011-12 for Railways Non-Traction Power Supply instead of sudden increase.

Response of PSPCL

a. The traction substations of Railways are dispersed over a wide geographical area and lie in different zones of PSPCL. Moreover, each such traction substation becomes a separate and independent consumer in the records of PSPCL, which effectively meansthat all relevant penalties and surcharges as applicable are levied on such individual connections.

b. PSPCL would like to submit that the Commission in the matter of re-determination of tariff for FY 2008-09 (Petition No. 5 of 2008) has already ruled as under:

   "4. Revision of Contract Demand

   The Commission has specified a time frame for the release of new connections and approval of additional load/ contract demand in its Electricity Supply Code and Related Matters Regulations, 2007. In view thereof, the Railways' concern that applications for enhancement in CD require to be addressed in a specified period has already been addressed."

c. Whenever a new connection is released by PSPCL or enhancement of load is approved for the existing connection, a new meter is installed on the consumers' premises, which is required to be tested before installation. Further, PSPCL incurs unavoidable fixed charges in maintaining the meter testing labs meant for checking the correctness of the meters. Hence, levying of meter testing charges is justifiable.

d. Determination of tariff is the prerogative of the Commission.

View of the Commission

a. Supply to different Railway Traction supply points is through different feeders and each supply point is treated as a single consumer for the purpose of meter reading and billing.

b. The Electricity Supply Code and Related Matters Regulations, 2007 prescribe the maximum limit for release of connections and revision of contract demand etc. which needs to be strictly adhered to by PSPCL.

c. Various charges are leviable as per approved General Conditions of Tariff and Schedule of General Charges etc. approved by the Commission.

d. Tariff for different consumer categories is revised by the Commission after determining the cumulative revenue gap and in accordance with its Regulations.

Objection No. 6: Indus Towers Ltd.

Issue No.1: Billing

On account of scattered and isolated location of tower sites, the electricity bills are generally delivered late by PSPCL and sometimes bills get misplaced as the sites are unattended. As a result, there is invariably some delay in payment of bills, which is unavoidable. In view of the peculiar nature of this case, it is requested that the Commission should provide some solution for the perpetual predicament.

Response of PSPCL

The objector/ petitioner has been paying their bills through internet system wherein they have registered their accounts on PSPCL website for the purpose of making payment against these bills. As long as the internet payment system is functional the petitioner is absolved of the predicament mentioned above and does not have to pay late payment within the grace period.

View of the Commission

The Commission agrees with the response of PSPCL. Moreover, the matter does not strictly pertain to the ARR. The objector is, however, free to separately approach the Commission in this regard.

Issue No.2: Late Payment Surcharge

The Late Payment Surcharge @ 10% annually should be split to charge it on monthly basis for non payment of the bill by due date. Late Payment Surcharge at the rate of 1% per month may be levied, if the surcharge is computed on monthly basis. As applicable in Haryana and Delhi late payment surcharge @ 1.5% per month may be charged. Further, the Late Payment Surcharge may not be levied upto 7 days after the due date in case of telecom towers as allowed in case of AP Consumers.

The objector may be allowed to make payment with late payment surcharge @ 1% for delay upto 15 days and @ 2% for delay upto 30 days beyond the due date and Late Payment Surcharge may be charged in the next bill. Any other arrangement decided by the Commission to save the objector from unnecessary Late Payment Surcharge should also be honoured by PSPCL.

Response of PSPCL

As regards levy of Late Payment Surcharge at the rate of 1% per month, suggestion of the consumer can be considered keeping in view the practice followed by the other Utility. However, this shall dilute the deterrent force of LPSC. Furthermore the same shall lead to a complicated accounting system for defaulting amount, arrear calculation.

Presently the telecommunication towers are covered under NRS Tariff but in most cases the connected load is less than 100 kW. Therefore, they are rendered monthly/ bimonthly bills with grace period of 15 days excluding dates of presentation & issue. Thus, allowance of additional grace period of 7 days is not in order.

The late payment surcharge @ 1% for delay upto 15 days, @ 2% for delay upto 30 days beyond the due date and charging Late Payment Surcharge in the next bill, is not feasible because in case of monthly billing, allowing for the meter reading to bill issue period of 7 days and grace period of 15 days, there is a very little margin for different surcharge slab to be accommodated in the next bill.

PSPCL is in the process of upgrading the IT Infrastructure through implementation of R-APDRP schedule under which SAP is being implemented for metering billing and collection module wherein provisions have been made for separate billing address. Thus the bills of the consumer can be made available at their place of choice. Also the consumer shall be intimated regarding their bill through e-mail and internet service. Thus, there shall be no occasion where the consumer cannot pay his bill on account of difficulty mention by the objector. As per the existing plan the above system is likely to be in place by October-November 2011.

View of the Commission

In the Tariff Order for FY 2004-05, the Commission observed that ensuring prompt recovery of dues is fundamental for the financial health of the Utility. The consumer having consumed energy, has to pay the charges and there are no justifiable reasons to allow delays beyond due date. Penalties have to be deterrent enough to avoid such tendencies. The prevalent system was considered fair. The Commission still holds the same view.

Objection No. 7: Punjab Alkalies & Chemicals Ltd.

Issue No.1: Annual Revenue Requirement

The PSPCL's Annual Revenue Requirement for FY 2011-12 seems exaggerated and therefore, needs careful consideration by the Commission so that the consumers like the petitioner are not burdened with undue tariff increase.

Response of PSPCL

Various components of ARR have been projected on the basis of inflationary trends and past practices adopted in last ARR Petitions and Tariff Orders. The projected ARR for FY 2010-11 (H1) and FY 2011-12 has been arrived as a result of the projection of various components for FY 2010-11 (H1) and FY 2011-12 respectively. However, tariff will be applicable on the basis of ARR approved by the Commission for FY 2011-12.

View of the Commission

The Commission processes the ARR Petition according to its notified Regulations, and determines the cumulative revenue gap and accordingly revises the tariff for various categories of consumers, to recover the same.

Issue No.2: Cost of Supply

The average cost of supply worked out in Tariff Orders for FY 2009-10 and FY 2010-11 was 382 paise and 388 paise per Unit whereas in TO FY 2010-11 the cumulative average cost of supply for 2009-10 and 2010-11 is 403 paise and 427 paise respectively i.e. a jump of 21 paise and 39 paise per Unit between average cost of supply worked out by the Commission versus cumulative average cost of supply actually achieved by PSPCL. This is a wide and unjustified gap and reflects on the performance of the Utility.

Response of PSPCL

It is the prerogative of the Commission.

View of the Commission

The Commission works out various cost components on the basis of the provisions of the Electricity Act 2003 and the Commission's own Regulations framed thereunder. Costs permitted to the Utility are usually normative and no compensation is allowed where such norms are exceeded.

Issue No.3: AP Tariff

The AP tariff rates are required to be fixed in line with Tariff Policy, which envisages that the rates for subsidized categories should not be less than 80% of average cost of supply. The Commission should consider the Tariff Policy provisions for FY 2011-12.

Response of PSPCL

As given in the Tariff Policy, there has to be reduction in cross-subsidy but gradually so that the interests of the Utility can also be ensured. PSPCL requests the Commission that while addressing the concern of the objector during tariff determination, the interests and financial viability of the Utility should be kept in view. However, it is brought out that with respect to combined average cost of supply the cross-subsidy to AP has come down from (-) 30.8 % in FY 2005-06 to (-) 21.4% in FY 2010-11.

View of the Commission

The Commission has in its Regulations already specified the gradual reduction of cross subsidy. The Commission processes the ARR Petition according to its notified Regulations, and determines the revenue requirement and cumulative revenue gap, based on which the average cost of supply is determined, which is used as the basis for revising the tariff for various categories of consumers. The Commission continuously strives to reduce the cross-subsidy prevalent between different consumer categories in accordance with the EA 2003 and the Tariff Policy.

Issue No.4: Subsidy

Almost 70% of annual requirement of power is actually consumed during first half of the

Financial Year due to increased agricultural demand for paddy cultivation. However, the subsidy is provided by the Government in 12 equal monthly instalments, which puts additional burden on PSPCL as it has to raise heavy working capital loan to liquidate power purchase payments immediately to cover the revenue gap. The Commission may direct Government of Punjab (GoP) to disburse subsidy amount commensurate to the consumption cycle of PSPCL.

Response of PSPCL

The concern of objector is genuine and PSPCL requests the Commission to exercise its power under the Electricity Act, 2003 to provide appropriate directives to the State Government to pay the subsidy instalment in proportion to AP consumption/month. In case of default, the Government may be asked to pay the interest on non-payment of subsidy for the period of delay.

View of the Commission

Agriculture consumption varies with seasonal changes. It would therefore not be appropriate to base subsidy payment on such shifting parameter. Also refer para 6.4.

Issue No.5: Review & True up exercise

Every year PSPCL comes up with actual expenditure during RE and true-up and requests for approval irrespective of laid down regulations and defined caps/ approvals. Imperative and convincing suggestions made by petitioner during hearings on ARR are ignored and do not heed to any result.

Response of PSPCL

PSPCL would like to submit that it has filed the Petition for truing-up of FY 2009-10, Review of FY 2010-11 and ARR of FY 2011-12 in accordance with the procedure defined in PSERC Tariff Regulations. The Commission approves the ARR on the basis of estimates for ensuing year. Against this approved ARR, the Utility submits the actual expenditure incurred during the year on the basis of audited accounts.

View of the Commission

Same as issue no.1 above.

Issue No.6: Cross-subsidy

a. The cross-subsidy per unit loaded on HT consumer is increasing year by year. The Commission should draw a road map with regard to elimination of cross subsidy by FY 2014-15. Sections 61 and 62 of the Electricity Act, 2003 specify that the Commission should gradually eliminate the cross-subsidy with respect to the cost of supply of electricity to different categories of consumers. This procedure has not been complied with by the Commission even in the Tariff Order for FY 2010-11 despite the APTEL's Order of 26.5.2006.

b. Even in the ARR for FY 2011-12, PSPCL has not determined the actual cost of supply for different categories of consumers, despite PSPCL being directed by the Commission to do so at the earliest, in the Tariff Order for FY 2010-11.

c. The Commission should specify a consumption limit for the cross-subsidised consumer categories and beyond that normal tariff should be charged.

d. In the Tariff Order for FY 2010-11, the objector's suggestion regarding unwanted subsidy given to the domestic category of consumers for initial consumption upto 100 units was principally agreed by the Commission, however, no modification in the tariff structure has been undertaken by the Commission.

e. Actual T&D loss of high voltage consumer is minimal, yet they are burdened with average T&D loss which should be borne by specified consumers.

Response of PSPCL

a,c,d. It is the prerogative of the Commission

b. PSPCL has appointed consultant for study of cost of supply voltage-wise and consumer category-wise. The job is expected to be completed by March 2012. Once implemented, the concern of the objector shall get addressed.

e. The aforementioned issue is the prerogative of the Commission. However, it is brought out that in compliance to directive of the Commission PSPCL has appointed consultant for study of cost of supply voltage-wise and consumer category-wise. The job is expected to be completed by 3/2012. Once implemented the concern of the objector shall get addressed.

View of the Commission

a. A gradual reduction in cross-subsidy in percentage terms has been effected in the previous years. An increase in average cost of supply will, however, result in increase in cross-subsidy in real terms.

b&e PSPCL is conducting a study for determining cost of supply for various categories of consumers. Once the result of the study on cost of supply is available, the Commission will take a view on the same.

c. The issue has been discussed by the Commission in detail in para 6.6 of the Tariff Order of 2007-08. It was noted that the first slab of Domestic Supply and Agriculture Power consumers are the only two subsidized categories and the former is charged subsidized tariff only upto a limit of first 100 units. In case of AP consumers, after discussing the practical limitations, it has been held that under the circumstances, it has not been possible for the Commission to fix a limit on subsidized consumption for this category.

d. In the Tariff Order FY 2010-11, the Commission had agreed with the response of the erstwhile Board (now PSPCL) wherein it was stated that in case of marginally higher consumption above 100 units, even the poor consumers will have to pay higher tariff for the whole consumption and this classification of rich/poor domestic consumers is difficult to manage.

Issue No.7: Agriculture Consumption

The agriculture consumption is increasing every year, either there is some basic flaw in the methodology adopted for arriving at agriculture consumption or T&D losses are being adjusted in this consumption, as AP consumption is unmetered. The Commission should specify the consumption limit for the categories of consumers which are being cross subsidized.

Response of PSPCL

The aforementioned issue is the prerogative of the Commission. However, it is submitted that increase in AP Consumption is on account of yearly increase in load due to increase in number of AP Consumers and also decline in ground water level.

View of the Commission

Refer issue no. 6 (paras c & d above).

Issue No.8: Interest and Finance Charges

The interest cost submitted by PSPCL is very high and forms 11.94% of total revenue requirement.

Any loan taken by PSPCL due to non-payment of subsidy by the Government should not be charged from consumers.

Response of PSPCL

PSPCL has submitted the actual interest cost in the Petition, which has been incurred on account of the outstanding loans and new loans drawl during the year. The Commission has disallowed the loans on account of diversion of funds and short-term loans exceeding working capital in earlier Orders, which has a cumulative impact and thus, the outstanding loans have increased significantly.

PSPCL requests the Commission to exercise its power under the Electricity Act, 2003 to provide appropriate directives to the concerned stakeholders. The Government may be asked to pay the interest on non-payment of subsidy for the period of delay. However, the non-payment of such interest should not result in reduction of interest on actual working capital loans taken by PSPCL.

View of the Commission

Refer para 4.13.

The Commission approves the working capital loan and interest thereon based on notified Regulations. Also, interest on delayed payment of subsidy is charged to GoP. Refer para 3.15.

Issue No.9: Allocation of Ranjit Sagar Dam (RSD) cost

The re- allocation of RSD cost was required to be carried out judicially. The same needs to be reopened and new Committee constituted with the consumers' representatives on it because the amount being appropriated to PSPCL is as high as 60%.

Response of PSPCL

The Commission has already given its rulings in the matter of same objection raised by the objector. The Commission in last Tariff order on the same objection ruled as under:

"The Commission does not believe that its findings on allocation of RSD cost are partisan in any manner. In any case, the Commission's findings are open to scrutiny in the event of an appeal."

View of the Commission

The Commission agrees with the response of PSPCL.

Issue No.10: Power Purchase

The Commission should review the power generation of PSPCL's own generating stations and allow only minimum power to be purchased from outside the State. The Commission may fix a ceiling - both for quantity and rate, under which only PSPCL may purchase power.

The unscheduled increase in power consumption and extra cost attached to it should be loaded on the consumer category, which is responsible for such consumption of electricity rather than loading the same on the overall tariff including the industrial category.

Generation from own plants being cheaper, the Commission should direct PSPCL for early commissioning of 2680 MW Gidderbaha power plant.

According to media reports, PSPCL has made elaborate power purchase arrangements in FY 2010-11 for meeting the paddy and summer demand of the State on short-term basis through traders. However, due to more than normal rainfall, the same could not be utilized and has to be surrendered to grid at very low rates or by paying penalty to the generators. Therefore, these aspects should be taken into consideration and only 70-80% of anticipated shortfall should be arranged on short-term basis.

Further, power flow from projects being set up at Talwandi Sabo, Rajpura and Goindwal Sahib would start from August 2012 onwards. Therefore, new/ medium term contracts for purchase of power should be made only after taking this power flow into consideration.

Response of PSPCL

The real issue is that cheaper power should be available on long-term basis. In order to arrange for the same, PSPCL has been making all out efforts to increase its share of in-house generation and has also been tapping the other Central Generating Stations for providing cheaper power on long-term basis. PSPCL has enumerated a list of all such plants from where the power is envisaged to be sourced in the ensuing year in the ARR Petition. PSPCL is concerned about its responsibility of ensuring adequate power supply for the consumers in its licence area and believes that once the power supply from the aforementioned long term sources gets materialised, the suggested concerns of the consumers will get addressed automatically.

View of the Commission

Refer para 4.8.

PSPCL needs to closely monitor the progress of the upcoming generating stations in the State to ensure their timely commissioning.

Issue No.11: T&D losses

PSPCL should be asked to submit its report on T&D losses on quarterly basis, so that quarterly review of performance can be undertaken and if there is any deviation from the target, then corrective steps may be undertaken.

Agriculture consumption in excess of approved consumption should be quantified and charged on actual basis and not loaded on other consumers in the form of T&D losses. In case if the Government does not agree to compensate the additional quantity supplied to agriculture consumers, the supply should be limited to the hours approved by the Commission.

The inefficiency of PSPCL in controlling theft and pilferage of electricity should not be loaded on Industrial consumers.

Response of PSPCL

PSPCL understands its responsibility and is trying all out efforts to control the T&D loss. However, it has to be appreciated that in respect of T&D losses, PSPCL ranks among one of the best performing Utilities in the Country. After a certain level, further reduction in T&D losses is very difficult to materialise. Also, in Abraham Committee Report, in case the loss level of the Utility is less than 20% only 1% reduction in T&D loss has been suggested.

However, PSPCL is working continuously to reduce T&D losses by making the system more efficient.

As regards restricting the number of supply hours to agricultural consumers, PSPCL submits that this issue is the prerogative of the Commission.

PSPCL is trying its best to control theft and pilferage. Regular efforts are being made by PSPCL for recovery of defaulting amount from the defaulters, which have resulted in reduction in percentage of defaulting amount to the total billed amount over the last few years.

View of the Commission

Refer paras 4.1.3 and 4.2.

Theft of electricity definitely needs to be tackled on a war footing. However, the Commission has been repeatedly observing that the enforcement activities of PSPCL would be more focused and effective if energy audits at distribution level are regularly undertaken. Monitoring of T&D loss reduction on monthly basis may not be feasible in so far as the Commission is concerned. However, PSPCL could consider and undertake an internal review on this basis if the same is practicable.

Issue No.12: Employee Cost

The Commission should allow the employee cost on the basis of wholesale price index for the ensuing year. Any additional expenditure under this head should be met by PSPCL by way of internal efficiency improvement or by way of reducing their costs over and above the performance levels fixed by the Commission.

Response of PSPCL

The impact of pay revision cannot be captured by means of escalating the base expenses using an average increase in indices. Such items need to be considered on actual basis as per the audited accounts. PSPCL further submits that it has already explained the rationale for increase in such expenses in detail in its ARR Petition.

View of the Commission

Employee cost is allowed by the Commission as per its Regulations. Employee cost has been capped by the Commission as the Utility has not been able to rationalise its manpower cost which is one of the highest in the country. Also refer paras 3.10 & 4.9.

Issue No.13: Peak Load Exemption Charges (PLEC)

PLEC should be recovered from consumers who are responsible for increasing in demand during peak load hours and not from consumers who are receiving continuous power. PLEC should be waived off for the continuous process industry, which is not responsible for increase in the peak demand.

Response of PSPCL

PSPCL submits that:

- Removing the PLEC may provide a larger room for variation between demand and supply. The same may result in situations wherein PSPCL has arranged for lower supply in comparison to the demand and vice versa. Several mismatches between actual demand and supply of power may endanger the security and safety of the grid.
- During the peak load period, PSPCL procures power from the short-term sources to meet such extra demand, which often has to be purchased at high rates on account of poor grid conditions during peak load hours.
- At peak time, the frequency of the system generally falls and the power drawl under such conditions has to be made at high UI rate. Thus, procurement of power at lower frequencies puts extra financial burden on PSPCL.

Considering the above, PSPCL is of the view that PLEC charges may not be removed.

View of the Commission

Refer objection no. 1, issue no. 11.

Issue No.14: Transit Loss of Coal

PSPCL has claimed transit loss of 2% at normative level in FY 2011-12 while the actual transit loss during FY 2010-11 (H1) for GNDTP, GHTP and GGSSTP was 0.41%, 1.16% and 1.60% respectively. Transit loss as submitted by PSPCL should not be accepted and it should be restricted to 0.8% as per CERC norms.

Response of PSPCL

The figures of Transit Loss which objector has referred are only for first-half of FY 2010-11 and not for the whole year. Since the year has not been completed PSPCL has considered

Transit Loss of 2% (at the normative) for further projections in FY 2010-11 and FY 2011-12. As regards CERC Norms, it is submitted that though it is a regulated entity, all other entities involved in the transportation of coal, viz., coal production companies, railways, contractors, etc. are not regulated. They are all bound by commercial contracts and cannot be bound by the regulatory norms. While every effort is maintained to bring down the losses through contractual obligations, however, the same should be considered as an uncontrollable factor and the burden for the same should not be passed on to PSPCL.

View of the Commission

Refer objection 1, issue no. 1.

Issue No.15: Power Factor Incentive

Power Factor (PF) incentive is applicable above PF of 95% for power intensive units, while on the other hand, general industry gets the incentive above 90%. The same needs to be rationalized for all i.e. 0.25% rebate for every 1% increase in power factor beyond 90%.

Response of PSPCL

The opinion and the objection raised by the objector has already been discussed by the Commission in detail in the Tariff Order for FY 2009-10. The relevant paragraph has been reproduced below:

"…………The Commission had in its Tariff Order of 2004-05 observed that incentives should be available for actual improvement in system conditions and not just for maintaining the status quo. Accordingly, it had thought it necessary to fix suitable thresholds for different categories of industries keeping in view their basic inherent characteristics. It is observed that these findings remain equally valid at present and thus, consumers where the power factor is inherently higher need to be distinguished and allowed power factor incentive at improved benchmarks. For this reason, the Commission does not see sufficient justification for rebates to be allowed to RT and LS consumers having PIU's at a power factor of less than 0.95……."

Further, PSPCL understands that the differential power factor incentive is due to various consumers having different inherent power factor. For example, Induction furnace load by its very nature is an instantaneous, concentrated and power intensive load which puts sudden jump in demand on the system. Accordingly, the two differential values for giving the incentives are reasonable.

View of the Commission

Refer objection no. 2, issue no. 10.

Issue No.16: kVAh tariff

kVAh tariff should be implemented, which will resolve lot of complications related with the tariff.

Response of PSPCL

As per the directives of the Hon'ble Commission, it has already initiated the process. Tenders for engagement of consultants for conducting study and giving comprehensive proposal for implementation of kVAh based Tariff have been received and are under process. The study is expected to be completed by December 2011.

View of the Commission

Refer objection no.2, issue no.6.

Issue No.17: HT Rebate

Rebate of 3% being provided to the consumers receiving supply at 66 kV is very low as compared to T&D losses loaded on them. The Commission should look into this aspect and HT rebate should be increased accordingly.

HT rebate of 3% for supply at 33/66 KV has been withdrawn in the Tariff Order for FY 2009-10, however, the ATE in its Order dated August 31, 2010 has set aside the Order of the Commission regarding withdrawal of rebate and observed that it would be open to the Commission to decide about such withdrawals while considering PSPCL's ARR for FY 2011-12 after following due procedure. The Commission should direct PSPCL to pay the HT rebate to the industries from April 1, 2010 till date.

Response of PSPCL

The opinion and the objection raised by the objector have already been discussed by the Commission in detail in the Tariff Order for FY 2009-10. The relevant paragraph has been reproduced below:

"…….The Commission observes that voltages at which supply is to be given to different categories of consumers have been specified in the Conditions of Supply since last more than ten years and the Board was required to release all new connections/additional loads/demands at the voltage specified in the Conditions of Supply. Therefore there is no logic in any rebate in tariffs to a consumer who is given supply at the specified voltage for that category. The Commission also observes that there is a need for the existing consumers getting supply at a lower voltage to convert to the specified voltage for benefit of the system and to reduce T&D losses. However actual conversion of supply voltage of the existing consumers will require some time. There could also be technical constraints in conversion of supply voltage or release of a new connection and or additional load/demand at the prescribed supply voltage which merits consideration…………………"

Further, the voltage of supply for any connection depends upon the nature, quantum and type of load. New connections at higher voltages are taken by the consumers keeping in view their own interest. Accordingly, PSPCL requests the Hon'ble Commission that such cases should not be considered.

View of the Commission

Refer objection no.2, issue no.9.

Issue No.18: Return on Equity

The RoE of 22.96% sought by PSPCL as against 14% allowed earlier has no justification and should not be accepted.

Response of PSPCL

PSPCL understands that the Commission has been referring to the CERC Tariff Regulations while approving many of the normative parameters. For the purpose of allowing returns to Utilities, the CERC in its Tariff Regulations for the period 2009-14 has approved a base rate of 15.50% (pre-tax) to be grossed up with the tax rate applicable to the Utility. PSPCL requests the Hon'ble Commission to consider CERC norms for calculation of Return on Equity.

View of the Commission

Refer paras 3.16 & 4.15.

Issue No.19: Capital Expenditure Plan

a. PSPCL should not fund the release of new tube well connections, as all other consumer categories have to pay all such expenses for getting connection. Such expenses should either be paid by AP consumers themselves or paid by the Government of Punjab, as capital subsidy.
b. Further, the additional expenditure on Renovation & Modernisation of plants should reflect additional generation and not reduction as submitted by PSPCL in respect of hydro and thermal plants.
c. Expenditure of Rs. 2135 crore proposed to be spent on Transmission & Distribution should be related to corresponding reduction in T&D losses and improvement in quality of supply.

Response of PSPCL

a. PSPCL requests the Commission to approve its Capex Plan without any disallowance as any disallowance would deteriorate the growth of the infrastructure needed to support the increasing power requirements of the State of Punjab.
b. Decision of R&M of Plants is taken based on assessment of conditions of the machines. In order to avoid breakdown of the Plant, R&M is absolutely essential.
c. PSPCL has proposed to achieve loss reduction to 18% in FY 2010-11 and 17% in FY 2011-12, which are based on the various DSM measures and T&D loss reduction schemes under execution. Currently, PSPCL has been able to reduce the T&D losses up to 19.81%. However, PSPCL is working continuously to reduce T&D losses by making the system more efficient.

View of the Commission

a. The Commission reiterates its view as expressed in Tariff Order FY 2010-11 i.e. Any expenditure in excess of what a consumer has to pay per BHP as his contribution as specified in the Supply Code, is being borne by PSPCL. Allocation of resources for routine activity such as release of AP connections are not included in the Investment Plan.

b&c. Investment plan of the Utility is examined and asceratained in the light of actual expenditure in the past. Also refer paras 3.14.2 & 4.13.2. Generally the intended benefits of the capital expenditure schemes are required to be ensured.

Issue No.20: Open Access

The exponential increase in the open access power is due to the fact that power in open market is cheaper than the PSPCL tariff. Open access consumers are indirectly in help to power deficit PSPCL. As per the spirit of the Act and ongoing power reforms in power sector the open access should be encouraged on non discriminatory manners.

The Commission should analyse the issue of Open Access in totality and direct PSPCL to present a balanced view on the Open Access.

Response of PSPCL

PSPCL has not imposed any restrictions on Open Access consumers. PSPCL is charging open access consumers in accordance with Section-17 of PSERC Open Access Regulations, as reproduced below:

“ 17. Surcharge

In addition to transmission charges and wheeling charges, a consumer availing open access to the transmission system and/ or distribution system shall pay a surcharge worked out in the manner laid down hereunder;

Provided that such surcharge shall not be leviable in case Open Access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use. ...”

The number of the open access consumers is regularly increasing, which may cause difficulty in providing cross-subsidy to domestic and agriculture categories in the upcoming years. PSPCL requests the Commission to address this issue of open access in totality so that the interest of all consumer categories remains protected.

View of the Commission

The Commission has notified its Open Access Regulations as mandated under the provisions of the Electricity Act, 2003. An increasing number of the consumers are availing open access as intended in the Act. A review of these Regulations is also under process.

Issue No.21: Subsidy

According to press reports, the Government of India (GoI) provided Rs. 800 crore to Government of Punjab (GoP) in April 2010 as relief for drought in FY 2009-10. It was reported in the press that GoP has transferred around Rs. 400 crore to PSPCL but this has not been mentioned by PSPCL for 2010-11 (RE) in the ARR for FY 2011-12.

Response of PSPCL

PSPCL confirms that no such amount as mentioned above was received.

View of the Commission

PSPCL has furnished the requisite clarification.

Issue No. 22: Tariff reduction

Instead of increasing the tariff, there is a big scope of reducing the tariff especially for PIU industrial consumers like the objector.

Response of PSPCL

No response.

View of the Commission

Refer objection no. 3, issue no. 11.

Objection No. 8: Induction Furnace Association of Northern India

Issue No. 1: Tariff Proposal

PSPCL has not submitted any tariff proposal along with its ARR and Tariff Petition for FY 2011-12. This is in violation of Regulation 13(1) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005.

Response of PSPCL

In the past the ARR's as filed by the Board (Now PSPCL) are reduced and recomputed by the Commission based on its own yard sticks. Therefore, the proposal for enhancement of tariff is not being given. Hon’ble Commission processes the ARR filed and determines the tariff after revising the gaps.

View of the Commission

It is indeed desirable that the ARR should include specific tariff proposals as well. However, increase in tariff is to be effected to cover the gap between projected revenue and expenditure of PSPCL. An estimation of the tariff increase is therefore, possible even if the ARR does not specify the proposed tariff increase.

Issue No. 2: Cost of Supply

PSPCL has not calculated the category-wise cost of supply in its ARR and Tariff Petition for FY 2011-12. The Appellate Tribunal for Electricity, in its Judgment passed on 6th May 2006, had ruled that the Commission must determine the average cost of supply, for determining the extent of cross subsidy in-built in the tariff. The Commission had also directed PSEB (now PSPCL) to determine category-wise cost of supply in its Tariff Order for FY 2007-08. The losses for supply of power at voltages of 33 kV and higher will be approximately 1 % only. Further, all steel units have load factor of more than 70%. Therefore, cost of supply to consumers at voltage level of 33 kV and higher, would be much less than the average cost of supply.

Response of PSPCL

As per the directive of Hon'ble Commission, PSPCL has engaged consultant on the issue. Proposed methodology given by consultant has been reviewed. Suggestions made on the draft methodology are now been incorporated by the consultants. The study is scheduled to be completed by March 2012. Study is a time-consuming exercise which involves logging of actual data over a long period before arriving at actual results.

View of the Commission

Refer objection no.2, issue no.11.

Issue No 3: Projections for FY 2011-12

The estimates for FY 2011-12 are based on projections for FY 2010-11, which gives erroneous results. The most recent available actual figures and the present conditions prevalent should form the basis of estimates. Also, a format for reporting of figures for current and ensuing year has been suggested. It also stated that the table numbers should be kept the same for each year's reporting, for quick comparison.

Response of PSPCL

The actual data for FY 2010-11 shall be available only after the close of the year. Further, PSPCL has submitted its ARR to the Commission in the formats approved by the Hon'ble Commission.

View of the Commission

The Commission processes the ARR according to its notified regulations and obtains information as per the prescribed proformae.

Issue No 4: AP Consumption

The following factors need to be considered while computing AP consumption:

(a) The sample meters considered need to be spread uniformly over tube wells of different motor sizes. If majority of sample meters are installed on higher motor sizes, then recorded consumption of sample meters will be inflated.
(b) The number of hours of supply on the feeder on which sample meter is installed also needs to be looked at.
(c) Only the continuous spell of hours may be considered for this purpose as the broken periods of running hours of a tube well do not provide the correct picture

However, no data related to above factors has been provided in the ARR Petition.

Response of PSPCL

Suggestions made by the objector are already taken in to consideration while selecting the sample tubewells for determining AP consumption. However, PSCPL is increasing the sample size so as to have effective 10% samples to arrive at more accurate assessment of AP Consumption to allay the concerns expressed by various Stakeholders.

View of the Commission

The Commission agrees with the response of PSPCL. Also refer Annexure IV, Directive 2.

Issue No 5: PSPCL's own Generation

The generation from GNDTP in FY 2011-12 is projected to be lower than the actual generation in FY 2009-10. This is due to the envisaged renovation of the station. The proposed renovation schedule and its present status have not been furnished. This observation applies to all the thermal Stations of PSPCL.

Response of PSPCL

PSPCL has provided the planned R & M schedule in Format No. 3 of the Petition. The Renovation and Modernisation of Unit III of GNDTP is under progress which is likely to be commissioned in 7/2011. Renovation and Modernisation proposed for Unit IV is supposed to begin thereafter. Renovation and Modernisation work of Unit IV is already included in the scope of contract under which Renovation and Modernisation of Unit III is in progress.

View of the Commission

The requisite information has been furnished by PSPCL.

Also refer paras 3.5 & 4.4.1.

Issue No 6: Auxiliary Consumption

The auxiliary consumption in the second half of FY 2010-11 has been assumed higher than that of first half of FY 2010-11, however, no cogent reason has been given for this. Assuming higher auxiliary consumption decreases the available energy leading to higher power purchases.

Response of PSPCL

Auxiliary consumption projected for H1 is based on actuals whereas for second-half (H2) of FY 2010-11 (as shown in Table-4.9), it is based on normative parameters approved by PSERC

View of the Commission

The Commission allows auxiliary consumption according to its notified regulations.

Also refer paras 3.5.3 & 4.4.

Issue No 7: Fuel Cost Projections for GHTP

It has been observed that fuel costs projected for GHTP have been inflated at a much higher rate in comparison to the fuel cost projected for other two plants.

Response of PSPCL

The primary reason for increase in total fuel cost of GHTP is that Unit-IV of GHTP, Lehra Mohabbat was commissioned on January 25, 2010. Therefore, the impact has been considered for whole year during FY 2010-11 and FY 2011-12 whereas in FY 2009-10, the impact has been considered from 25.01.2010 to 31.03.2010 for Unit-IV.

View of the Commission

The Commission allows fuel cost in respect of thermal generating stations of PSPCL as per norms. Also refer paras 2.7, 3.8 & 4.7.

Issue No 8: Consumption by LS Category

The figures related to growth of consumption by Large Supply Industry are missing from Table 4.1 of the Petition. The mention of growth of connected load @ 13.5% has no relevance and an escalation factor of 8.5% has been applied for projecting sales to Large Supply Industry. Also, the method of basing the projections on CAGR is erroneous. The data of H1 of the ensuing year should be compared with H1 of the current year, whose actual data is available. Similarly, data of H2 of the ensuing year should be compared with H2 of the current year.

Response of PSPCL

CAGR method is averaging method used to weed out any abnormalities over a period of time. It will not be appropriate to base the projections on a single year growth pattern, as some uncertainties may involve in a single year. Moreover, this method is acceptable to the Commission.

View of the Commission

Refer paras 3.2 & 4.1.

Issue No 9: System improvement schemes

PSPCL has submitted that conversion to HVDS is being done, replacement of mechanical meters has begun, 129 MVAR capacitors have been installed against a target of 2100 MVAR and plan has been drawn for replacement of lamps with CFL. However, all these activities exist on paper only, and there is no real progress.

Response of PSPCL

The status of the activities mentioned by the objector is given as under:

1. Replacement of CFL
   Under this scheme up to 4 No. incandescent lamps of each of 48 Lakh domestic consumers are to be replaced with CFLs at a subsidized rate of Rs. 15 per lamp without any investment by PSPCL. Under phase-I the work in 13 no. circles has been taken up. Balance 7 circles shall be covered in phase-II for which agreements with contractor are already signed. Entire work is expected to be completed by 31.12.2011.
2. Conversion of AP LT into HVDS
   Initially 1.9 Lakh AP tube wells are being converted into HVDS. 1.47 Lakh tubewells have already been provided with dedicated transformers as on 2/2011 and balance work of 0.43 Lakh tubewells is targeted to be completed by 30.4.2011. Remaining tube-wells shall be taken in hand in phased manner.
3. Replacement of Electromechanical Meters
   PSPCL has already replaced 40.5 Lakh Electromechanical meters with electronic meters. Balance 17.5 Lakh meters shall be replaced while shifting the meters outside the consumer premises. Work of shifting of meters is already in progress.
4. Installation of capacitors
   Total of 2100 MVAR capacitors are to be installed. Orders for installation of 1454 MVAR have been issued against which 539 MVAR has been installed up to 28.02.2011. Balance 915 MVAR shall be installed by 31.05.2011. Total work completion is targeted by 31.03.2012.

View of the Commission

PSPCL has furnished the details of the implementation status of various schemes. However, the Commission trusts early completion of these schemes. Also refer Annexure IV.

Issue No 10: Sales projections of LS category

PSPCL has not submitted the source from where the sales projections for Large Supply (LS) category shown in Table 4.2 of the ARR Petition have been culled out.

Response of PSPCL

No response

View of the Commission

Refer paras 3.2 & 4.1.

Issue No 11: Hydel Generation

No reason for lower hydel generation has been given in Table 4.10 on the Petition.

Response of PSPCL

For FY 2010-11, H1 figures are used to project the figures for H2 figures and 3-year average of FY 2007-08 to FY 2009-10 is taken as a basis for projection of Hydel generation for FY 2011-12.

View of the Commission

Refer paras 3.5.4 & 4.4.2.

Issue No 12: AP consumption for FY 2011-12

In Table 4.11 (Energy Balance) of the Petition, energy sales have been increased by about 10% in FY 2011-12 and the AP requirement has been increased by about 12%. This ARR Petition appears to be an effort of PSPCL to extract maximum allowances from the Commission while concealing the real scenario and ignoring the interest of the consumers.

Response of PSPCL

No response

View of the Commission

Refer para 4.1.3.

Issue No 13: Power Purchase Cost

The assumptions made in Section 4.8.6 (Power purchase cost) of ARR Petition appear to be highly overstated in respect of certain plants like Pragati Gas Power Station.

Response of PSPCL

Projected power purchase cost based on the average of last one year bills for respective power plant, with suitable escalation rate. Further, the impact of CERC Tariff Regulations, 2009 is partly considered for the CGS plants. Hence, final Power Purchase cost projected by PSPCL is very reasonable.

View of the Commission

The power purchase cost estimated for Pragati Gas Power Station by PSPCL will be firmed up subsequently in the Review. Also refer para 4.8.5.

Issue No 14: Open Access

PSPCL has submitted that subsidising consumers are opting for Open Access and only subsidised consumers are being left behind. There is no illegality in the manner in which power is being drawn by Open Access consumers. The remedy lies in PSPCL pruning its own expenditure and providing reasonable cost power rather than asking for pass through of all expenses and inefficiencies, thereby making its power costlier for the consumers.

Response of PSPCL

As regards Open access, Section-42 of EA 2003 states as under:

> "Duties of distribution Licensee and open access
>
> 42…...
>
> 3. The State Commission shall introduce open access in such phases and subject to such conditions, (including the cross subsidies, and other operational constraints) as may be specified within one year of the appointed date by it and in specifying the extent of open access in successive phases and in determining the charges for wheeling, it shall have due regard to all relevant factors including such cross subsidies, and other operational constraints:
>
>   Provided that such open access may be allowed before the cross subsidies are eliminated on payment of a surcharge in addition to the charges for wheeling as may be determined by the State Commission:
>
>   Provided further that such surcharge shall be utilised to meet the requirements of current level of cross subsidy within the area of supply of the distribution licensee :
>
>   Provided also that such surcharge and cross subsidies shall be progressively reduced and eliminated in the manner as may be specified by the State Commission:
>
>   Provided also that such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.
>
> ..."

Further Section-17 of PSERC (Open Access) Regulations, 2005 provides for determination of surcharge based on Avoided Cost method. Accordingly the Commission has determined zero surcharge in Open Access.

It is submitted that in the avoided cost method, it is assumed that decrease in sales from Open Access consumers would lead to decrease in power purchase requirement, which is not the case with PSPCL. Infact the additional power purchase available is reallocated to the subsidised categories, which is impinging on financial viability of PSPCL. PSCPL agrees that it is required to provide open access to its consumers, but at the same time would request Hon'ble Commission to provide appropriate mechanism for addressing the cross-subsidy impact to ensure PSPCL remains revenue neutral.

View of the Commission

Providing open access is mandated under the provisions of the Electricity Act, 2003. Accordingly, the Commission has notified its Open Access Regulations. However, the same are under review in the Commission.

Issue No 15: Manpower Requirement/Cost

The recommendations of PwC to add 2000 persons to the already staggering number of employees in PSPCL will add to the expenditure and no noticeable efficiency will be manifested. PSPCL is not bound to accept the recommendations of PwC, and PSPCL should look into its resources before adding any expenditure proposals given by any consultant. Redeployment of staff may be implemented soon to bring down the employee cost, which is presently Rs. 1.05 per kWh as against about Rs. 0.60 per kWh in Haryana.

Response of PSPCL

PSPCL got the Man Power study conducted by M/s PWC Ltd. Final report has been put up for approval of the Board. Report contains recommendations and action plan for its implementation. Salient features of PWC report has been shared with the Hon'ble Commission during final presentation on March 11, 2011 wherein it is provided that based on retirement pattern some recruitments have also to be done in order to improve efficiency by inducing fresh & young manpower. The above recruitment has been proposed in ARR accordingly. The detailed status of the road map has already been provided in Annexure-G of Vol-II.

View of the Commission

As per response of PSPCL, the report on manpower study is under consideration of the Board (of Directors). The Commission trusts that the report shall be thoroughly examined before any of its recommendations are accepted.

Also refer paras 3.10, 4.9 & Annexure IV.

Issue No 16: Capital Investment Plan

Generally, Utilities seek approval for higher capital expenditure, which is much beyond their actual capability to spend. This burdens the ARR and inter-alia the tariff. PSPCL's ARR Petition proposes expenditure to the tune of Rs. 382 crore against actual expenditure of Rs. 160 crore for HVDS, Rs. 50 crore against actual expenditure of Rs. 30 crore for general connections, Rs. 30 crore against actual expenditure of Rs. 11 crore for urban supply, and Rs. 636 crore against actual expenditure of Rs. 98 crore for APDRP.

Response of PSPCL

Capex is essential to maintain the ageing network of PSPCL. In the past, because of various financial constraints PSPCL was unable to implement Capex Plan which was required to be undertaken.

The Tariff Order for FY 2010-11 dated April 23, 2010, the Commission ruled as under:

"On this basis, the Commission approves an investment plan of Rs.1800 crore for 2009-10. However, increase in actual capital investment, if any, will be considered by the Commission during true up."

In FY 2009-10, the actual capital investment was Rs. 1612.31 crore as submitted in Format-21 of the Petition. Further, Capital investment plan for FY 2010-11 and FY 2011-12 has already submitted in Table-4.29 of the Petition. PSPCL requests the Commission to approve entire Capex, as projected by PSPCL.

View of the Commission

The capex plan is examined in the light of capital expenditure actually incurred in the past. Also refer paras 3.14.2 & 4.13.2.

Issue No 17: Return on Equity

The equity of PSPCL has already eroded and there are huge accumulated losses. Hence, there should not be any Return on Equity allowed by the Commission.

Response of PSPCL

It is seeking ROE as per CERC Tariff Regulations.

View of the Commission

Refer paras 3.16 & 4.15.

Issue No 18: Recovery from consumers for power theft

As per press reports, PSPCL has realised Rs. 300 crore from consumers for power theft. This amount may be factored in the ARR.

Response of PSPCL

PSPCL would not like to comment on any press report. The query is regarding FY 2009-10. However, it is submitted that all the revenue receipts pertaining from theft cases, are already presented in the Audited Accounts for FY 2009-10, which was submitted by PSPCL alongwith the Petition.

View of the Commission

The Commission under takes the true-up based on the audited accounts and the Audit Note which includes penal amount recovered on account of theft. This is also included in the revenue from sales. Also refer paras 2.22 & 2.23.

Issue No 19: Load restrictions for LS consumers

As per terms of supply, the Large Supply consumers are required to observe peak hour load restrictions due to unavailability of power. If a consumer is in a position to arrange power on his own during such hours through Open Access, the Utility should have no objection to it and there should be no Open Access charges for the same in peak hours. The infrastructure charges are already being claimed through MMC for availing power supply on round the clock basis.

Response of PSPCL

Same as in issue no.14.

View of the Commission

In fact, the issue is really not tenable as only a small fraction of the fixed charges is recovered through MMC.

Issue No 20: HT Surcharge

The tariff is worked out for categories created on the basis of 8 criteria given in Section 62 of Electricity Act, 2003. One of them is voltage. All the industrial consumers supplied power at a particular voltage have to be charged uniformly and no surcharge can be levied on certain industry or certain type of industries being supplied power at the same voltage. However, PSPCL has been levying a surcharge of 10% or 17.5% on steel industry. The matter had gone to APTEL and APTEL had remanded the matter back to the Commission. The Commission had also observed in the Tariff Order for FY 2008-09, that the necessity of levying surcharge would be examined in the next Tariff Order. The following arguments need to be considered in this regard:

a. The Commission has the duty to safeguard the interests of the consumers, under Electricity Act, 2003.
b. The steel industry is required to take connection at 66 kV, however, no tariff has been worked out for supplying power at 66 kV by PSPCL. Surcharge on tariff framed for HT level should not be applicable to steel industry, as supply at 66 kV will be subjected to transmission losses only and losses relating to 33 kV, 11 kV and lower voltages will not exist at 66 kV. If any surcharge is required to be applied to steel industry, PSPCL should first calculate transmission tariff up to 66 kV and then impose the surcharge for the incremental losses and other factors for failure of the objectors to switch over to 66 kV. In the State of Himachal Pradesh, a study has been carried out to find the losses at different voltage levels, based on which Tariff Order was issued for FY 2010-11. It can be observed from the Tariff Order that cost to serve for the EHT consumers is just Rs. 2.95 per kWh in comparison to Rs. 4.04 per kWh for HT and Rs. 5.88 per kWh for LT supply consumers. Hence, cost to serve for the EHT category, even after adding the surcharge, would be lower than the tariff for supply at 11 kV.
c. APTEL had also observed in its Judgment that O&M expenses and other charges for HT and LT segments do not warrant recovery from consumers, who are required to take supply at 66 KV. If any compensation is required from these consumers for not switching to 66 kV, the same has to be added to tariff worked out for EHT level and not HT level.

Response of PSPCL

The main concern of the objector is the difference between the cost of supply and the Tariff presently charged from the various categories of consumers. PSPCL submits that M/S TERI have been consultant engaged on the issue. Proposed methodology given by consultant to work out the cost of supply voltage-wise and consumer category-wise has been reviewed. Suggestions made on the draft methodology are now being incorporated by the consultants. The study is scheduled to be completed by March 2012. It may also be appreciated that it is a time-consuming exercise which involves logging of actual data over a long period. PSPCL further submits that once the study gets completed, the above issue of the objector will get addressed.

View of the Commission

The issue relating to HT surcharge has been addressed by the Commission in its Order of 19.1.2011 in Petition no.31 of 2010 as directed by Hon'ble ATE in its Order of 16.7.2010 in Appeal No.192 of 2009. Also refer para 5.1.

As regards cost of supply, refer objection no.2, issue no.11.

Issue No. 21: kVAh Tariff

PSPCL is not in a position to install the capacitors on AP connections. In view of the fact that 30% of the total consumption is of AP connections, it is requested to introduce kVAh tariff in place of kWh tariff. With kVAh tariff, consumers would automatically go for installation of capacitors.

Response of PSPCL

It has already initiated the process of engagement of consultants in order to conduct study on kVAh Tariff. The technical bids were opened on 24.02.2011 and the same are under evaluation.

View of the Commission

Refer objection no.2, issue no.6. Also refer Annexure IV, Directive 5.

Objection No. 9: Steel Furnace Association of India

Issue No 1: Cross Subsidy

Tariff of subsidised class of consumers including agriculture sector and other subsidised domestic consumers be increased suitably to bring their tariff in the range of 20% of combined average cost of supply by 2010-11, as provided in the Tariff Policy.

Response of PSPCL

Clause-8.3 states of Tariff Policy states as under:

"8.3 Tariff design: Linkage of tariffs to cost of service

…

2.For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the SERC would notify roadmap within six months with a target that latest by the end of year 2010-2011 tariffs are within ± 20 % of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy.

…"

As given in the Tariff Policy, there has to be reduction in cross-subsidy but gradually keeping the interest of Utility in view. PSPCL requests the Commission to keep the interests and financial viability of the Utility in view while addressing the concern of objector.

View of the Commission

The Commission has in its Regulations already provided for the gradual reduction of cross subsidy. A gradual reduction in cross subsidy in percentage terms has been effected in previous years. Also refer table 6.5 of this Tariff Order.

Issue No 2: Income and Expenditure Account

PSPCL should be directed to file a separate income & expenditure account along with Balance Sheet based on the costs as approved by the Commission from year to year so that a clear picture may emerge and a comparison may be drawn between the actual expenditure and approved expenditure of PSPCL.

Response of PSPCL

Audited accounts for FY 2009-10 have already been submitted along with the Petition which contains all the information related to income and expenditure incurred during the year.

View of the Commission

PSPCL furnishes information in its ARR as per proformae laid down in the Regulations.

At present the Commission approves the truing up of costs and revenues based on the audited accounts.

Issue No 3: Expenditure claimed in ARR

SFAI have been continuously contesting the expenditure claimed by PSPCL in its ARRs in terms of interest cost, depreciation and return on investment on excess allocation of expenditure to power segment on account of RSD project, undisbursed subsidy from State Government & revenue deficit of PSPCL. However, while estimating the revenue requirement for FY 2009-10, SFAI have considered the PSERC approved norms as per PSERC Tariff Orders of the related year and accordingly the revenue requirement has been reworked.

Response of PSPCL

The ARR Petition for FY 2011-12 has been submitted in accordance with 'The Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005' and the data in the formats as stipulated by the Commission. However, PSPCL cannot comment as no calculation or any specific observation about the ARR Petition has been submitted by the objector.

View of the Commission

Tariff is determined by the Commission on the basis of the provisions of the Electricity Act 2003 and Commission's Tariff Regulations framed thereunder. Costs permitted to PSPCL are allowed on normative basis as per Regulations.

Issue No 4: Capping of Agricultural Consumption

Power supplied to AP Sector is growing consistently at a very high rate with subsidised tariff which is far less than actual power purchase rate. It is imperative to cap the maximum amount of power year wise & approved by the Commission that can be supplied to agriculture sector at subsidised rate inclusive of additional connection projected in a year.

Response of PSPCL

The proposed mechanism would be easier to implement for metered AP consumers. However, in the current circumstances for unmetered AP Tubewells, it may not be possible to ascertain the level of consumption by each of the agricultural consumer over and above the approved quantum. Moreover, the billing and collection infrastructure may require further enhancements as currently the entire collection against the agricultural consumption is recovered in the form of subsidy from the Government.

Further, the sale to a particular category of consumers for the ensuing year (2011-12 in this case) is based on assumptions and is likely to vary from the actual consumption. The same applies to all categories of consumers and not particularly the agricultural consumers only. Charging the consumers for such deviation based on the marginal pricing essentially means that only the agricultural consumers are contributing to the peak demand which may not be the case.

However, PSPCL requests that the Hon'ble Commission may consider the suggestions keeping into account the aforementioned issues and other ground realities.

View of the Commission

The Commission appreciates the concern of the consumer. It would be relevant to mention, however, that there has been a 78.5% increase in agricultural tariff between 2002-03 and 2011-12. As per Table 6.5 in Tariff Order of FY 2011-12, the tariff for AP category is subsidized to the extent of 19.72%. However, it does not appear practicable to limit the quantum of free supply to agricultural power after which higher rates would become applicable. This aspect has been earlier discussed by the Commission in para 6.6 of the Tariff Order of 2007-08.

Issue No 5: Delay in Payment of Subsidy

Delay in payment of subsidy by the Government leads to short term borrowing at high interest rate, which further leads to financial difficulties for PSPCL in meeting its revenue requirements.

Response of PSPCL

The concern of the objector is genuine. PSPCL requests the Hon'ble Commission to exercise its power under the Electricity Act to provide appropriate directives to the concerned stakeholders. The Government may be asked firstly to pay maximum subsidy in advance during the paddy season from June to September (period of maximum consumption). In case of default it be directed to pay the interest on non-payment of subsidy for the period of delay. However, the non-payment of such interest should not result in reduction of interest on actual working capital loans taken by the PSPCL.

View of the Commission

The Commission, keeping in view the difficulties faced by PSPCL, charges interest on delayed payment of subsidy by GoP.

Also refer paras 2.18 & 3.15.

Issue No 6: Diversion of Capital Funds for Revenue Purposes

The Commission should ensure that the expenses on account of diversion of capital funds are not approved in the ARR of PSPCL. In this regard, a detailed investigation is required to work out the exact amount of diversion to be disallowed in the ARR, to safeguard the interest of the consumers.

Response of PSPCL

Diversion of funds was done to meet the cash crunch. The amount disallowed by the Commission on account of diversion of funds every year has affected financial viability of the Utility. PSPCL requests the Commission to allow interest on outstanding loan this year.

View of the Commission

The Commission disallows the interest cost on the capital funds diverted for revenue purposes. Refer paras 2.15.7, 3.14.10 and 4.13.10. This amount is bifurcated between PSPCL, PSTCL and GoP based on the principles adopted in previous Tariff Orders.

Issue No 7: Revenue Realisation

PSPCL has realized lower revenue as compared to the revenue approved by the Commission in last Tariff Order. The Commission may look into the lower revenue realization by PSPCL, which has contributed substantially to the revenue shortfall.

Response of PSPCL

The major reason for less revenue receipt has been reduction in outside State sales by Rs.755 crore. However, the revenue for FY 2009-10 is as per the audited account of PSEB (now PSPCL).

View of the Commission

Refer para 2.23.

Issue No 8: Capping of Agricultural Consumption

For FY 2009-10, the excess power supplied by PSPCL to the agriculture sector should be priced at actual cost, which would reduce the revenue requirement to that extent. Further, for FY 2010-11 and FY 2011-12, the agriculture consumption should be capped at the approved level and PSPCL should be asked to complete the metering of the agriculture consumption at the earliest. Further there should be no logic to increase agriculture consumptions as rainfall was excess during 2010-11 in paddy season.

Response of PSPCL

Same as issue no.4 above, As regards rainfall and AP consumption in FY 2010-11, actual sales will be submitted during the time of truing-up of FY 2010-11.

View of the Commission

Excess power purchased by PSPCL is required to meet the demand of all categories of consumers and not just AP consumers. Hence it would not be justifiable to charge AP consumers at higher rates for excess power purchase. As regards metering of AP consumers, the Commission has already directed PSPCL about the same.

Regarding capping of agricultural consumption, refer issue no. 4 above.

Issue No 9: Delay in Subsidy

The subsidy to be given by the Government is due for FY 2007-08 and FY 2008-09 on following accounts:

- Subsidy due to supply to agriculture sector on approved sale
- Subsidy on account of free power to selected categories of consumers
- Interest on subsidy due but not received

The subsidy amount, which is not paid fully by the Government to PSPCL leading to the shortfall in revenue generation of PSPCL, is met by taking short-term loans from the market at high interest rates. In this regard, the Government may be asked to release the subsidy due and interest thereon should be deducted from the interest due on Government Loans by the Board.

Response of PSPCL

Same as issue no. 5 above.

View of the Commission

Refer issue no. 5 above.

Issue No 10: Interest and Finance Charges

a) The Commission disapproved interest cost of Rs. 262.34 crore in the true-up for FY 2008-09 in the Tariff Order for FY 2010-11. With higher diversion of funds, it is estimated that the amount under this head would be higher for FY 2010-11 and FY 2011-12, which needs to be reduced from the revenue requirement of PSPCL.
b) The short-term loans should be allowed only as per PSERC Tariff Regulations, 2005. The Commission should prudently check the claims of PSPCL
c) The capital investment projections given by PSPCL for a realistic assessment of the same and accordingly, interest cost for capital works for FY 2009-10 should be computed.
d) The Commission should disapprove the cost on account of over-capitalisation of Ranjit Sagar Dam.

Response of PSPCL

a) Same as under issue no. 6 above.
b) The Commission to kindly consider and allow the short-term loans and interest thereon as submitted in the Petition because amounts disallowed by the Commission on account of

short-term loans in the past is creating cumulative impact on financial viability of the Utility.

c) The capital investment undertaken during FY 2009-10 was mainly on account of GHTP Stage-II (Commissioning of Unit-IV). PSPCL request the Commission to approve the actual capital investment and capitalization as submitted in the Petition during FY 2009-10 and the projected capital investment and capitalization during FY 2010-11 and FY 2011-12.
d) Ranjit Sagar Dam stands completed as per decision and policies of Punjab Government, so at this stage no correction seems to be possible.

View of the Commission

a) Refer issue no. 6 above.
b) Refer paras 2.15.5, 3.14.9 & 4.13.9.
c) Refer paras 2.15.2, 3.14.2 & 4.13.2.
d) The Commission has in its Order of 13.9.2007 addressed the issue of RSD cost. In any case, the Commission's findings have been upheld by APTEL.

Issue No 11: Employee Cost

a) Analysis of ARR Petition for FY 2011-12 reveals PSPCL is unable to control expenses like employee cost year after year and no new argument has been provided to upwardly revise the various component of employee cost.
b) The increase in expenses as submitted by PSPCL in the Petition should not be entertained and employee cost should be capped at the approved level. However, if the same has to be increased then it should be increased to cover the increase in terminal benefits and WPI. Further, the employee cost per unit shown by PSPCL for FY 2009-10 and FY 2010-11 are quite high as against Rs. 0.73 /unit and Rs. 0.59 per unit approved by the Commission for FY 2009-10 and FY 2010-11.

Response of PSPCL

a) PSPCL has made concrete action plans to implement recommendations given in Man Power study conducted by M/s PWC Ltd. Currently the final report of the above mentioned study has been submitted to BODs for consideration and approval. PSPCL envisages finalizing the implementation plans Short, Medium and Long term by March 2011. PSPCL has set a target of implementing the same by June 2011, Dec 2012 and Dec 2015, respectively. PSPCL has also initiated "Functional Model of Distribution Offices" in Urban and Rural areas on a pilot basis in one of the divisions in Patiala and Nabha respectively. Results that have come are excellent. PSPCL has accordingly planned to implement this model in entire state in two years in phased manner. The project involves reorganization of the distribution staff under a refined two tier system. The existing staff will be reorganized on functional basis for urban areas to handle technical and commercial functions separately. The project does not involve any additional financial liability and only involves redeployment of existing staff. It is envisaged that there might be a reduction of around 10-12% in the deployed workforce to handle the operations. Also, PSPCL emphasize that PSPCL itself is a newly created entity and is under stabilization and reorganization so it will take some time for rationalizing the manpower cost.
b) The employees expenses have increased as the basic pay of employees were revised in November 2009 w.e.f. 01.01.2006. Therefore, the impact of revision in basic pay for only 5 months (November 2009 to March 2010) was reflected in basic pay of employees in FY 2009-10. In FY 2010-11, this impact has been reflected for entire year. Also, the arrear of FY 2009-10 from August 2009 to October 2009 has been included in the employee expenses of FY 2010-11. The projections for FY 2010-11 and FY 2011-12 also includes impact of one-third arrears of pay revision for the period January 2006 to July 2009 amounting to Rs. 285 Crore for each year. Further, an annual increase of 3% on basic pay and DA increase as per notification of GOP has to be given every year. Thus, employee expenses cannot be capped at approved level and are requested to be allowed as per actual.

View of the Commission

a) & b) The Commission approves employee expenses as per notified Regulations.
Also refer paras 3.10 ,4.9 & Annexure IV, Directive 7.

Issue No 12: R&M Expenses

The Commission should approve the R&M expenses of the Generating stations based on the WPI and PSPCL's argument that R&M expenses be not linked with the WPI should not be considered.

Response of PSPCL

Actual R & M expenses have been submitted as per the audited accounts of FY 2009-10. R & M expenses for FY 2010-11 have been projected on the basis of actual R & M expenses incurred in first half (H1) of FY 2010-11.Observing the inflationary trend and past practice, for projection of R & M expenses in second half (H2) of FY 2010-11, 5% escalation has been taken on the actual R & M expenses incurred in first half (H1) of FY 2010-11. However for FY 2011-12, the R & M expenses have been projected by taking an escalation of 9% over the total R & M expenses of FY 2010-11. Further, the Commission gets the data validated through its consultant's visit to different offices of PSPCL.

View of the Commission

The Commission approves R&M expenses as per Regulations which allow a WPI increase from year on year basis. Also refer paras 3.11 & 4.10.

Issue No 13: Return on Equity

ROE should be considered at 14% as envisaged in PSERC Tariff Regulations.

Response of PSPCL

The Hon’ble Commission has been referring to the CERC Tariff Regulations while approving many of the normative parameters. For the purpose of allowing returns to utilities, the CERC in its Tariff Regulations for the period 2009-14 has approved a base rate of 15.50% (pre-tax) to be grossed up with the tax rate applicable to the utility. ROE rate has been considered in ARR accordingly.

View of the Commission

Refer paras 3.16 & 4.15.

Issue No 14: Cross Subsidy given by LS Consumers

a) In accordance with the National Tariff Policy, tariff should be within the +/- 20% of the average cost of supply. Therefore, in order to reduce the cross-subsidy burden on L.S. consumers, their tariff may be rationalised and tariff for subsidised class may be increased.
b) The category-wise cost of supply needs to be worked out to determine the cost of supply for different categories of consumers and level of cross-subsidy should be calculated accordingly. Further, the Commission should determine the category-wise cost of supply as PSPCL has failed to determine the same.

Response of PSPCL

Tariff Policy allows reduction in cross-subsidy but gradually keeping in view the interests of Utility. PSPCL requests the Commission to keep the interests and financial viability of the Utility in view while addressing the views of the objector.

View of the Commission

a) Refer issue no.1 above.
b) Refer objection no.2, issue no.11.

Issue No 15: Station Heat Rate (SHR)

The approved SHR should be considered while approving the fuel requirement for own thermal generation and the contention of PSPCL for higher SHR due to ageing and lack of maintenance for GNDTP and GGSTP should not be considered.

Response of PSPCL

PSPCL has already discussed the reason for deviation in SHR in Para-3.7.10. Out of six units in the Ropar Thermal Station, two units of the plant are around 25 years old and with ageing of equipments despite regular maintenance, the performance of individual machinery/ components of the stations are bound to deteriorate. Therefore, PSPCL requests the Commission to approve the actual SHR as submitted in the Petition.

View of the Commission

The Commission has allowed SHR as per approved norms. Also refer paras 2.7, 3.8 & 4.7.

Issue No 16: Coal Transit Loss

PSPCL has claimed transit loss of 2% at normative level in FY 2011-12 while the actual transit loss during FY 2010-11 (H1) for GNDTP, GHTP and GGSSTP was 0.41%, 1.16% and

1.60% respectively. Therefore, the Commission should approve the transit loss based on actual or normative levels, whichever is lower.

Response of PSPCL

The transit loss of PSPCL's own generating stations during FY 2009-10 and FY 2010-11 (H1) are as under:

Stations	FY 2009-10	FY 2010-11 (H1)
GNDTP	0.66	0.41
GGSSTP	1.14	1.60
GHTP	1.16	1.16

It can be observed that PSPCL has managed to keep the transit loss below the norms set by the Commission. The liasion work of transit loss minimisation and supervision of weightment of coal rakes at loading end is being done by M/S KCT & bros. (CS) Limited on behalf of PSPCL. Further, PSPCL power plants are located at farthest end from coal mines and power plants have no control over transit loss. Transit loss of 2% has been considered keeping in view transit loss approved by the Commission for FY 2009-10 and FY 2010-11.

View of the Commission

Refer objection no.1, issue no.1.

Issue No 17: Maintenance charges payable for Ranjit Sagar Dam (RSD)

The expenses on account of maintenance charges and over-capitalisation of RSD must be avoided as these expenses put burden on consumers.

Response of PSPCL

It is the prerogative of the Commission. However, the response given under issue no. 10 above be kept in view.

View of the Commission

Maintenance charges also include expenditure incurred on completion of balance works and works recommended by Dam Safety Advisory Committee and is allowed by the Commission. Also refer issue no.10 above.

Issue No 18: Prior period expenses

There is no direct relationship between prior period expenses and present cost of supply. Therefore, the Commission should not allow prior period expenses of Rs. 150.70 crore claimed in ARR FY 2011-12.

Response of PSPCL

Prior Period items are defined as those items which arise on account of correction of error in accounts of prior periods, shortages or excess provision made in previous years. As per the books of accounts for 2009-10, there is a net expense under this category of Rs. 150.70 crore. PSPCL requests the Commission to allow actual prior period expenses of Rs. 150.70 crore.

View of the Commission

The Commission has disallowed the prior period expenses relating to employee cost , fuel cost and interest and finance charges, as these are allowed by the Commission as per norms and after prudency check. Also refer para 2.19.

Issue No 19: Open Access Restrictions

Restrictions such as withdrawal of peak load exemption, fixing of percentage limit for use of PSPCL power, disallowing use of PSPCL power during particular timings etc. Discourage consumers for open access. PSPCL be suitably instructed to avoid discrimination between Open Access consumers and other categories of consumers.

Response of PSPCL

As regards Open access, Section-42 of EA 2003 states as under:

"Duties of distribution Licensee and open access

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...

4. The State Commission shall introduce open access in such phases and subject to such conditions, (including the cross subsidies, and other operational constraints) as may be specified within one year of the appointed date by it and in specifying the extent

of open access in successive phases and in determining the charges for wheeling, it shall have due regard to all relevant factors including such cross subsidies, and other operational constraints: Provided that such open access may be allowed before the cross subsidies are eliminated on payment of a surcharge in addition to the charges for wheeling as may be determined by the State Commission:

Provided further that such surcharge shall be utilised to meet the requirements of current level of cross subsidy within the area of supply of the distribution licensee :
Provided also that such surcharge and cross subsidies shall be progressively reduced and eliminated in the manner as may be specified by the State Commission:

Provided also that such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.
...”

Section-17 of PSERC (Open Access) Regulations, 2005 states as under:

“17. Surcharge

1. In addition to transmission charges and wheeling charges, a consumer availing Open Access to the transmission system and/or distribution system shall pay a surcharge worked out in the manner laid down hereunder;
2. Provided that such surcharge shall not be leviable in case Open Access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.
3. The current level of cross-subsidy shall be the cross-subsidy for a consumer category as determined by the Commission in the Tariff Order applicable for the year for the distribution licensee of his area of supply;
4. The current level of cross subsidy for a consumer category shall be the basis for determination of the surcharge applicable to that consumer category. The surcharge shall be equal to one-half(50%) of the current level of cross subsidy ;
5. The Surcharge shall be paid to the distribution licensee of area where the premises of the consumer availing Open Access are located ; and
6. The consumers availing Open Access exclusively on interstate transmission system shall also pay the same surcharge as determined under this Regulation.
7. The consumers availing Open Access through dedicated lines even without involving licencee's Transmission and / or Distribution System shall be liable to pay same surcharge as determined under this Regulation.”

In contrast to above provision Commission is not allowing surcharge to be levied on open access consumers in Punjab through its Tariff Order. PSPCL is required to provide open access to its consumers provided that appropriate mechanism for addressing the cross-subsidy impact is put in place so as to ensure PSPCL remains revenue neutral.

View of the Commission

The matter does not strictly pertain to the ARR. The objector is, however, free to separately approach the Commission in this regard.

Issue No 20: Power Factor (PF) Surcharge/Incentive

In case of consumers availing part of their power requirement from PSPCL and part from open access, the units consumed from PSPCL and open access are segregated. PSPCL gives power factor incentive on the recorded PSPCL energy only. However, the improvement of the power factor reduces the stress on the power system comprising of transmission and sub-station equipment. The system network is same for both PSPCL and open access. Flow of power through open access on the same network results in reduction of system losses when operating at high power factor. Hence, the Commission is requested to examine the suggestion technically and pass on the accrued benefit of PF improvement to the open access energy consumption on the pattern of PSPCL.

Response of PSPCL

Power purchased by open access consumers under open access is as per terms and conditions of Central Energy Exchange. PSPCL only has claim to paltry wheeling charges on

such consumption. Moreover, it is neither admissible nor feasible on part of PSPCL to pay incentive on consumption other than PSPCL's since it has not earned anything in the transaction except for part of wheeling charges. On the other hand, worsening of the power factor imposes additional load on the transmission and distribution lines of PSPCL, as such PSPCL levies PF Surcharge to such consumption also. It may also be noted that cases of surcharge levied on Furnaces are extremely rare, mostly incentives are allowed to them.
Further, the overall T & D losses are yet not at such levels where PSPCL can contemplate allowing monetary benefits to the consumers. PSPCL requests the Commission to consider the above mentioned points and not to consider the request of the consumer.

View of the Commission

Same as issue no. 19 above.

Issue No.21: Transmission losses recovery from open access consumers

Excess transmission losses are recovered from open access consumers. i.e. @ 6% as against 5.05% for FY 2010-11 and 4.63% for FY 2009-10.

Response of PSPCL

Transmission losses are recovered according to the Open Access Regulations, 2005.

View of the Commission

Same as issue no. 19 above.

Issue No 22: Proposal for Tariff Hike

In the ARR, PSPCL has not given any category-wise proposal regarding increase/decrease of Tariff to fill the revenue gap. The public will remain in dark about the expected hike resulting in loss of interest in attending Public Hearing. PSPCL must express the proposed hike in ARR.

Response of PSPCL

Hon'ble Commission approves the ARR on the basis of its own computations & yardsticks which leads to lot of changes in the ARR. Since Tariffs for various categories are determined on the basis of approved ARR and not the ARR projected by PSPCL, no Tariff proposal is submitted by PSPCL as is being done in the past.

View of the Commission

Refer objection no.8, issue no.1.

Issue No 23: Public Notice

It is generally seen that Public Notice given in the website is without any date of issue of notice and gives a month's time for filing objection/ comments. Therefore, exact date should be given in the notice for filing the objections.

Response of PSPCL

It is clearly mentioned in the Public Notice that the deadline for filing the objections is within one month from the date of issue of Public Notice. It is further submitted that for the convenience of general public and to have their valuable suggestions, the notice is also published in the leading newspapers, which have wide circulation in the State. PSPCL have been accepting the suggestion even after the last date given in the Public notice, with only goal of including suggestions of all stakeholders.

View of the Commission

PSPCL should, besides mentioning the period within which objections are to be filed, also mentions the last date.

Issue No 24: Information about pending Petitions on Website

If PSPCL/ PSTCL file any Petition regarding any matter especially towards tariff & supply conditions to the Commission, the same should be given on the website to enable the concerned consumer to participate. Details of pending petitions and date of hearing should also be given on the website.

Response of PSPCL

PSPCL is putting Tariff Petitions filed by it on the website of PSPCL. However, putting the details regarding other pending petitions related to Tariff and supply conditions and their date of hearing on the website, it is the prerogative of the Hon'ble Commission.

View of the Commission

The matter does not strictly pertain to the ARR.
The Commission conducts its proceedings according to its notified Regulations.

Issue No 25: Open Access
With the bifurcation of erstwhile PSEB into PSPCL & PSTCL, the open access consumers face difficulty due to improper coordination between two corporations especially when Rules & Regulations are changed. Hon'ble PSERC must direct only one nodal agency e.g. SLDC to deal & coordinate between two corporations for all matters of open access so that consumer does not feel harassed.
Response of PSPCL
It is the prerogative of the State Government/ Commission. PSPCL follows the directions of the Hon'ble State Government/ Commission in this regard.
View of the Commission
The matter does not strictly pertain to the ARR. The objector is, however, free to separately approach the Commission in this regard.

Issue No 26: Removal of Power Cuts by purchasing extra power
Power cuts on industry should be removed by purchasing extra power as power is available now through exchanges and through bilateral mode. Power cut on 1/2 day notice will create loss to industry and loss of labour employed in the industry.
Response of PSPCL
PSPCL appreciates the concern of the objector. PSPCL, however, has to operate within the limits of quantum and the rate of power to be purchased fixed by Hon'ble Commission. To ease the situation of power cuts PSPCL is trying all out efforts to tie up power purchase from Central Generating Stations apart from addition in generation capacity within the State. The list of upcoming power plants within the State is already given in ARR. Once the power supply from the aforementioned long term sources gets materialized, the suggested concerns of the consumers will get addressed automatically.
View of the Commission
It is undoubtedly true that there is need to procure power at reasonable rates from every available source including intra-state generation. Power purchases have to be made to cover the gap between demand and supply but these have to be effected prudently keeping its cost in view at all times.

Issue No 27: Balance Sheet of the Successor Entities
The erstwhile PSEB had been bifurcated in two companies' viz. PSPCL and PSTCL owned by GoP. The outstanding amount of PSEB should be made good by GoP and new Corporations should be given clean/ no debt signal to start progress from ab-initio without the burden of previous outstanding amount/ losses.
Response of PSPCL
PSPCL appreciates the concern of the objector regarding carrying out business without previous burden. National Tariff Policy also provides for the same. The restructuring plan is yet to be finalised. However, PSPCL requests the Commission to fix a time frame for finalisation of restructuring plan by the GoP.
View of the Commission
This is a matter for consideration of GoP.

Issue No 28: HT Rebate
HT Rebate on 33 kV & above consumer should be resumed and directions to be issued to PSPCL to remit to consumer with effect from April 1, 2010.
Response of PSPCL
The opinion and the objection raised by the objector have already been discussed by the Commission in detail in the Tariff Order for FY 2008-09. The relevant para has been reproduced below:
"…Commission observes that voltages at which supply is to be given to different categories of consumers have been specified in the Conditions of Supply since last more than ten years and the Board was required to release all new connections/additional loads/demands at the voltage specified in the Conditions of Supply. Therefore there is no logic in any rebate in tariffs to a consumer who is given supply at the specified voltage for that category. The Commission also observes that there is a need for the existing consumers getting supply at a lower voltage to convert to the specified voltage for benefit of the system and to reduce T&D losses. However actual conversion of supply voltage of the existing consumers will require some time. There could also be technical constraints in conversion of supply voltage or

release of a new connection and or additional load/demand at the prescribed supply voltage which merits consideration…"

Further, the supply of voltage for any connection depends upon the nature, quantum and type of load. New connections at higher voltages are taken by the consumers keeping in view of their own interest. Accordingly, PSPCL requests the Hon'ble Commission that such cases should not be considered.

View of the Commission

Refer objection no.2, issue no.9.

Objection No. 10 & 29: PSEB Engineers' Association

Issue No.1: Financial Viability

Section 86(4) of the Electricity Act, 2003 stipulates that SERCs are to be guided by National Electricity Policy and Tariff Policy. Various provisions of these policies provide for turnaround of electricity sector and financial viability of power sector Utilities. The successive Tariff Orders of the Commission issued in the past have not achieved the criteria/objectives, and the financial health of PSPCL has further deteriorated. The Commission may advice GoP under the powers vested in Section 86(4) of the Electricity Act 2003 to finalise/implement the financial restructuring plan so as to enable the financial survival of PSPCL.

Response of PSPCL

PSPCL appreciates the concern of the objector regarding financial viability of the Utility and requests the Hon'ble Commission to approve the short term loans or to provide some interim relief to the Utility till the Financial Restructuring Plan is finalised in order to mitigate the problem. As brought out by the objector, the Commission may direct the GoP to expedite and finalise & implement the Financial Restructuring Plan.

View of the Commission

GoP and PSPCL need to ponder over the rising debt and accumulated loans of PSPCL and decide upon measures necessary to contain the deteriorating financial health of PSPCL.

Issue No. 2: Unpaid Subsidy and Adjustment of Subsidy against Loan

Subsidy of Rs. 3242 crore for the period from FY 1998-99 to FY 2001-02 has remained unpaid by the State Government. Similarly, adjustment of subsidy against loan amounts to Rs. 1362 crore, Rs. 1140 crore and Rs. 520 crore for FY 2008-09, FY 2009-10 and FY 2010-11, respectively. These factors have contributed towards the financial sickness of erstwhile PSEB(now PSPCL). Adjustment of subsidy against loan is in violation of Section 65 of the Electricity Act, 2003, Section 5.5.4 of National Electricity Policy and the Commission's earlier Order of September 13, 2007. The Commission should specify that the cash amount of Rs. 3022 crore be paid to PSPCL, as the subsidy represents cash expenditure incurred by the erstwhile PSEB in the past for giving free power/ subsidised power to agriculture consumers, which cannot be offset through book adjustments. The Commission may specify, in the tariff Order for FY 2011-12, the time frame after which full tariff is to be levied on the subsidised categories if the Government defaults in making advance payment of subsidy.

Response of PSPCL

PSPCL appreciates the concern of the objector and requests the Commission to consider the above while determining the ARR of FY 2011-12.

PSPCL agrees with the views of the Objector and requests the Commission to exercise its powers to ensure that provisions of Section-65 of EA 2003 are implemented in letter and in spirit and give necessary directions to all the stakeholders.

View of the Commission

The payment of subsidy by GoP is regularly monitored by the Commission. The Commission in its Order dated 27.05.2008, has also observed that the issue of adjustment of GoP loan against subsidy is mutual to GoP and the Utility.

Issue No 3: Balance Sheet of restructured utilities

The Government of Punjab has negated the prime objective of restructuring, which was to give clean Balance Sheet to the restructured Utilities to ensure viability of new entities. Instead, the previous outstanding loans have been loaded on the new Utilities after restructuring.

Response of PSPCL

Same as issue no. 2 above.

View of the Commission
This is a matter to be considered by GoP.

Issue No 4: Interest Charges
The National Electricity Policy provides for ensuring recovery of cost of service from consumers in order to make the power sector sustainable. However, the financial viability of PSPCL is deteriorating because of availing working capital loans so as to bridge the operational gap between expenses and income. Analysis of loans from the ARR Petition shows that the interest payable in 2011-12 would be 71% of the net loan for 2011-12 and 51.14 % for 2010-11.
Response of PSPCL
Same as issue no.2 above.
View of the Commission
Interest charges are allowed by the Commission on the basis of notified Regulations. Also refer paras 3.14 & 4.13.

Issue No 5: Internal resources for meeting equity requirement
The National Electricity Policy provides for raising sufficient internal resources so as to meet the equity requirement of investments after suitable gross budgetary support from the Government at the Centre and in the States. However, actual position of PSPCL is moving in the opposite direction, where accumulated losses are increasing and debt service obligation has become a debt trap.
Response of PSPCL
Same as issue no. 2.
View of the Commission
The Commission disallows expenses after a prudent check. It is true that such disallowances add to the increasing overall debt burden of PSPCL. It is for PSPCL to take urgent steps to improve its functioning so that disallowances are minimized. GoP also needs to consider financial restructuring plan of PSPCL so as to improve the overall financial health of PSPCL.

Issue No 6: Tariff increase for zero Rate of Return
The net surplus and the rate of return of erstwhile PSEB (now PSPCL) for the period from FY 2007-08 to FY 2011-12, come out to be negative. The tariff increase required for achieving zero Rate of Return is 98 Paise/Unit for FY 2011-12.
Response of PSPCL
Same as issue no. 2 above.
View of the Commission
The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariff.

Issue No 7: O&M Expenses
CERC (Terms and Conditions of Tariff) Regulations, 2009 has provided relaxed norms for CPSUs in generation and transmission. Further, norms for O&M expenses were increased in CERC Tariff Regulations, 2009 as compared to the norms specified in CERC Tariff Regulations, 2004 in order to account for increase in employee expenses due to pay revision. The O&M expenses for generating stations of PSPCL are very less as compared to the O&M expenses derived as per CERC norms.
Response of PSPCL
PSPCL agrees with the suggestion given by the objector and requests the Commission to consider the same while determining the tariff for FY 2011-12 & Review /True up for FY 2010-11 /FY 2009-10.
View of the Commission
The Commission approves the O&M expenses as per notified Regulations.

Issue No 8: Station Heat Rate
CERC (Terms and Conditions of Tariff) Regulations, 2009 has specified relaxed station heat rate norms for some central sector stations, which could not meet the general norms. The Tariff Policy also states that the norms should be efficient, relatable to past performance, capable of achievement and progressively reflecting increased efficiencies. The Commission may adopt similar principles for GGSTP being of the same vintage as of Bokaro and allow a

SHR of 2700. PSPCL may be directed to seek assistance from NTPC for undertaking specific steps to improve SHR of this station.

Response of PSPCL

PSPCL agrees with the view of the objector and its requests to the Commission to relax the SHR norms for the power plants on account of ageing. PSCPL would like to highlight some of the APTEL judgments on similar issue of SHR norms etc.

1. Appeal Nos. 42 & 43 Of 2008, dated : 31st July, 2009 -HPGCL Vs HERC

   HPGCL has prayed that it should be allowed:

   Actual Station Heat Rate (SHR) of 3450 kcal/kWh for Panipat Thermal Power Station (PTPS) Units 1 to 4

   APTEL Ruling

   "The State Commission has to balance the interests of the consumers and the generators. If the targets given to the generating company are not achievable, no purpose would be served by setting such targets because such approach would adversely impact the financial position of the generator, which in turn would impact the investment in the electricity industry in the State. On the other hand, if the targets given are too liberal, the cost of power to end user would be higher, which would make the local industry and business uncompetitive. The Tariff Policy also lays emphasis on laying down standard which are achievable and encourage efficient operations. It is essential that the norms laid are not too liberal as to encourage inefficient operations, but at the same time are at least near to those achievable." emphasis added

   "Therefore under the circumstances, it is essential for the State Commission to arrange for a station-wise study to determine the SHR of the power plants of the appellant. The study may be conducted in a time bound manner. If the study indicates substantial variation (say more than 2-3%) than the benchmarks adopted by the State Commission, after adjusting for reasonable deterioration due to elapse of time, may be re-determined by the State Commission. " emphasis added

2. Appeal Nos: 86 & 87 Of 2007, dated : 10th April, 2008 -MSPGCL Vs MERC

   MSPGCL has prayed that it should be allowed:

   "SHR targets given by the Commission are not achievable keeping in view the age of the machines, machine characteristics, quality of primary fuel, and operating conditions."

   APTEL ruling:

"31. We are of the opinion that if the SHR allowed by the Commission is not achievable, then the same would not be in anybody's interest; entity would suffer by not recovering its reasonable cost of supply of the electricity and the consumers would not get the right signal about the pricing of the product they would be using. ... Determining right price is also essential to send signals to the prospective developers/investors in the sector enabling them to take decision about the investment potential in the sector.

32. Under the circumstances, we feel that the Commission either on its own or through the Appellant engage appropriate independent agency(ies), who can carry out a study in a time bound (preferably within three months) manner to reasonably assess the achievable SHR of the plants owned by the Appellant. Such agency may also be asked to suggest measures to improve the SHRs over a period of time."

As ruled by APTEL in Appeal of HPGCL and other similar cases, PSPCL would like to request Hon'ble Commission to carry out a Station-wise study to determine the achievable SHR of the power plants of the PSPCL, by an Independent Agency.

Based on the results of this Study, the Commission may determine the target for SHR and till such studies are undertaken SHR should be allowed on actuals.

View of the Commission

Refer para 4.7.3.

Issue No 9: Fuel Expenses for Generation of Infirm Power

Fuel expenses for generation of infirm power is a capital expense and has to be accounted for in the capital cost of the project after adjusting the revenue from sale of infirm energy.

Response of PSPCL

PSPCL agrees with the views of the Association and requests the Commission to kindly consider the same.

View of the Commission

The Commission has allowed the actual fuel cost for GHTP Unit-IV generation prior to COD. Regarding sale of infirm power, the Commission observes that PSPCL is handling both the generation as well as distribution functions and the power generated prior to COD had been injected into the grid without consideration of frequency at that time. As such, the Commission is not inclined to treat the power generated prior to COD as power purchased at UI rate and consequently reduce the amount from Capital cost.

Issue No 10: Sales to LS consumers

PSPCL has estimated open access transactions of 1800 MU for FY 2010-11 and it is not correct to presume that this trend will subside in FY 2011-12. The cross subsidy surcharge has been made zero in the State of Punjab, due to which the phenomenon of open access has increased substantially. It has been suggested that TOD tariff may be considered for LS consumers. With the implementation of the same, the tariff rate during off peak hours would reduce and during peak hours will increase. With this tariff differential, it will be helpful to PSPCL to curb the phenomenon of unrestricted open access during off peak hours.

Response of PSPCL

PSPCL has projected the sales for FY 2011-12 and these are not the actual figures. However, during Annual Performance Review of FY 2011-12, in the first half of FY 2011-12, if the growth in open access is observed the total open access sales for FY 2011-12 will be changed accordingly. As regards TOD tariff PSPCL had floated the Tender for engagement of consultants for conducting study and giving comprehensive proposal for implementation of TOD Tariff. Tenders have been received and are under process. Study report is expected to be received by December 2011.

View of the Commission

Regarding energy sales, refer paras 3.2.1 & 4.1.1.

Regarding ToD, PSPCL is advised to submit their report in a limited time frame after which the Commission will take a view in this matter. Also refer Annexure IV, Directive 4.

Issue No 11: AP consumption

Taking the data from Table 4.5 of the ARR Petition for FY 2007-08, FY 2008-09 and FY 2009-10, a CAGR of 13.15% has been worked out and projections for FY 2010-11 and FY 2011-12 derived. The reducing trend of kWh per kW per year from 1875 for FY 2007-08 to 1421 for FY 2011-12 indicates that the consumption figures taken by PSPCL are reasonable.

Response of PSPCL

Same as issue no.9 above.

View of the Commission

Refer paras 3.2.3 & 4.1.3.

Issue No 12: Plant Availability Factor Incentive

CERC Tariff Regulations, 2009 provide incentive to generating stations achieving above 85% Plant Availability, based on fixed charges of the station. Since, the Commission does not work out annual fixed charges for each station separately, incentive should be provided above 80% PLF, based on average cost of traded power since the extra generation will result in direct reduction in traded power.

Response of PSPCL

Same as issue no.9 above.

View of the Commission

The Commission approves the incentive for generating stations based on the methodology adopted in the previous Tariff Orders.

Issue No 13: Plant Load Factor

PLF is worked out on the basis of maintenance schedules. However, it is assumed that there will be no forced outage. Also, loss of generation due to backing down of plants due to high frequencies is not considered for PLF computation. Actual forced outage times for FY 2009-10 and H1 of FY 2010-11 and the MU loss due to backing down, should be considered while computing PLF.

Response of PSPCL

Maintenance schedule, planned outage, forced outage and actual back down has been considered while determining PLF of the power plants during FY 2009-10 and FY 2010-11

(H1). These factors are invariably considered while working out PLF of Power Plants.

View of the Commission

Refer para 4.4.1.

Issue No 14: BBMB Generation

Assessment of BBMB generation and share of PSPCL for FY 2011-12 may be obtained from BBMB as it regularly carries out water power studies for its stations on the basis of actual prevailing reservoir levels.

Response of PSPCL

PSPCL has projected the energy (PSPCL's Share) from BBMB in FY 2010-11 (H2) and FY 2011-12 as a part of energy available from Hydel Sources in Table 4-10 of the Petition.

View of the Commission

The Commission trusts that the generation figures in respect of BBMB are on the basis of study carried out by BBMB.

Issue No 15: Load Shedding Quantum

PSPCL should submit the quantum of power cuts in MU actually applied in FY 2009-10 and H1 of FY 2010-11 and estimates for H2 of FY 2010-11 and for FY 2011-12.

Response of PSPCL

The compilation of such data may take a longer time to be collected/ integrated.

View of the Commission

The matter does not strictly pertain to the ARR.

Issue No 16: Fuel cost - PSPCL Vs NTPC

The fuel cost of PSPCL Stations is lower than that of the NTPC Stations from which power procurement is done by PSPCL, in terms of paisa per 1000 kCal. Hence, the fuel cost of PSPCL stations should be allowed in full, as PSPCL stations are more competitive as compared to NTPC stations.

Response of PSPCL

PSPCL agrees with the views of the Association and requests the Commission to kindly consider the same for PSPCL favourably.

View of the Commission

The Commission approved the fuel cost as per approved norms. Also, refer paras 3.8 & 4.7.

Issue No 17: Power purchase

a) The cap on power purchase rate in Tariff Order for FY 2010-11 for power procurement through traders was not adhered to by PSPCL. The month-wise split up of short term power purchase (2703.87 MU, as projected by PSPCL for FY 2011-12) should be given along with the price cap. This will ensure that this element of ARR is controlled on monthly basis without overshooting the cost.

b) A continuous monthly or quarterly review of power purchase may be carried out by the Commission and compared with the allowed quantum of power purchase and extra power purchase may be allowed by the Commission as a pass through by means of suitable surcharge.

c) In case Government of Punjab directs PSPCL to make additional power purchase, the extra cost of such power purchase should be provided by the Government upfront.

d) PSPCL should also be directed to adopt Swiss Challenge model for procurement of power. Energy from a number of new Central Sector projects will not be available as their commissioning has been delayed. Also, the energy available from 1050 MW Maithon RB (DVC) station has not been considered.

   As per observations in the 13th Finance Commission Report, the net losses at 2008 tariffs are projected to increase progressively from Rs.68643 crore (2010-11) to Rs.116089 crore (2014-15). This gap between revenue income and expenditure increased due to high cost of short term power purchases since utilities did not plan capacity additions well in time & were unable to reduce the T&D losses thus resulting in increased purchase levels and supply costs. Several States where tariff revisions have taken place, the gap has been reduced by not recognising the true extent of the costs, eventually resulting in large financial deficits.

e) Also the Commission may consider allowing the cost of power purchase undertaken by PSPCL. While deciding on the cap on the rate of traded power, which is specified at 220 kV State Boundary, the Commission may keep in view the losses (20%) up to the consumer end.

f) The cost of UI power as per NRPC website data for FY 2010-11 up to February 27, 2011 is Rs. 529 crore. Out of Rs. 529 crore, an amount of Rs. 63 crore was charged on account of additional UI charge(surcharge) for overdrawal below 49.5 Hz and below 49.2 Hz at rates of Rs. 12.22 and Rs 17.46 per unit respectively. For FY 2011-12, the Commission may direct that overdrawal below 49.5 Hz should be avoided except for short duration force-majeure conditions which would require about 15-30 minutes for load shedding.
g) For the year 2010-11, the proposed cost of power purchase as per PSPCL was Rs. 5867 crore against which the Commission allowed Rs. 3774 crore. The revised estimate of PSPCL is Rs. 5427 crore. PSPCL may give the actual figures of power purchase in Rs crore and MU for the period 2010-11 upto February 2011. As per PSPCL figures for short term power purchase through traders for 2010-11 the purchase is stated as 2493 MU gross, 2324 MU net and cost Rs. 1308 Crore. PSPCL may give actual figures for 2010-11 up to Feb 2011.
h) As per PSPCL ARR, power purchase through traders is stated as 2704 MU gross, 2500 MU net and cost of Rs. 1497 Crore at an average rate of Rs. 5.54 per unit. However, as per recent press reports, PSPCL claimed to have tied up power purchase (short term) of 3000 MUs through traders to meet the summer requirement to avoid power cuts. PSPCL may give the details of power purchases tied up to 2011-12.
i) The power purchase requirement and cost may be worked out on a month-wise basis with estimated availability from own sources, entitlement from Central Sector and BBMB sources and expected/ forecasted requirement with the gap being met through short term power purchase.
j) The Power Regulatory measures be adopted so as to control the power purchase quantum and costs to the approved monthly levels.

Response of PSPCL

a) PSPCL appreciates the suggestion of the Association regarding month-wise split-up of power purchase through traders along with price cap.
b) The short term power purchase market is highly volatile. The short term power is being purchased through bilateral transaction which can be arranged up to three months in advance and through Power Exchange which are on day-ahead basis only. The cost of power through Power Exchange is highly volatile as it is closely related to the prevailing grid frequency. Moreover, the availability of any quantum of power is also not assured while arranging power through the Power Exchange. So as to ring fence the consumers / PSPCL against such unreliable short term power from Power Exchange, whose rates and quantum are highly vulnerable to technicalities & market forces, PSPCL procures short term power through traders on three month advance reservation basis in order that assured quantum is ensured at competitive rate. For the procurement of power on three months advance reservation basis, the tendering processes have to start at least six months in advance. For estimating the requirement of short term power purchase the growth in the load as well as the tentative generation (with availability factors) is taken into view. The short term powers against advance reservations, once tied up cannot be surrendered without paying penalties which is very high.

   Therefore, PSPCL appreciates the suggestion of Association that a continuous monthly/ quarterly review of power purchase be carried out by the Commission and compared with the allowed quantum of power purchase and extra power purchase may be allowed by the Commission as a pass through by means of suitable surcharge.
c) In case the Government of Punjab directs PSPCL to make additional power purchases over and above the fixed quantum by the Commission, then the Government should be required to give upfront the extra cost of such power purchase to PSPCL.
d) As regards various power purchase sources, PSPCL has considered all possible power purchase sources including own generation, CGS, BBMB etc. to project power purchase requirement in FY 2011-12.

   PSPCL understands its responsibility and is putting best efforts to make cheaper power available so as to ensure quality and reliable supply to all the consumers of the State. PSPCL expecting capacity addition in the future years from power plants at Talwandi Sabo (1980 MW; by 2013-14), Goindwal Sahib (540 MW; by 2013-14), Rajpura (1400 MW; by 2014-15) and Gidderbaha (2640 MW; by 2016-17).

As regards T&D loss, PSPCL would like to submit that it is one of the best performing Utilities in the Country in terms of T&D loss. However, PSPCL has kept the target of reduction in T & D loss up to 18% by FY 2010-11 and 17% by FY 2011-12. The T & D losses of a few Utilities of other States in comparison are Maharashtra, Haryana, Rajasthan, UP, Gujarat (PGVCL), AP ranging from 19% to 32% higher than PSPCL and APEPDCL (15.64%), KSEB (16%), DGVCL (17.70%) lower than PSPCL.

As regards the gap, PSPCL agrees with the view of the objector and requests the Commission to consider the same while determining ARR and Tariff for FY 2011-12.

e) PSPCL disagrees with the suggestion of the objector for imposing cap of rate to be power purchase through Traders. PSPCL procures power from Traders through competitive bidding route through which price is discovered and PSPCL has absolutely no control over market determined rates. There are only two possibilities for procuring additional power through traders:
   i. Reduction in actual generation from approved sources as compared to approved levels.
   ii. Increase in demand from the consumers end.

   Both the above mentioned factors are not with in control of PSPCL. In case a cap is imposed on the power purchase rate as commented by objectors, PSPCL will have no option but to resort to power cuts beyond a particular power purchase rate, which may not be desirable as in that case PSPCL will be failing in its duty to fulfil its obligation to provide continuous supply, even if power is available in the market.

f) UI results due to overdrawal of power due to increase in demand. Since overdrawal of power adversely affects the grid and may result in grid failure, PSPCL itself tries to maintain grid stability. PSPCL understands that as per CERC Unscheduled Interchange charges and related matters Regulations, 2009 penalty is levied on Utility on overdrawal of power through Grid. Therefore, imposing cap on UI will not address the issue. In the power purchase proposal of 2011-12, the drawal under UI has been planned as nil but UI drawal may happen due to mismatch between schedule and drawal on real time basis. However every effort will be made to keep the UI to the barest minimum possible.

g) The actual power purchase figures upto January 2011 are 14231.45 MU (Gross) at a cost of 4851.57 crore. The data for February 2011 has not been compiled as all the bills for February 2011 are yet to be received. The actual short term power purchased upto January 2011 is 2492.79 MU (Gross) at a cost of 1382.30 crore without open access charges. Short term open access charges up to January 2011 are 48.45 crore.

h) For 2011-12, PSPCL has placed LOIs for around 3272 MU (3043 MU at Punjab periphery) at seller periphery at approximate cost of Rs. 1231 crore at an average rate Rs. 4.05/ kWh at Punjab Periphery. Since the success rate of power flow during the paddy season as per previous experience is around 80% of the power tied up so the energy tied up is well within the limits.

i) PSPCL has submitted the information according to the formats prescribed in PSERC Tariff Regulations, 2005.

j) PSPCL is taking various initiatives to control the power purchase quantum and cost to the approved level. Some of them are as under:
   i. Peak Load restrictions duration are adjusted to keep power purchase quantum and cost within approved levels.
   ii. Load Curtailment during peak hours
   iii. Weekly off for Industrial Consumers
   iv. Load Shedding/Power Cuts

View of the Commission

a,b,e,&f) Refer paras 3.9 & 4.8.

c) Giving cash grant for making additional power purchases is in the nature of subsidy and it is the prerogative of the Government.

d) PSPCL may study the Swiss Challenge Model for purchase of power.

g) PSPCL has provided the requisite information.

h) PSPCL has provided the requisite information. The Commission will consider the same at the time of true-up for FY 2010-11 and review/true-up for FY 2011-12.

i) For determination of ARR, the Commission does not find it necessary to work out the power purchase on monthly basis.

j) The matter does not strictly pertain to the ARR.

Issue No 18: Annual Fixed Charges for NTPC Stations

CERC has not yet notified the tariff of NTPC stations from FY 2009-10 to FY 2013-14. Hence, an escalation of 10% in Annual Fixed Charges for NTPC stations should be allowed for FY 2009-10, FY 2010-11 and FY 2011-12.

Response of PSPCL

PSPCL agrees with the views of the Association and requests the Commission to kindly consider the same.

View of the Commission

The Commission allows for variation, if any, in the fixed costs of Central Generating Stations at the time of review/true up.

Issue No 19: Fuel Cost of Udipi Thermal Station

Udipi Thermal Station is to run on imported coal and it is learnt from KPTCL, Karnataka that there is considerable escalation in fuel cost, which needs to be confirmed.

Response of PSPCL

For UDIPI Thermal plant of KPTCL, variable charges has been assumed as that of highest average per unit energy rate of existing thermal plants from H-1 period (which is of NTPC Farakka plant) and this overall rate is 345.63 Paise/Unit. However, it is humbly submitted that if there is any change in the fuel cost the same may please be considered by the Commission.

View of the Commission

The Commission allows any variation in fuel cost as per its Regulations.

Issue No 20: Variable charges of Pragati Thermal Power Station

Initially, the gas turbines of Pragati Thermal Power Station would operate in open cycle mode with variable charges about 50% higher and only after commissioning of steam turbine, which may take one year, the combined cycle rate would apply. PSPCL may get the details/estimates from Pragati Thermal Power Station.

Response of PSPCL

For Pragati-III gas plant at Bawana of Delhi Govt., variable charges has been assumed as that of highest average per unit energy rate of existing gas plants from H-1 period (which is of NTPC Auriya plant) and this overall rate is 293.70 Paise/Unit.

View of the Commission

Refer issue no. 19 above.

Issue No 21: Return on Equity

Since PSPCL is likely to operate under loss for FY 2011-12, the tax liability will be nil and thus, ROE of 15.5% should be applicable.

Response of PSPCL

No response.

View of the Commission

Refer paras 3.16 and 4.15.

Issue No 22: Capital Expenditure

i. The status of the Shahpur Kandi Hydel Project and the actual expenditure incurred in FY 2010-11 up to date may be indicated.

ii. PSPCL should give the list of 66 kV and 33 kV substations that were getting overloaded during the paddy season of 2010. PSPCL should also give priority-wise list of transformers, which are to be installed in FY 2011-12 and added in FY 2010-11. The list of such sub-stations may be given in PSPCL's website.

iii. PSPCL should disclose the list of 11 kV feeders, which were getting overloaded during the paddy season of 2010. PSPCL should also submit the priority-wise list of feeders to be de-loaded in FY 2010-11 and FY 2011-12. The list of such feeders may be given in PSPCL's website.

iv. The capacity addition target in the XIIth Plan period is set at 1 lac MW. For every 1 MW to be added, Rs. 4.95 crore is required for generation, Rs. 2.4 crore is required for transmission and Rs. 4.0 crore is required for distribution. The capital investment plan of PSPCL for FY 2011-12 should therefore cover (a) system augmentation so as to de-load the overloaded elements in distribution system, and (b) system augmentation for distribution of additional power available due to share of Punjab from new generation capacities coming up outside the State, as well as new generation projects within the State. The quantum of investment for distribution should be Rs. 4 crore per MW.

v. PSPCL has submitted that the MW capacity would increase from 7790 MW in FY 2010-11 to 7990 MW in FY 2011-12, which is an increase of only 200 MW. A growth in MW demand of the order of 10% can be expected, which translates to above 800 MW. For meeting the transmission requirement of 800 MW, an investment of 800 x 2.4, i.e., Rs. 1920 crore can be estimated for transmission system. Part of the investment would be required in PSTCL system and the rest is required in PSPCL system. In the ARR Petition of PSTCL, the capex plan for transmission of Talwandi Sabo and Rajpura projects has been given. By similar analogy the projections are required to be given by PSPCL which relate to 66 kV systems and below for dispersal of the power from new projects within and outside Punjab. Considering the declining financial position and increasing burden of debt trap, the Commission may deliberate on the steps required to meet the investment requirements of transmission system and distribution system.

vi. The capital expenditure plan is to be seen from another perspective, i.e., that for sustaining a specified percentage of growth rate, a matching growth rate in electricity supply is necessary which implies that 66 KV and below system has to be augmented to cater to the increase in growth rate. The percentage growth rate of electricity consumption is estimated from the projected growth rate of Gross State Domestic Product data taken from 13th Finance Commission Report and elasticity ratio between GSDP and electricity consumption of the State as 0.8 adopted by the working group on power for 11th plan. Thus, for sustaining a growth rate of 11.4% in GSDP in Punjab, a growth rate of 9.12% in electricity consumption would be required. Accordingly, the capex plan of PSPCL has to be formulated so that:
   a. Overloading of 66 KV system and below is addressed
   b. Margin be created for accommodating a growth rate 9.12% per annum in electricity consumption.

Response of PSPCL

i) The civil excavation works of the dam by the Punjab Irrigation department are in progress.

ii) The compilation of such data may take a longer time to be collected/ integrated. PSPCL may consider the suggestions of the objector regarding uploading the above said data on its website. It will put the required data on its website by 31.5.2011.

iii) Same as point ii above.

iv) PSPCL will consider the suggestions of the Association.

v) Same as point iv above.

vi) PSPCL appreciates the suggestion made by the objector. PSPCL has planned to invest capital expenditure of Rs. 150 crore and Rs. 300 crore during FY 2010-11 and FY 2011-12 respectively for maintenance and upgrading of Transmission lines and substations. PSPCL further requests the Commission to approve the same so that the concern of objector may be addressed.

View of the Commission

i) PSPCL has furnished the present status only. The data regarding up-to-date expenditure has also been provided during processing of the ARR.

ii to vi) The Commission trusts that PSPCL is taking all necessary steps for (i) augmentation of its existing system to ensure de-loading of over-loaded lines and sub-stations (ii) adding new lines and sub-stations commensurate with the new generation capacity additions.

It may also be ensured that the requisite information is put on the website well in time.

Issue No 23: Monitoring of Loss Reduction and Distribution Reform Scheme

(i) As per a scheme sanctioned and funded by REC, meters are being shifted outside the consumer premises for 32 lac consumers in non R-APDRP areas.

(ii) The meters of around 19 lac consumers shall be shifted in R-APDRP areas under Part-B of the scheme. PSPCL may be directed to expedite the scheme at the earliest, as no deadline has been fixed for the scheme yet.

(iii) Expected AT&C loss reduction during FY 2011-12 that will be achieved by shifting 32 lac meters, by providing 48 lac CFLs and by installing capacitors to improve the PF.

Close monitoring of the scheme is required for ensuring the expected benefits.

Response of PSPCL

PSPCL will consider the suggestions of the Association.

View of the Commission

The Commission trusts that PSPCL is taking necessary steps to ensure completion of all loss reduction and distribution reform schemes as per schedule. Also, refer Annexure IV, Directive no. 1.

Issue No 24: Recovery of fuel cost escalation expenses

In case of PSPCL, there is considerable delay in recovery of fuel cost escalation. The Commission may consider allowing fuel cost escalation on monthly basis as in case of NTPC.

Response of PSPCL

PSPCL appreciates the concern of the objector and requests the Commission to kindly consider the same and at least allow FCA surcharge based on quarterly filed FCA petitions of PSPCL. Presently these are being considered at the time of true up /Review exercise only without intimating any reason to PSPCL.

View of the Commission

The matter relating to allowing FCA on monthly basis does not strictly pertain to the ARR. The objector is, however, free to separately approach the Commission in this regard.

Issue No 25: No proposal for Tariff Increase in ARR Petition

PSPCL has not proposed any increase in tariff for meeting the gap between revenue expenditure and income. PSPCL may be directed to give a specific category wise proposal for meeting the projected gap in the ARR.

Response of PSPCL

In the past, the ARRs as filed by the Board (Now PSPCL) are reduced and recomputed by the Commission based on its own yard sticks and therefore the proposals for enhancement of tariff is not being given. Commission processes the ARR filed and determines the tariff after revising the gaps.

View of the Commission

Refer objection no.8, issue no.1.

Issue No 26: Manpower – Recruitment & Training

As per working group on power for 11th plan, 5% of salary budget should be earmarked exclusively for training by every organisation and this should be reflected in annual Balance Sheet. Also as per the National Training Policy, every employee should be provided with minimum one week training. Periodic refresher training for O&M personnel should also be provided.

At present, there are 195 sanctioned posts of AE/ AEE in BBMB out of which 83 are to be manned from PSPCL against which only 32 engineers have been posted. There is a need to go in for a recruitment of AEs by PSPCL specifically for BBMB.

Response of PSPCL

PSPCL has been incurring expenditure on account Training of its employees which is booked under accounting heads of 76.151 and 76.181, which comes under the head A&G expenses.

Summary of number of employee trained in FY 2009-10 and FY 2010-11 is as under:

No. of Employees (No.s)		
Particulars	FY 2009-10	FY 2010-11 (till 12/2010)
In House Training	941	662
In House Special Trainings/ Workshops	145	175
LM/ALM/SSO/SSA trained at site training camps	4279	4495
Training through outside agencies	3149	3068
Total	8514	8400

However, PSPCL appreciates the view of the objector and would request the Commission to consider the Training expenditure on actuals for FY 2009-10 and FY 2010-11 as submitted by PSPCL and for FY 2011-12, provide Training expenses separately under a separate head based on suitable percentage of Employee expenses, as may be determined by the Commission.

PSPCL appreciates the suggestion given by the objector and would evaluate it for consideration.

View of the Commission

Refer Annexure IV, Directive 7.

Issue No 27: Rollback of Tariff

In the past the State Govt. has issued directions to rollback the tariff hike after issue of Tariff Order by the Commission thereby derailing the entire tariff determination exercise. Accordingly, the Commission may obtain the views of Govt. before hand.

Response of PSPCL

PSPCL agrees with the views of the objector. PSPCL would further like to submit that it may adversely affect the cash flow of the Utility.

View of the Commission

The Commission follows the due regulatory process in the tariff determination exercise. Actions of any stakeholder in violation of the legal provisions are challengeable in the appropriate forum.

Issue No 28: Excess Coal Stock at PSPCL Generating Stations

While PSPCL is in acute financial crisis, finances/ funds have been tied up and blocked by way of maintaining excessive coal stocks.

Response of PSPCL

The details of coal stock at PSPCL thermal power stations as on 09.03.2011 are as under:

Name of the plant	Coal Stock as on 09.03.2011 (in lac MT)	Coal Stock as per CEA based on CEA generation targets (in days)	Coal Stock taking into consideration rated capacity of plants (in days)
GHTP Lehra	3.60	35	25.7
GGSSTP Ropar	5.10	32	25.5
GNDTP Bhatinda	1.55	33	29.5*

*Corresponding to 3 units since Unit no. 3 is under R & M upto June 2011. Further since monthly scheduled quantity from CCL for R & M of Unit no. 3 already stand reduced vide agreement dated 7.01.2011 between PSPCL and CCL, so the coal stock at GNDTP, Bhatinda is likely to further reduce in forthcoming months.

The perusal of the above table indicates that PSPCL thermal power stations as on date were having coal stock sufficient for 25.7 days, 25.5 days and 29.5 days for GHTP Lehra, GGSTP Ropar and GNDTP Bathinda respectively as against figures of 35 days, 32 days and 33 days projected by PSEB Engineers Association in the public hearing on 11.03.3011.

PSPCL thermal power stations are required to keep coal stock of atleast 25-30 days as per CEA requirement in view of long lead from the coal mines to meet with any exigency due to disruption in railway traffic and frequent bandh calls given by Maoist & Nexalite Groups.

Further, PSPCL has signed Fuel Supply Agreements with CIL Subsidiaries for supplying 6.60 million tonnes coal per annum and as per the provisions contained in the FSAs, PSPCL is bound to lift 90% of the annual contracted quantity, failing which compensation amount on account of short lifting shall become payable to CIL subsidiaries. However, the coal stocks at PSPCL thermal shall further decline due to enhanced power demand during forthcoming paddy season and declined production of coal in the mining are due to monsoons.

Further, coal stock position at some thermal plants of neighbouring states is critical and some of their thermal units are facing loss of generation/ closure due to poor coal stock position, whereas comfortable coal stock position at PSPCL thermal Power Station has led to smooth running of thermal Units.

View of the Commission

The Commission approves the working capital requirement as per its notified Regulations.

Issue No 29: Payment of Subsidy

The Commission in its Order dated 13.09.2007 had specified quarterly payment of subsidy by the State Govt. which was later relaxed by the Commission to monthly advance payment of subsidy. Despite the relaxation, the State Govt. did not comply. The Commission may ensure compliance of the provisions of section 65 of the Electricity Act, 2003 and also specify in the Tariff Order of FY 2011-12, the time period after which full tariff would be applicable in case the Govt. default.

Response of PSPCL

PSPCL agrees with the views of the objector and requests the Commission to exercise its powers to ensure that provisions of Section-65 of EA 2003 are implemented in letter and spirit and give necessary directions to all the stakeholders.

View of the Commission

Interest on delayed payment of subsidy is charged to GoP. Also refer paras 2.18 & 3.15.

Issue No 30: Employee Cost

The issue of allowing employee cost as per actuals had been discussed with the former secretary power GOI Shri R.V. Shahi who had opined that the actual cost must be allowed by the Regulator with a trajectory in future years for controlling/ reducing the same. The Commission may consider the opinion of the former secretary power GOI.

Response of PSPCL

PSPCL agrees with the view of the objector. PSPCL has claimed the actual employee expenses as per Audited Accounts. PSCPL highlight some of the APTEL judgments on similar issue of Truing up of employee expenses, etc.

1. Appeal No.109 of 2007 ; Dated: 17th December, 2008

   Issue: Truing up of Employee Expenses & A & G Expenses

   APTEL ruled that:

   "Accordingly, we set aside the impugned order passed by the State Commission in respect of Employee Expenses and A&G expenses for the year 2005-06 with the direction to the Commission to approve the said expenses in totality as submitted by the Appellant, as the same being based on actual."

2. Appeal No. 60 of 2007- TPC v/s MERC

   Issue: A&G Expenditure- Normative Vs Actual

   – TPC appealed against MERC for disallowing the actual A&G expenditure
   – MERC, in its Order, observed that the consultant's fees of Rs 21 Crore is disproportionate to the claimed benefits, and even the claimed benefits do not appear to be directly co-relatable and solely due to the work done by or under the advice of the consultant.

   ATE allowed the appeal and directed to:

   – approve the actual A&G expenses including consultant's fees Remuneration of the consultant depends mainly on quality of services and there are no hard and fast rules for this.
   – Such decisions are left to the management of the Utilities.

3. Appeal No. 81 of 2007- IPGCL v/s DERC

   Issue: Normative Vs Actual

   – IPGCL appealed against DERC for non-consideration of actual operation & maintenance expenses
   – DERC approved an increase of 4% over the normative O&M expenses for FY 2005-06

   ATE directed as follows:

   – Normative rates of escalation cannot be simply applied
   – Detailed exercise to be carried out for arriving at correct O&M expenses
   – Individual items of expenditure to be examined and only those to be rejected which were clearly avoidable or imprudent or impermissible.

Further, even the SERCs like MERC which are at the forefront in Power Sector reforms have realised this fact and have been allowing Truing up of Employee expenses on Actuals and then using this trued up employee expenses as a base for purpose of projection for the next year.

PSPCL requests that Employee expenses should be on Actuals & not on Normative Basis

View of the Commission

Refer paras 3.10 and 4.9.

Objection No. 11: Apex Chamber of Commerce & Industry

The issues pertaining to tariff proposal, projections for FY 2011-12, AP consumption, cost of supply, kVAh tariff, PSPCL's own generation, auxiliary consumption, fuel cost projections for

GHTP, consumption by LS category, system improvement schemes, sales projections of LS category, hydel generation, power purchase cost, open access, manpower requirement/cost, capital investment plan, recovery from consumers for power theft and HT surcharge are identical and dealt in objection nos. 8. The remaining issues are dealt hereunder:

Issue No.1: Filing of ARR & Multi Year Tariff

a) The ARR and Retail Tariff Petition filed for FY 2011-12 is in violation of the provisions of the Electricity Act, 2003 (Act) and Regulations framed therein. PSPCL has not placed on record audited accounts included audited balance sheet, trading account profit and loss account, list of debtors & creditors etc. along with all enclosures annexed with the audit report for FY 2008-09. Further, as per PSERC (Terms and Conditions for determination of Tariff) Regulations, 2005, the Commission shall undertake the exercise of truing-up only after the availability of audited accounts. Further, as per the Regulations, the revenue gap of ensuing year shall be adjusted as a result of review and truing up exercise.

b) Para 5.3 (h) of the Tariff Policy framed under the Act, mandates that MYT is to be adopted after 1.4.2006. Further, para 12 of the Tariff Regulations 2005 also provide that the Commission may adopt multi year tariff principles. However, due to yearly tariff, the board is not trying to give actual figures and always give manipulated figures and made unrealistic claims.

Response of PSPCL

a) PSPCL has filed ARR in accordance with Section-13 of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005. PSPCL has provided the balance sheet, Profit and Loss Account, list of sundry receivables, current liabilities etc. PSPCL has submitted the audited account in Volume-III along with the Petition.

b) The Hon'ble Commission had already invited comments/ suggestions on the draft MYT Regulations for the first Control Period notified on its website. After finalisation of MYT Regulations by the Hon'ble Commission, PSPCL would submit the MYT Petition in accordance with MYT Regulations.

View of the Commission

a) The Commission obtains information as per the prescribed proformae and processes the ARR according to its notified regulations.

b) Multi Year Tariff Regulations are under process in the Commission.

Issue No.2: Monthly Minimum Charges (MMC)

MMC is a kind of fixed charge and the same should be abolished or proportionate reduction equal to the power cuts imposed by PSPCL should be granted, for efficient use of power supply and avoid wastage of electricity. Further, the Commission should pass necessary directive for making suitable amendment in the bills issued by PSPCL, which should reflect charges for the units actually used and the difference received being the difference of actual units consumed and MMC charges for giving the correct figure of net MMC earned without supplying the electricity. Further, PSPCL has not made any proposal for charging MMC from AP consumers. It is the mandate of the law and constitution of India that different treatment should not be made for various consumer categories. Further, the Electricity Act, 2003 mandates for the payment of actual energy supplied and fixed charges. PSPCL is already charging fixed charges under the heading service charges. Thus, the fixed charges stands already included in the costing and consumer are paying the same and it cannot be charged twice by means of first adding in cost and then by some other means. Further, the Commission should take appropriate action to avoid injustice and encourage the consumer to save electricity in the interest of energy conservation.

Response of PSPCL

MMC is a fixed cost to set up and maintain the infrastructure built for giving supply to its consumers. PSPCL has to keep its transmission system reserve for its consumers. Moreover, Hon'ble Commission in its letter No. PSERC/ Tariff/T/127/3656 dated 27.8.2010 has stated that MMC is not to be construed as an additional charge. It only becomes operative if consumption falls below MMC level. MMC is only a mechanism to effect recovery of fixed cost of the licensee and it would be unjust to deny the licensee recovery of this component.

View of the Commission

The Commission has in its Tariff Order FY 2004-05 observed that a substantial portion of the

Board's (now PSPCL) costs are fixed in nature and do not undergo change with fluctuations in actual energy consumption. Ideally, therefore, all such fixed costs need to be recovered through fixed charges whereas the PSPCL obtains only a small fraction of this cost through MMC. The Commission holds the same view at present. It is also relevant to mention that in deference to consumer sentiments in this respect, rates of MMC were reduced by 10% in the Tariff Order for FY 2004-05.

Issue No.3: Unmetered Consumption

The estimation of units consumed by AP consumers is a futile exercise particularly when tariff declared by the Commission is very clear for charging the AP consumers on actual consumption basis from metered consumers and flat rate from unmetered consumers. Further, the Commission should take appropriate action for getting the meter installed on all the unmetered connections for getting the true picture of electricity supplied. In case any of the consumers who is creating obstacles for installation of the meter, the Commission should not allow subsidized flat rate to such consumers.

Response of PSPCL

The determination of tariff for various consumer categories is the prerogative of the Commission. However, PSCPL is striving to increase the sample size to enable PSPCL to derive the AP consumption on a more scientific basis, to allay the concerns expressed by various Stakeholders

View of the Commission

The Electricity Act, 2003 provides for metering of all electric connections and accordingly, the Commission has already directed PSPCL to ensure that the provisions of the Act are complied with. The Commission reiterates its directive and will separately take into account the fact that PSPCL has so far failed to comply with this directive.

Issue No.4: Free Electricity

It is necessary that subsidized rates of electricity should be permitted only up to a pre-identified level of consumption beyond which tariffs reflecting the efficient cost of service should be charged from consumers.

Response of PSPCL

The determination of Tariff is the prerogative of the Commission.

View of the Commission

It does not appear practicable to limit the quantum of free supply to agricultural power after which higher rates would become applicable. This aspect has been earlier discussed by the Commission in para 6.6 of the Tariff Order of 2007-08.

Issue No.5: Cross-Subsidy

No cross-subsidy is required to be given to the agriculture consumers, because as a substitute for cross-subsidy, the Government has levied Electricity Duty under Clause 8 of the Tariff Policy. The tariff policy prescribes the option for the State Government to raise resources through mechanism such as electricity duty and giving direct subsidy to only needy consumers. Since, the State Government levies electricity duty it cannot provide cross-subsidy by further burdening the subsidizing class. The industrial consumers in Punjab are paying electricity duty at 13% and Octroi at 4% over and above the tariff rates.

Response of PSPCL

Determination of Tariff and amount of cross-subsidy to be provided to subsidising categories is the prerogative of the Commission. However, the percentage of cross-subsidy is reducing year by year. The percentage of cross-subsidy from FY 2005-06 to FY 2010-11 is tabulated as under:

Table: Status of percentage of cross-subsidy

Category	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Domestic Supply	-6%	-9%	-9%	-12%	-8%	0%
Commercial	44%	34%	34%	29%	27%	26%
Public Lightning	33%	34%	34%	26%	25%	24%
Small Power	13%	8%	8%	4%	3%	2%
Medium Supply	24%	19%	18%	14%	13%	12%

Category	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Large Supply	20%	23%	22%	18%	16%	14%
Bulk Supply	24%	25%	25%	15%	14%	13%
Railway	39%	40%	40%	34%	33%	32%
Common Pool	-36%	-22%	-25%	-30%	-28%	-19%
Outside State	-20%	22%	17%	56%	52%	-76%
Agriculture sales	-31%	-31%	-30%	-30%	-26%	-21%

It is evident from above table that percentage of cross-subsidy is reducing year by year and is about to reach +/- 20% of combined average cost of supply as specified in Tariff Policy.

View of the Commission

The levy of electricity duty and Octroi is the prerogative of GoP.

Issue No.6: Time of Day (TOD) Tariff

TOD meters should be installed and rates may be fixed according to peak and off-peak hours from morning 06:00 hours to 18:00 hours at normal rate and from 18:00 hours in the evening to 22:00 hours at peak rates, and from 22:00 hours to 06:00 hours at 25% concession rate as stated in Clause 13.3.8.2 of the Sales Regulations of PSPCL as this will encourage the industry to use electricity at different timings to avoid unnecessary load during day hours.

Response of PSPCL

PSPCL appreciates the concerns of the objector. It has already initiated the process for engagement of consultants in order to conduct study on TOD Tariff. The technical bids were opened on 24.02.2011 and the same are under evaluation.

View of the Commission

PSPCL is advised to submit their report in a limited time frame after which the Commission will take a view in this matter.

Issue No.7: Debt Equity Ratio

PSPCL, being a licensee, is not maintaining the 70:30 debt equity ratio and the Commission should pass necessary directive for maintaining the statutory debt equity ratio. This is essentially required to safeguard the interest of consumers as well as employees.

Response of PSPCL

It is maintaing debt-equity ratio in accordance with Section-24 of PSERC Tariff Regulations, 2005. The relevant section of PSERC Tariff Regulations, 2005 is reproduced as under:

.....24. DEBT-EQUITY RATIO

1. For the purpose of determination of tariff, debt-equity ratio in case of a new project commencing after the date of notification of these Regulations shall be 70:30. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as loan. Where actual equity employed is less than 30%, the actual debt and equity shall be considered for determination of tariff.

Provided that the Commission may, in appropriate cases, consider equity higher than 30% for the purpose of determination of tariff, where the generating company or the licensee is able to establish to the satisfaction of the Commission that deployment of equity more than 30% is in the interest of the general public;

In case of existing and ongoing projects, the actual debt-equity ratio shall be considered for determination of tariff. However, any expansion shall be governed as per clause (1) above."

....

However, the suggestion of the objector regarding equity infusion by the Government of Punjab in the existing business of PSPCL is appreciated as this will help in improving financial viability of the Utility.

View of the Commission

It is a matter to be considered by GoP and the Utility.

Issue No.8: Electricity Supply to Employees and PSPCL Premises

PSPCL is providing free electricity supply to their employees and in their colonies, streetlights, offices, guest houses, etc., and this has not been reflected in energy sales.

Response of PSPCL

The contention of the objector is not correct as all PSTCL and PSPCL offices and other buildings as mentioned in objections are duly metered and the energy consumed is a part of metered supply.

View of the Commission

The Commission trusts that PSPCL ensures due accounting of electricity distributed by it in the State.

Issue No.9: Loss of revenue

PSPCL has classified Government hospitals, Government schools and Government colleges under the domestic category, whereas connections for such private organisations are classified under commercial category. PSPCL should be directed to give the bifurcated figures of load, consumption, and number of consumers for implementing the correct tariff as per law.

Response of PSPCL

Fixation of Tariff falls within purview of PSERC as per the provisions of EA 2003, Section-62 where Commission may differentiate according to Load Factor, Power Factor, Voltage and purpose for which supply is required etc. It is due to socio-economic responsibility of the State Government; Government connections are covered under domestic category, whereas private sector runs purely on commercial basis are kept on under commercial category. However, Tariff categorisation is implemented by PSPCL based on the Tariff Order issued by the Hon'ble Commission.

View of the Commission

Govt. Educational and Sports institutions and Govt. Hospitals/Primary Health Centres & dispensaries provide services to the society at as low a cost as possible. To that extent, there is some justification to supply cheaper power to these institutions. This aspect has been earlier discussed by the Commission in para 5.1 of the Tariff Order of 2009-10.

Issue No.10: Two-Part Tariff

As per tariff policy, two part tariff was to be introduced with effect from 6.01.2007 but the same is still pending. Bulk consumers with load more than 1 MW have metering at both ends. TPT meters stand already provided and differential tariff based on timing can be implemented. This will reduce peak load burden and improve financial health of PSPCL through additional procurement and supply of electricity during night hours resulting in optimal utilization of PSPCL resources.

Response of PSPCL

It has already initiated the process of engagement of consultants in order to conduct study on Two-Part Tariff. The technical bids were opened on 24.02.2011 and the same are under evaluation.

View of the Commission

PSPCL is conducting a study on Two-Part Tariff. Once proposal is received from PSPCL, the Commission will take view on the same. Also refer Annexure IV, Directive 4.

Issue No.11: Schedule of General Charges

Schedule of General charges, said to be approved by the Commission, is simply a correspondence between the PSPCL and the Commission without following the due procedure of law, without publishing draft Regulations and even without issuing the notification, which was to be published in official Gazette. Thus, Schedule of Charges cannot be enforced till Regulations required under the law are not framed.

Response of PSPCL

The matter falls within the purview of PSERC.

View of the Commission

Schedule of General Charges were approved by the Commission after following due process and were made effective from January 1, 2008.

Issue No.12: Electricity Supply Regulation 2005 and Circulars issued by PSPCL

PSERC is the only competent authority to frame Regulation as per section 181 of the Electricity Act, 2003 (Act). PSPCL does not have the power to frame such regulations and should be restrained from using the Electricity Supply Regulations, 2005.

Similarly, the PSPCL does not have the right to issue circulars, pass orders, directions etc. affecting the right of the consumer without approval of the Commission and without serving notice to the affected person/persons.

Response of PSPCL

The Electricity Supply Regulations 2005 has already been replaced with Electricity Supply Instructions Manual as per provisions of EA 2003 from 1/2011, consistent with condition of Supply and Supply code.

The circulars issued by PSPCL are as per the provisions of Act and are issued with the prior approval of the Hon'ble Commission.

View of the Commission

The Commission had in 2005 informed the Board (now PSPCL) that all commercial circulars involving Tariff matters (including any other issue which brings about change in the liability of the consumers) should be issued only with the prior approval of the Commission. As per clause 50 of these Conditions of Supply effective from April 1, 2010, the PSPCL is required within six months to prescribe procedure/guidelines consistent with the Conditions of Supply and the Supply Code in its Electricity Supply Instructions Manual. It has also been specified that existing Commercial Instructions/Electricity Supply Regulations that are not inconsistent with the Conditions of Supply will continue to be inforce in the intervening period.

Issue No.13: Power Cuts

More than 50 Lac consumers have installed inverters due to huge power cuts. Discharged batteries consume about three times energy than banking. This leads to substantial wastage of electricity. Alternative use of diesel generators leads to air and noise pollution. PSPCL should be directed to make sufficient arrangements for generation.

Response of PSPCL

No response

View of the Commission

PSPCL needs to take every step possible to procure power at reasonable rates with a view to minimizing duration of power cuts should they be required to be imposed. In a situation of considerable mismatch between availability and demand of power, unlimited purchase of power is constrained by the high cost of power available during the periods of peak demand.

Issue No. 14: 100 kW during peak load hours

PSPCL should not impose the condition on the consumer to get minimum exemption for 100 kW when a consumer might actually need much lower load. This encourages wastage even as PSPCL already faces acute power shortage. PSPCL be directed that consumers should be made to pay on the basis of their energy requirement during peak load hours.

Response of PSPCL

The objector has raised objection related to Punjab State Electricity Regulatory Commission (Electricity Supply Code and Related Matters), Regulations, 2007 and it does not fall under the purview of the present exercise as this exercise is being undertaken to determine the ARR and Tariff for FY 2011-12.

View of the Commission

Detailed instructions are laid down in Conditions of Supply approved by the Commission which are effective from April 1, 2010.

Issue No.15: Tariff Order

The Tariff Order should be published in the Gazette under the provision of Section 181 of the Electricity Act 2003 (Act), so that general public is aware of the complete content of the Tariff Order, which is also necessary for showing transparency.

Response of PSPCL

The Tariff Order issued by the Commission is available on the website of the Commission. However, the Hon'ble Commission may take any decision on this matter.

View of the Commission

The Commission conducts its proceedings according to its notified regulations**.**

Section 181 of the Act pertains to making regulations.

Objection No. 12: Sh. Gurnek Singh Brar

Issue No.1: Assessment of Power Purchase

PSPCL should be directed to make daily load forecast on seasonal basis and plan its power purchase on the basis of estimated availability and load forecast on time block basis. This is essential so as to match the availability and demand and to avoid a situation where high cost power is purchased over certain time blocks of the day and surrendered as UI due to mismatch between availability and demand.

Response of PSPCL

It is a good suggestion for optimising the power purchase cost, but at the same time a detailed Time of Day (TOD) study needs to be undertaken to ascertain the demand in various time slots. PSPCL has already initiated the process of appointing a consultant for the same.

View of the Commission

PSPCL is advised to examine the issue and submit their report in the limited time frame after which the Commission will take a view in this matter.

Issue No.2: Ceiling rate of Power Purchase

The Commission may specify a ceiling rate of Rs. 4.50 per Unit, beyond which, power should not be purchased by PSPCL. In case, PSPCL has to purchase power above this rate to meet the directions of the State Government for ensuring 8 hours supply to tube-wells and 24 hours supply for Kabaddi matches, etc., then the cost of power in excess of Rs. 4.50 per Unit should be borne by the State Government.

Response of PSPCL

PSPCL is following competitive bidding route for procurement of power on short term basis and rates thus discovered are market determined and are not in control of PSPCL. The real issue is the availability of cheaper power on long term basis. PSPCL appreciates the suggestion of the objector that the cost of power purchased on directions of State Government, if any, should be borne by the Government but at the same time specifying a ceiling rate of Rs. 4.50 per kWh will not solve the problem. In order to arrange the cheaper power on long-term basis, PSPCL has been making all out efforts to increase its share of in-house generation and has also been tapping the other Central generating stations for providing cheaper power on long term basis.

PSPCL has enumerated a list of all such plants from where the power is envisaged to be sourced in the ensuing year in the ARR petition. PSPCL is concerned about its responsibility of ensuring adequate power supply for the consumers and believes that once the power supply from the aforementioned long term sources gets materialised, the suggested concerns of the consumers will get addressed automatically.

View of the Commission

Refer para 4.8.

Issue No.3: Advance Subsidy

In case advance subsidy is not paid in cash by the State Government, then as per provisions of Section 65 of the Electricity Act, 2003, the direction of the State Government for giving subsidized power supply becomes null, void and non-operative and accordingly full tariff should be charged.

Response of PSPCL

As regards adjustment of subsidy by the State Government against loans, recommendations given by Forum of Regulators (FOR) in its report on “Multi-Year Tariff Framework & Distribution Margin” are as under:

.......“2.4.6 It was felt that regulations of SERCs should explicitly dis-allow adjustment of subsidy against outstanding loans. The State governments must also ensure timely payment of outstanding dues of consumers such as street lighting and water works, if necessary, by making deductions from the grant payable to local bodies.”........

Also, Section-65 of the Electricity Act 2003 as quoted by the objector in the objection states as under:

.......“If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the State Government shall, notwithstanding any direction which may be given under section 108, pay, in advance and in such manner as may be specified , the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Government:

Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by State Commission shall be applicable from the date of issue of orders by the Commission in this regard.”......

PSPCL therefore, requests the Commission to exercise its powers and give necessary directions to all stakeholders in accordance with Section 65 of the Electricity Act 2003.

View of the Commission

The payment of subsidy by GoP is regularly monitored by the Commission. Also the Commission in its Order dated 27.5.2008, has observed that the issue of adjustment of GoP loans against subsidy is a matter mutual to GoP and the Utility.

Issue No.4: National Electricity Policy

As per the provisions of the National Electricity Policy, the State Government is required to make provision in the Budget for ensuring timely payment of subsidy. In case, such a budgetary provision is not made, or if inadequate provision is made, the quantum of subsidy should be limited to the quantum of budget provision.

Response of PSPCL

PSPCL requests the Hon'ble Commission to exercise its power under the Electricity Act, 2003 to give appropriate directives to the concerned stakeholders. The Government may be asked to pay the interest on non-payment of subsidy for the period of delay. However, the non-payment of such interest should not result in reduction of interest on actual working capital loans taken by the PSPCL.

View of the Commission

As far as subsidy is concerned, the GoP has been, by and large, paying the amount of subsidy. Budgetary provisioning of subsidy falls within the ambit of GoP.

Objection No. 13: VIOM Networks Ltd.

Issue No.1: Tariff

The Commission should direct PSPCL to charge VIOM Networks Limited under Industrial tariff and allow priority in release of connection. Further, The Commission while deciding the Tariff for this category should take into consideration:

- That this consumer category is having high load factor.
- That it requires power on 24X7 basis.
- That purpose of supply is for public good as serving the large consumer base round the clock and also for emergency purpose.

Response of PSPCL

PSPCL has been charging Tariff according to the Tariff Schedule approved by the Hon'ble Commission in the last Tariff Orders. Also the Hon'ble Commission has already advised the objector to file a Petition before the Commission for consideration of their request for change in category.

View of the Commission

The matter does not strictly pertain to ARR. The objector is, however, free to separately approach the Commission in this regard.

Issue No.2: Arrear Amount

The Commission is requested that the arrears of previous years on account of change in category from Commercial to Industrial category may be refunded.

Response of PSPCL

The aforementioned issue is the prerogative of the Hon'ble Commission. However, PSPCL has been charging Tariff according to the Tariff Schedule approved by the Commission in the last Tariff Orders. Also, the Hon'ble Commission has already advised the objector to file a Petition before the Commission for consideration. If any refund has to be made to the objector on account of change in category, PSPCL requests the Commission that it may be made applicable from prospective date and not retrospectively.

View of the Commission

The issue would be relevant only after decision is taken in issue no.1, if & when the same is petitioned to the Commission.

Objection No. 14: All India Induction Furnace Association

The issues pertaining to tariff proposal, cost of supply, projections for FY 2011-12, HT surcharge, free electricity and two part tariff are identical and dealt in objection nos. 8 &11. The remaining issues are dealt hereunder:

Issue No.1: Open access

As per Open Access Regulations, the transmission charges and wheeling charges shall be determined by the Commission as per appropriate Regulations framed by the Commission and these charges shall be on per day or part thereof basis as determined by the Commission and shall be in Rs. Per MW. As per these Regulations surcharge can also be recovered and the current level of cross-subsidy for a consumer category shall be the basis for determination of the surcharge applicable to that consumer category. In view of the provisions mentioned above it is very much clear that PSPCL cannot charge any amount on account of voltage surcharge on open access. There is provision of surcharge and additional surcharge but the surcharge cannot be based on voltage supply of a consumer.

Response of PSPCL

The Commission in last year's Tariff Order on the same objection ruled as under:

....."Voltage surcharge is imposed as per the General Conditions of Tariff and Schedule of Tariff framed by the Commission exercising powers under the Electricity Act 2003.".....

PSPCL requests the Commission to continue the provision of voltage surcharge.

View of the Commission

A petition in the matter is under consideration of the Commission.

Issue No.2: Time of Day (TOD) Tariff

PSPCL is hampering the open access facility on the grounds that it can not be provided on feeders with multiple consumers. Thus it is suggested to introduce TOD tariff.

Response of PSPCL

PSPCL appreciates the concerns of the objector. It has already initiated the process for engagement of consultants in order to conduct study on TOD Tariff. The technical bids were opened on 24.02.2011 and the same are under evaluation.

View of the Commission

Refer objection no. 11, issue no. 6.

Issue No.3: Unmetered supply

As per Tariff Policy unmetered supply is to be discouraged. Moreover Section 55 of EA 2003 also mandates that only metered supply to all consumers is to be given. Regulatory Commission should take appropriate action for getting meter installed on all unmetered connections for getting true picture of electricity supplied.

Response of PSPCL

PSPCL is striving to increase the sample size close to 10% approved by the Commission to enable PSPCL to derive the AP consumption on a more scientific basis, to allay the concerns expressed by various Stakeholders.

View of the Commission

The Commission has already directed PSPCL to ensure that the provisions of the Act regarding metering of all electric connections are complied with.

Issue No.4: Direction under Section 108 for AP Consumers

Government of Punjab under Section 65 of the Electricity Act, 2003(Act) issued specific directions which were implemented by the Commission and the service connection charges of AP consumers under VDS were reduced from Rs. 3600 per BHP, payable as per Electricity Supply Code Regulations in addition to initial security of Rs. 200/-, to Rs. 1000 per BHP. Section 65 of the Act also provides that the subsidy granted by the State Govt. has to be deposited in advance with the licensee. In the State of Punjab there are more than 5,00,000 AP Consumers and presuming that about 40% of AP Consumers will get only additional load of one BHP then the amount so reduced would be about Rs. 500 crore.

Response of PSPCL

The Sevice Connection charges for AP Consumers were reduced from Rs. 3600 per BHP to Rs. 1000 per BHP when the scheme for VDS was in operation. VDS scheme was opened for AP Consumers with the approval of the Commission encouraging the AP consumers to disclose their unauthorised load for regularisation.

View of the Commission

In view of the direction by GoP, the Commission in its Order of 09.11.2010, has allowed PSPCL to regularize unauthorized extensions in load by AP consumers on recovery of Rs. 1000 per BHP as Service Connection charges in relaxation of provisions of Supply Code.

Objection No.15: Siel Chemical Complex

Issue No.1: Metering of AP Consumers &Substations

PSPCL has projected T & D losses at 17% for FY 2011-12. In order to arrive at realistic T & D losses, it would be mandatory to meter all the consumers across the State of Punjab including AP consumers. Further, with metering at substation level, PSPCL may assess the consumption and losses.

Response of PSPCL

T& D loss (in MU) is arrived at by calculating the difference between energy available at the Transmission Periphery and actual sales. This loss for FY 2009-10 is 7888 MU which translates to T &D loss of 19.81%. For FY 2010-11 and FY 2011-12 the projected loss of 18% and 17%, respectively is in accordance with Abraham Committee Recommendations.

Further, all the consumers are getting metered supply only except the AP consumers. It may also be noted that metering all the consumers will require huge capital cost and manpower, which may not be desirable. However, in case of agriculture consumers it is abiding by the Commission's directive of 10% sample metering. PSPCL has achieved 9.3% sample metering in case of agriculture consumers. It is expected that PSPCL will achieve 10% sample metering by March 2011. Apart from that PSPCL is already working for metering at Substation level. PSPCL is already providing AMR system on 3600 feeders at sub-stations. Out of these AMR of 2600 feeders has been completed.

View of the Commission

The Commission has already directed PSPCL to ensure that the provisions of the Act regarding metering of all electric connections are complied with. In the absence of metering of all AP consumers, a methodology of providing sample meters for assessing consumption of AP consumers has been adopted.

As regards metering at sub-station level, as informed in the response of PSPCL, AMR has been provided for 2600 feeders out of 3600 feeders. Also refer Annexure IV, Directive 2.

Issue No.2: Plant Load Factor (PLF) and Plant Availability Factor (PAF)

PSPCL should define the PLF & PAF and the basis of calculating the same. PSPCL should compare its PLF with that of NTPC as the plants of NTPC are also more than 25 years old. A lot would depend upon the definition of the two components enabling this Hon'ble Commission to appreciate the true-up state of affairs. As per the information provided it appears that the plant is shut down for over six months which indeed is matter of concern requiring PSPCL to resort to new technologies and seek help of experts.

Response of PSPCL

The definition of Plant Availability Factor and Plant Load Factor is given as under:

Plant Availability Factor: 'Plant Availability Factor (PAF)' in relation to a generating station for any period means the average of the daily declared capacities (DCs) for all the days during that period expressed as a percentage of the installed capacity in MW reduced by the normative auxiliary energy consumption.

Plant Load Factor: 'Plant Load Factor' is the measure of average capacity utilization. It is a measure of the actual output of a power plant compared to the maximum output it could produce over the same period.

PAF is calculated by taking the planned outage and forced outage into consideration while PLF is calculated after considering expected backdown on annual availability of power plant.

CERC has now moved away from PLF based incentive and now the incentive are inbuilt in the Fixed Charge formulae only. Hence, it will be appropriate to compare PAF only.

PLF of all power plants except GNDTP, Bhatinda is better as compared to the PLF approved by the Commission. The comparison of availability of the power plants as compared to NTPC stations is given as under:

Table: Comparison of Availability (FY 2009-10)

Particulars	GNDTP	Tanda TPS	GGSSTP	Bokaro
Availability	89%	85%	91%	75%

The PAF for various power plants as submitted in the Petition of PSPCL is tabulated as under:

Table: Plant Availability Factor (%)

Plants	FY 2009-10	FY 2010-11		FY 2011-12
		H1	H2	
GNDTP	89.15	58.90	57.66	70.07
GHTP	96.07	90.18	85.88	92.82
GGSTP	91.11	92.48	88.34	91.40

Except for GNDTP Bhatinda, the PAF of all power plants for FY 2010-11 & 2011-12 is more than 85%. Renovation & Modernisation activities for GNDTP were envisaged to be undertaken during FY 2010-11 due to which PAF has been projected low. The Renovation & Modernisation schedule has been attached in Format-F3, F3A, F3B and F3C of ARR petition.

View of the Commission

The requisite information has been furnished by PSPCL.

Issue No.3: Auxiliary Consumption

PSPCL seeks auxiliary consumption of 12% for GNDTP as given to Tanda Thermal Power Station by CERC. PSPCL should first furnish all the data pertaining to Tanda so as to see under what circumstances the same has been approved.

Further, PSPCL has also demanded concession in auxiliary consumption, which in the past has been rejected by the Commission.

Response of PSPCL

CERC has relaxed its norms for those Central Generating Stations which are not able to achieve desired performance trajectories. CERC has also given consideration to vintage of the Plant. The limited point here is that CERC has provided performance trajectory on realistic basis and not on normative basis. PSPCL has provided examples to point out ‘principles’ adopted rather than absolute figures.

Further, PSPCL has sought to approve auxiliary consumption of 11.50% for FY 2010-11 (H2) instead of 11% as in the first half the actual was 11.65% and 11% for FY 2011-12.

View of the Commission

Refer paras 3.5 & 4.4.1.

Issue No.4: Hydel Availability

Hydel availability from own generation has been maintained at a constant of 1147.95 MW for all the three FY’s. A clarification with reasons on this would be warranted from PSPCL.

Response of PSPCL

Hydel capacity of 1147.95 MW as shown at para A (I) (7) in Table 4.10 (of the ARR petition) is the capacity of hydel power plants which will remain same for three Financial Years. However, the generation from own Hydel Plants has been indicated under para A (II)(7) which is different for the three Financial Years.

View of the Commission

The Commission agrees with the response of PSPCL.

Issue No.5: Repair and Maintenance

It has been stated that the own generation is likely to go down by 12% on account of planned maintenance scheduled in FY 2010-11. PSPCL should furnish 10 year’s data and show as to how many times in the past the plant has been shut down on account of Repair and Maintenance. As this time they have projected that the plant would be shut down almost for six months.

Response of PSPCL

The planned annual overhauling and R&M schedule has been provided in Form-3, 3A and 3B. R&M is taken up when the performance of the plant starts declining due to ageing. It involves replacement of major components of the plant. GNDTP Units are undergoing R& M. Regarding information on R&M of various plants in the past, the same is being submitted to the Hon’ble Commission in the prescribed proforma along with the earlier ARRs.

View of the Commission

Refer paras 3.5 & 4.4.1.

R&M denotes ‘Renovation and Modernisation’ which, as explained in the response of PSPCL, involves replacement of major equipment.

Issue No.6: Furnace Oil
PSPCL should resort to more advanced plants where Furnace Oil can be used in place of Diesel, (which is very expensive). The one time replacement cost would be much less as compared to this annual burden shared by all the consumers every year.
Response of PSPCL
PSPCL has noted the suggestion and would evaluate for consideration.
View of the Commission
PSPCL must strive to increase efficiency and reduce costs wherever possible.

Issue No.7: Station Heat Rate
PSPCL should compare the station heat rate of its thermal plants with that of NTPC plants for the corresponding year.
Response of PSPCL
Comparison of actual and approved Station Heat Rate (SHR) for various power plants for FY 2009-10 is tabulated as under:

Table: Comparison of Approved and Actual Station Heat Rate (FY 2009-10)

Particulars	Unit	GNDTP, Bhatinda		GHTP, Lehra Mohabbat	GGSSTP, Ropar
		Unit-I and II	Unit-III and IV		
Approved Station Heat Rate	kcal/ kWh	2825	3000	2500	2500
Actual Station Heat Rate	kcal/ kWh	3055		2421	2645

Further, GHTP, Lehra Mohabbat is within the approved Station Heat Rate limit so it has not been compared with CGS Stations. GGSSTP, Ropar has been compared with Bokaro TPS and GNDTP, Bhatinda with Panipat TPS (Since these power plants are identical in nature).

Table: Comparison of Power Plants

Particulars	GNDTP	Panipat TPS	GGSSTP	Bokaro TPS
Installed Capacity	440	440	1260	630
Unit Size	110	110	210	210
No. of Units	4	4	6	3
Station Heat Rate	3055	3225	2645	2700

Thus, It is evident from above that SHR of GNDTP, Bhatinda and GGSTP, Ropar is less as compared to other comparable power plants.
View of the Commission
Refer para 4.7.

Issue No.8: Expert agency for power purchase
PSPCL should engage an outside expert agency to make the power purchase more effective and efficient for the time being as the present department dealing with the same is not able to cope up with the present day market.
Response of PSPCL
The employees deployed to carry out the function of Power Purchase are competent professionals and geared up. Further PSPCL is making all necessary efforts to optimise the power purchase cost. However, the decision to engage an external agency is at sole discretion of PSPCL and a management decision of PSPCL, hence, it would not like to comment on this objection.
View of the Commission
The Commission presumes that the Board takes all steps necessary for efficient deployment of its personnel and provides in-service training to upgrade their skill-sets matching with the job entrusted.

Issue No.9: Open Access
The Electricity Act, 2003 and National Electricity Policy encourage open access for consumers. PSPCL should not try to shake the very foundation of Electricity Reforms and

should endeavour to upgrade their infrastructure to achieve the goal of open access in a positive environment.

Response of PSPCL

As regards Open access, Section-42 of EA 2003 states as under:

“Duties of distribution Licensee and open access

42. **...**

5. The State Commission shall introduce open access in such phases and subject to such conditions, (including the cross subsidies, and other operational constraints) as may be specified within one year of the appointed date by it and in specifying the extent of open access in successive phases and in determining the charges for wheeling, it shall have due regard to all relevant factors including such cross subsidies, and other operational constraints:

Provided that such open access may be allowed before the cross subsidies are eliminated on payment of a surcharge in addition to the charges for wheeling as may be determined by the State Commission :

Provided further that such surcharge shall be utilised to meet the requirements of current level of cross subsidy within the area of supply of the distribution licensee :

Provided also that such surcharge and cross subsidies shall be progressively reduced and eliminated in the manner as may be specified by the State Commission:

Provided also that such surcharge shall not be leviable in case open access is provided to a person who has established a captive generating plant for carrying the electricity to the destination of his own use.

...”

Presently the cross subsidies are not eliminated, as such the surcharge must be allowed by the Hon’ble Commission apart from wheeling charges so as not to put PSPCL to loss on the issue of open access.

However, Section-17 of PSERC (Open Access) Regulations, 2005 provides, however for determination on surcharge based on Avoided cost method according to which surcharge determined by the Commission is Zero.

Further, in the avoided cost method, it is assumed that decrease in sales from Open Access consumers would lead to decrease in power purchase requirement, which is not the case with PSPCL. Infact the additional power purchase available is reallocated to the subsidised categories, which is impinging on financial viability of PSPCL. PSCPL agrees that it is required to provide open access to its consumers, but at the same time would request Hon’ble Commission to provide appropriate mechanism for addressing the cross-subsidy impact to ensure PSPCL remains revenue neutral.

View of the Commission

The Commission’s Open Access Regulations are in place. It is also encouraging that an increasing number of consumers are availing open access under these Regulations.Further, review of existing Regulations is also under process.

Issue No.10: kVAh Tariff

kVAh based Tariff is more scientific and technologically advanced which has not been implemented by PSPCL.

Response of PSPCL

PSPCL has already initiated the process of engagement of consultants in order to conduct study on kVAh Tariff. The technical bids were opened on 24.02.2011 which are under evaluation.

View of the Commission

Refer objection no. 2, issue no.6.

Issue No.11: Manpower study

The report of PWC suggests increase in manpower and therefore it appears that the study of PWC has been done in a different area not akin to the directives made by Hon’ble Commission.

Response of PSPCL

The final report has been put up for approval of the Board. The Salient features of the report have already been shared with Hon’ble Commission during final presentation on 11.03.2011.

View of the Commission

Refer objection no. 8, issue no. 15.

Issue No.12: Directives
It has been observed that the Utility continues to register defaults year after year even though the Commission issues warning and sets targets for stopping such recurrences.
Response of PSPCL
PSPCL is unable to interpret the default for which the objector has raised his concern. Hence, comments cannot be given.
View of the Commission
The Commission shall keep track of implementation of its directives strictly through regular meetings with PSPCL and PSTCL.

Issue No.13: Power Purchase from traders and DSM
The Commission reiterated (in T.O. 2010-11) that the successor entities needs to purchase power in a judicious manner and also resort to demand side management practices, if, necessary, to maintain its commercial viability. PSPCL has not done so.
Response of PSPCL
PSPCL has initiated many DSM projects to comply with the directive of DSM given by the Commission which are listed below:
1. Shifting of meters in pillar boxes.
2. Conversion of AP LT into HVDS.
3. Installation of Capacitors for PF management.
4. Bachat Lamp Yojna.
5. Providing Energy Efficient Pump Sets.

PSPCL regularly submits the updated status of various directives to the Hon'ble Commission on monthly basis.
View of the Commission
Same as issue no.12 above.

Issue No.14: Voltage wise and category wise cost of supply
Voltage wise cost of supply and losses have to be worked out to determine a realistic tariff. As per decision of ATE, the Commission should determine the tariff as per category-wise cost of supply. This issue is being postponed for the last 6-7 years. A fixed time frame of maximum one year may be allowed for the purpose.
Response of PSPCL
A consultant is already engaged on the issue. Proposed methodology given by consultant has been reviewed. Suggestions made on the draft methodology are now being incorporated by the consultant. The study is scheduled to be completed by March 2012. It may also be appreciated that it is a time-consuming exercise which involves logging of actual data over a long period.
The calculation of T&D loss presently is a difference of Energy received at Transmission Periphery and Energy sold to its consumers. The States where such segregation of technical and commercial distribution losses is provided, such segregation is based on some sample study of technical losses and assumed to be applicable for entire distribution network. Such segregation is purely an engineering estimate rather than actual figure. Hence, it is not possible to measure technical and commercial distribution losses on real time basis.
However, it may be appreciated that PSPCL is among the top performing Utilities in the Country for T&D loss.
View of the Commission
Refer objection no.2, issue no.11.

Issue No.15: Revenue gap
The cumulative gap in revenue arrived by taking into account previous financial years is not proper as the appeals are pending before the Appellate Tribunal.
Response of PSPCL
PSPCL has not considered the revenue gap prior to FY 2008-09. PSPCL has considered the revenue gap from FY 2009-10 to FY 2011-12 only (considering the revenue from existing Tariff). It may also be noted that cases where decision is pending, impact of such cases has not be claimed as a part of this ARR and will be claimed, as and when APTEL issues its Judgments.
View of the Commission
Unless there is stay, pendency of appeals in respect of the Tariff Orders for the previous

years is not a bar for proceeding with the ARR for the current year. The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariff for various categories of consumers, to recover the same.

Issue No.16: Working Capital
Excess interest charges on the working capital should be rejected by the Hon'ble Commission. Further, long term loan are used by PSPCL to meet working capital requirement.
Response of PSPCL
The expenses disallowed by the Commission on account of interest and finance charges, AP Consumption, fuel cost and employee expenses in previous Tariff Orders resulted in cash crunch due to which PSPCL was left with the only option of borrowing short-term loans. The Commission allows the short term loans only to the extent of working capital. This resulted in cumulative adverse impact on cashflow of the Utility. Therefore, PSPCL requests the Commission to approve the interest charges on working capital.
Further, PSPCL is meeting working capital requirement through short-term loans only.
View of the Commission
Refer paras 2.15.5, 3.14.9 & 4.13.9.

Issue No.17: Cap on AP consumption
PSPCL should fix a cap on AP Consumers availing subsidised power.
Response of PSPCL
The aforementioned issue is the prerogative of the Commission.
View of the Commission
Refer objection no. 9, issue no. 4.

Issue No.18: PLEC Charges
Unjustified peak load exemption charges levied on Industrial Consumers be reduced.
Response of PSPCL
As regards PLEC charges, PSPCL submits that:

- Removing the PLEC may provide a larger room for variation between demand and supply. The same may result in situations wherein PSPCL has arranged for lower supply in comparison to the demand and vice versa. Several mismatches between actual demand and supply of power may endanger the security and safety of the grid.
- During the peak load period, PSPCL procures power from the short term sources to meet such extra demand, which often has to be purchased at high rates on account of lower grid frequency during peak load hours .
- At peak time, the frequency of the system generally falls and the power drawl under such conditions is made at high UI rate. Procurement of power at lower frequencies may put extra financial burden on PSPCL.

Considering the above, PLEC charges may not be removed.
View of the Commission
Levy of peak load exemption charges is one of the instruments to reduce load at peak hours and is widely used as almost every State in the country experiences power deficit during peak requirement hours.

Issue No.19: Carrying cost
Carrying cost should be reviewed every year to stop recurrences.
Response of PSPCL
The carrying cost will be allowed by the Commission on the revenue gap determined by the Commission for FY 2009-10.
View of the Commission
Refer para 4.14.

Issue No.20: Business Plan
There should be a mechanism to check the quality of business plans prepared by the Utility. The Utility should seek the services of consultants of international repute having expertise in electricity sector in India.
Further, the business plan for transmission business must include determination of voltage

wise cost of supply in a fixed time frame.

Response of PSPCL

PSPCL plans to invest in the capital expenditure by forecasting the future years requirement. For example: In the upcoming years, PSPCL has envisaged to undertaken R & M of old power plants so as to improve the performance. This will help in making cheaper power available to all consumers. Similarly, PSPCL has planned to invest on its transmission network as well. Further, the capital expenditure plan is further approved by the Commission after prudence check.

View of the Commission

Cost benefit analysis of investment proposed should be submitted by the Utility to the Commission.

Issue No.21: Comparison of annual performance

While reviewing the annual performance of the PSPCL, comparison should also be made with the best performing Utility in the Country.

Response of PSPCL

The unbundling of PSEB recently took place on April 16, 2010. It must be appreciated that it will take sometime for PSPCL, to tide over this transition phase. Therefore, it will not be appropriate to compare PSPCL with the best Utility of the Country.

View of the Commission

A road map to match the spirit of the Objection, needs to be drawn by PSPCL and come at par with the best performing Utility of India.

Objection No. 16: Technocrats Forum

Issue No.1: Financial health

It has been reported in the press and petition that financial position of the Corporation is very weak. To enable the stakeholders to understand the criticality of the financial position, the Corporation should convey the accumulated loss as on 31/3/2010, if possible upto 16.4.2010 i.e. the date of unbundling.

Response of PSPCL

The accumulated loss as on 31/3/2010 is Rs. 9712.75 crore as mentioned in Statement No.2 of Audited Accounts (Volume-III annexed with the Petition).

View of the Commission

PSPCL has furnished the desired information. Accumulated losses are reflected in the Audited Accounts of the Utility which falls within the public domain.

Issue No.2: Specific proposal

The Corporation has requested the Commission to accept their Petition which implies that deficit of all three years amounting to Rs. 9657 crore which may be wiped out by any means (not necessarily Tariff) to discharge the responsibility of meeting basic demand of electricity from the consumers. The reasons for not making specific recommendations by the Corporation to overcome the deficit may be conveyed by PSPCL. PSPCL should also give proposals to bridge revenue gap.

Response of PSPCL

PSPCL has made specific prayers to the Commission which include approval of true-up expenses of FY 2009-10, Review of FY 2010-11 and Aggregate Revenue Requirement of FY 2011-12. However, PSPCL has not proposed increase in Tariff for various categories as the Commission re-computes the Aggregate Revenue Requirement and on the basis of approved ARR determines the Tariff for various categories.

As regards the proposal to bridge this revenue gap, PSPCL submits that the same is not done because the revenue gap is finally determined by the Hon'ble Commission by applying its own yardsticks/ norms/logics and it gets changed from what is projected by PSPCL.

View of the Commission

It is desirable that the details furnished in the ARR by PSPCL should indicate not only the revenue requirement but also its proposals to meet the gap.

Issue No.3: Excessive loans

The financial health of the Corporation can be gauged from the statistics gleaned from the Petition. The Corporation should give reasons for the loans having reached such an alarming level.

Response of PSPCL

The expenses disallowed by the Commission on account of interest and finance charges, AP Consumption, fuel cost and employee expenses in previous Tariff Orders successively has resulted in cash crunch due to which PSPCL was left with the only option of borrowing short-term loans. The Commission allows the short term loans only to the extent of working capital. This resulted in cumulative impact on cash-flow of the Utility due to which the short term loans have increased to an alarming level.

View of the Commission

(i) The Commission processes the ARR and determines justified costs according to notified Regulations.

(ii) However, GoP and PSPCL need to ponder over the rising debt and accumulated loans of PSPCL and decide upon measures necessary to contain the same so that financial health improves over time.

Issue No.4: Financial position

It is important for the consumers to know as to how the present financial situation has resulted and who is responsible for it.

Response of PSPCL

The expenses disallowed by the Commission on account of interest and finance charges, AP Consumption, fuel cost and employee expenses in previous Tariff Orders successively has resulted in cash crunch which had a cumulative adverse impact on the Utility. Also, the Government of Punjab adjusted the subsidy against the loans. All these factors have lead to the present financial situation of PSPCL.

View of the Commission

Same as issue no.1 & 3 above.

Issue No.5: Subsidy for AP consumption

The subsidy received did not fully compensate the cost of power supplied to AP consumers as the consumption norms per BHP and tariff for AP Consumers was fixed below the realistic level of supply cost so as to keep the burden of subsidy on the Government on the lower side.

Response of PSPCL

Determination of the Tariff is the prerogative of the Commission. The Commission is however requested to determine the Tariff for AP Consumers so as to address the issue of the objector suitably.

View of the Commission

The Commission determines the AP consumption on the basis of monthly consumption recorded by the sample meters installed against about 9% of AP consumers and after its validation from the consultant appointed by the Commission, there has been a 78.5% increase AP tariff between FY 2002-03 and FY 2011-12, and the cross subsidy level has been reduced to 19.72% in FY 2011-12.

Issue No.6: Revenue gap

Some reduction in the expenditure on other items would also be possible when norms already approved by the Commission are applied. Thus the gap between the expenditure and receipt will have to be reworked out.

Response of PSPCL

PSPCL has submitted the actual expenses for FY 2009-10 on the basis of audited accounts. Projections made for FY 2010-11 (H2) are on the basis of previous years trend and actual expenses incurred in FY 2010-11 (H1). Similarly, PSPCL has considered FY 2010-11 as the base for projecting the expenses in FY 2011-12. PSPCL requests the Commission to approve the ARR for FY 2011-12 as submitted in the Petition as any other disallowances will further affect the Utility adversely.

View of the Commission

Costs permitted to PSPCL are usually normative as per Commission's own Regulations framed under the Electricity Act 2003. No compensation is allowed where such norms are exceeded.

Issue No.7: Financial restructuring

The Government should be asked by PSPCL and directed by the Commission to do financial restructuring before 31.03.2011 and tariff for FY 2011-12 should be fixed thereafter.

Consumers should not be burdened with the losses (revenue deficit) of the past.

Response of PSPCL

PSPCL appreciates the suggestion made by the objector. The financial position of the Utility is very weak and in order to ensure continuous working of the Utility, some alternative is required. The financial restructuring will help PSPCL in getting clean balance sheet. PSPCL requests the Commission to take cognizance of the prevailing circumstances and issue appropriate directives for all stakeholders.

View of the Commission

The issue may be considered by the GoP.

Issue No.8: Tariff hike

The hike in existing tariff decided if any, should reflect only the escalation in the cost of inputs considering the share of the inputs in the overall cost of power per unit supplied.

Response of PSPCL

PSPCL has projected cumulative revenue gap of Rs.9656.53 crore for FY 2009-10, FY 2010-11 and FY 2011-12 which is required to be recovered so as to ensure continuous and proper working of the Utility. PSPCL requests the Commission to allow the same as any further disallowance will create serious impact on financial viability of the Utility.

View of the Commission

The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariff for various categories of consumers, to recover the same.

Issue No.9: Cross subsidy

The difference in tariff between the subsidising and subsidised categories of consumers should be reduced and subsidised tariff should not be below the percentage level of actual cost of supply as stipulated in Tariff Policy. PSPCL should convey whether Tariff Policy regarding reduction in cross-subsidy is being followed or not. If not reasons for the same may be given.

Response of PSPCL

The difference in tariff between the subsidising and subsidized categories of consumers is getting reduced progressively and the figures are progressively coming closer to the allowed percentage level of the combined average cost of supply as being worked out by commission in its tariff orders.

For working out the actual cost of supply consumer category-wise and voltage-wise, M/S TERI has been appointed as consultants on 23.09.2010 to conduct 'Cost of Supply' study. The Consultant has given their proposal as methodology to be followed for this exercise which is under study with PSPCL. The study is scheduled to be completed by March 2012. It is a time-consuming exercise as it involves logging of actual data over a long period.

View of the Commission

A gradual reduction in cross subsidy in percentage terms has been effected in the Tariff Orders for the previous years. Also refer para 6.3.

It has been informed that PSPCL is conducting a study to determine voltage-wise & category-wise cost of supply for various categories of consumers. The Commission will take a view on the same, once the results of the study are available.

Issue No.10: Standards of performance

The Standards for quality and quantity of supply as approved by the Commission need to be widely circulated and enforced by the Commission. The Commission may call for the relevant reports in this respect.

Response of PSPCL

The present exercise is being done for determination of ARR for FY 2011-12 in accordance with 'The Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005'. Standards of Performance is a different issue and has to be considered separately in accordance with Punjab State Electricity Regulatory Commission (Electricity Supply Code and Related Matters), Regulations, 2007.

View of the Commission

The matter does not strictly pertain to the ARR. However, Standards of Performance are available on the Commission's website as a part of Supply Code.

Issue No.11: Manpower study
PSPCL should convey the results of the study being conducted on employee expenses of PSPCL in a concrete manner including giving data relating to performance indices of various parameters listed in the objection for past three years, i.e., FY 2007-08 to FY 2009-10.
Response of PSPCL
PSPCL has made concrete action plans to implement recommendations from the Man Power study conducted by M/s PWC Ltd. Currently the report of the above mentioned study has been sent to respective directors for their perusal. PSPCL envisages finalizing the implementation plans short, medium and long terms shortly. PSPCL has set a target of implementing the same by June 2011, Dec 2012 and Dec 2015 respectively. The detailed status of the road map has already been provided in Annexure-G of Vol-II.
View of the Commission
Refer objection no. 1, issue no. 4 and objection no. 8, issue no. 15.

Issue No.12: Work culture
The State Board has converted into Corporation and hence, the work culture of the employees needs to be improved.
Response of PSPCL
PSPCL is working efficiently and making all out efforts to provide best services to the consumers.
View of the Commission
Though not an ARR issue strictly, undoubtedly, improvement in work culture with focus on efficiency and fixing accountability at each level, is desirable.

Issue No.13: AP consumption
In ARR 2010-11, it was stated that a committee has been set up to arrive at more realistic level of AP consumption per BHP. PSPCL should inform about the findings of the committee vis-à-vis figures adopted in the ARR.
Response of PSPCL
No response.
View of the Commission
PSPCL may furnish the requisite information.

Objection No. 17: The Wholesale Cycle Dealers Association (Regd.)
Issue No.1: Tariff Hike
The Trade and Industry is passing through a critical time due to increase in input costs. The tariff rates in the Punjab are already higher as compared to the neighbouring states. This has further put the Trade and Industry of Punjab on back seat. Instead of increasing the Tariff, PSPCL should (a) cut the losses, (b) take strict action against power thieves and (c) reduce subsidies.
Response of PSPCL

a. PSPCL understands its responsibility of providing electricity to the consumers at reasonable rates and at the same time, PSPCL is also required to recover the cost of providing power from the consumers through Tariff.
b. PSPCL appreciates the suggestions of the objector and it is already putting its best efforts to reduce the losses (T & D Loss percentage proposed to be reduced to 18% in FY 2011-12 as compared to 19.92% in FY 2009-10).
c. PSPCL is also taking various measures to reduce theft. Some of these measures are listed under:
    1. Shifting of meters in pillar boxes outside consumer premises
    2. Conversion of AP LT into HVDS
    3. AMR of AP feeders at sub-station level
d. As regards reduction in subsidy, the issue is the prerogative of the Hon’ble Commission.

View of the Commission
Refer (a) objection no. 5, issue no. 3, (b) objection no 1, issue no 12 and (c) objection no 3, issue no. 2.

Objection No 18 : Mochpura Shawl Association (Regd.)
Issue No 1: Increase in ARR
The increase in ARR, i.e., 67.93% as proposed by PSPCL in the Petition, is very high. Any increase in Tariff will adversely affect the business and the Commission is requested not to grant any increase in Tariff.
Response of PSPCL
The ARR Petition for FY 2011-12 is in accordance with 'The Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005'. PSPCL has already submitted the basis and rationale for projecting expenses on account of various heads in ARR Petition. Allowing the expenses and fixing the Tariff for FY 2011-12 is the prerogative of the Hon'ble Commission.
View of the Commission
The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariff for various categories of consumers, to recover the same.

Objection No. 19: Antarctic Industries Ltd.
Issue No 1: Power Intensive Unit (PIU)
In the Tariff Order for FY 2010-11, under Objection no. 23 and 36, the Commission has clarified that Induction Furnaces are included under Power Intensive Units (PIU), however, PSPCL is including even Induction Heater and Induction Heat Treatment equipment in the PIU. In this regard, the Internal Committee of PSPCL has advised that Billet Heater should not be considered as power intensive, and subsequently the minimum power factor of Billet Heater should be at par with General Industries, i.e.0.90.
Response of PSPCL
PSPCL has submitted the Petition for determination of ARR and Tariff for FY 2011-12. PSPCL has been using broad definition stipulated by the Commission in its Tariff Order. However, the categorisation of individual consumer is an operational aspect and comes within purview of the Commission. If any consumer is not satisfied with the categorisation, it may approach the Commission for redressal of its grievance. However, the objector is seeking exclusion from the definition of Induction Furnace, which does not fall under the scope of present exercise.
View of the Commission
The matter does not strictly pertain to the ARR. The objector is, however, free to separately approach the Commission in this regard.

Issue No 2: Time recording for PLR Restrictions
The Real Time Clock (RTC) of the meter has to be adjusted with IST before calculating Peak Load Hours Restrictions (PLR) violations. It is requested that the Commission may clarify whether PLR calculation will be according to RTC or IST. If it is IST, then whose watch has to be considered as standard.
Response of PSPCL
PSPCL is following the procedure for working out violation of PLR as specified in Annexure-20 appended to conditions of supply.
View of the Commission
The Commission has specified the procedure for working out violation of Peak Load Hours Restrictions in Annexure-20 appended to "Conditions of Supply" approved by the Commission.
Moreover, the matter does not strictly pertain to the ARR. The objector is, however, free to separately approach the Commission in this regard.

Issue No 3: Power Factor for mixed load
Minimum Power Factor for mixed load has been fixed at 0.95 without considering the percentage of Power Intensive Load and General Load. Either the minimum power factor for the mixed load should be at par with General industries, i.e., 0.90, or it may be fixed at 0.92 as it is quite difficult to maintain power factor of 0.95 in case of mixed load industries.
Response of PSPCL
As per general conditions of Tariff and schedule of Tariff approved by the Hon'ble Commission, even PIU/ Arc Furnaces have to maintain power factor above 0.95 for incentive.

View of the Commission

The existing condition of maintaining the power factor of 0.90 for general as well as PIU industries and allowing incentive in case power factor exceeds 0.95 for mixed loads of PIU industries is in order.

Issue No 4: Voltage-wise Cost of Supply

The Commission may ask PSTCL & PSPCL to present cost of supply at different voltage levels, for different types of consumers as per orders of the ATE. Only then any tariff increase should be allowed.

Response of PSPCL

M/S TERI have been engaged as consultant on the issue. Proposed methodology given by consultant has been reviewed. Same is under revision with consultant. The study is scheduled to be completed by March 2012. It is, therefore, not possible to wait till the completion of the study. It is a time-consuming exercise as it involves logging of actual data over a long period.

View of the Commission

Refer objection no.2, issue no.11.

Objection No. 20: Power Engineer Associates

Issue No 1: Connected Load for 3 Phase Connection

The total connected load of a good house does not increase more than 6 kW. As per clause-9.1 of Electricity Supply Instruction Manual, single phase connection is given for a load up to 10 kW. It means with the present norms of load computation, above type of consumers cannot get 3 phase connection. With single phase supply, above type of connected load during family function cannot run smoothly if required at a particular time period/ family function due to the excess voltage drop. It is requested to review the present supply voltage norms to allow 3 phase connection for DS load of more than 6 kW instead of 10 kW so that all electrical gadgets may run without any difficulty/ damage to the wires. The issue has been reiterated in the rejoinder.

Response of PSPCL

The objector is seeking review of present supply voltage norms, which does not fall under the scope of present exercise which is being undertaken for the determination of ARR and Tariff for FY 2011-12. PSPCL has, however, taken note of the issue for taking required action.

View of the Commission

The Commission agrees with the response of PSPCL and trusts that required action will be taken in a limited time frame.

Objection No. 21: Power Engineer Associates

Issue No 1: Billing of Hostels & Residential Complexes attached with Private Educational Institutions

As per the Electricity Supply Instruction Manual, DS Tariff is applicable for the hostels and residential complexes attached with private educational institutions only if supply to hostels is separately metered. However, generally, hostels and residential complexes are situated at the rear end of the institution where separate service line for hostels cannot be laid. The best alternative is to provide a separate energy meter near the gate of hostel/ residential complexes and supply can be taken from LD system laid for the institution. For billing purpose the energy measured by the meter for the hostel/ residential complexes will be subtracted from the total energy measured by 11 kV single point Non-Residential Supply connection. It is requested to review and convey the necessary directions to PSPCL so that the private institutions can avail separate DS Tariff for their hostels and residential complexes. The issue has been reiterated in the rejoinder.

Response of PSPCL

The objector is requesting for separate meter for residential and commercial purpose, which does not fall under the scope of present exercise, which is being undertaken for the determination of ARR and Tariff for FY 2011-12. It is, however, clarified that as per existing instructions the consumer has the option to avail connection under bulk supply category. Otherwise, Domestic Supply can be provided if the premises (i.e., hostels & residential complexes) are distinctly separated/ partitioned.

View of the Commission

The Commission agrees with the response of PSPCL.

Objection No. 22: Jai Durga Construction

Issue No 1: Tariff & Connected load

a) As per Electricity Supply Instruction Manual (ESIM), norms for PUDA/ PUDA approved colonies are same throughout Punjab irrespective of the location of the colony. The Government provides House Rent, City Compensatory Allowance, Transportation Allowance and Hotel Charges to the employees depending upon the status of the cities. The capacity of consumers to purchase electrical gadgets and afford electricity bills differs from location to location. Therefore, norms for load are required to be differentiated for colonies located in Metropolitan cities and in small towns.

b) The norms for load of commercial area up to 30 sq yards (booth) is 10 kW and if the area increases slightly more than 30 sq yards, the load increases abruptly to 30 kW plus 40 % increase for future load growth. In a booth of such type, it is rather impossible to even install 42 kW load, because as per PUDA rules neither the area of a booth can be increased nor any storey can be added to a booth. Moreover, load of lamps, fans, power sockets, etc., has also been reduced by PSPCL as per ESIM clause no 6.1. It is requested that the load of a booth area up to 50 sq. yards should be fixed at 6 kW only instead of 10/30 kW.

Response of PSPCL

The issue raised by the objector does not fall under the scope of present exercise, which is being undertaken for the determination of ARR and Tariff for FY 2011-12. It is, however, clarified that norms are meant only for assessment of total load for provision of infrastructure required to be provided by colony developer. However, service connection charges are recoverable only as per actual load applied.

View of the Commission

The Commission agrees with the response of PSPCL. However, the Commission has advised PSPCL to examine and review the existing instructions.

Objection No. 23: Ansal Mittal Township Pvt. Ltd.

Issue No 1: Minimum Charges for Street Light Consumers

As per Electricity Supply Instruction Manual Clause SVIII.6, annual Minimum Charges are charged from street light consumers if the total number of Units consumed in the whole year is less than those, which have been consumed if the lamps had been lit on an average of 8 hours per night over the whole year. It is like a penalty because AMC is charged for the Units which have been saved by switching off unwanted street lightning. It is requested to waive the annual minimum charges for the street light consumers to conserve electricity.

Response of PSPCL

Monthly Minimum Charges (MMC) are levied on account of inherent cost associated with installation of network, which includes O&M cost, interest cost, depreciation, interest on working capital, employees cost, etc. Even in the absence of any usage by the consumers, PSPCL has to upkeep the network and the associated fixed costs are incurred. Accordingly, it is not justifiable to remove the MMC.

View of the Commission

The Commission has in its Tariff Order for the year 2004-05 observed that a substantial portion of the Board's costs are fixed in nature and do not undergo change with fluctuations in actual energy consumption. Ideally, therefore, all such fixed costs need to be recovered through fixed charges whereas the Board obtains only a small fraction of this cost through MMC. The Commission holds the same view at present.

Objection No. 24: Sh. Kiranjit Singh Gehri

Issue No 1: Free Electricity Connection

a) The Central Government is providing free electricity connections to poor people whereas PSPCL is dismantling the meters of poor people and raising bills of huge amount. The bills of excess amount may be exempted and the Utility should stop dismantling the meters.

b) Tariff should not be hiked as the public is already facing increase in price of basic commodities.

c) A special policy is required to be made for providing electricity to poor people. The connections of such consumers should be restored and their name should be removed from defaulters list.

Response of PSPCL

The query raised is not clear. PSPCL understands that the objector is referring to case of a defaulter in making payment of bills. In such cases PSPCL has to take necessary actions in order to recover the bill amount. Clause-36.4 of Punjab State Electricity Regulatory Commission (Electricity Supply Code and Related Matters), Regulations, 2007 states as under:

"36.4 In case of default in payment of the assessed amount or any instalments thereof by a consumer, the Licensee will, without any notice disconnect the supply of electricity. The defaulter, on the expiry of thirty days from the final order of assessment or the decision of the appeal as the case may be, will also be liable to pay interest on the outstanding amount at the rate of sixteen percent per annum compounded every six months till the assessed amount is finally paid."

Therefore, PSPCL is acting in accordance with Punjab State Electricity Regulatory Commission (Electricity Supply Code and Related Matters), Regulations, 2007. As regards increase in tariff, PSPCL would like to submit that for proper functioning of the Utility, it has to be ensured that the required expenses of the Utility should be recovered through tariff. Therefore, increase in tariff is required so as to meet the required expenses.

View of the Commission

a) The issue of dismantling of meters does not strictly pertain to ARR. The objector, is however, free to separately approach the Commission in this regard.

b) The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariff for various categories of consumers, to recover the same.

c) Policy for providing electricity to poor people with special provisions is the prerogative of GoP.

Objection No. 25: Sh. Modan Singh

Issue No 1: Removal of Meter

The Meter installed at my premises under subsidy scheme was showing excessive reading as brought to the notice of PSPCL and became non functional. PSPCL officials removed the said meter on the pretext of changing the same. To re-install the meter, PSPCL is demanding deposit a bill for Rs.17000/-.

Response of PSPCL

The objector has raised his personal problem which relates to Punjab State Electricity Regulatory Commission (Electricity Supply Code and Related Matters), Regulations, 2007. The aforementioned issue does not fall under the scope of present exercise, which is being undertaken for the determination of ARR and Tariff for FY 2011-12. PSPCL suggests the consumer to approach Consumer Grievance Redressal Forum of PSPCL where his problem will get rectified.

View of the Commission

The matter does not strictly pertain to the ARR. As suggested in the response of PSPCL, the objector may avail the remedy under the Consumer Dispute Redressal Mechanism.

Objection No. 26: Consumer Awareness Group

Issue No 1: Advertisement in Daily Vernaculars

An advertisement before visit of the Commission for public hearing should be published in the daily vernaculars with the venue and time to hear the grievances of the public and to take stock of suggestions to improve the quality and supply of electricity.

Response of PSPCL

Public Notices giving the information about the date, venue and time of Public Hearing are published in the daily newspapers. Moreover, the same information is also made available on the website of the Commission.

View of the Commission

Primarily, the Commission agrees with the response of PSPCL.

However, PSPCL may take additional suitable measures to address the concern.

Issue No 2: Pollution caused by Fly-ash

The residents of Bathinda are facing lot of pollution (fly ash) created from Thermal Power Plants at Bathinda instead of getting regular supply. Because of the insecticides pesticides and the smoke emanating from the chimneys of Thermal Power Plants, uranium content is increasing and the area has become cancer prone.

Response of PSPCL

The Power Plants are installed after taking necessary clearances from various authorities like

Central Electricity Authority (CEA), Ministry of Environment and Forests (MoEF), State Pollution Control Board (SPCB) etc. These clearances also include environmental clearance which is provided by Ministry of Environment and Forests (MoEF) in which environmental impact due to installation of thermal power plants is assessed. Once it is confirmed that the upcoming thermal Power Plant will perform according to the norms set by these authorities then only the clearance is provided by these authorities. Therefore, the issues related to pollution of Thermal Power Plants are addressed before the installation of power plant.

View of the Commission

Primarily, the Commission agrees with the response of PSPCL.

However, the objector may approach the State Pollution Control Board for redressal of its grievance.

Issue No 3: Theft of Electricity

Instead of increasing electricity charges, PSPCL should check the theft of electricity.

Response of PSPCL

PSPCL is taking necessary actions to check the theft of electricity, which are listed as under:

1. Shifting of meters in pillar boxes outside consumer premises
2. Conversion of AP LT into HVDS
3. AMR of AP feeders at sub-station level

Further, in order to ensure the proper working of the Utility, it becomes necessary to recover the actual cost of electricity from the consumers through tariff. Therefore, increase in tariff is required.

View of the Commission

Refer objection no.1, issue no.12.

Issue No 4: Renewable Power

The Govt. is not paying any heed to tap various natural sources like Sun, Wind etc. to generate power.

Response of PSPCL

PSPCL appreciates the concern of the objector. Projects concerning tapping power through various natural sources are handled by Punjab Energy Development Authority (PEDA).

View of the Commission

Primarily, the issue does not strictly pertain to the ARR.

It is however, informed that GoP notifies its Renewable Energy Policy regularly every five years to promote generation of electricity from such sources. Under the mandate of this policy, PSPCL is to purchase all RE power offered to it by the RE generators. The Commission is under mandate of the Electricity Act, 2003 to promote generation of electricity from RE sources and also to specify a percentage of the total consumption of electricity (RPO) to be purchased from RE sources. To that effect, the Commission has determined preferential tariffs for technologies like biomass, bagasse based co-generation, small hydro, solar & wind etc. & specified the RPO.

Issue No 5: Simultaneous Metering at PSPCL office

A simultaneous meter reading system should be installed at SDO's office so that the consumers having load more than 10 kW may be checked for theft of electricity.

Response of PSPCL

It may not be possible to have such a system as suggested by the Objector. However, PSPCL is taking necessary steps to check the theft of electricity as mentioned in reply to Issue No. 3.

View of the Commission

Regarding installation of centralised metering system, the Commission agrees with the response of PSPCL since it is technically not feasible.

As regards checking theft of electricity refer objection no.1, issue no.12.

Issue No 6: Underground System

The supply system should be made underground so as to avoid accidents, fire incidents involving crops and to check theft of electricity due to Kundi system.

Response of PSPCL

PSPCL appreciates the suggestion given by the objector regarding checking theft of electricity by laying underground wires. The suggestion is noted for taking further action, if possible.

View of the Commission
Though, laying underground system is likely to result in reduction in theft and avoid accidents, it may be economically unviable as underground systems are inherently costly. However, PSPCL does resort to laying underground cables where overhead system is not feasible.

Objection No 27: Sh. Shivcharan Singh
Issue No. 1: Power Generation from Thermal Plants
The thermal plants in the State cannot generate electricity at Rs. 3 per unit due to reasons like obsolete machinery, R&M cost, high cost of raw materials, high freight costs etc. Generation should be separated from distribution business and losses due to theft and unmetered agricultural consumers should not be accounted in generation. Also that

a) The power plants run by the State should be handed over to private players on PPP basis. The roadmap to convert it into gas based plants should be prepared by PSPCL.
b) The surplus staff from these power plants should be adjusted against vacant posts.

Response of PSPCL
PSPCL is presently in a cost-plus Regulatory regime and have submitted ARR based on PSERC Tariff Regulations.

a) It is not in purview of present exercise and is prerogative of the State Government.
b) PSPCL has appointed M/s PWC for carrying out manpower study and PWC has submitted its final report for the Board approval and same will be implemented soon. One of the key aspects of this study is redeployment of surplus staff identified in the report. Once the recommendations of this study are implemented the surplus staff, wherever identified, will get adjusted against vacant posts.

View of the Commission
The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariff for various categories of consumers, to recover the same.

a) The Commission agrees with the response of PSPCL.
b) Refer objection no. 1, issue no. 4 and objection no. 8, issue no. 15.

Issue No. 2: Distribution System
Distribution of electricity should be divided among all districts like Sri Muktsar Sahib Power Distribution Corporation, etc. so that power theft by Ludhiana, Amritsar, and Gurdaspur will not be borne by the consumers of Sri Muktsar Sahib District. This will bring the transparency and efficiency in the distribution.
Response of PSPCL
PSPCL is a deemed Distribution Licensee for entire State of Punjab and would not be able to differentiate between consumers of same category or class of consumers.
View of the Commission
The matter does not strictly pertain to the ARR.

Issue No. 3: Automatic Metering
There is a dire need of automatic metering in all the industrial units and commercial establishments so that there is no human interference and corruption is weeded out.
Response of PSPCL
PSPCL is currently undertaking the work of Automatic Meter Reading of AP feeders for accurate assessment of AP Consumption & energy auditing. For other categories, a provision of AMR of about 350 no. LS consumers are already made under R-APDRP schemes. Once that is completed the same shall be extended to other high end consumers.
View of the Commission
The Commission trusts that PSPCL is taking all measures for installation of correct meters and recording of accurate readings.

Issue No. 4: Supply Hours to Agricultural Consumers and Agriculture subsidy
A P consumers are supplied electricity for 8 hours per day. Maximum consumption is during paddy season during the period 10th June to 16th July (start of rainy season). During peak season, the farmers get electricity for 4 hours a day and that too at low voltage. PSPCL gets Rs. 3200 crore subsidy annually from GoP. It is not possible that all the tube wells in the State put together consume electricity worth Rs. 3200 crore. It is suggested to

a) Install automatic meters on tube wells

b) Open bank account for each tube well owner
c) Transfer the subsidy amount based on actual consumption directly to farmers and farmers to PSPCL through e-transfer.
d) Before launching any scheme for farmers like OYT, PSPCL should ensure availability of all equipment required for release of the connections. The farmers have to pay Rs. one lac for a transformer whereas the actual cost is Rs. 32000/-

Response of PSPCL

PSPCL is providing electricity upto 8 hours per day to the agriculture consumers in three groups. Subsidy is worked out by the Hon'ble Commission after validation of AP consumption assessed by PSPCL. Assessment is done by PSPCL based on the sample meter readings. This method is being followed by PSPCL on the directions of the Commission. PSPCL has claimed subsidy on the basis of actual consumption during FY 2009-10 and revised estimates for FY 2010-11.

a) It is not practically possible to provide AMR for each of about 11.3 lac Tubewells. It has, however, currently undertaken the project for provision of AMR (Automated Meter Reading) of AP feeders at 11 KV substations for accurate assessment of AP consumption & energy auditing.
b) It does not falls under the responsibility of distribution licensee as per EA-2003.
c) The mechanism as suggested by the objector cannot be provided as metering of individual AP consumer is not available.
d) No response.

View of the Commission

a) The Commission agrees with response of PSPL.

b,&c) The issues concerns the GoP.

d) The matter does not strictly pertain to the ARR.

Issue No. 5: Power Distribution of Industrial Zones

The power distribution of industrial zones should be handed over to the private players. It will be a win-win situation for both industry and PSPCL. The industry will get hassle free and regular power supply and PSPCL will get staff to work on vacant posts lying in PSPCL.

Response of PSPCL

The suggestion made is not in purview of present exercise and is prerogative of the State Government.

View of the Commission

The Commission agrees the response of PSPCL.

Issue No. 6: Human Resource Management

It is suggested that

i. There should be biometric attendance of all employees
ii. Maximum stay of each employee at the same station should not exceed 5 years and the transfer should be at least 40 km away from the place of previous posting for Class III and for Class I and Class II, it should be 100 km.
iii. There should be division of labour and responsibility fixed for each employee and it should be put on notice board.
iv. Training of all employees should be held on regular basis.
v. There should be dress code and identity card for all employees.
vi. Free power to all employees should be withdrawn till PSPCL starts making profit.
vii. The employees who go on strike should be heavily fined.
viii. The allowance and increments should be frozen for 5 years and this money should be used for R&D.

Response of PSPCL

i to v PSPCL is making efforts to rationalize the manpower through manpower study. Recommendations made in the study will be implemented in a phased time bound manner, i.e., 3-5 years. Apart from that PSPCL has initiated "Functional Model of Distribution Offices" in Urban/Rural areas on a pilot basis in one of the divisions. Results are encouraging. Accordingly PSPCL has planned to roll out this initiative in other divisions also within a period of 2 years. The project involves reorganization of the distribution staff under a refined two tier system. The existing staff will be reorganized on functional basis for urban areas to handle technical and commercial functions separately. The project does not involve any additional financial liability and only involves redeployment of existing staff. It is envisaged that there will be a reduction of around 10-12% in the deployed workforce to handle the operations. Also, PSPCL emphasizes that PSPCL itself is a newly created entity and is under stabilization and reorganization. Therefore, it will take some time for rationalizing the manpower cost.

Regarding other issues it is submitted that transfer policy is already in place, employees have been issued identity cards and attendance is regularly checked by senior officers.

vi. The free supply to the PSPCL's employees varies in between 100 units per month to 155 units per month. The free supply of electricity is a kind of facility which is provided by the Utility to its employees and forms an inherent part of their salary structure. PSPCL understands that similar facilities are also allowed by other Government organizations like Railways, Roadways etc. Besides this, the free energy supply provided by the PSPCL forms the taxable income of the employees of PSPCL

vii & viii Suggestion of the objector is noted.

View of the Commission

i,ii,iii,v,vii & viii) The issue does not strictly pertain to the ARR. PSPCL need to consider implementation of suggestions in larger public interest.

iv) Refer Annexure IV, Directive 7.

vi) Refer objection no. 1, issue no. 7.

Issue No. 7: General

It is suggested that

i. All PSPCL offices should use CFL and LED equipment.
ii. All complaint centres should be online.
iii. All vehicle providers should be provided with GPRS and CCTV cameras.

Response of PSPCL

i. Initiative has already been taken for replacing old lamps with CFLs.
ii. Projects of making complaint centers ONLINE are already under execution.
iii. Suggestion of the objector is noted.

View of the Commission

i&ii. The Commission agrees with the response of PSPCL and expects the time bound completion of the sanctioned schemes.

iii) Though not strictly an ARR issue, nevertheless PSPCL may examine subject to relevant provisions/norms.

Objection No. 28: Consumer Protection and Awareness Council (Regd.)

Issue No 1: Generation

The fundamental requirement for the success of open access model is that the generation and transmission capacity should be at least 1.5 to 2 times the actual requirement. In case of Punjab, it is 60% to 80% of the actual requirement. No additional generating plants have come up since the Commission has started functioning.

Response of PSPCL

PSPCL appreciates the concern of the objector.

Further, the generation capacity within the state will get enhanced with the commissioning of ongoing following four thermal power plants:

Talwandi Sabo (1980 MW; by 2013-14), Goindwal Sahib (540 MW; by 2013-14), Rajpura (1400 MW; by 2014-15) and Gidderbaha (2640 MW; by 2016-17).

View of the Commission

Though transmission capacity constraint has never been an issue before, the Commission advises that PSTCL and PSPCL create and maintain requisite transmission/ sub transmission capacity matching with the generation and loads. Also refer Annexure IV of PSTCL and PSPCL Tariff Orders.

The requisite information regarding capacity addition for generation has been provided by PSPCL.

Issue No 2: Thermal Power Plants by Private Players

Despite several benefits being granted to private parties for thermal power project at Goindwal Sahib, it has yet to see the light of the day. Even at the National level, investment in generation for private sector is insignificant.

Response of PSPCL

The contention made by objector is not correct. Further, the status of Project is as under:

b. Engineering Progress: about 75%
c. About 80% Orders placement completed under procurement progress
d. Construction Progress- about 10%

View of the Commission

Three power plants being set up by private developers with a capacity of 3920 MW are likely to be commissioned by 2014-15 as brought out in the response of PSPCL (excluding Gidderbaha TPP) in issue no.1 above.

Issue No 3: T&D Losses

Transmission losses are still too high in Punjab. There is a need to have a concerted drive to lower the transmission losses.

Response of PSPCL

Presently the Transmission & Distribution losses are accounted together, as boundary metering between Transmission periphery and Distribution periphery is still to be completed. However, if T & D losses are taken together, PSPCL is one of the best performing Utilities in the Country. The comparison of T & D losses of PSPCL with other State Utilities' as collected from their websites, is as under:

State	Utility	Transmission Loss	Distribution Loss	T & D loss
Maharashtra	MSEDCL	4.85%	17.20%	22.05%
Haryana	DHBVN	2.10%	29.80%	31.90%
	UHBVN	2.10%	26.72%	28.82%
Rajasthan	JVVNL	4.40%	20.50%	24.90%
	AVVNL	4.40%	27.00%	31.40%
	JdVVNL	4.40%	23.00%	27.40%
Punjab	PSPCL	19.81%		19.81%
Kerala	KSEB	16.00%		16.00%
Uttar Pradesh	Agra	5.00%	25.40%	30.40%
	Lucknow	5.00%	18.40%	23.40%
	Merut	5.00%	25.40%	30.40%
	Varanasi	5.00%	22.80%	27.80%
Gujarat	UGVCL	4.25%	14.25%	18.50%
	DGVCL	4.25%	13.45%	17.70%
	MGVCL	4.25%	14.00%	18.25%
	PGVCL	4.25%	28.00%	32.25%
A.P.	APCPDCL	4.85%	14.71%	19.56%
	APSPDCL	4.84%	13.37%	18.21%
	APNPDCL	4.94%	14.98%	19.92%
	APEPDCL	4.84%	10.80%	15.64%

However, PSPCL has planned to reduce the T & D losses upto 18% by FY 2010-11 and 17% by FY 2011-12. PSPCL requests Hon'ble Commission, though 1% reduction is projected by PSPCL, owing to high exodus of High end HT consumers and higher AP consumption, it is possible that there may be a variation in T&D loss for FY 11-12. PSPCL would approach the Commission for any variation in this regard in next tariff determination

View of the Commission

Refer paras 3.3 and 4.2.

Issue No 4: Power from Biomass Plants

It will take another four to five years for new thermal power stations to come up. In order to meet the power shortage, a viable alternative is the use of biomass. The first biomass plant at Gulabewala Village in Muktsar is running successfully. There is need for more such plants. It will provide employment to unskilled and semiskilled population. Besides these plants are eco-friendly unlike thermal and nuclear plants.

Response of PSPCL:

GoP has already notified New and Renewable Sources of Energy (NRSE) Policy 2006, aiming to enhance contribution of Renewable Sector in socio-economic development and has identified Bio-mass/ Agro residue and waste as one of its thrust areas. In this policy, GoP has provided several incentives to NRSE projects and some of them are as under:

1. Land to be provided to NRSE projects on nominal lease rent, subject to availability of Government land.
2. Concessional VAT to be levied for NRSE projects.
3. Energy generation/NRSE devices and equipment machinery shall be exempted from Octroi.

PSPCL shall purchase entire quantum offered by NRSE developer, without any restriction of time or quantum.

View of the Commission

Refer objection no.26, issue no.4.

Issue No 5: Maintenance of Transmission Lines

There is a need to maintain high tension transmission lines properly and install fog resistant technology. New technology in all high transmission lines should be installed to avoid tripping and losses.

Response of PSPCL:

PSPCL appreciates the suggestion made by the objector and will evaluate the suggestion for active consideration.

View of the Commission

The Commission trusts that maintenance of HT/EHT lines is carried out as per specified standards.

Issue No 6: Subsidy to Agricultural and Weaker Sector

The free supply to farmers is a big drain and not beneficial. Most consumers want regular and quality supply of power rather than free supply, which generally is not available. The same holds true for weaker section of society also.

Response of PSPCL

Providing free power to farmers or to other weaker sections of society is the policy of State Government. PSPCL has no comments to offer.

View of the Commission

Providing subsidy to any category of consumers is the prerogative of GoP.

Issue No 7: Accountability

There is no accountability and responsibility in power distribution, accounting and billing. Accountability and responsibility should be properly established.

Response of PSPCL

The aforementioned issue does not fall within purview of present tariff determination exercise, which is being undertaken for the determination of ARR and Tariff for FY 2011-12.

View of the Commission

The matter does not pertain strictly to the ARR. However, in public interest, PSPCL need to fix accountability and responsibility at each level.

Issue No 8: Saving Power

In order to propagate the need of conserving electricity amongst the masses, there is a need to reduce the price of CFLs. These may be supplied to consumers at subsidised prices.

Response of PSPCL

PSPCL appreciates the concern of the objector. PSPCL has already initiated Bachat Lamp Yojna which is conceptualized by Bureau of Energy Efficiency (BEE). Under this scheme up to 4 no. incandescent lamps of each of 48 Lakh domestic consumers are to be replaced with CFLs at a subsidized rate of Rs. 15 per lamp without any investment by PSPCL. Under phase-I the work in 13 circles has been taken up. Balance 7 circles shall be covered in phase-II. Entire work is expected to be completed by 31.12.2011.

View of the Commission

PSPCL has already been directed to draw up a Demand Side Management Plan which shall comprehensively address all energy conservation issues. Also refer Annexure IV.

Issue No 9: General

Following recommendations are made:

a. Generation of additional power
b. Reduction of transmission losses
c. Metered supply of electricity to all consumers
d. Power theft to be eliminated
e. Doing away with subsidy
f. Up-gradation of sub-stations.

Response of PSPCL

a. Same response as in issue No. 1.
b. Same response in issue No. 3.
c. PSPCL is giving metered supply to all its consumers except for AP Consumers. 100% metering for AP sector is not presently practically possible on account of huge investment required in terms of finance and manpower. In order to make accurate assessment PSPCL is abiding Commission's directive of 10% sample metering. PSPCL would like to submit that it has reached 9.3% sample metering in case of agriculture consumers. It is expected that PSPCL will achieve 10% sample metering by March 2011.
d. PSPCL is taking various initiatives to eliminate power thefts. Some of them are as under:
   i. Shifting of meters in pillar boxes outside consumer premises
   ii. Conversion of AP LT into HVDS
e. Same response in Issue no. 6
f. Same response in Issue no. 5.

View of the Commission

a. Refer issue no.1 above.
b. Refer issue no. 3 above.
c. Refer objection no.14, issue no.3.
d. Refer objection no.1 issue no. 12.
e. Refer issue no.6 above.
f. Refer objection no.10 & 29, issue no.22.
   Also refer Annexure IV.

Issue No. 10: Increase in tariff

There should not be any increase in Tariff rates unless 24 hours power supply is available. Power cuts are forcing the consumers to spend avoidable expenditure on invertors and generators.

Response of PSPCL

PSPCL is imposing power cuts to the barest minimum through purchase of power at competitive rates for bridging gap between demand and availability of power from various sources. Power availability from generating stations within the State shall improve from the FY 2012-13 as is already mentioned under response to issue No. 1 above.

Tariff is required to bridge the revenue gap of the Utility so that it remains financially viable. Linking of increase in tariff with the availability of power for 24 hrs. is not correct. Therefore, PSPCL requests the Commission to approve the ARR for FY 2011-12 as submitted in the Petition and determine the tariff with suitable hike to ensure that PSPCL is able to sustain its operations.

View of the Commission

The Commission processes the ARR according to its notified Regulations, determines the cumulative revenue gap and accordingly revises the tariff for various categories of consumers to recover the same.

30. Government of Punjab

Department of Power, GoP has conveyed its observations on the ARR of PSPCL in its letter dated 19.4.2011 which are summarized hereunder, alongwith the view of the Commission:

1. Financial health of PSPCL (erstwhile Board)

Continued disallowance by the Commission on Employee Cost, Interest & Finance charges, fuel cost and Power purchase cost (due to under-achievement in T&D losses) has led to steep decline in financial health of PSPCL (erstwhile Board). Disallowance of about Rs. 7,500 crore by the Commission upto 2009-10 has led to accumulated commercial losses and short-term loans of PSPCL.

PSPCL (erstwhile Board) has consistently not been able to achieve norms, performance parameters and targets set by the Commission, which has led to excessive disallowances by the Commission eroding the PSPCL's capacity to purchase power. This has resulted in long duration of power cuts. Thus, though the tariff rates have been contained, the availability of power to the consumers has been constrained.

This gap between power demand and supply is likely to continue for another 2-3 years till new thermal plants become operational. Till now the Commission has adopted the strategy of penalizing PSPCL (erstwhile Board) for non-achievement of norms and targets set by it, but these penalties have worsened the financial health of PSPCL (erstwhile Board).. Thus, the Government has requested the Commission to alter its strategy of bringing about improvement in functioning of PSPCL without adversely hitting it financially.. The GoP has quoted, the National Tariff Policy which provides that "the Regulatory Commission need to strike the right balance between the requirements of commercial viability of the Distribution Licensees and Consumer's interests".

View of the Commission

Interests of all the stakeholders have also to be kept in mind by the Commission and for that reason, disallowances and incentives are effected as per rules and regulations of the Commission when PSPCL's (erstwhile Board's) performance is sub-optimal. The Commission sets reasonable performance targets for PSPCL and monitors its functioning and sets correctives that need to be applied to ensure that these targets are achieved.

2: AP consumption

PSPCL (erstwhile Board) has the tendency of projecting AP consumption on the higher side to keep T&D losses low. The Study carried out by ABPS had shown that realistic assessment of AP consumption was lesser that estimated by PSPCL (erstwhile Board).

GoP has requested the Commission to take a judicious view and direct PSPCL to come out with a time bound action plan to increase the accuracy in measurement of AP consumption.

View of the Commission

In the absence of any other reliable mechanism, AP consumption is primarily estimated on sample meter readings submitted by PSPCL. Based on the analysis of the data submitted by PSPCL, the Commission has assessed AP consumption. However, the Commission has given Directive to PSPCL to commission AMR system on all the AP feeders at the earliest during FY 2011-12 enabling more accurate assessment of AP consumption. Refer paras 3.2.3 & 4.1.3 and Annexure-IV Directive no. 2.

3: T&D losses

The issue of T&D losses also deeply concerns the Government, as it has direct correlation with AP consumption. Any disallowance/reduction in AP consumption estimated by PSPCL (erstwhile Board) is reflected as a corresponding increase in T&D losses worked out by the Commission.

The Commission has in 2002-03 had fixed a T&D loss reduction trajectory, which PSPCL (erstwhile Board) has failed to achieve. There have always been some discrepancies in the AP consumption reported by PSPCL (erstwhile Board) and approved by the Commission, which has resulted in corresponding increase in T&D losses approved by the Commission. This aspect need to be taken care of by the Commission and it all the more justifies the stand of the Government that estimation of the AP consumption be made more realistic/accurate. Further, the Government feels that although it is essential to bring down the T&D losses, the approach adopted by the Commission has not yielded any positive results in last six years, rather it has impaired the financial health of the utility and badly affected its ability to arrange funds for taking up T&D loss reduction works and for upgrading the Transmission and Distribution System, which is also essential to reduce T&D losses.

View of the Commission

The erstwhile Board had achieved a T&D loss level of 21.76% as against the targeted loss of 22% fixed by the Commission for FY 2009-10, for which the Commission has allowed incentive as per its Tariff Regulations. (Refer para 2.9 of this Order). Further, the Commission had reset the loss reduction trajectory for FY 2010-11, FY 2011-12 and FY 2012-13. It would be unfair to the consumers to allow higher level of power purchase at high cost on account of the PSPCL's (erstwhile Board's) inability to achieve targeted levels of loss reduction. Further, in case PSPCL is able to over-achieve the target loss level fixed by the Commission, incentive shall be allowed in accordance with Tariff Regulations of the Commission.

4: Disallowance of fuel cost

The Disallowance of fuel cost by the Commission is not fair, keeping in view the fact that the performance of PSPCL (erstwhile Board) thermal stations is comparable with the best in the country. The Commission should appoint expert group to carry out a study and recommend performance norms for PSPCL (erstwhile Board) thermal stations. The disallowance is unjustified in the view of the fact that per unit cost of generation from GGSSTP and GNDTP where station heat rate is higher than norms is much less than average cost per unit of power purchased. In view of this, the Commission should approve fuel cost at Rs. 3621.85 crore as per audited accounts of PSPCL. In addition, the Commission may direct PSPCL to manage the inventory on modern scientific/management lines so that cost cutting on this head can be achieved.

View of the Commission

Fuel cost is being allowed largely as per CERC norms which in turn have been determined on the basis of CEA's recommendations made after extensive studies of a large number of thermal stations, including Punjab's thermal plants. The Commission has given directive to PSPCL for Energy Audit (including inventory management) of the thermal plants as per Energy Conservation Act, 2001. Refer also to paras 3.8 & 4.7 and Annexure-IV Directive no. 1.

5: Power purchase cost

The Commission in its Tariff Order for FY 2010-11 had approved power purchase at 16319 MU at a cost of Rs. 5427.36 crore which included traded power of 2492 MU with a cost of Rs. 1435 crore (@ 625 Paise/unit). As against this, the PSPCL (erstwhile PSEB) has projected its power purchase for FY 2011-12 at 18814.96 MU at a cost of Rs. 6349.74 crore which include traded power of 2703.87 MU with a cost of Rs. 1580.85 crore at an average rate of 585 Paise/unit.

The power purchase cost has now become major component of cost of supply/ ARR and constitutes 38% of the ARR, as per Tariff Order of FY 2010-11.

GoP is of the view that as State is facing acute shortage of power which has hit the industry/agricultural growth rate of the State, therefore, it requests the Commission to allow actual power purchase cost as per books of accounts of PSPCL and submits further that as this power purchase is a short term measure, in the long run sufficient power will be available from the plants being set up in the State. However, the Commission should take judicious view as regards the quantum of power being purchased vis-à-vis its optimum utilization/requirement.

View of the Commission

Till FY 2008-09, the Commission had been allowing the entire power purchase cost to the erstwhile Board. However, taking into account the injudicious purchase by the erstwhile Board in the past, the Commission in the last tariff order had allowed power purchase upto the extent required as per projections of the erstwhile Board but the cost of purchases beyond that level had been capped to the average cost of supply from FY 2009-10 onwards. In this Order, the Commission has allowed additional requirement through short term power purchase, after considering the availability from other sources including banking. The Commission has capped the average rate for short term power purchase so approved at the weighted average price of short term bilateral transactions for the period from April, 2010 to January, 2011 as per statistics published by Market Monitoring Cell (MMC) of CERC. Refer also para 4.8.5 (e).

6: Employee cost

The Commission should allow full employee cost to the Board as it is legitimate historical component of the cost of supply. The Commission had allowed full employee cost in for the year 2002-03, since then the number of employees in the board have reduced from 91624 in FY 2002-03 to 53785 ending 3/2010, thus the actual employee expenses including the terminal benefits should be approved instead of notional employee cost.

PSPCL has implemented revised pay scales as per 5th Pay Commission report with effect from November, 2009. It is felt that additional expenditure of Rs. 285 crore to be incurred by PSPCL in FY 2010-11 and Rs. 285 crore in FY 2011-12 on this account should be additionally allowed by the Commission even if it chooses to allow the employee cost on normative basis.

View of the Commission

Refer to para 3.10 & 4.9.

7. Open Access

The Commission has now allowed Open Access to all the consumers of PSPCL. During FY 2009-10, the Open Access consumers had imported power amounting to 131 MU, while in the first half of the current year, it is 595 MU. The short term power being purchased through bilateral transaction can be arranged upto three months in advance and through power exchange which are on day ahead basis. PSPCL procures short term power through traders on three month advance reservation basis so that assured quantum is ensured at competitive rates, for which tendering process have to start at least six months in advance. For estimating the requirement of short term power purchase, the load growth as well as the tentative generation (with availability factors) is taken into view. The short term power purchase through advance reservations, once tied up cannot be surrendered without paying heavy penalties.

PSPCL is facing a number of problems due to allowance of Open Access, as listed below:

The power scheduled by OA consumers thorough Open Access is varying constantly and is directly linked to the prevailing market rate and for their remaining requirement, they draw power from PSPCL system. Thus, the power requirement from PSPCL system is also varying unpredictably which jeopardizes the system reliability.

The total Open Access quantum on day ahead basis can be known at 5PM on the previous day only. Due to this short time given to PSPCL, it has no alternative for arranging excess power or surrendering the power and thus PSPCL is financially affected.

At present OA consumers use PSPCL as a standby supplier and for this PSPCL must have spinning reserve. However, due to large demand and supply gap, there is no spinning reserve available with PSPCL.

The frequent shifting of OA consumers from PSPCL to Open Access and again to PSPCL is affecting the quality of power to other consumers.

The OA consumers being the cross subsidizing category for other consumer groups, this reduction of power off-take by them from PSPCL power pool has adverse impact on the tariff of other categories.

Further, due to Open Access the LS consumption is likely to reduce which will hit the revenue and T&D losses of PSPCL adversely. In order to prevent financial collapse of PSPCL, appropriate safeguards e.g. cross subsidy surcharge and additional surcharge as provided in the National Tariff Policy be levied on OA consumers.

View of the Commission

The matter does not strictly pertain to the ARR. The Commission intends to revise Open Access Regulations and has already put the draft Regulations on public notice inviting comments and suggestions from the public and other stakeholders on the same. GoP may submit its suggestions and comments on the draft Regulations.

8. Tariff hike

The Commission should not increase AP tariff any further and in case hike is unavoidable it should not be more than the average hike, considering the importance of agriculture production for the country as a whole and State of Punjab in particular.

With regard to subsidy for AP consumers, SC DS & Non-SC DS consumers, it is intimated that GoP would continue its policy.

View of the Commission

In line with the recommendations in the National Tariff Policy and the Tariff Regulations notified by the Commission, the tariff hike approved by the Commission in the past has been with the view to reduce cross-subsidy and to bring the tariffs of various subsidized categories, including AP, closer to the average cost of supply.

ANNEXURE - III

Minutes of the Meeting of State Advisory Committee of the Punjab State Electricity Regulatory Commission held on March 8, 2011.

The meeting of the State Advisory Committee was held in the office of the Commission at Chandigarh on March 8, 2011. The following were present:

1.	Mrs. Romila Dubey, Chairperson, PSERC, Chandigarh	Ex-officio Chairperson
2.	Sh. Virinder Singh, Member, PSERC, Chandigarh	Ex-officio Member
3.	Sh. Gurinderjit Singh, Member, PSERC, Chandigarh	Ex-officio Member
4.	Shri M.R.Aggarwal, Spl. Secretary/Power,Govt. of Punjab (on behalf of Secy/Power,Punjab),	Member
5.	Shri G.S.Kalkat, Former Vice Chancellor,PAU, # 706, Sector-11-B, Chandigarh	Member
6.	Shri Arun Sekhri, Addl. Secretary/Food & Supplies & Consumer Affairs (on behalf of Secy/Food & Supplies & Consumer Affairs,Punjab),	Ex-officio Member
7.	Shri Jacob Pratap, Asst.Labour Commissioner, Punjab, (on behalf of Labour Commissioner, Pb),	Member
8.	Shri Amarjit Goyal & Shri R.S. Sachdeva on behalf of Chairman, PHDCCI, Punjab Committee, Sec. 31-A, Chandigarh,	Member
9.	Shri Akshey Bector, Chairman,CII, Punjab State Counsel, Sector-31-A, Chandigarh,	Member
10.	Sh.S.K. Kashyup, Chief Elec. Distribution Engineer, (on behalf of Chief Electrical Engineer) Northern Railway, New Delhi,	Member

11.	Director/Distribution, PSPCL,Patiala	Member
12.	CE/ARR & TR PSPCL, Patiala	Member
13.	Sh.Y.P.Mehra, Ex-Tech. Member, PSEB, # 12 Ram Bagh Colony, Patiala	Member
14.	Prof. R. S. Ghuman, Deptt. of Economics, Punjabi University, Patiala	Member
15.	Shri G.S.Bhati, Zonal Manager, (on behalf of Chief Project Manger) Rural Electrification Corporation,Panchkula	Member
16.	Shri Kuldip Singh, S/O Shri Sujan Singh, Brindpur,Shekhupura, Kapurthala	Member
17.	Sh. Bhagwan Bansal, Punjab Cotton Factory, Ginners Association (Regd.), Shop No. 109, New Grain Market, Muuktsar	Member
18.	Sh. Jagtar Singh, Director, Social Work & Rural Development Centre Vill Nurpur Bedi, Distt. Ropar	Member
19.	Shri Gurmit Singh Palahi, Secretary, National Rural Development Society, V & P.O Palahi, Teh. Phagwara (Kapurthala)	Member
20.	Smt. Namita Sekhon, IAAS, Secretary, PSERC	Secretary

1. The **Chairperson** welcomed the members of the State Advisory Committee and requested them to give valuable suggestions on the issues having a bearing on the Annual Revenue Requirement (ARR) of PSPCL and PSTCL for 2011-12.

2. **Dr. G.S.Kalkat** raised a query about the ARR petition showing an increase in electricity consumption every year despite the fact that there was no increase in the area under cultivation.

Reacting to this query, Shri A.K. Verma, Director/Distribution PSPCL informed the house that the increase in consumption was due to the fact that 1.2 lac AP connections have been released during the year 2009-10 and 2010-11 under the OYT scheme, in addition to declaration of load under VDS in the year 2009. He further informed that due to the falling water table, consumers are installing submersible pump sets which consumed more energy. He suggested that the consumers should install ISI marked motors.

The Chairperson advised the utility to initiate the process of monitoring of standardization of equipment. She also observed that most of the consumption in the agriculture sector was unmetered and hence the data on agricultural consumption was not accurate.

3. Mr. R.S. Ghuman raised the following points:

- Generation, transmission and distribution needs to be more efficient so that T&D losses could be minimized.
- Irrigation by flooding leads to wastage of water and power. A regular co-ordination between the PSPCL, Directorate of Agriculture, Punjab Agricultural University and farmers' leaders is needed to curb this practice.
- During the Rabi season crops need less water for irrigation. Night time supply leads to flooding resulting in wastage of water and damage to the crops. It is suggested that during the Rabi season the agriculture sector should be given day-time supply of 8 hours a day on alternate days. Alternatively, the supply may be given twice a week, for 12 hours a day
- Additional capacity in Punjab is being created in the Private Sector. In the coming 5 years, 65% to 70% generation would be with the private sector. The Commission should advise the Government to ensure that the public sector has a larger share in power generation.
- Hydel power generation potential should be explored as thermal power generation is not only more expensive but also effects the environment adversely. Non conventional energy sources (NRSE) such as solar energy should also be exploited.

- Every successive ARR shows enhanced supply to the agriculture sector even though the area under crop has reduced. This needs to be reviewed. The entire supply to the agriculture sector needs to be metered so as to ascertain accurate figures of supply.
- Financial health of PSPCL needs to be reviewed in the context of power purchase and increased debt liability.
- Forecasting of power purchase should be done.
- Power Subsidy to the agriculture sector should not be at the cost of other consumers.

Member (V) observed that private distribution is a global concept and has shown positive results the world over. Mr. Ghuman, however, opined that Indian economy was essentially agrarian and any comparison between India and other world economies would not be feasible.

4. **Mr. Amarjit Goyal** welcomed the new Chairperson and Member of the Commission. While appreciating the banking arrangement made by PSPCL , Mr. Goyal observed that a steep hike of 67% in the tariff rate in the ARR for 2011-12 may not be acceded to as the industry in Punjab is already over burdened due to 20% cross subsidization and hence any hike in the power would be counterproductive. Suggestions to improve the overall efficiency of power generation and transmission system were made as follows:

- PSPCL could follow the Tamil Nadu model to enhance its current efficiency by reducing losses and manpower cost and bring about reforms by introducing IT enabled services and e-working in their system.
- Delay in release of subsidy by the state Government forces the PSPCL to raise short term loan which needs to be curbed.
- Commission may consider a Voltage supply based tariff as this would lead to reduction in cross subsidy level.
- Mandatory rain water harvesting would help save water and also replenish the water table leading to lower water consumption.
- Open access may be continued as it is in compliance with the Electricity Act, 2003 which would also help bridge power deficit till the time PSPCL's generation projects get commissioned and becomes surplus in power.
- PSPCL should honor & respect the orders of the Commission. The observation was made in the context of non refund of charges of 3% and 5% on supply of 66 kV and above, due since April 1, 2010.

- There should be metered supply for all categories of consumers in order to avoid theft and wastage especially in the case of agriculture consumers.
- Need for immediate financial restructuring of the unbundled companies with special regard to:
  a) No outsourcing of manpower.
  b) Litigation should be reduced.
  c) The system of power purchase should be strengthened.
- Cross subsidization should be reduced to zero level by year 2015. A roadmap in this regard may please be issued.
- No hike in the power tariff as the industry is already burdened with Electricity duty of 13% and Octroi of 10 paise per unit.
- The expenses of unbundling should not be passed on the consumers but must be borne by the Centre & the State Government. This is in line with the Electricity Act, 2003 which provides for a clean balance sheet to successor companies after unbundling.

Detailed comments on issues emerging from the ARR Petition of PSPCL are annexed as **Annexure 'A'.**

5. **Mr. R.S.Sachdeva** made the following suggestions pertaining to ARR ;

- Efficiency would increase with introduction of IT and E-working.
- Rain water harvesting is beneficial and should be adopted.
- Government should be advised to pay subsidy in time. This would reduce interest burden on the Utility as most short term borrowings are made in order to meet the deficit on account of late payment of subsidy.
- Open Access be allowed without levy of any extra burden on the consumers.
- No further increase in tariff be effected.

6. **Mr. Y.P. Mehra** stated that financial restructuring and curbing of inefficient practices of the utility was the need of the hour. He suggested that the Commission fix efficiency parameters for the utility. This was essential as the Board/PSPCL has not reduced expenditure under any head despite capping of expenditure by the Commission. He made the following observations/ suggestions pertaining to the ARR:

- There is a need to find a solution to the prevailing practice whereby the Commission imposes cuts on the projections relating to establishment/power purchase costs and other allied items of expenditure and efficiency norms. The resulting revenue deficit is met by PSPCL by diverting /utilizing investible assets and raising loans from the market. It is felt that amounts actually spent on establishment are unavoidable and do not warrant a cut.

- Delay in payment of subsidy as also the methodology of adjusting it against loans has deteriorated the financial health of PSPCL.
- No headway has been made by PSPCL in matters like improving efficiency standards and finalizing proposals on issues like two-part tariff, kVAh tariff, improving T/W efficiency, minimizing establishment, providing meters on all the connections, working out voltage wise cost etc.
- There is a need to make cost benefit analysis of investment plans of PSPCL.
- Subsidy for release of tube well connections should be borne by the Government rather than the consumers.
- There is an urgent need to take up generation projects in the Public Sector and the commissioning of projects under execution should be staggered.
- Benefits of carbon credits need to be analyzed.
- Existing regulations on wheeling charges need to be reviewed as both PSPCL and PSTCL would claim such charges separately.
- Dis-continuation of purchase of electricity by LS consumers under Open Access is against the very spirit of Electricity Act 2003. The solution to PSPCL's difficulties lies in adopting two part tariff only. On the other hand, PSPCL is also trying to discourage CPP Owners from selling power under open-access which again is against the provisions of Electricity Act 2003 and Regulations of the Commission. The CPP owners should be free to sell to PSPCL or outside on short term or long term basis.
- PSPCL's proposal to enhance annual maintenance charges to 3% as demanded by RSD authorities be not acceded to as annual maintenance charges on Hydro Projects are not more than 0.5%.
- The proposal to increase ROE charges from 14% to 23% is without any justification.
- The AP tariff rates are much below even the average cost of supply. The same should be brought up to at least 80% of the same as per National Tariff Policy.

- PSPCL has been asking for the refund of Rs. 520/- crore from Punjab Govt. which it had recovered as excess interest charges in the past. The Commission should pass suitable orders in this regard.
- Rates of P.F. incentive be brought at par with PF surcharge. The present policy on the subject is highly unfair to consumers.
- The Commission should come out with a fresh policy with regard to H.V surcharge and HV rebate to provide relief to the aggrieved parties.
- During recent review of tariff order for the year 2010-2011, Commission has agreed to permit carrying cost on deferred payment from the Punjab Govt. This should be recovered from the Punjab Government and not passed on to the consumers.

Reacting to Mr. Mehra's request for implementation of Two Part Tariff, Mr. Akshey Bector stated that the industry had reservations about implementation of Two Part Tariff.

7 **Shri S.K. Kashyup,** CEDE, Northern Railway made the following observations:

- The average traction tariff (including demand charges and other charges) in other states is around Rs.4.40/unit whereas it is extremely high in Punjab (Rs.5.40/ unit).
- Difference between tariffs of HT industry & Railway is largest in case of Punjab. This appears to be arbitrary & against the recommendations of Ministry of Power in letter dated 01.05.1991. This is despite the fact that Railways take supply at 132 KV/220 KV where T&D losses are negligible.
- As per Tariff Order of PSERC for FY 2010-11, Cross Subsidy for railway traction is highest at 31.68% which is violation of the provisions of National Tariff Policy, which mandates that latest by the end of year 2010-11, tariffs should be within +/- 20% of the average cost of supply. Although, there is a gradual reduction in cross subsidy, cross subsidy for railway traction is still the highest.
- PF rebate for railway traction should be provided for PF above 0.90 instead of 0.95, as in case of other consumers as there is no basis to differentiate it with other HT consumers. Railways should not be deprived of PF rebate for maintaining high PF by providing capacitor banks.
- There is 46.96% increase in revenue gap in 2010-11 in comparison to 2009-10 which can be attributed to very high T & D losses and shows the

inefficiency of PSPCL. .Revenue gap should be bridged by govt. subsidy or by reduction in cost. Tariff of consumers should not be increased.

- Railway is expanding its electrification network in Punjab and higher traction tariff will act as a dampener for future plans of electrification as Railways work on a thin operating margin.

8. **Mr. Kuldip Singh** made the following observations /suggestions:

- AP applications are pending since 1990 whereas LS/MS/other categories connections are being released regularly. He suggested that pending connections be released quickly by getting a non refundable security deposit.
- A process of de-loading should be initiated.
- A 12 hour supply ,once a, week for the period April to mid May be effected.
- An additional hydel generation plant should be commissioned on the Anadpur Sahib line.

Reacting to the last suggestion, Director (Distribution) pointed out that such commissioning would be violative of the master plan.

9. **Mr. Bhagwan Bansal**

Mr. Bhagwan Bansal suggested that there should be installation of branded or ISI mark AP motors and farmers should be made aware of the benefits of such use. He requested that there should be no hike in the current tariff.

10 **Sh. Gurmeet Singh Palahi** observed that applications for release of AP connections are pending since 1990. He also suggested that water recharging policy should be put in place in the State of Punjab.

11. **Mr. G.S. Bhati,** informed the house that scheme – based cost benefit analysis was made by REC before grant of loan. He also informed that schemes financed by REC are being monitored by them at regular intervals.

12. **Mr. Akshey Bector** made the following observations

- Category-wise cost of supply be assessed.
- Increase in manpower cost of the utility should be curtailed.
- There should be different tariff rates for day and night power.

- Return on Equity of 23% as claimed by the utility should not be allowed by the Commission.
- Rate of interest charged by REC is very high. Therefore, restructuring of loans should be considered.
- National Tariff Policy stipulates that variation in average tariff of all categories should not be more than +/-- 20%. He suggested increase in tariff of the agriculture consumer.

13. **Mr. Jacob Pratap,Asstt. Labour Commissioner** made a reference to the Building and Construction Act as well as Building & Construction Welfare Cess Act and requested PSPCL to ensure payment of appropriate cess while installing power plants.

14. **Mr. M.R. Aggarwal** informed the house that subsidy payable by the Government of Punjab had been paid and no subsidy payment was pending. He also stated that comments of Government would be sent in writing as in the past.

15. **Chief Engineer/ARR**, PSPCL observed that the maximum AP consumption is during the months of June to Sept. The Govt. should, therefore, release the subsidy for these months on the basis of consumption and not in 12 equal monthly installments.

16. **Mr. A.K. Verma, Director/Distribution, PSPCL** informed the house that serious efforts are being made by the Corporation to render best and efficient services to the consumers. He pointed out that IT implementation is being carried out in various fields alongwith system strengthening and improvement in efficiency parameters.

    Reacting to the various queries /observations made by members of SAC, he pointed out that despite manpower reduction on account of retirement the employee cost has increased due to implementation of the Pay Commission Report. He further informed that cross subsidies to various categories of consumers have been reduced in percentage terms. He pointed out that various generation projects are in the pipeline and by the year 2016-17 about 5000 MW generation capacity will be added. Also, various DSM projects have been undertaken by PSPCL, like shifting of meters, replacements of GSL with CFL lamps, installation of new capacitor banks, de-loading of transformers, and replacement of inefficient AP motors etc. In the end he requested for approval of fuel surcharge on quarterly basis for short term purchase.

The meeting ended with the Chairperson thanking all present for their advice and suggestions. She assured the house that a follow up meeting on the issues raised and their status of implementation would be held soon.

Annexure-A

1. **T&D losses:** PSPCL has indicated that they will reduce losses from 18% for the year 2010-11 to 17% in the year 2011-12. This will be achieved after the implementation of certain schemes which are in the pipeline as all the schemes envisaged will require a capital investment which is not likely to be available with PSPCL. As such, the achievement of reduction in losses appears to be an eyewash. The above referred schemes by PSPCL are:

   - Conversion of LVDS tube wells to HVDS tube wells.
   - Replacement of electromagnetic meters with electronic meters.
   - Shifting of consumer meters outside premises
   - Reactive power management
   - IT implementation plans.

   Out of the above, except for the scheme on reactive power management, none of the schemes are likely to reduce the technical losses. It may, however, reduce the thefts.

2. **Power Purchase:** As per the ARR submitted by the PSPCL, purchase of power has been indicated to the tune of 4527.6 crores to 6349.7 crores which is on the higher side. Moreover, this purchase of power is mainly done to meet the paddy requirement and during the same period heavy cuts are imposed resulting in heavy loss to the industry. Due to good monsoon there was no purchase of power for industry. Government should bear the cost of extra power purchased for agriculture.

3. **Employee cost:** As per ARR, employee cost has been indicated as Rs.3607.75 crores which is 120 crores in excess of employee cost indicated in the revised estimate of the year 2010-11. On the one hand PSPCL has indicated that the employee strength has reduced considerably but on the other hand they are claiming higher expenditure on this account. The extra expenditure cannot be justified as per unit cost of PSPCL is higher than other states. The number of senior employees is much more than required and should be reduced by offering VRS to them. The employees cost should not be more than Rs.2400 crore p.a. The Hon'ble Commission can get the figures of Tamil Nadu State where the total consumers are more than in Punjab and

employee cost is much less (Tamil Nadu State's area is much more than Punjab State).

4. **Interest and finance charges:** As per the ARR submitted by the PSPCL, the interest for the year 2011-12 has been indicated as Rs.2203.27 crores which is almost 200 crore higher than the interest and finance charges provided in the revised estimate for the year 2011-12. The reason for increase in interest is mainly due to the short term borrowing for meeting working capital requirement. Interest on short term borrowing for the year 2011-12 has been projected as 938 crores which is 145 crores higher than the interest charges provided in the revised estimate for the year 2010-11. This is due to delayed payment of Govt subsidy. PSERC in its earlier order has clearly indicated that subsidy has to be given in cash and not to be adjusted against any loans. As such this increase in interest may not be allowed. Further, the subsidy for the period when free supply to the agriculture was announced is still pending. As such the loans may be adjusted against the pending subsidy and not against the current subsidy. As per the Indian Electricity Act, 2003, at the time of unbundling of state electricity board, the successor companies were to be given a clean balance sheet. So the question of interest and finance charges to the tune of 2203 crores does not arise and hence may not be allowed.

5. **Agriculture consumption:** The computation of agriculture consumption is on the basis of 10% sample energy meters. This method of arriving at the agriculture consumption has not been approved by the Commission and report submitted by PAU in this regard has also indicated certain measures which have not been implemented by the PSPCL. As such it is requested that PSPCL may be asked to provide energy meters to all the tube well connections for the purpose of arriving at agriculture consumption in the State. The supply to Agri-Sector is also misused in farm houses.

6. **kVAh tariff:** Chamber has been repeatedly requesting PSERC to impress upon PSPCL to start kVAh based tariff but this is being delayed by PSPCL. Though the committee constituted for the purpose has drawn up the TOR(Terms of Reference) for short listing the contractors, no further progress has been made.

7. **Average Cost of Supply:** Average cost of supply has been calculated at 357.39 paisa from 349.69 paisa for the year 2010-11 which is 2.2% higher than the last year. Chamber is of the view that this increase is meagre and since industry is already cross subsidizing other sectors, there should be no increase in cost of supply to the industry.

8. **Open Access:** The levy of cross subsidy on power purchased through open access by various companies is not correct as wheeling and line losses have already been charged in the tariff. Moreover the Cross–subsidization in tariff to the industry and Commercial consumers is to be eliminated between the year 2005-2015. But no road map is provided by the Commission. The Punjab industry is not in a position to bear heavy burden of cross-subsidization in coming years.

9. **EHV Tariff:** Where the industry has installed their own Sub-station of 66 kV and above, they may be given a rebate of 10% (instead of 3% on 66 kV and 5% on 220 kV) as the industry has to bear huge installation cost and maintenance cost.

10. **Power Factor Surcharge:** At present, the power factor surcharge is being charged at the rate of 1% if the power factor falls from 0.90% to 0.89% while rebate of 0.25% is given for the same increase. PHD Chamber feels that this power factor surcharge and rebate should be at par.

11. The large industry requests the Commission to fix the tariff rates on voltage supply basis i.e. 440 Volts, 11 kV & 220 kV. This will simplify the procedure and reduce litigation.

Annexure - IV

PSERC DIRECTIVES

A. An overview of the Directives issued to the Board & its successor entities in the Tariff Order 2010-11 and status of their implementation is summarized below:

Sr. No.	Issues	Directive in Tariff Order FY 2010-11	PSPCL's reply	PSERC's comments
1	**Energy Audit and T&D Loss Reduction.**	The Commission notes that the Board has quantified the specific steps that it proposes to take in 2010-11 with a view to reducing T&D losses. The Commission expects that the Successor Entities would put in every effort to see that quantitative targets and time-lines are achieved. It is also crucial to ensure that IT plan is initiated at the earliest and implemented in the scheduled 18 months. In addition to capital intensive measures proposed by the Board, sustained low cost technical interventions such as reduction in earthing resistance, tightening of joints and balancing of loads needs also to be considered.	**T&D Loss Reduction** i) **Bachat Lamp Yojna:** PSEB (now PSPCL) had already approved a scheme named "Bachat Lamp Yojna" to replace present inefficient incandescent lamps with CFLs of 49 lac domestic consumers in a phased manner. 13 circles are covered under Phase-1, and balance 7 nos. in Phase II. Bilateral agreements have been signed with C-ques Malaysia for 13 nos. circles. Similarly bilateral agreement for implementation of BLY has been signed with Energy Efficiency Services Limited (EESL) for balance 7 nos. circles. CFL distribution is likely to be completed by 31.01.2012. ii) **Replacement of Electro-mechanical meters:** PSPCL has already started shifting the meters outside the consumer's premises. The work for replacement of DS/NRS E/M meters is being done side by side while shifting meters outside. • Only 7866 (SP/DS/NRS) 3 phase meters, 1736972 single phase (DS/NRS) meters and 47671 AP meters remain to be replaced. Work is likely to be completed by 31.01.2012 • All EHT/HT consumers of LS, MS and SP stands replaced. iii) **Loss Reduction Schemes;** • Conversion of LT distribution system to HVDS: Total 150347 connections converted ending March, 2011. Originally 46 schemes were framed for	a) The Commission observes with satisfaction that some progress has been made regarding installation of capacitors on 11 kV feeders & conversion of LTDS system to HVDS. PSPCL is directed to prepare technically and financially viable schemes to convert all AP connections to HVDS and a report be sent to the Commission. As far as possible, HVDS scope be extended to Urban and Sub-urban consumers as well. The 11 kV line capacitors be installed as per standard practice while ensuring that it does not cause leading Power Factor (resulting into increase in losses). The 11 kV line capacitors installations also need to be prioritised with higher priority on feeders carrying more inductive load. b) The Commission is concerned about the slippages in time lines of IT implementation project. The GIS work needs to be executed at a fast track to match commissioning of IT implementation project on 28.10.2011. Establishment / verification of baseline data also needs to be expedited. c) A time bound plan to reduce the earth resistance of all distribution and grid sub-stations of PSPCL as per standard laid down in IEEE Earthing Guide 80 be made in general and specifically to save costly equipments to be erected under IT implementation project and SCADA. d) An annual exercise (from Oct to May) to tighten loose joints and nuts/bolts of all equipments and conductors be done to save losses due to

Sr. No.	Issues	Directive in Tariff Order FY 2010-11	PSPCL's reply	PSERC's comments
			conversion of 524856 AP connections from LT (3 phase- 3 wire) to HVDS. REC cleared 40 schemes. By June 2011,189037 dedicated transformers on AP consumers (HVDS) shall be installed under already placed work orders. For balance connections, the schemes are under finalization. • **Installation of capacitors on 11 KV feeders**: Out of 2700 MVAR, 1680 MVAR has been installed ending March, 2011. Balance 1020 MVAR to be installed in phased manner and completed by end of March, 2012. • **Shifting of meters outside consumer premises:** a) Out of total 41.88 lac meters under 19 non APDRP schemes for villages, the contracts for shifting of 32.14 lac meters outside have been awarded which are under execution. 9.05 lac meters have been shifted out ending March, 2011. b) Schemes for another 9.74 lac meters under R-APDRP stand framed. Work to be taken in hand after approval of these schemes. • **Base line data progress:** All meters for ring fencing and boundary metering have already been installed and base line data has been put up to PFC for verification. For this purpose, PFC, the Nodal agency has appointed WAPCOS as third party independent evaluating agency (TPIEA) during Jan, 2011. Out of total eligible 45 towns base line data for 12 towns is under verification whereas for the remaining towns it will be completed by 31.07.2011. • **Segregation of technical**	high resistance appearing at these points. e) Load balancing at all the distribution transformers be attained and certified annually. Certificates in respect of (d) & (e) above be obtained from junior engineer incharge (feeder-wise). f) Initiatives on the lines of NDPL be undertaken to bring down the transformer damage rate. A blue print in this regard be prepared and submitted to the Commission by September 2011. g) Suitable measures of power factor correction to compensate for reduction in power factor, if any, due to installation of CFLs installed under BLY scheme covering 49 lac domestic consumers, may be undertaken by PSPCL.

Sr. No.	Issues	Directive in Tariff Order FY 2010-11	PSPCL's reply	PSERC's comments
			and commercial losses: RAPDRP is centrally sponsored scheme with an objective to reduce AT&C losses to 15% level of urban areas of Punjab by investing in Sub-transmission and distribution sector. As per R-APDRP (Part-B) MOP/GOI has sanctioned grant/loan for strengthening the existing distribution system and for reduction of AT&C loss level to 15%. PFC has been appointed by GOI a Nodal agency. Basic qualifying criteria is that the population of the town should be more than 30,000 and AT&C loss should be more than 15%. As per criteria, 45 towns qualify for grant/loan. 29 schemes amounting to Rs. 1350 crore are likely to be sanctioned by end of April, 2011. Further, as per specific guidelines of PFC, the sanctioned schemes under R-APDRP (part -B) can only be operated after verification of base line data i.e. the existing losses by Third Party Independent Evaluation Agency (TPIEA). PFC have appointed WAPCOS as TPIEA in Jan, 2011. Now in March, 2011 the MoP/GoI has decided that part work of towns which have AT&C losses more than 20% be started immediately without verification of the base line data. Losses in all 15 towns whose DPRs have been approved are more than 15%. Tender relating to some of the work against already sanctioned 15 schemes are under advance stage of finalization. The work under these schemes is to be completed over a period of 3 years from the date of sanction of the	

Sr. No.	Issues	Directive in Tariff Order FY 2010-11	PSPCL's reply	PSERC's comments
			schemes. **iv) Implementation of IT Plan:** The Work Order under R-APDRP covering 47 R-APDRP towns and other non R-APDRP areas has been issued on 29-4-2010 on Spanco Ltd. Mumbai. IT implementation project being carried out by Spanco under R-APDRP shall cover entire state of Punjab (i.e. 47 R-APDRP areas) for all the IT modules except GIS, Energy Audit, AMR of substations and DT meters. Thus Energy Audit and AMR of substations and DT's shall be carried out for 47 Towns, only. AMR of substations in non R-APDRP areas is being separately carried out under the ongoing AMR project being executed by Easun Reyolle. Spanco the ITA selected under R-APDRP (Part-A) has taken the IT implementation project in hand which is scheduled to be completed by October, 2011. **Status of Pilot Project at Patiala:** • DGPS Survey: Ground Control Points and Base Point Stations have been set up for carrying out the DGPS Survey. Satellite Imageries of 45 out of 47 towns have been received. • Survey of Patiala offices completed for setting up of Virtual Private Network and ascertainment of hardware requirement etc. Network Bandwidth Service Providers (NBSPs) Tripartite Agreements have been signed for Primary Bandwidth, secondary bandwidth and GPRS connectivity. • First iteration of design "To Be" process has been completed.	

Sr. No.	Issues	Directive in Tariff Order FY 2010-11	PSPCL's reply	PSERC's comments
			• Survey of substations and HT consumers completed by Energy Audit and AMR vendor – Secure Ltd. as a part of EA & AMR project under R-APDRP. • The pilot project of IT plan at Patiala shall be commissioned by 30.06.2011. Additional 14, 9, 11 & 12 towns shall be completed ending July, August, September & October 2011, thus finally commissioning the IT implementation project by 28.10.2011. **Energy Audit:** ***i) Energy Audit up to Distribution level:*** To synchronize with commissioning of IT implementation projects. However the AMR of AP feeders is in progress. First lot of 2600 AP feeders have been covered under it by 15.03.2011. Second and third lots of 500 feeders each are targeted to be covered by 31.05.2011 & 31.08.2011 respectively.	Circle-wise energy audit needs to be done across PSPCL. Time bound program to train sufficient number of PSPCL engineers to acquire BEE certification to work as Energy Auditors be chalked out. These engineers be posted to conduct internal energy audit in distribution system and generating stations in addition to their duties.
			ii) Energy Audit of Generating Stations: Energy audit reports along with Techno-Economic Analysis of Thermal Generating Stations stands submitted to Director/Tariff vide office memo No. 2593/94 dt. 7-10-2010. (incorporated in ARR FY 2011-12) Action taken on recommendations of energy audit report already submitted vide above reference for GNDTP. For Hydro-generating stations: i) It is not mandatory to conduct energy audit under Energy Conservation Act 2001. ii) The Hydro power stations are not notified as designated consumers under Energy Conservation Act. Only Thermal Power Stations have	Energy audit (including inventory management) of all the three thermal plants be conducted as per rules laid by BEE and Energy Conservation Act, 2001. Steps to improve energy efficiency be identified and implemented. The impact of these steps be measured and intimated to the Commission.

Sr. No.	Issues	Directive in Tariff Order FY 2010-11	PSPCL's reply	PSERC's comments
			been included in the notified lists. iii) As of today no accreditation has been given by Bureau of Energy Efficiency to any Energy Auditor for conducting mandatory Energy audits under Energy Conservation Act for Hydro Power Plants. In view of the above, non-mandatory provisions of EC-Act -2001, Director/Tariff PSERC , Chandigarh has been requested via this office memo No. 2058 dated 21.01.2011 to review whether this energy audit of PSPCL Hydel generating stations is required to be conducted or not.	
2	**Agriculture Consum-ption**	The Commission notes that the Board has agreed to restrict the number of faulty meters to 10% of the total installed and to increase the sample meters to 10% of total AP connections. As regards furnishing monthly/ division-wise consumption recorded by sample meters, the Board has indicated that it might take some more time to streamline its reporting system and make the information available. Taking this into account. The Commission directs that the Successor Entities may begin to supply this information by 1.6.2010. The same would apply also to division-wise information on connected load, AP factor, increase/decrease in sample meter loads and data on actual AP supply hours. In the case of supply hours, information could be restricted, for the moment, to data as maintained by the supplying sub-station. In view of the Board's contention that consumption of motors of the same capacity	1) Monthly division wise data prepared by M/s. G4S is being supplied regularly every month to the Hon'ble Commission w.e.f. 03/2010. 2) Data regarding connected load, feeder, increase/decrease in load etc. is supplied regularly along with reading data since 6/2010. 3) The directive to identify and omit meters recording excess consumption by taking sanctioned load, number of operating hours and average motor efficiency has been implemented w.e.f Oct. 2010. 4) Percentage of faulty /Non functional meters is 8.7% which is within 10% of sample meters installed. Effective sample size has increased from 77192 nos. 7.05% (4/2010) to 96009 Nos i.e 8.51% (02/2011). AP sample meters have been increased from 83603 ending April 2010 to 105205 ending Feb 2011. PSPCL will achieve 10% sample size by March - 2011.	The Commission notes the steps taken by PSPCL to bring the percentage of non-functional/faulty meters to 8.7%. But sample size of 10% in case of AP connections is still not achieved The Commission also notes the steps initiated by PSPCL for installation of AMR system. The Commission directs the Utility to ensure 100% installation and commissioning of AMR system on AP feeders as per timelines submitted and supply consolidated data to the Commission.

Sr. No.	Issues	Directive in Tariff Order FY 2010-11	PSPCL's reply	PSERC's comments
		and rating could vary for a variety of reasons, the Commission observes that one or combination of such factors could at best have limited effect on consumption. The Commission, reiterates that monthly details of meters recording consumption in excess of what can possibly be consumed be furnished where the variation is in excess of 10%. The Commission would like that AMR system should also be installed on a priority basis.	3)Status of AP feeder AMR is as under: Presently, about 650 grids are in the scope of Easun Reyrolle, for AMR scheme having nearly 3600 AP feeders (including AP 4 wire feeders). Out of these 3600 feeders having AP load, AMR compatible meters on 2600 feeders have been installed. The target date for 100% installation and commissioning of AMR on balance AP feeders is August, 2011.	
3	**Improve-ment in Quality of Service**	The Commission sees no reason why the Successor Entities should not be able to place the Reliability Indices on the Web-site as directed. Final compliance may be intimated to the Commission by 30.06.2010.	Monthly reliability indices up to the month ending 02/2011 is available on PSPCL website i.e www.pspcl.in	The Commission notes the compliance and advises PSPCL to ensure regular updation of reliability indices.
4	**Two Part Tariff**	Comprehensive proposal for Two Part Tariff and ToD Tariff as desired by the Commission is still awaited and should be furnished within two months of issue of Tariff Order.	Technical bid for tenders for engagement of consultants opened on 24.02.2011 and reply to deficiency sought from bidder. Report is scheduled to be available by 15.11.2011	The Commission notes with concern that the comprehensive proposal for two part and ToD Tariff required to be submitted by June, 2010 has been unduly delayed. PSPCL is directed to expedite the proposal.
5	**kVAh Tariff**	The Commission reiterates its direction that the Successor Entities examine the implications of introduction of such tariff and submit requisite details at the earliest.	Technical bid for tenders for engagement of consultants opened on 24.02.2011 and reply to deficiency sought from bidder. Report is schedule to be available by 15.11.2011	The Commission notes with concern that the directive has not been complied with. The proposal be expedited.

Sr. No.	Issues	Directive in Tariff Order FY 2010-11	PSPCL's reply	PSERC's comments
6	**Metering Plan**	The Successor Entity is directed to comply with the requirements of the Electricity Act, 2003 without any further delay as it is mandatory to have 100 % metering of all connections including AP.	Providing 100% metering of AP consumers not only involve heavy initial investment but also recurring expenditure for monthly recording of readings. Due to geographical scattered area, the recording of readings of more than 11 lac consumers every month is a gigantic exercise. No. of AP sample meters have been increased from 83603 (7.36%) ending April 2010 to 105205 (9.33%) ending Feb, 2011. Efforts are being made to achieve 10% sample size by March, 2011.	The AMR of AP feeders may give an idea of AP consumption including distribution losses in feeders and transformers but the requirement of Electricity Act, 2003 mandates 100% metering of all connections including AP.
7	**Employee Cost**	The Commission directs the Successor Entities to ensure that the study is completed and the action plan in the light of its findings finalized by 31.3.2011. The Successor Entities should also, as a part of the manpower study or otherwise finalize its views on the restructuring of various wings on a functional basis and prepare the road map for its implementation by 31.3.2011. Simultaneously, the time frame to implement manpower saving technologies such as unmanned sub-stations, AMR of high end consumers, distribution SCADA etc. should also be considered and decided upon.	***Manpower Study:*** PwC has been engaged for manpower study. The final report submitted by PwC is under approval of the Board of Directors of PSPCL. Same is expected to be submitted to Hon,ble Commission by end of April, 2011. The salient features of the Report are: • The proposed manpower strength required is 49498 against existing strength of 56142. • 87 nos designations to be abolished. • Outsourcing of post with 56 designations as and when the employee working on these point retire. • Posts with 32 nos. designations proposed to be run through PPP mode. • Total recruitment: Year 2011-2015 = 17021 nos. • Proposed target of 49498 sanctioned strength to be achieved by end 2015. ***AMR of high end consumers****:* Work of AMR of high end consumers (all HT	The Commission directs PSPCL to finalise the Work Study Report on Manpower and submit implementation Action Plan to the Commission. Pilot project of reorganisation / functionalisation of Distribution Organisation executed at Patiala (urban model) and Nabha (rural model) be replicated across Punjab. A report detailing impact of this reorganisation be prepared and submitted to the Commission along with PERT for implementation. The manpower saving technologies like AMR of high end consumers, distribution SCADA under implementation by PSPCL be expedited. Plan to implement unmanned substation be drawn and cost benefit analysis of unmanned sub-stations be submitted to the Commission along with a plan for their implementation. Adequate training to officers and staff be provided to meet the mandates of National Training Policy, erstwhile PSEB's approved Training Policy and provisions of Indian Electricity Rules, 1956 (as amended from time to time). Application of modern management techniques across PSPCL to optimise its functioning and efficiency be

Sr. No.	Issues	Directive in Tariff Order FY 2010-11	PSPCL's reply	PSERC's comments
			consumers) has been taken up by Secure Ltd. who are also Meter Data Acquisition Partners with Spanco Ltd as system integrator. These work shall be completed along with various phases of IT implementation and fully commissioned by 20.10.2011 including all 47 towns and non R-APDRP areas. Distribution SCADA/Data Management System : The work is to be carried out in three nos towns under R-APDRP i.e. Ludhiana, Jalandhar & Amritsar. The draft DPRs are prepared by the consultants. The balance work of customisation of RFP, selection of SCADA implementation Agency and the SCADA implementation is linked with Part-B DPR approvals by PFC. The project is targeted to be completed by 15.02.2013.	undertaken. HRD wing may establish a dedicated cell for this purpose. Implementation of quality circles, 5S, six sigma and Organisation Development (OD), etc be made in time bound manner to improve customer service, reduce costs, increase efficiency and optimise manpower output.
8	**Receivables**	The Commission notes that total receivables of the Board on 31.3.2009 stood at Rs.497.95 crore which have been reduced to Rs.478.13 crore on 30.9.2009 as per details brought out in Ann.P-1. The position in respect of outstanding dues of various departments of GoP. and other categories is by and large the same. The Commission notes that DSC and PDCO cases are internally dealt with and it should be possible to reduce the pendency of such cases and thereby substantially reduce the outstanding arrears. On the other hand, latest data reveals that there has been a marginal increase in the out standings of both these categories. Even with reduced receivables as on 30/09/2009, the recoverable amount stands at the same level as at the end of 2007-08 and the	Defaulting amount statement ending 9/2010 (audited) and 12/2010 (unaudited) stands submitted vide this office memo No.2243 dated 17.03.2011.	The Commission observes that there is substantial increase in receivables in all the categories except DSC cases. The defaulting amount of Rs.608.35 crore as on 30-9-2010 (audited) has increased to Rs. 655.26 crore as on 31-12-2010 (unaudited). Efforts need to be made to reduce the receivables.

Sr. No.	Issues	Directive in Tariff Order FY 2010-11	PSPCL's reply	PSERC's comments
		Successor Entities clearly needs to put in a far greater effort to bring down the receivables to the barest minimum.		
9	**Manage-ment Infor-mation System (MIS)**	The Commission notes that development of MIS is a part of the IT plan to be rolled out shortly.	Status as per IT Plan Implementation status under Directive-I. Information of RIMS for Generation and Transmission stands submitted to Secy/PSERC vide this office memo No. 2547 dated 23.9.2010. Remaining data for Transmission, Distribution & Rural Electrification sent to Commission on 15.11.2010.	The Commission notes that development of MIS is a part of IT implementation. Expeditious implementation of IT plan should therefore be a priority.
10	**Energy Conserva-tion.**	The Commission notes that the Board is taking a few random steps towards effecting energy conservation but has yet to draw a comprehensive DSM plan as earlier directed. The Commission would like the Successor Entities to submit such a plan within three months. At the same time, high priority needs to be assigned to complete the pilot project for improving the efficiency of AP pump sets and prepare a plan for its phased roll out in the state.	i) PSEB (now PSPCL) had already approved a scheme named "Bachat Lamp Yojna" to replace present inefficient incandescent lamps with CFLs of 49 lac domestic consumers in a phased manner. 13 circles are covered under Phase-1, and balance 7 nos. in Phase II. Bilateral agreements have been signed with C-ques Malaysia for 13 circles. Similarly bilateral agreement for implementation of BLY has been signed with Energy Efficiency Services Limited (EESL) for balance 7 circles. ii) Agricultural Demand Side Management programme is launched by BEE to replace present inefficient pump sets in which initially 2081 pump sets may be replaced as a pilot project. In this regard 6 No. 11 KV Feeders of Mukatsar and Tarn Taran Circles (3 each) have been selected for pilot project. Field study has already been completed for these 11 KV Feeders and BEE has submitted DPRs and PSPCL has decided to implement the project under Hybrid Mode. RFP to be issued have been submitted by the Consultants. Date of opening of bids had to be extended twice to 18.04.2011 due to inadequate number of bids. Agricultural DSM Pilot Project covering six feeders of Mukatsar and Tarn	The Commission notes that the utility had been advised to draw a comprehensive DSM plan by July, 2010. However, the Commission observes with concern the lack of compliance in this regard, which needs to be expedited. A time bound programme to replace 100 % AP sets with efficient pump sets across the State be laid down and implemented. Good progress of low cost DSM measure, has been attained. It needs to be kept up.

Sr. No.	Issues	Directive in Tariff Order FY 2010-11	PSPCL's reply	PSERC's comments
			Taran circles is being implemented and is expected to be completed within 10 months of signing of agreement with ESCO/pump manufacturer. The project may be extended to other parts of the state in phased manner after its successful implementation. Updated progress status for DSM targets and progress proposal for low cost measures are • No of over loaded distribution transformers deloaded up to 28.02.2011 = 31632 nos. (balance 8096 including those to be added due to VDS) to be deloaded by May, 2011 end. • Conversion of 3-phase 4-wire feeders into 3-phase 3-wire by Feb, 2011 =613 nos. out of 899. Balance to be converted by May, 2011 end. • Deloading of overloaded feeders by Feb, 2011 = 467 nos. out of 979 (balance to be deloaded by May 2011 end) • Replacement of worn-out conductor by Feb, 2011 = 2700 km out of 6000 km.(balance to be replaced by July 2011 end).	
11.	**Details of Fixed Assets**	Details of Fixed assets added as well as written off during the particular year to be furnished.	For preparation of Fixed asset registers (FAR) consultants have been appointed. FAR's prepared by consultants are under examination of a Committee.	All out efforts should be made to comply with the directive.
12.	**Power Purchase Rates for Banking**	The successor entities is directed to submit the source wise power purchase and sale figure under banking as were being submitted in previous ARRs of the Board, at the time of Review for FY 2010-11. The copies of the contracts entered with various States / Utilities / Traders are also to be submitted along with the ARR.	Copies of agreement and note on Power Purchase stand submitted in ARR 2011-12 /Vol.II.	The Commission notes compliance of the directive.

Sr. No.	Issues	Directive in Tariff Order FY 2010-11	PSPCL's reply	PSERC's comments
13.	**Power Purchase from Traders and through UI**	The Commission reiterated that the successor entities needs to purchase power in judicious manner and also resort to demand side management practices, if necessary to maintain its commercial viability.	Copies of agreement and note on Power Purchase stand submitted in ARR 2011-12 /Vol. II	The Commission reiterates that such purchase be kept within the cost approved. Also, power be purchased in a judicious manner.
14.	**Cost of supply and Cross subsidy**	In the light of APTEL direction, the successor entities need to ensure that the process of engaging consultant for carrying out the proposed study is expedited and the finding of the study as well its own views thereon are submitted to the Commission as early as possible.	TERI has been appointed as consultants to conduct cost of supply study. Consultants made a presentation on 3.03.2011 before the committee members on the proposed methodology. Based on feedback during presentation, consultant have sought additional field data which is awaited from the field.	The Commission directs Utility to expedite the study and submit findings of the study to the Commission at the earliest.

B. NEW DIRECTIVES

Sr. No.	Issues	Directive in Tariff Order FY 2011-12
1	Payment of transmission charges ***(Refer: para 4.16, of Tariff Order FY 2011-12)***	The Commission directs PSPCL to ensure that transmission charges (inter-State and Intra-State) (including SLDC charges) etc are paid to PSTCL well in time.
2	Maintenance of category-wise details of fixed asset ***(Ref: para 3.13.2, of Tariff Order FY 2011-12)***	The Commission directs PSPCL to maintain category-wise details of assets as per provisions of The Companies Act, 1956
3	Adequacy of existing switchgears and earth mat at all 66 kV and 33 kV substations.	The Commission directs that the short circuit studies be carried out to check adequacy of rupturing capacity of the existing switchgears installed and suitability of the existing earth mats to absorb the short circuit current. Replacement of switchgears and strengthening of earth mats be done wherever required and earthing parameters may be kept as per IEEE Earthing Guide 80. A report in this regard be submitted to the Commission.
4	Loading status of PSPCL sub-transmission system (66 kV and 33 kV)	The list of overloaded sub-transmission lines/substations (66 kV and 33 kV) of PSPCL along with works planned and target dates to optimally load them be displayed on PSPCL website. Suitable addition of 66 kV and 33 kV substations and transmission lines to transfer additional power be ensured and intimated to the Commission.
5	Theft of Energy	Apportionment of theft of energy to each category of consumers may be done by PSPCL.

ANNEXURE-V

Apportionment of Cost among various functions as per Board's Audited Accounts for FY 2009-10						
Sr. No.	**Particulars**	**Hydel**	**Thermal**	**Total Generation**	**Distribution**	**Total**
A – ASSETS						
	Direct	5985.27	5686.28	11,671.55	6521.11	18,192.66
	Apportioned	40.3	38.28	78.58	43.91	**122.49**
	Total (Amount)	**6,025.57**	**5,724.56**	**11,750.13**	**6,565.02**	**18,315.15**
	Total (%)	**32.90%**	**31.26%**	**64.16%**	**35.84%**	**100.00%**
B – EXPENSES						
1	**Power Purchase Cost**	0	0	0	4653.19	4,653.19
	Power Purchase Cost - %	0.00%	0.00%	0.00%	100.00%	**100.00%**
2	Fuel Cost	0	3536.24	3536.24	0	3,536.24
	Other Fuel Related Costs	0	48.26	48.26	0	48.26
	Sub Total	0	3584.5	3584.5	0	**3,584.50**
	Add: Fuel Related Losses	0	37.36	37.36		37.36
	Total	**0**	**3621.86**	**3621.86**	**0**	**3,621.86**
	Total Fuel cost (%)	**0.00%**	**100.00%**	**100.00%**	**0.00%**	**100.00%**
3	**Repair & Maintenance**					
	Direct	69.01	135.78	204.79	84.13	288.92
	Apportioned	11.94	23.49	35.43	14.55	49.98
	Less: Capitalisation	0.43	0.84	1.27	0.52	1.79
	Total (Amount)	**80.52**	**158.43**	**238.95**	**98.16**	**337.11**
	Total (%)	**23.89%**	**47.00%**	**70.88%**	**29.12%**	**100.00%**
4	**Employee Cost**					
	Direct	90.39	252.96	343.35	1405.31	1748.66
	Apportioned	33.42	93.52	126.94	519.55	646.49
	Less Capitalisation	5.58	15.61	21.19	86.73	107.92
	Total (Amount)	**118.23**	**330.87**	**449.1**	**1838.13**	**2287.23**
	Total (%)	**5.17%**	**14.47%**	**19.64%**	**80.36%**	**100%**
5	**Administration & General**					
	Direct	3.26	4.25	7.51	47.66	55.17
	Apportioned	1.38	1.79	3.17	20.12	23.29
	Less Capitalisation	0.98	1.28	2.26	14.38	16.64
	Total (Amount)	**3.66**	**4.76**	**8.42**	**53.4**	**61.82**
	Total (%)	**5.92%**	**7.70%**	**13.62%**	**86.38%**	**100.00%**
6	**Depreciation & Related Debits (net)**					
	Direct	136.31	223.59	359.90	331.67	691.57
	Apportioned	1.44	2.36	3.8	3.5	7.3

ANNEXURE-V

Apportionment of Cost among various functions as per Board's Audited Accounts for FY 2009-10						
Sr. No.	**Particulars**	**Hydel**	**Thermal**	**Total Generation**	**Distribution**	**Total**
	Less Capitalisation	0.32	0.53	0.85	0.78	1.63
	Total (Amount)	**137.43**	**225.42**	**362.85**	**334.39**	697.24
	Total (%)	**19.71%**	**32.33%**	**52.04%**	**47.96%**	**100.00%**
7	**Interest & Finance Charges**					
	Direct	587.33	344.92	932.25	491.69	1423.94
	Apportioned	1.25	0.74	1.99	1.05	3.04
	Less Capitalisation	92.63	54.4	147.03	77.55	224.58
	Total (Amount)	**495.95**	**291.26**	**787.21**	**415.19**	**1202.4**
	Total (%)	**41.25%**	**24.22%**	**65.47%**	**34.53%**	**100.00%**
8	**Return on equity (in ratio of assets)**	121.55	115.48	237.03	132.44	369.47
	Return on equity (%)	**32.90%**	**31.26%**	**64.15%**	**35.85%**	**100.00%**

ANNEXURE – VI

Proportion of Plant-wise cost of Generation for FY 2009-10 (As per information submitted by PSPCL)															
(Units in MkWh)															
(Rs. in Lacs)															
Sr.	**Particulars**	**HYDEL**									**THERMAL**				**Total**
No.		**RSD**	**Mukerian Hydel**	**UBDC**	**UHL**	**Anandpur Sahib**	**Micro Hydel**	**L.Bank R. Bank**	**Beas & extn.**	**Total Hydro**	**GGSSTP Ropar**	**GNDTP Bathinda**	**GHTP Mohabbat**	**Total Thermal**	
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11=(3 to 10)**	**12**	**13**	**14**	**15=(12 to 14)**	**16=(11+15)**
1	MkWh generated during the year	1068.77	885.95	336.71	510.54	574.42	12.79	2160.19	1514.04	**7063.41**	10056.44	2723.35	7515.91	**20295.70**	**27359.11**
2	MkWh use in auxiliaries	3.64	23.79	2.28	6.07	4.66	0	0	0	**40.44**	818.34	309.39	592.26	**1719.99**	**1760.43**
3	**MkWh sent out**	**1065.13**	**862.16**	**334.43**	**504.47**	**569.76**	**12.79**	**2160.19**	**1514.04**	**7022.97**	**9238.1**	**2413.96**	**6923.65**	**18575.71**	**25598.68**
4	Total depreciated capital cost of generating assets in use at the beginning of the year including share of G.E.	360595.41	23711.04	8274.42	2107.67	10836.89	753.48	3818.63	10388.25	**420485.79**	33566.99	16812.27	151209.68	**201588.94**	**622074.73**
5	Total capital expenditure on generation assets brought in use during the year with date of commissioning including share of G.E.	14.18	587.48	1362.64	6.83	0	0	0	2.06	**1973.19**	378.88	18917.11	110579.07	**129875.06**	**131848.25**
6	**COST OF GENERATION**														
i)	Fuel									**0**	211025.62	54117.77	97041.68	**362185.07**	**362185.07**
ii)	Oil, water & stores							0.6	17.81	**18.41**	1319.27	595.31	161.22	**2075.8**	**2094.21**

Proportion of Plant-wise cost of Generation for FY 2009-10 (As per information submitted by PSPCL)															
(Units in MkWh)															
(Rs. in Lacs)															
Sr. No.	Particulars	HYDEL									THERMAL				Total
		RSD	Mukerian Hydel	UBDC	UHL	Anandpur Sahib	Micro Hydel	L.Bank R. Bank	Beas & extn.	Total Hydro	GGSSTP Ropar	GNDTP Bathinda	GHTP Mohabbat	Total Thermal	
1	2	3	4	5	6	7	8	9	10	11=(3 to 10)	12	13	14	15=(12 to 14)	16=(11+15)
iii)	Salaries & wages including contribution made for pension Provident Superannuation of Officer/servants + Fringe benefit tax (FBT)	1175.73	2387.15	1815.68	1062.77	1701.36	0.01	1871	959.22	**10972.92**	16468.63	10872.85	5657.04	**32998.52**	**43971.44**
iv)	R&M expenses	53.53	106.62	106.45	88.8	186.9	40	1578.16	4725.25	**6885.71**	6796.45	2298.73	2486.23	**11581.41**	**18467.12**
v)	Admn. Charges attributable to generation	68.59	60.5	49.97	40.83	20.25	0	103.21	43.59	**386.94**	300.63	116.78	168.66	**586.07**	**973.01**
vi)	Specified Depriciation) including share of G.E.	10601.49	1085.55	355.01	152.55	356.32	20.74	537.92	503.61	**13613.19**	2671.66	2045.8	17655.04	**22372.5**	**35985.69**
vii)	Interest	46371.64	3049.18	1064.07	271.04	1393.6	96.9	491.07	1335.9	**54073.4**	4316.63	2162.02	19445.18	**25923.83**	**79997.23**
	Total cost of Generation	**58270.98**	**6689**	**3391.18**	**1615.99**	**3658.43**	**157.65**	**4581.96**	**7585.38**	**85950.57**	**242898.89**	**72209.26**	**142615.05**	**457723.2**	**543673.77**
	Cost of Generation per kWh in paisa	**547.08**	**77.58**	**101.4**	**32.03**	**64.21**	**123.26**	**21.21**	**50.1**	**122.38**	**262.93**	**299.13**	**205.98**	**246.41**	**212.38**

ANNEXURE – VII

Proportion of Plant-wise cost of Generation for FY 2009-10 (As per Annexure VI)														
														(In %)
Sr. No.	Particulars	HYDEL									THERMAL			
		RSD	Mukerian Hydel	UBDC	UHL	Anandpur Sahib	Micro Hydel	L.Bank R. Bank	Beas & extn.	Total Hydro	GGSSTP Ropar	GNDTP Bathinda	GHTP Mohabbat	Total Thermal
1	2	3	4	5	6	7	8	9	10	11=(3 to 10)	12	13	14	15=(12 to 14)
1	MkWh generated during the year	15.13%	12.54%	4.77%	7.23%	8.13%	0.18%	30.58%	21.43%	**100%**	49.55%	13.42%	37.03%	**100%**
2	MkWh use in auxiliaries	9.00%	58.83%	5.64%	15.01%	11.52%	0.00%	0.00%	0.00%	**100%**	47.58%	17.99%	34.43%	**100%**
3	**MkWh sent out**	15.17%	12.28%	4.76%	7.18%	8.11%	0.18%	30.76%	21.56%	**100%**	49.73%	13.00%	37.27%	**100%**
4	Net Fixed asset	85.76%	5.64%	1.97%	0.50%	2.58%	0.18%	0.91%	2.47%	**100%**	16.65%	8.34%	75.01%	**100%**
5	Capital expenditure on asset addition during the year	0.72%	29.77%	69.06%	0.35%	0.00%	0.00%	0.00%	0.10%	**100%**	0.29%	14.57%	85.14%	**100%**
6	**COST OF GENERATION**													
i)	Fuel cost	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**0.00%**	58.26%	14.94%	26.79%	**100%**
ii)	Oil, water & stores	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.26%	96.74%	**100%**	63.55%	28.68%	7.77%	**100%**
iii)	Employee cost + FBT	10.71%	21.75%	16.55%	9.69%	15.51%	0.00%	17.05%	8.74%	**100%**	49.91%	32.95%	17.14%	**100%**
iv)	R&M expenses	0.78%	1.55%	1.55%	1.29%	2.71%	0.58%	22.92%	68.62%	**100%**	58.68%	19.85%	21.47%	**100%**
v)	Admin. & General expenses	17.73%	15.64%	12.91%	10.55%	5.23%	0.00%	26.67%	11.27%	**100%**	51.30%	19.93%	28.78%	**100%**
vi)	Other expenses including depreciation	77.88%	7.97%	2.61%	1.12%	2.62%	0.15%	3.95%	3.70%	**100%**	11.94%	9.14%	78.91%	**100%**
vii)	Interest	85.76%	5.64%	1.97%	0.50%	2.58%	0.18%	0.91%	2.47%	**100%**	16.65%	8.34%	75.01%	**100%**
	Total cost of Generation	67.80%	7.78%	3.95%	1.88%	4.26%	0.18%	5.33%	8.83%	**100%**	53.07%	15.78%	31.16%	**100%**

ANNEXURE-VIII

Plant-wise Revenue Requirements for the FY 2011-12 (on the basis of Annexure VII)															
															(Rs. in crore)
Sr. No.	**Item of expense**	**Hydel***	**RSD**	**MHP**	**UBDC**	**Shanan**	**ASHP**	**Micro Hydel**	**Bhakhra L.Bank R. Bank**	**Beas & extn.**	**Thermal***	**GGSSTP**	**GNDTP**	**GHTP**	**Basis of Apportionment (from Annexure VI)**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**
1	Cost of fuel	**0.00**	0	0	0	0	0	0	0	0	**3588.17**	2,090.47	536.07	961.27	Fuel Cost
2	Employee cost	**150.81**	16.15	32.80	24.96	14.61	23.39	-	25.71	13.18	**422.09**	210.67	139.08	72.35	Employee Cost
3	R&M expenses	**89.88**	0.70	1.39	1.39	1.16	2.44	0.52	20.60	61.68	**176.83**	103.76	35.10	37.97	R & M Expenses
4	A&G expenses	**5.21**	0.92	0.81	0.67	0.55	0.27	-	1.39	0.59	**6.77**	3.47	1.35	1.95	Rent, Rates, Taxes and Insurance
5	Depreciation	**165.77**	142.16	9.35	3.27	0.83	4.28	0.30	1.51	4.09	**271.91**	45.27	22.68	203.96	Net Fixed Assets
6	Interest charges	**440.08**	377.41	24.82	8.67	2.20	11.35	0.79	4.00	10.87	**258.39**	43.02	21.55	193.82	Interest on Depreciated Cost of Generation
7	Return on Equity	**120.57**	103.40	6.80	2.38	0.60	3.11	0.22	1.10	2.98	**114.56**	19.07	9.55	85.93	Net Fixed Assets
8	Charges payable to GoP on Power from RSD	**17.71**	17.71	0	0	0	0	0	0	0	**-**	0	0	0	
9	**Total Revenue Requirement**	**990.03**	**658.45**	**75.97**	**41.34**	**19.95**	**44.84**	**1.83**	**54.31**	**93.39**	**4838.72**	**2515.73**	**765.38**	**1557.25**	
10	Add: Consolidated Gap and carrying cost of gap for 2009-10	**153.80**	102.29	11.8	6.42	3.1	6.97	0.28	8.44	14.51	**751.68**	390.81	118.9	241.91	In proportion to Total Revenue Requirement
11	**Gross revenue requirement (8+9)**	**1143.83**	**760.74**	**87.77**	**47.76**	**23.05**	**51.81**	**2.11**	**62.75**	**107.9**	**5590.40**	**2906.54**	**884.28**	**1799.16**	

Annexure-IX

Punjab State Electricity Regulatory Commission
SCO No. 220-221, Sector-34A, Chandigarh-160 022
Phone : 0172-2648321, Fax : 2664758

DO No. 576-77 Dated : 21-4-11

P.S. Jindal
Secretary

The Punjab State Power Corporation Limited (PSPCL) and the Punjab State Transmission Corporation Limited (PSTCL) had filed their Aggregate Revenue Requirements for the year 2011-12 with the Commission. The filing of PSPCL included a review based on revised estimates of the revenue requirement for FY 2010-11 for its generation and distribution business as well as true-up of the erstwhile Punjab State Electricity Board (Board) for the year 2009-10. The filing of PSTCL included a review based on the revised estimates of revenue requirement for the year 2010-11 for its transmission business.

2. The Commission has finalized its orders, for PSPCL and PSTCL, after following the prescribed procedure and completing all the required formalities. Combining the effect of determination of Annual Revenue Requirement for the year 2011-12, review for the year 2010-11, (for both PSPCL & PSTCL) and true up for the year 2009-10, total revenue gap upto 2011-12 has been worked out at Rs.2651.51 crore. The Commission is of the view that the consolidated revenue gap is substantial and would result in tariff shock to the consumers. Therefore, in view of Clause 8.2.2 of the Tariff Policy notified by the Central Government as well as Regulation 11 of PSERC (Terms & Conditions of Determination of Tariff) Regulations, 2005, the Commission decides to create a Regulatory Asset amounting to Rs. 1325.76 crore. The balance revenue gap i.e. Rs. 1325.75 crore will be met through suitable

enhancement of tariff. The Commission has also decided to increase the monthly minimum charges proportionately.

3. In the past, the State Govt. has been subsidizing Agriculture Pump set (AP) consumers and a section of SC Domestic Supply (DS) and also Non-SC BPL DS consumers. The existing tariffs, estimated sales and the proposed tariffs for the year 2011-12 of the categories being subsidized by the Govt. are as follows:

Category	Sale level decided by the Commission for 2011-12 (MU)	Existing tariff (paise/unit)	Tariff proposed by the Commission w.e.f. 01.04.11 (paise/unit)
1. Domestic			
a) Up to 100 units	4943	311	348
2. AP consumers	10843	320	357

4. The requirement of subsidy in the current year will be as follows:

- For the year 2011-12, the Commission has determined AP consumption at 10843 MU. The revenue @ 357 paise/unit on estimated AP consumption of 10843 MU during the year 2011-12 works out to Rs. 3870.95 crore (which translates to Rs.299/BHP/Month on an average connected load of 8055920 KW during the year 2011-12). After adding subsidy of Rs.9.00 crore on account of meter rentals and service charges in respect of AP consumers, total subsidy payable by the Govt. works out to Rs. 3879.95 crore.
- Further, an amount of Rs.377.91 crore inclusive of meter rentals and service charges has been worked out on account of free supply of 100 units per month to SC and Non-SC BPL DS consumers with a connected load up to 1000 watts.
- Accordingly, total subsidy inclusive of meter rentals and service charges for the AP sector, SC and Non-SC BPL DS consumers payable by Govt. is estimated by the Commission at Rs. 4257.86 crore for the year 2011-12.

5. For the year 2010-11, the Commission determines subsidy of Rs. 3500.16 crore inclusive of interest of Rs. 15.60 crore on the delayed payment of subsidy. Against this amount, the Govt. has paid/adjusted an amount of Rs.3375.55 crore during the year. Thus, the balance subsidy receivable from the Govt. for the year 2010-11 works out to Rs.124.61 crore.

6. For the year 2009-10, the Commission has trued up payable subsidy for 2009-10 at Rs.3132.15 crore inclusive of interest of Rs.50.09 crore against which the Govt. had paid Rs.3144.25 crore which resulted in excess payment of Rs. 12.10 crore.

The Commission, therefore, approves total subsidy of Rs. 4257.86 (3879.95 + 377.91) crore payable by the Govt. to PSPCL for the year 2011-12. The Commission further notes that while the Govt. has short-paid subsidy of Rs. 124.61crore for the year 2010-11, it has paid subsidy of Rs.193.55 crore in excess up to the period ending 2009-10. After adjustment of excess paid amount of Rs.193.55 crore against the due subsidy payable by the Govt. during FY 2011-12, balance amount works out to Rs. 4188.92 (4257.86+ 124.61-193.55) crore which is required to be paid in advance monthly installments of Rs. 349.08 crore per month. The details are appended as Annexure-P1.

7. Further, any change in the fuel cost from the level approved by the Commission is to be passed on to the consumers as FCA. Punjab State Electricity Regulatory Commission (Conduct of Business) Regulations, 2005 stipulate the formula/procedure in Appendix-7, according to which any change in fuel cost would be passed on to the consumers with prior approval of the Commission. The subsidy payable by the Govt. on account of increase in fuel cost, if any, will be in addition to the amount worked out in para-6 above.

In case the Govt. is inclined to continue the present subsidy regime, it is requested that the commitment to pay the subsidy as detailed in the preceding paras and also the additional subsidy amount, if any, payable on account of Fuel Cost Adjustment during the year may kindly be conveyed.

The Commission has determined subsidy payable during the year 2011-12 as per the Punjab Government Cabinet decision dated November 3, 2010. It is requested to clarify whether AP consumers shall continue to be fully subsidized or partially subsidized as per State Cabinet decision dated 22.1.2010, as referred in GoP letter No.10/13/2011-EB 2/169 dated April, 19, 2011.

With kind regards

Yours sincerely,

(P.S.Jindal)

Encl: Annexure P-1

Shri S.C. Agrawal, IAS,
Chief Secretary to Govt. of Punjab,
Chandigarh.

CC:

Shri Arun Goel, IAS,
Principal Secretary to Govt. of Punjab,
Department of Power,
Mini Secretariat, Sector-9, Chandigarh

Annexure P-1

(Rs. crore)

Subsidy payable by the Govt.	AP +Meter rentals and service charges	SC DS + Meter rentals and service charges	Non-SC BPL + Meter rentals & service charges	Total
2011-12				
Subsidy payable for AP consumption 10843 MU @ 357 paise/unit and SC(DS) /non-SC-BPL consumers	3870.95 (+) 9.00 3879.95	349.90 (+)16.00 365.90	11.77 (+)0.24 12.01	4257.86
Total subsidy payable by the Govt. for 2011-12				**4257.86**
2010-11				
Subsidy payable as determined by the Commission	2852.56 (+)9.00 2861.56	265.00 (+)15.03 280.03	8.92 (+)0.20 9.12	3150.71
Add: Subsidy payable on a/c. of refund due to rollback of tariff				333.85
Add : Interest payable for delay in payment of subsidy during the year				15.60
Total subsidy payable for FY 2010-11				3500.16
Less Subsidy paid/ adjusted by GoP during 2010-11	i) Amount paid 2585.71 ii) Adjusted against GoP loans 520.06 iii) Adjusted against ED 269.78 3375.55			3375. 55
Amount of subsidy short paid for FY 2010-11	**124.61**			
2009-10				
Amount of subsidy paid in excess ending 2009-10	**193.55**			
Total subsidy paid in excess	**68.94**			**68.94**
Total subsidy payable by the Govt. for 2011-12	**4257.86 minus 68.94**			**4188.92**

Annexure-X

Government of Punjab
Department of Power
(Energy Branch)

To

The Secretary
Punjab State Electricity Regulatory Commission
Chandigarh

Memo No. 11/68/2010-PE2/ 1681
Dated Chandigarh, the 5 May, 2011

Subject :- **Annual Revenue Requirement filed by PSPCL and PSTCL for 2011-12.**

Please refer to your D.O letter no. 576-77 dated 21-4-2011 on the subject cited above.

The State Government has decided to continue its policy of providing subsidy to AP Consumers, SC/BPL DS consumers during financial year 2011-12 as decided in the CMM 3-11-2010. In this regard, subsidy of Rs. 4188.92 crore has been sanctioned by the Government for the year 2011-12.

P. Ram
Superintendent