PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SCO NO. 220-221, SECTOR 34 A, CHANDIGARH

# CONTENTS



**Phone: 0172 – 2645164–66**

**Fax: 0172 – 2664758**

**E-mail:**

**percchd8@hotmail.com**

**Website: pserc.nic.in**

**PUNJAB STATE ELECTRICITY REGULATORY COMMISSION**
**SCO NO. 220-221, SECTOR-34-A**
**CHANDIGARH**

**PETITION NO. 62 OF 2013**
**IN THE MATTER OF:**

**ANNUAL REVENUE REQUIREMENT**

**FILED BY THE PUNJAB STATE TRANSMISSION CORPORATION LIMITED**

**FOR THE FINANCIAL YEAR 2014-15**

| | |
|---|---|
| **PRESENT** : | Ms. Romila Dubey, Chairperson |
| | Er. Virinder Singh, Member |
| | Er. Gurinder Jit Singh, Member |

Date of Order: August 22, 2014

**ORDER**

The Punjab State Electricity Regulatory Commission (Commission), in exercise of powers vested in it under the Electricity Act, 2003 (Act) passes this order determining the Annual Revenue Requirement (ARR) and Tariff for transmission of electricity by the Punjab State Transmission Corporation Limited (PSTCL) for FY 2014-15. The ARR filed by the PSTCL, facts presented by the PSTCL in its various submissions, objections received by the Commission, issues raised by the public in hearings held at Ludhiana, Chandigarh, Jalandhar and Bathinda, the response of the PSTCL to the objections and observations of the Government of Punjab (GoP) in this respect have been considered. The State Advisory Committee constituted by the Commission under Section 87 of the Act has also been consulted and all other relevant facts and material on record have been perused before passing this Order.

### 1.1 Background

The Commission has in its previous eleven Tariff Orders determined tariff in pursuance of the ARRs and Tariff Applications submitted for the integrated utility by the Punjab State Electricity Board (Board) for the Financial Years (FYs) 2002-03 to 2006-07, 2008-09 to 2010-11 and by the Punjab State Transmission

Corporation Limited (PSTCL) for FYs 2011-12 to 2013-14. Tariff Order for FY 2007-08 had been passed by the Commission in Suo-Motu proceedings.

## 1.2 ARR for the FY 2014-15

PSTCL has filed the ARR Petition for FY 2014-15 on 29.11.2013. In this petition, PSTCL has submitted that it is one of the 'Successor Companies' of the erstwhile Punjab State Electricity Board (Board) duly constituted on 16.04.2010 under the Companies Act, 1956 with reference to the "Punjab Power Sector Reforms Transfer Scheme" (Transfer Scheme).

As per the Transfer Scheme, the erstwhile Punjab State Electricity Board (the predecessor) has been unbundled into two entities i.e. POWERCOM and TRANSCO. The POWERCOM has been re-named as Punjab State Power Corporation Limited (PSPCL) and the TRANSCO has been re-named as Punjab State Transmission Corporation Limited (PSTCL).

As per the Transfer Scheme, the Government of Punjab has segregaterd the "transmission business of erstwhile Punjab State Electricity Board" as under:

"The transmission undertaking shall comprise of all assets, liabilities and proceedings, belonging to the Punjab State Electricity Board, concerning the transmission of electricity and the State Load Dispatch Centre (SLDC) function".

**First Amendment in Transfer Scheme notified by Government of Punjab:**

On 24th December 2012, Government of Punjab amended the Transfer Scheme vide notification number 1/4/04EB (PR)/620 known as Punjab Power Sector Reforms Transfer (First Amendment) Scheme, 2012.

Following are the salient features of the aforesaid amendments:

i) As per the transfer scheme, the funding of the Terminal Benefit Trusts in respect of pension, gratuity and leave encashment of the personnel, shall be a charge on the tariff of Powercom and Transco, on yearly basis, as may be decided by the Punjab State Electricity Regulatory Commission.

ii) The Terminal Benefit Trusts in respect of pension, gratuity and leave encashment, shall be progressively funded by the Powercom and Transco, as decided by the Punjab State Electricity Regulatory Commission, in the ratio of 88.64:11.36, over a period of 15 Financial Years commencing from 1st April, 2014. The terminal benefits liability accruing during the period of progressive funding, and thereafter, shall be shared in the same ratio by both corporations. Thus, funding shall continue even after the absorption of personnel in Transco and the trust shall be administered jointly by the said Powercom and Transco.

iii) It is also mentioned that the actual amount of pension, gratuity and leave encashment paid / to be paid on and with effect from 16th April, 2010 to 31st March, 2014, shall be shared by the Powercom and Transco, in the ratio of 88.64:11.36 on yearly basis.

iv) The General Provident Fund Trust, shall be funded by Powercom and Transco both, as per the apportionment made in the Opening Balance Sheet, on and with effect from the 16th April, 2010, and the same shall be funded over a period of ten years commencing on and with effect from the 1st April, 2013, along with interest as applicable.

v) Also provided that for the period commencing from 16th April, 2010 to 31st March, 2013, the Powercom and Transco shall be liable to pay interest on the apportioned General Provident Fund liability, at the rate as applicable for the respective financial years.

vi) The Powercom and Transco, shall be liable to pay interest, as applicable to General Provident Fund from time to time, on the net accruals (on monthly basis) of the General Provident Fund amount on and with effect from the 16th April, 2010, to the date of issuance of this notification, and thereafter all the General Provident Fund matters, shall be settled through trust.

vii) Until otherwise directed by the State Government, the Powercom and Transco shall maintain common Trust for pension, gratuity and other terminal benefit liabilities and General Provident Fund, instead of individual trusts for each of the companies and all the contributions shall be made to such Trusts in the aforesaid manner.

viii) The Government of Punjab notified the final Opening Balance Sheets for PSPCL and PSTCL as on the 16th April, 2010.

Based on the Opening Balance Sheet notified by the Government of Punjab vide the Amendment in Transfer scheme and the provisions of Regulation 13 of the PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 and in compliance with the directives of the Commission on the matter, PSTCL has filed this petition for approval of ARR and Determination of Tariff for FY 2014-15, revised ARR estimates for FY 2013-14 and audited data for FY 2011-12 and FY 2010-11 for final truing up.

PSTCL has filed this petition under Section 62, 64 and 86 of the Electricity Act, 2003 read with the Regulation 13 of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 for :-

i) True-up for FY 2010-11 and FY 2011-12.

The petitioner has submitted the ARRs based on the actual expenses and income as per Audited Annual Accounts for FY 2010-11 and FY 2011-12 for true-up.

ii) True-up for FY 2012-13.

The petitioner has submitted that the annual accounts for FY 2012-13 are still in the process of finalization/audit. The petitioner has therefore submitted that the truing-up exercise for FY 2012-13 may be undertaken only after the finalization of Audited Annual Accounts, which shall be submitted as soon as these are audited and available for truing-up.

iii) Review of ARR for FY 2013-14.

The petitioner has submitted the revised estimates for FY 2013-14 for various heads of expenditures based on the first half year actual data and the projections for second half of FY 2013-14.

iv) ARR for FY 2014-15.

The petitioner has submitted the projections of expenses and the revenue requirement for FY 2014-15 in order to determine the tariff for FY 2014-15.

In the ARR petition for FY 2014-15, PSTCL has worked out ARR of ₹1357.58 crore for transmission business and ₹40.32 crore for SLDC business for FY 2014-15 and ₹213.46 crore cumulative revenue gap (including carrying cost) of previous years. On scrutiny, it was noticed that the ARR was deficient in some respects. A deficiency letter was issued vide No.PSERC/M&F/9897 dated 02.12.2013 and PSTCL replied to deficiency letter on 09.12.2013. The Commission took the ARR on record on 18.12.2013. The Commission sought additional information which was supplied by PSTCL vide letter nos. 381/FA/

ARR-403 dated 11.02.2014 and 382/FA/ARR-403 dated 11.02.2014 and subsequent submissions.

The Annual Revenue Requirement determined by the Commission in this Tariff Order is based on the Petition filed by PSTCL for transmission and SLDC functions separately. The determination of transmission tariff and SLDC charges by the Commission are based on the true up for FYs 2010-11, 2011-12, revised estimates of FY 2013-14 and projections for FY 2014-15 as submitted by PSTCL.

### 1.3 Objections and Public Hearings

A public notice was published by the PSTCL in the Tribune, The Hindustan Times, Punjab Kesri, Jagbani and Daily Ajit on 21.12.2013 inviting objections from the general public on the ARR filed by the PSTCL. Copies of the ARR were made available on the website of the PSTCL and in the office of the Financial Advisor, PSTCL, 3rd Floor, Shakti Sadan, Opposite Kali Mata Mandir, The Mall, Patiala, Liaison Officer, PSTCL Guest House, near Yadvindra Public School, Phase-8, Mohali and also in the offices of the Chief Engineer/P&M, PSTCL, Ludhiana and Superintending Engineers, P&M Circles, Ludhiana, Patiala, Jalandhar, Amritsar and Bhatinda. In the public notice, objectors were advised to file their objections with the Secretary of the Commission within 30 days of the publication of the notice i.e. by 20.01.2014 with an advance copy to the PSTCL. The public notice also indicated that after perusing the objections received, the Commission will conduct public hearings on the dates which would be notified subsequently.

The Commission received 2 No. written objections after due date i.e. 20.01.2014. The Commission decided to take all these objections into consideration.

Number of objections received from stakeholders are detailed below:

| Sr. No. | Category | No. of Objections |
|---|---|---|
| 1. | PSEB Engineers/Employees Associations | 1 |
| 2. | Govt. of Punjab (GoP) | 1 |
| **3.** | **Total** | **2** |

The list of objectors is given in Annexure-I to this Tariff Order. The PSTCL submitted its comments on the objections which were made available to the respective objectors.

The Commission decided to hold public hearings at Ludhiana, Chandigarh, Jalandhar and Bathinda. A public notice to this effect was published on

18.01.2014 in various news papers i.e. Hindustan Times, Indian Express, The Tribune, Punjabi Tribune and Amar Ujala as well as uploaded on the website of the Commission and also informed the indivisual objectors in this respect, as per details hereunder:

| Venue | Date & time of public hearing | Category of consumers to be heard |
|---|---|---|
| **LUDHIANA**<br>Multi Purpose Hall, Power Colony, PSPCL, Opposite PAU, Ferozepur Road, Ludhiana. | **February 03, 2014**<br>11.30 AM to 1.30 PM (To be continued in the afternoon, if necessary) | All consumers/organizations of the area. |
| **CHANDIGARH**<br>Commission office i.e. SCO 220-221, Sector 34-A, Chandigarh. | **February 05, 2014**<br>11.00 AM to 1.30 PM | Industry. |
| | 3.00 PM onwards | Agricultural consumers and their unions. |
| **JALANDHAR**<br>Conference Room, Office of Chief Engineer/Operation (North), PSPCL, Shakti Sadan, GT Road, Near Khalsa College, Jalandhar. | **February 06, 2014**<br>11.30 AM to 1.30 PM (To be continued in the afternoon, if necessary) | All consumers/organizations of the area. |
| **CHANDIGARH**<br>Commission office i.e. SCO 220-221, Sector 34-A, Chandigarh. | **February 07, 2014**<br>11.00 AM to 1.30 PM | All consumers except Industry, Agricultural consumers. |
| | 3.00 PM onwards | Officers'/Staff Associations of PSPCL and PSTCL and other Organizations. |
| **BATHINDA**<br>Conference Room, Guest House, Thermal Colony, PSPCL, Bathinda. | **February 13, 2014**<br>11.30 AM to 1.30 PM (To be continued in the afternoon, if necessary) | All consumers/organizations of the area. |

Through the public notice, it was intimated that the Commission will conduct a public hearing at Chandigarh on February 19, 2014 in which the PSTCL will reply to written objections of the public and other issues raised during public hearings in addition to presenting its own case.

The public hearings were held as per schedule and objectors, general public and the PSTCL were heard by the Commission. A summary of the issues raised, the response of the PSTCL and the views of the Commission are contained in Annexure-II of this Tariff Order.

1.4 The Government was approached by the Commission through DO letter No.10604/Dir/T-178 dated 23.12.2013 seeking its views on the ARR to which the Government responded vide its letter no.1/2/2014-EB(PR)/373 dated 23.05.2014. The same has been taken note of by the Commission.

## 1.5 State Advisory Committee

The State Advisory Committee set up under Section 87 of the Act, discussed the ARR of the PSTCL in a meeting convened for the purpose on 17.02.2014. The minutes of the meeting of the State Advisory Committee are enclosed as Annexure–III to this Tariff Order.

The Commission has thus taken the necessary steps to ensure that due process, as contemplated under the Act and Regulations framed by the Commission, is followed and adequate opportunity given to all stakeholders in presenting their views.

## 1.6 Compliance of Directives

In its previous Tariff Orders, the Commission had issued certain directives to the PSTCL in the public interest. A summary of directives issued during FY 2011-12, FY 2012-13 and FY 2013-14, status of compliance along with the directives of the Commission for FY 2014-15 is given in Chapter 7 of this Tariff Order.

# Chapter 2
# True up for FY 2010-11

## 2.1 Background

The Commission issued the Tariff Order for FY 2010-11 for Punjab State Electricity Board (Board), an integrated utility entrusted with the functions of generation, transmission and distribution. The Tariff Order of the Commission for FY 2010-11 contained its approvals of costs and revenue projections based on the Board's estimates for different items of costs incurred/to be incurred and revenue accrued/likely to accrue during the year. The Board was unbundled by Government of Punjab vide notification dated 16.04.2010, to form two successor entities i.e. PSPCL and PSTCL. PSPCL has been entrusted with the functions of Generation, Trading and Distribution, while PSTCL has been entrusted with the function of Transmission (including State Load Despatch Centre and STU).

PSTCL submitted revised estimates of costs/expenses and revenue pertaining to transmission function for FY 2010-11 (including SLDC function) in the ARR Petition for FY 2011-12. The Commission observed that there were differences in certain items of costs between the segregated costs approved by the Commission for transmission business of the erstwhile Board in the Tariff Order of FY 2010-11 and the revised estimates furnished by PSTCL. The Commission, in the Tariff Order for FY 2011-12, considered it appropriate and fair to re-visit and review the approvals granted by it for transmission business of the erstwhile Board in the Tariff Order for FY 2010-11, with reference to the revised estimates made available by PSTCL.

Now, PSTCL in ARR & Tariff Petition for FY 2014-15, has furnished the Audited Annual Accounts (audited accounts) of FY 2010-11, which again vary in parts with the figures taken into account by the Commission, in the review for FY 2010-11, This chapter contains a final true up of FY 2010-11, based on the audited accounts for FY 2010-11.

## 2.2 Transmission System Availability

PSTCL has submitted its transmission system availability for FY 2010-11 as shown in Table 2.1.

**Table 2.1: Transmission System availability of PSTCL for FY 2010-11**

| Voltage Level | Transmission system availability (in %) |
|---|---|
| 220 kV | 99.89 |
| 132 kV | 99.82 |

The Commission has taken note of the transmission system availability of PSTCL system for FY 2010-11.

## 2.3 Transmission Loss

PSTCL in its ARR & Tariff Petition for FY 2011-12 had submitted that the energy accounting of the transmission network of PSTCL is not possible due to non existence of energy meters on secondary side of 220/132 kV power transformers at some substations. The Commission in the Tariff Order for FY 2011-12 had provisionally approved the transmission loss at 2.5% for PSTCL for FY 2010-11, after undertaking a comparative study of similar State Transmission Utilities (STUs) and observing that the transmission loss for these State Transmission Utilities vary from 2.5% to 4.9%. It was also decided by the Commission that it will revisit the transmission loss of PSTCL while undertaking truing up for FY 2010-11.

PSTCL in its ARR & Tariff Petition for FY 2014-15 has submitted that the process of energy metering is still in progress and is expected to be completed by 31.12.2013. PSTCL has prayed that till the system of energy accounting is in place, the transmission loss of similar placed STUs should be considered for allowing the transmission loss of PSTCL. PSTCL has further submitted that the various transmission utilities of the country have their transmission loss in the range of 3.74% to 5.45%, and has prayed that transmission loss of 4.5% be approved, as submitted in previous petitions of PSTCL.

The Commission notes that PSTCL is still in the process of installing intra-state boundary metering and as such the actual transmission loss of PSTCL transmission system could not be determined. **The Commission, therefore, approves the transmission loss of 2.5% for FY 2010-11**.

## 2.4 Employee Cost

2.4.1 Erstwhile PSEB, in its ARR Petition for FY 2010-11, had projected net employee cost of ₹3566.57 crore for FY 2010-11. The Commission had approved ₹2989.83

crore on this account. The Commission also segregated the approved employee cost of ₹252.64 crore for Transmission business of the Board for FY 2010-11.

2.4.2 In the ARR Petition for FY 2011-12, PSTCL furnished its estimation of employee cost as ₹270.95 crore for FY 2010-11, net of capitalisation of ₹53.35 crore. This included terminal benefits of ₹27.69 crore and ₹44.36 crore as arrears of pay revision. Subsequently, PSTCL reported that as per GoP Notification the disbursement on account of arrears of pay would not be made in FY 2010-11 but in FY 2011-12. Hence, the claim of arrears of pay of ₹44.36 crore in FY 2010-11 was revised to that extent. The Commission approved ₹120.00 crore as employee cost in the review of FY 2010-11.

2.4.3 In the ARR Petition for FY 2014-15, PSTCL has claimed ₹232.32 crore on account of employee cost based on Audited Accounts for FY 2010-11. This includes ₹129.96 crore on account of Terminal Benefits.

2.4.4 The provisions of the PSERC Tariff Regulations provide for determination of employee cost in two parts, as under:

- Terminal benefits on actual basis
- Increase in other expenses limited to average increase in WPI

PSTCL has claimed terminal benefits of ₹129.96 crore based on the Audited Accounts and in line with amended Transfer Scheme notified by Govt. of Punjab vide Notification dated 24.12.2012.

Since terminal benefits are to be allowed on actual basis as per PSERC Tariff Regulation 28 (8), **the Commission allows terminal benefits of ₹129.96 crore for FY 2010-11 to PSTCL for its Transmission and SLDC business**.

2.4.5 PSTCL has claimed ₹102.36 Crore as 'other employee cost' (excluding terminal benefits) in FY 2010-11 based on the Audited Annual Accounts. PSTCL in reply to deficiencies vide letter No. 2181/FA/ARR-403 dated 09.12.2013 has intimated that the impact of Pay Revision in FY 2010-11 was furnished to the Commission vide memo No. 314 dated 06.02.2012 based on the input received from PSPCL and the same figures may be considered by the Commission. PSTCL in its letter dated 06.02.2012 had intimated the impact of the Pay Revision amounting to ₹22.25 crore for FY 2010-11. As such, 'other employee cost' works out as ₹80.11 (102.36-22.25) crore after excluding the impact of pay revision which is dealt with separately in Para 2.4.8. Petitioner has not claimed any amount on account of arrears of pay during FY 2010-11.

2.4.6 The Commission approved other employee expenses of ₹92.05 crore for FY 2009-10 relating to Transmission business in Para 2.4.6 of Tariff Order of FY 2011-12 for PSTCL which states:

*"The Commission approved other employee expenses of ₹1375.93 crore for the erstwhile Board during true up of FY 2009-10. For approving other employee expenses of PSTCL for FY 2010-11, the Commission has bifurcated approved other employee expenses of the Board in proportion to the average number of employees of PSPCL and PSTCL. Thus, the approved 'other employee expenses' for PSTCL for FY 2009-10 work out to ₹92.05 crore."*

2.4.7 As per PSERC Tariff Regulations, increase in 'other employee cost' is to be limited to average increase in WPI which works out to 9.56% for FY 2010-11. Applying the WPI increase of 9.56% to the base figure of ₹92.05 crore, the 'other employee cost' of PSTCL works out to ₹100.85 crore for FY 2010-11. **However, other employee cost for the period 16.04.2010 to 31.03.2011 works out as ₹96.71 crore.**

2.4.8 PSERC Tariff Regulations also provides for consideration of any exceptional increase in employee cost on account of pay revision etc. PSTCL in reply to deficiencies vide letter No. 2181/FA/ARR-403 dated 09.12.2013 has intimated the impact of pay revision amounting to ₹22.25 crore during FY 2010-11, which was earlier furnished by the petitioner vide letter No 314 dated 06.02.2012. As such, **the Commission allows ₹22.25 crore on account of impact of pay revision to PSTCL during FY 2010-11.**

2.4.9 Total employee cost allowable to PSTCL for FY 2010-11 for Transmission and SLDC business is determined at ₹248.92 (129.96+96.71+22.25) crore against PSTCL's claim of ₹232.32 (129.96+102.36) crore based on the actual expenses incurred as per Audited Accounts.

2.4.10 Section 61 of Electricity Act, 2003 states that the appropriate Commission shall, subject to the provisions of this Act, specify the terms and conditions for the determination of tariff and in doing so shall be guided by safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner.

Moreover Hon'ble APTEL in case of NTPC Limited v. CERC & Others, 2010 ELR (APTEL) 833, admitted that consumers' interest should be safeguarded and Tariff should be so determined that it is cheapest at the consumers end.

2.4.11 Regulations are to be framed/interpreted by State Commission in such a way that purpose of the Electricity Act, 2003 is not forfeited. Section 61(d) clearly states that the Commission shall safeguard consumers' interest & at the same time ensure recovery of cost of electricity in a reasonable manner meaning thereby that expenses incurred should be limited to the extent of its reasonableness.

2.4.12 In the light of the aforementioned judgment of the APTEL, provisions of the Electricity Act, 2003 as also the claim and prayer of PSTCL in the ARR Petition, **the Commission approves the employee cost of ₹232.32 (129.96+102.36) crore to PSTCL for FY 2010-11 for Transmission and SLDC business as per the actual expenses incurred and claimed by PSTCL.**

## 2.5 Repair and Maintenance (R&M) Expenses

2.5.1 Erstwhile PSEB, in its ARR Petition for FY 2010-11, had projected net R&M expenses of ₹429.24 crore inclusive of ₹56.00 crore for additional assets added during the year against which the Commission had approved R&M expenses of ₹373.24 crore for FY 2010-11. The Commission had also segregated the approved R&M expenses between different functions of the Board in the Tariff Order for FY 2010-11. The R&M expenses segregated for Transmission business of the Board were ₹41.02 crore for FY 2010-11.

2.5.2 In the ARR Petition for FY 2011-12, PSTCL had claimed ₹52.38 crore (including R&M expenses of ₹2.74 crore for SLDC business for FY 2010-11) as R&M expenses for FY 2010-11. The Commission observed that SLDC was not an independent financial unit in FY 2010-11. Hence, expenditure discussed under various heads included expenditure on account of SLDC also. Commission approved ₹48.26 crore as R&M expenses of PSTCL for Transmission and SLDC business for FY 2010-11.

2.5.3 In the ARR Petition for FY 2014-15, PSTCL has claimed an amount of ₹16.33 crore (net of capitalization of ₹0.75 crore) including R&M expenses of ₹1.73 crore for SLDC as per the Audited Annual Accounts for FY 2010-11.

2.5.4 Regulation 28 (4) (a) of the PSERC Tariff Regulations, 2005 provides for adjusting base O&M expenses in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent years. The WPI for FY 2010-11 is determined at 9.56% which is adopted for purposes of calculation of allowable R&M expenses. The Commission ascertained the R&M expenses for FY 2009-10 as ₹47.77 crore which is adopted as the base expense for FY 2010-11. Applying the increase in WPI of 9.56%, the R&M expenses for

FY 2010-11 work out to ₹52.34 crore for Transmission business for full year. R&M expenses for the period 16.04.2010 (i.e. the date of creation of PSTCL) to 31.03.2011 work out to ₹50.19 (52.34x350/365) crore for Transmission and SLDC business.

2.5.5 PSTCL has capitalised assets of ₹312.62 crore during FY 2010-11. The dates of commissioning of assets amounting to ₹312.62 crore are neither available in the Audited Annual Accounts nor in the ARR Petition of the PSTCL. Therefore, R&M expenses for these assets added during the year are being considered assuming that these assets remained in service of the PSTCL for six months on an average during FY 2010-11. The average percentage rate of R&M expenses of ₹52.34 crore for assets of ₹4822.11 crore as on 16.04.2010 works out to 1.09% (52.34/4822.11x100). By applying the average rate of 1.09% on addition of assets of ₹312.62 crore for half year, the allowable R&M expenses for the fixed assets added during the financial year works out to ₹1.70 crore. Thus, allowable R&M expenses for FY 2010-11 work out to ₹51.89 (50.19+1.70) crore. However, PSTCL has claimed R&M expenses of ₹16.33 crore for FY 2010-11 (including R&M expenses of SLDC business) based on Audited Annual Accounts.

2.5.6 In the light of the provisions of Electricity Act, 2003 as detailed in para 2.4.10 & 2.4.11 of this Tariff Order as also the claim and prayer of PSTCL in the ARR Petition, **the Commission approves the R&M expenses of ₹16.33 crore for FY 2010-11 to PSTCL for Transmission and SLDC business as per the actual expenses incurred and claimed by PSTCL.**

## 2.6 Administrative and General (A&G) Expenses

2.6.1 Erstwhile PSEB, in its ARR Petition for FY 2010-11, had projected A&G expenses of ₹79.75 crore for FY 2010-11, net of capitalisation of ₹21.00 crore. The Commission had approved A&G expenses of ₹79.75 crore for FY 2010-11. The Commission had also segregated the approved A&G expenses between different functions of the Board in the Tariff Order for FY 2010-11. The A&G expenses for the Transmission business of the Board were ₹14.48 crore for FY 2010-11.

2.6.2 In the ARR Petition for FY 2011-12, PSTCL had claimed A&G expenses of ₹16.75 crore (net of capitalisation of ₹4.64 crore) for FY 2010-11. Commission approved ₹9.64 crore as A&G expenses for PSTCL for Transmission and SLDC business for FY 2010-11 in the review.

2.6.3 In the ARR Petition for FY 2014-15, PSTCL has claimed an amount of ₹10.33 crore (net of capitalization of ₹3.89 crore) including A&G expenses for SLDC business (₹0.29 crore) and other debits of ₹2.18 crore as per the Audited Annual Accounts for FY 2010-11. PSTCL vide letter No. 189/FA/ARR-403 dated 22.01.2014 has intimated that an amount of ₹0.37 crore for FY 2010-11 on account of lease rentals was inadvertently reflected under interest and finance charges, whereas it was an A&G expense. Thus, the claim of A&G expenses of PSTCL for FY 2010-11 is revised to ₹10.70 (10.33+0.37) crore.

2.6.4 Regulation 28 (4) (a) of the PSERC Tariff Regulations, 2005 provides for adjusting base O&M expenses in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent years. The WPI for FY 2010-11 is determined at 9.56% which is adopted for purposes of calculation of allowable R&M expenses. The Commission ascertained the A&G expenses for FY 2009-10 as ₹10.99 crore which is adopted as base expense for FY 2010-11. Applying the increase in WPI of 9.56%, the A&G expenses for FY 2010-11 work out to ₹12.04 crore for Transmission business for full year. Thus A&G expenses for the period 16.04.2010 (i.e. the date of creation of PSTCL) to 31.03.2011 work out to ₹11.55 (12.04x350/365) crore for Transmission business.

2.6.5 PSTCL has capitalised assets worth ₹312.62 crore during FY 2010-11. The dates of commissioning of assets amounting to ₹312.62 crore are neither available in the Audited Annual Accounts nor in the ARR Petition of the PSTCL. Therefore, A&G expenses for these assets added during the year are being considered assuming that these assets remained in service of the PSTCL for six months on an average during FY 2010-11. The average percentage rate of A&G expenses of ₹12.04 crore for assets of ₹4822.11 crore as on 16.04.2010 works out to 0.25% (12.04/4822.11x100). By applying the average rate of 0.25% on addition of assets of ₹312.62 crore for half year, the allowable A&G expenses for the fixed assets added during the financial year works out to ₹0.39 crore. Thus, allowable A&G expenses for FY 2010-11 work out to ₹11.94 (11.55+0.39) crore. However, PSTCL has claimed A&G expenses of ₹10.70 crore for FY 2010-11 (including A&G expenses of SLDC business) based on Audited Annual Accounts.

2.6.6 In the light of the provisions of the Electricity Act, 2003 as detailed in para 2.4.10 & 2.4.11 of this Tariff Order as also the claim and prayer of PSTCL in the ARR Petition, **the Commission approves A&G expenses of ₹10.70 crore for FY 2010-11 to PSTCL for Transmission and SLDC business as per the actual expenses incurred and claimed by PSTCL.**

## 2.7 Depreciation

2.7.1 Erstwhile PSEB, in its ARR Petition for FY 2010-11, had projected depreciation of ₹952.44 crore for FY 2010-11. The Commission had approved ₹863.68 crore on this account. The Commission had also segregated the approved depreciation of ₹123.07 crore (Table 5.7) for Transmission business of the Board in the Tariff Order for FY 2010-11.

2.7.2 In the ARR Petition for FY 2011-12, PSTCL revised depreciation charges to ₹120.71 crore. Commission approved revised depreciation charges of ₹101.63 crore for FY 2010-11 in Tariff Order for FY 2011-12.

2.7.3 In the ARR Petition for FY 2014-15, PSTCL has claimed depreciation charges of ₹72.65 crore based on Audited Annual Accounts. PSTCL also provided a sub-head-wise breakup of assets. A perusal and analysis of this information showed certain anomalies such as negative balances and depreciation charged in excess of 90% of original cost of assets. PSERC vide memo no. PSERC/M & F/9897 dated 02.12.2013, advised PSTCL to clarify the aforementioned anomalies.

2.7.4 PSTCL vide memo no. 85/FA/ARR-52 dated 08.01.2014 submitted as under:

> *"there is misclassification under different sub-heads in the figures vested as on 16.04.2010 against the figures available under the different field accounting units. Some misclassifications of Sub-Heads for depreciation up to 16.04.2010 of ₹8.76 crore have been traced against ₹17.83 crores"*

An examination of the submission clearly indicates that PSTCL has been able to explain misclassification amounting to ₹8.76 crore by furnishing necessary evidence in the form of requisite journal vouchers/ books of accounts etc. However PSTCL has been unable to explain excess depreciation of ₹9.07 crore.

2.7.5 Regulation 27 (1) (d) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 provide that:-

> *"Depreciation for generation and Transmission assets shall be calculated annually as per straight-line method over the useful life of the asset at the rate of depreciation specified by the Central Electricity Regulatory Commission from time to time.*
>
> *Provided that the total depreciation during the life of the asset shall not exceed 90% of the original cost".*

2.7.6 From the information provided by the PSTCL, the Commission determines excess claim of depreciation of ₹9.07 crore i.e. more than 90% of the original cost of assets as on 16.04.2010. The Commission accordingly disallows ₹9.07 crore from the claim of depreciation of ₹72.65 crore for FY 2010-11. On further analysis, the Commission observes that the depreciation on the assets which has already been over charged has also been claimed by the petitioner. It has also been observed that in some asset sub-heads PSTCL's claim of depreciation is not in line with the rates specified by CERC. The Commission disallows ₹1.01 crore on this account. Thus, the Commission re-determines the claim of depreciation at ₹62.57 (72.65 - 9.07 - 1.01) crore.

**Accordingly, the Commission approves ₹62.57 crore as depreciation charges for Transmission and SLDC business for FY 2010-11.**

## 2.8 Interest & Finance Charges

2.8.1 The erstwhile PSEB claimed Interest & Finance Charges of ₹1923.01 crore for FY 2010-11 in the ARR Petition for FY 2010-11, against which the Commission approved an amount of ₹972.57 crore in the Tariff Order of FY 2010-11. The approved Interest & Finance charges segregated for Transmission business in the Tariff Order for FY 2010-11 were ₹110.39 crore.

In the ARR Petition for FY 2011-12, PSTCL revised the claim of interest and finance charges to ₹91.82 crore (net of capitalization of ₹29.88 crore). Besides, interest on working capital of ₹21.25 crore (inclusive of ₹0.56 crore towards interest on working capital for SLDC) was claimed. The Commission approved the net interest charges for ₹84.97 crore for PSTCL in the review for FY 2010-11.

In the ARR Petition for FY 2014-15, PSTCL has claimed interest & finance charges of ₹123.97 crore (net of capitalization of ₹29.10 crore) for FY 2010-11 as per the Audited Annual Accounts. PSTCL has also claimed ₹18.03 crore as interest on working capital. The interest and finance charges allowable to PSTCL are discussed in the ensuing paragraphs.

### 2.8.2 **Investment Plan**

PSTCL has stated that it made an investment of ₹505.09 crore during FY 2010-11, of which, the net addition to gross fixed assets was to the tune of ₹312.62 crore. The Commission allows an investment of ₹505.09 crore for FY 2010-11.

In the ARR Petition of PSTCL for FY 2014-15, interest on loan availed by PSTCL for FY 2010-11 is depicted as ₹153.06 crore on a loan of ₹1841.30 crore, which is inclusive of ₹13.66 crore as interest on General Provident Fund of ₹186.92 crore.

The Commission observes that PSTCL has raised a loan of ₹274.68 crore during the FY 2010-11 excluding GPF of ₹13.67 crore against an investment of ₹505.09 crore. The Commission, thus, determines loan requirement of utility of ₹274.68 crore during FY 2010-11 against an investment of ₹505.09 crore.

The interest is re-worked by Commission on allowable loan other than WCL, GoP and GPF as ₹139.02 crore as given in the Table 2.2.

**Table 2.2: Interest charges for PSTCL for FY 2010-11**

**(₹ crore)**

| Sr. No. | Particulars | Loans as on April 16, 2010 | Receipt of Loans during FY 2010-11 | Repayment of Loans during FY 2010-11 | Loans as on March 31, 2011 | Amount of Interest |
|---|---|---|---|---|---|---|
| I | II | III | IV | V | VI | VII |
| 1. | As per data furnished in ARR (other than WCL and GoP Loans) | 1487.06 | 274.68 | 107.36 | 1654.38 | 139.02 |
| 2. | As per Commission Approval | 1487.06 | 274.68 | 107.36 | 1654.38 | 139.02 |

2.8.3 **Interest on GP Fund**

PSTCL has claimed an interest of ₹13.66 crore on GP fund .The interest of ₹13.66 crore on GP Fund, being statutory payment is allowed as claimed by PSTCL.

2.8.4 **Capitalisation of Interest Charges**

The Commission, as per past practice, capitalises the interest excluding interest on working capital, as per Audited Annual Accounts. The Commission approves capitalisation of interest of ₹29.10 crore for FY 2010-11 based on the Audited Annual Accounts.

2.8.5 **Finance Charges**

PSTCL has claimed finance charges of ₹0.38 crore based on Audited Annual Accounts for FY 2010-11. PSTCL vide letter no. 189/FA/ARR-403 dated 22.01.2014 has intimated that an amount of ₹0.37 crore for FY 2010-11 on account of lease rentals has inadvertently been reflected under the head interest and finance charges, which pertains to A&G expenses. By excluding ₹0.37 crore on account of lease rentals from the finance charges, the claim of finance charges works out to ₹0.01 (0.38-0.37) crore. The Commission, accordingly, approves the finance charges of ₹0.01 crore for FY 2010-11 for PSTCL.

### 2.8.6 Interest on Working Capital

In the ARR Petition for FY 2011-12, PSTCL had claimed interest on working capital of ₹21.25 crore (including interest on working capital of ₹0.56 crore for SLDC) for FY 2010-11 of which the Commission approved interest on working capital of ₹12.75 crore for FY 2010-11.

In the ARR Petition for FY 2014-15, PSTCL has claimed interest on working capital of ₹18.03 crore based on the Audited Annual Accounts for FY 2010-11.

Regulation 21 of PSERC Tariff Regulations stipulates that while determining the cost of Transmission, the Commission shall be guided, as far as feasible, by the principles and methodologies specified by CERC. Accordingly, the Commission has re-calculated the working capital requirement as per norms specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 based on the approved expenses of PSTCL, which works out to ₹151.20 crore. By applying State Bank of India Advance Rate of interest @ 11.75%, the Commission approves ₹17.77 crore as interest on working capital for PSTCL for FY 2010-11, as shown in Table 2.3.

**Table 2.3: Interest on Working Capital for PSTCL for FY 2010-11**

**(₹ crore)**

| Sr. No. | Particulars | Now approved by the Commission |
|---|---|---|
| I | II | III |
| 1. | Receivables equivalent to two months of fixed cost | 90.69 |
| 2. | Maintenance spares @ 15% of Operation and Maintenance expenses | 38.90 |
| 3. | Operation and Maintenance expenses for one month | 21.61 |
| **4.** | **Total Working Capital** | 151.20 |
| 5. | Interest Rate | 11.75 % |
| **6.** | **Interest on Working Capital** | 17.77 |

### 2.8.7 Diversion of Capital Funds

The Commission, in para 2.15.7 of Tariff Order for PSPCL for FY 2011-12, had determined the interest expenses of ₹240.40 crore to be disallowed for diversion of capital funds towards revenue purposes in FY 2010-11, based on Audited Annual Accounts for FY 2009-10. The Commission retained its decision to make similar disallowance for PSTCL for FY 2010-11 and segregated share of PSTCL, based on the Gross Fixed Assets of PSTCL and PSPCL as on April 1, 2010. The share of PSTCL was accordingly worked out to ₹24.77 crore of which ₹14.47 crore was to the account of the Govt. and ₹10.30 crore was to the account of PSTCL.

The Audited Annual Accounts for FY 2010-11 have now been received and have been examined & analysed to re-determine diversion of capital funds for FY 2010-11. The Commission observes that there is no diversion of capital funds for revenue purposes by PSTCL for FY 2010-11.

The approved interest charges for PSTCL for FY 2010-11 are shown in Table 2.4.

**Table 2.4: Interest Charges for PSTCL for FY 2010-11**

**(₹ crore)**

| Sr. No. | Particulars | Interest as Claimed by PSTCL | Amount disallowed by the Commission | Amount allowed by the Commission |
|---|---|---|---|---|
| **I** | **II** | **III** | **IV** | **V** |
| 1. | Interest on Institutional Loans | 139.02 | 0.00 | 139.02 |
| 2. | Interest on GP Fund | 13.66 | 0.00 | 13.66 |
| 3. | Finance Charges | 0.38 | 0.37* | 0.01 |
| 4. | Interest on Working Capital Loans | 18.03 | 0.26 | 17.77 |
| **5.** | **Total (1 to 4)** | **171.09** | **0.63** | **170.46** |
| 6. | Less Capitalisation | 29.10 | 0.00 | 29.10 |
| **7.** | **Net Interest Charges (5-6)** | **141.99** | **0.63** | **141.36** |

** Being separately considered in A&G expenses*

**Accordingly, the Commission approves net interest charges of ₹141.36 crore for PSTCL for FY 2010-11.**

## 2.9 Return on Equity

2.9.1 Erstwhile PSEB in its ARR for FY 2010-11 had claimed RoE @ 15.5% (pre-tax) to be grossed up to 23.48%, as per provisions of CERC (Terms and Conditions of Tariff) Regulations, 2009. However, the Commission had allowed the RoE of ₹412.46 crore @14% to the Successor Entities.

2.9.2 In ARR & Tariff Petition for FY 2011-12, PSTCL had claimed RoE of ₹77.14 crore for FY 2010-11 at a rate of 15.5% (pre-tax) grossed up to 23.48%, as per provisions of CERC (Terms and Conditions of Tariff) Regulations, 2009. However, the Commission, as in the past, allowed RoE of ₹45.99 crore @ 14% of the total equity of ₹328.50 crore of PSTCL.

2.9.3 In ARR Petition for FY 2014-15, PSTCL has now claimed RoE of ₹93.91 crore for FY 2010-11 at a rate of 15.5% on the basis of average of opening and closing equity capital. Petitioner further submitted that it has a negative profit before tax (PBT) amounting to ₹38.75 crore for FY 2010-11 as per Audited Annual Accounts for FY 2010-11 and it did not incur any tax liability for the year. Hence, the petitioner has not grossed up the rate of return on equity with the corporate tax/MAT rate as per provisions of section 15 of CERC (Terms and Conditions of

Tariff) Regulations, 2009.

2.9.4 Consequent upon amendment of PSERC (Terms and Condition for Determination of Tariff) Regulations, 2005 vide Notification dated 17.09.2012, the utility is to be allowed RoE of 15.5% on the equity employed in creation of assets. As per Order dated 18.10.2012 of Hon'ble APTEL in Appeal No. 7, 46 and 122 of 2011 against the Tariff Orders of PSEB/PSPCL for FY 2009-10, 2010-11 and 2011-12, the Commission allowed RoE @ 15.5% to PSPCL for FY 2009-10 (detailed position discussed in para 4.16 of the Tariff Order of PSPCL for FY 2013-14). Similarly RoE @ 15.5% was also allowed to PSTCL as per detailed discussions made in para 3.10 of the Tariff Order of PSTCL for FY 2013-14.

2.9.5 Consequent upon the issuance of notification dated 24.12.2012 by the Govt. of Punjab, equity amounting to ₹605.83 crore has been allocated to PSTCL. Therefore, in accordance with the PSERC Tariff Regulations and order dated 18.10.2012 of Hon'ble APTEL in Appeal No. 7, 46 and 122 of 2011, the Commission decides that the Return on Equity be allowed on the actual equity employed in the creation of assets viz. the amount of equity vested with the utility by the GoP in the Transfer Scheme i.e. ₹605.83 crore plus on equity added during the year amounting to ₹0.05 crore (average equity works out to 605.86 crore) @ 15.5% which works out to ₹93.91 crore for the entire year. PSTCL came into existence on 16.04.2010. As such, RoE to PSTCL for the period 16.04.2010 to 31.03.2011 is to be allowed which works out to ₹90.05 (93.91x 350/365) crore.

**The Commission, thus, approves RoE of ₹90.05 crore @15.5% on the equity amount of ₹605.86 crore for FY 2010-11.**

## 2.10 ULDC Charges

In ARR Petition for FY 2014-15, PSTCL has claimed ULDC Charges of ₹10.59 crore for FY 2010-11 based on the Audited Annual Accounts for FY 2010-11 as SLDC's own share, BBMB share and Central sector share.

**Accordingly, the Commission approves ULDC charges of ₹10.59 crore for PSTCL for FY 2010-11.**

## 2.11 Non-Tariff Income

2.11.1 PSTCL in FY 2010-11 (Review) estimated Non-Tariff Income of ₹8.52 crore, inclusive of ₹2.15 crore as Non-Tariff Income from SLDC in FY 2010-11. The Commission accordingly approved ₹8.52 crore as Non-Tariff Income of PSTCL for FY 2010-11 in Tariff Order for FY 2011-12.

2.11.2 In its ARR Petition for FY 2014-15, PSTCL has claimed Non-Tariff Income of ₹19.80 crore inclusive of ₹2.35 crore as Non-Tariff income from SLDC on actual basis as per Audited Annual Accounts for FY 2010-11.

**Accordingly, the Commission approves Non-Tariff income of ₹19.80 crore for the Transmission and SLDC business of PSTCL for FY 2010-11.**

## 2.12 Transmission Charges from Open Access Consumers

In ARR Petition for FY 2014-15, PSTCL has claimed Transmission charges from Open Access Consumers of ₹5.67 crore for FY 2010-11 based on the Audited Annual Accounts for FY 2010-11.

**Accordingly, the Commission approves Transmission Charges from Open Access Consumers of ₹5.67 crore for Transmission business of PSTCL for FY 2010-11.**

## 2.13 Annual Revenue Requirement

The Summary of the Annual Revenue Requirement of PSTCL for FY 2010-11 is shown in Table 2.5.

**Table 2.5: Annual Revenue Requirement for PSTCL for FY 2010-11**

**(₹ crore)**

| Sr. No. | Particulars | Approved by the Commission in TO for FY 2010-11 | RE by PSTCL for FY 2010-11 in ARR for FY 2011-12 | Approved by the Commission in TO for FY 2011-12 | Actual as per Audited Annual Accounts for FY 2010-11 | Final approval by the Commission |
|---|---|---|---|---|---|---|
| I | II | III | IV | V | VI | VII |
| 1. | Employee Cost | 252.64 | 270.95 | 120.00 | 232.32 | 232.32 |
| 2. | R&M Expenses | 41.02 | 52.38 | 48.26 | 16.33 | 16.33 |
| 3. | A&G Expenses | 14.48 | 16.75 | 9.64 | 10.33 | 10.70 |
| 4. | Depreciation | 123.07 | 120.71 | 101.63 | 72.65 | 62.57 |
| 5. | Interest Charges | 110.39 | 113.07 | 84.97 | 142.00 | 141.36 |
| 6. | Return on Equity | 45.99 | 77.14 | 45.99 | 93.91 | 90.05 |
| 7. | ULDC Charges | 0.00 | 0.00 | 0.00 | 10.59 | 10.59 |
| **8.** | **Total Revenue Requirement** | **587.59** | **650.99** | **410.49** | **578.13** | **563.92** |
| 9. | Less: | | | | | |
| | i. Non-Tariff Income | 0.00 | 8.52 | 8.52 | 19.80 | 19.80 |
| | ii.Income from Open Access Customers | 0.00 | 0.00 | 0.00 | 5.67 | 5.67 |
| 10. | Net Revenue Requirement | **587.59** | **642.48** | **401.97** | **552.66** | **538.45** |
| 11. | Add: Revenue Gap and carrying cost carried forward (upto FY 2009-10) | 59.71 | 59.71 | 0.00 | 0.00 | 0.00 |
| **12.** | **Gross Revenue Requirement** | **647.30** | **702.19** | **401.97** | **552.66** | **538.45** |
| 13. | Revenue from Tariff | | | | 401.97 | 401.97 |
| **14.** | **Gap (-)/ Surplus (+) for FY 2010-11** | | | | **(-) 150.69** | **(-) 136.48** |

The Net Revenue Requirement of ₹538.45 crore of PSTCL for FY 2010-11 is the transmission charges payable by PSPCL during FY 2010-11. However, the Commission approved the transmission charges of ₹401.97 crore in the review of FY 2010-11 in Tariff Order for FY 2011-12. The gap of ₹136.48 crore is being carried forward to Table 3.8 of this Tariff Order.

# Chapter 3
# True up for FY 2011-12

## 3.1 Background

The Commission had issued the Tariff Order for Transmission Business and SLDC Business of PSTCL for FY 2011-12 on 16.07.2012. PSTCL submitted the revised estimates of costs, expenses and revenue pertaining to Transmission function (including SLDC function) for FY 2011-12 in the ARR Petition for FY 2012-13. The Commission observed that there were differences in certain items of costs approved by the Commission and the revised estimates furnished by PSTCL. The Commission in the Tariff Order for FY 2012-13, considered it appropriate and fair to revisit and review the approvals granted by it with reference to the revised estimates made available by PSTCL.

Now, PSTCL in its ARR and Tariff Petition for FY 2014-15, has furnished the Audited Annual Accounts (Audited Accounts) for FY 2011-12, which again vary in parts with the figures taken into account by the Commission in the review for FY 2011-12. This chapter contains the final true up for FY 2011-12, based on the audited accounts for FY 2011-12.

## 3.2 Transmission System Availability

PSTCL had submitted its Transmission system availability for FY 2011-12 as shown in Table 3.1:

**Table 3.1: Transmission System availability of PSTCL for FY 2011-12**

| Voltage Level | Transmission system availability (in %) |
|---|---|
| 220 kV | 99.85 |
| 132 kV | 99.75 |

The Commission has taken note of the Transmission system availability of PSTCL Transmission system.

## 3.3 Transmission Loss

The Commission had approved the Transmission loss for PSTCL system provisionally at 2.5% for FY 2011-12 in the Tariff Order for FY 2011-12. It was also decided that the Commission will revisit the Transmission loss of PSTCL while undertaking the review for FY 2011-12, after PSTCL installs meters at all the points connecting with PSPCL system.

PSTCL in its ARR for FY 2012-13 reiterated its stand for higher Transmission loss of 4.5% comparable with Transmission loss in states such as Chhattisgarh and Maharashtra. Pending installation of intra-state boundary meters and conducting energy audit to arrive at the Transmission loss, the Commission retained the Transmission loss level at 2.5% as approved in the Tariff Order for FY 2011-12, in the review for FY 2011-12 in the Tariff Order for FY 2012-13. It was also decided that the Commission will revisit during truing up after the boundary meters are made functional and energy audit is conducted.

PSTCL in its ARR for FY 2014-15 has submitted that the process of installation of energy metering is still in progress and is expected to be completed by 31.12.2013. PSTCL has prayed to the Commission that till the complete energy accounting is in place, the Transmission losses of similarly placed STUs should be considered for allowing the Transmission loss of PSTCL. PSTCL has submitted that various Transmission utilities in the country have their transmission losses in the range of 3.51%-4.41%, and has prayed to the Commission to approve the Transmission loss of 4.5%, as submitted in previous petitions, of PSTCL.

The Commission notes that PSTCL is still in the process of installing intra-state boundary meters and the actual Transmission loss of PSTCL transmission system could not be determined. **As such, the Commission approves the Transmission loss of 2.5% for FY 2011-12**.

### 3.4 Employee Cost

3.4.1 In the ARR Petition for FY 2011-12, PSTCL had projected employee expenses of ₹268.31 crore (net of capitalisation of ₹63.36 crore), inclusive of ₹21.81 crore as pay arrears, for its Transmission business and ₹4.54 crore (net of capitalisation of ₹0.15 crore), inclusive of ₹0.37 crore as pay arrears, for its SLDC business for FY 2011-12. The Commission had approved employee cost of ₹162.82 crore for Transmission business and ₹3.32 crore for SLDC business of PSTCL for FY 2011-12.

3.4.2 In the ARR Petition for FY 2012-13, PSTCL had projected employee cost of ₹259.32 crore for FY 2011-12 which was revised to ₹207.21 crore and further revised to ₹206.47 crore for Transmission business. In the ARR Petition for FY 2012-13, PSTCL had claimed ₹7.74 crore as employee cost for SLDC business.

The Commission approved the total employee cost of ₹199.57 crore for Transmission business and ₹4.08 crore for SLDC business of PSTCL for FY 2011-12.

3.4.3 In the ARR Petition for FY 2014-15, PSTCL has claimed ₹257.05 crore on account of employee cost based on Audited Annual Accounts for FY 2011-12 for Tranmission business. This includes an amount of ₹142.96 crore on account of Terminal Benefits.

Similarly, PSTCL has claimed ₹6.60 crore on account of employee cost based on Audited Annual Accounts for FY 2011-12 for SLDC business. The petitioner has not claimed any amount towards terminal benefits for SLDC business as the total terminal benefits have not been segregated into STU & SLDC and the same have been considered for Transmission business.

3.4.4 The provisions of the PSERC Tariff Regulations provide for determination of employee cost, as under:

- Terminal benefits on actual basis.
- Increase in other expenses limited to average increase in WPI.

PSTCL has claimed terminal benefits of ₹142.96 crore based on the Audited Annual Accounts and in line with amended Transfer Scheme notified by Govt. of Punjab vide Notification dated 24.12.2012.

Since terminal benefits are to be allowed on actual basis as per Regulation 28 (8), **the Commission allows terminal benefits of ₹142.96 crore for FY 2011-12 to PSTCL.**

3.4.5 PSTCL has claimed ₹114.09 Crore as 'other employee expenses' (excluding terminal benefits but including arrears of pay revision amounting to ₹21.89 crore and impact of pay revision) in FY 2011-12 based on the Audited Annual Accounts. PSTCL in reply to deficiencies vide letter No. 2181/FA/ARR-403 dated 09.12.2013 has intimated that the impact of Pay Revision in FY 2011-12 was furnished to the Commission vide memo No. 314 dated 06.02.2012 based on the input received from PSPCL and the same figures may be considered by the Commission. PSTCL in its letter dated 06.02.2012 had intimated the impact of Pay Revision amounting to ₹24.26 crore during FY 2011-12. As such, 'other employee cost' works out as ₹67.94 (114.09 – 21.89 -24.26) crore after excluding the impact of pay revision and arrears which are dealt with separately in para 3.4.7 and para 3.4.8 respectively.

3.4.6 For approving the 'other employee expenses' of SLDC business and Transmission business separately, the Commission has bifurcated the other employee expense approved for PSTCL for FY 2010-11 between SLDC and Transmission business of PSTCL, in the ratio of average number of employees of SLDC and Transmission business, respectively. The Commission has determined other employee expenses of ₹100.85 crore for PSTCL in FY 2010-11. The approved other employee expenses of SLDC works out to ₹2.35 crore after apportioning ₹100.85 crore in proportion to the average number of employees posted in SLDC and Transmission business. Similarly, the approved other employee expenses of Transmission business work out to ₹98.50 crore.

As per PSERC Tariff Regulations, increase in 'other employee cost' is to be limited to average increase in WPI which works out to 8.94% for FY 2011-12. Applying the WPI increase of 8.94% to the base figure of ₹98.50 crore, **the 'other employee cost' of Transmission business of PSTCL works out to ₹107.31 crore for FY 2011-12. Similarly, by applying 8.94% to the base figure of ₹2.35 crore for SLDC, the other employee expense for SLDC for FY 2011-12 works out to ₹2.56 crore.**

3.4.7 PSERC Tariff Regulations also provide for consideration of any exceptional increase in employee cost on account of pay revision etc. PSTCL in reply to deficiencies vide letter No. 2181/FA/ARR-403 dated 09.12.2013 has intimated the impact of pay revision amounting to ₹24.26 crore during FY 2011-12 which was earlier furnished by the petitioner vide letter no. 314 dated 06.02.2012. Applying the WPI increase of 8.94% on ₹22.25 crore, being the impact of pay revision as approved by the Commission for FY 2010-11, the impact of pay revision for FY 2011-12 works out to ₹24.24 crore. The impact of pay revision of SLDC works out to ₹0.56 crore after apportioning ₹24.24 crore in proportion to the average number of employees posted in SLDC and Transmission business. Similarly, the impact of pay revision for Transmission business works out to ₹23.68 crore. **As such the Commission allows ₹23.68 crore on account of impact of pay revision to PSTCL for Transmission business and ₹0.56 crore for SLDC business during FY 2011-12.**

3.4.8 PSTCL has also claimed arrears of ₹21.89 crore for Transmission business and ₹0.88 crore for SLDC business on account of pay revision based on Audited Annual Accounts for FY 2011-12. The Commission in its previous Tariff Orders has been disallowing an amount of 28.48% of arrears being the disallowance of 'other employee cost' for FY 2007-08, FY 2008-09 and FY 2009-10 (Projections).

The Commission had held that this disallowance was made to maintain a parity with the disallowances effected in 'other employee cost'. The Hon'ble APTEL in its order dated March 2, 2012 in Appeal No. 76 of 2011, filed by PSTCL, held that it did not find any logic behind reducing the arrears by 28.48%. The Commission's reasoning that in the past it had been reducing the figure by the said percentage was held to be no ground for maintaining that reduction particularly when the Appellant is a separate entity as per the GoP notification. The Hon'ble APTEL advised the Commission to examine the issue during the course of review which may happen after the expiry of FY 2011-12 and pass an appropriate Order.

Keeping in view the observations of Hon'ble APTEL in Appeal No. 7, 46 & 122 of 2011, **the Commission allows the claim of arrears of pay revision of ₹21.89 crore for Transmission business and ₹0.88 crore for SLDC business.**

Thus, the Commission determines employee cost allowable to PSTCL, for FY 2011-12, for Transmission business at ₹295.84 (142.96+107.31+23.68+21.89) crore as against PSTCL's claims of ₹257.05 crore. Similarly, employee cost allowable for SLDC business is determined at ₹4.00 (2.56+0.56+0.88) crore as against PSTCL's claim of ₹6.60 crore based on Audited Annual Accounts.

**Thus, the Commission approves the employee cost of ₹257.05 crore to PSTCL for Transmission business and ₹6.60 crore for SLDC business for FY 2011-12 in line with PSTCL's claim based on the actual expenses incurred and reflected in Audited Annual Accounts.**

### 3.5 Repair and Maintenance (R&M) Expenses

3.5.1 In the ARR Petition for FY 2011-12, PSTCL projected R&M expenses of ₹97.15 crore for its Transmission business and ₹4.86 crore for its SLDC business for FY 2011-12 against which the Commission approved ₹55.89 crore and ₹0.17 crore as R&M expenses for Transmission and SLDC business of PSTCL respectively.

3.5.2 In the ARR Petition for FY 2012-13, PSTCL claimed R&M expenses of ₹61.22 crore for its Transmission business and ₹2.24 crore for its SLDC business for FY 2011-12 against which the Commission approved the R&M expenses of ₹59.63 crore for Transmission business and of ₹0.17 crore for SLDC business of PSTCL for FY 2011-12.

3.5.3 In the ARR Petition for FY 2014-15, PSTCL has claimed R&M expenses of ₹25.96 crore (net of capitalisation of ₹0.93 crore) but including prior period expenses of ₹0.04 crore for its Transmission business. By excluding ₹0.04 crore as prior period expenses from the R&M expenses, net R&M expenses for FY 2011-12 work out to ₹25.92 crore. Similarly, PSTCL has claimed ₹1.93 crore for its SLDC business for FY 2011-12 based on the Audited Annual Accounts for FY 2011-12. PSTCL has submitted that it had spent less amount on R&M activities in FY 2011-12 due to the fact that PSTCL being a newly incorporated entity focused more on stabilization.

3.5.4 Regulation 28 (4)(a) of the PSERC Tariff Regulations, 2005 provides for adjusting base O&M expenses in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent years. The WPI for FY 2011-12 is determined at 8.94% which is adopted for purposes of calculation of allowable R&M expenses.

3.5.5 The Commission adopts R&M expenses of ₹55.74 crore (₹52.34 crore as determined in para 2.5.5 of this Tariff Order being allowable R&M expenses of PSTCL for FY 2010-11 and ₹3.40 crore being R&M expenses allowed on approved asset addition during the entire year 2010-11) of FY 2010-11 as base expenses for allowing R&M expenses for FY 2011-12.

Applying the increase of 8.94% in WPI, the allowable R&M expenses for Transmission business including SLDC business of PSTCL for FY 2011-12 work out to ₹60.72 crore.

3.5.6 In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the R&M expenses are allowable for additional assets added during the year on pro–rata basis from the date of commissioning of assets. Fixed assets approved to be added during the year are considered as having remained in service for six months on an average during the year. However, PSTCL has not claimed any R&M expenses for assets added during the year for Transmission as well as SLDC Business.

3.5.7 PSTCL has capitalised assets worth ₹135.91 crore (₹135.78 crore for Transmission business + ₹0.13 crore for SLDC business) during FY 2011-12. The dates of commissioning of assets amounting to ₹135.91 crore are neither available in the Audited Annual Accounts nor in the ARR Petition of the PSTCL. However, R&M expenses for these assets added during the year are being considered assuming that these assets remained in service for six months on an average during FY 2011-12. The average percentage rate of R&M expenses of ₹60.72 crore for assets of ₹5134.73 crore as on 01.04.2011 work out to 1.18%

(60.72/5134.73x100) for Transmission and SLDC business. By applying the average rate of 1.18% on addition of assets of ₹135.91 crore for half year for Transmission and SLDC business, the allowable R&M expenses for the fixed assets added during the year work out to ₹0.80 crore. Thus, allowable R&M expenses for FY 2011-12 for Transmission and SLDC Business work out to ₹61.52 (60.72+0.80) crore. However, PSTCL has claimed R&M expenses of ₹25.92 crore for Transmission business and ₹1.93 crore for SLDC business.

In the light of the provisions of the Electricity Act 2003, the judgment of the APTEL as discussed in para no. 2.4.10 of this Tariff Order as also the claim and prayer of PSTCL in the ARR Petition, **the Commission approves the R&M expenses of ₹27.85 (₹25.92 crore for Transmission business + ₹1.93 for SLDC business) crore as claimed by PSTCL based on the actual expenses incurred as reflected in Audited Annual Accounts for FY 2011-12.**

### 3.6 Administrative and General (A&G) Expenses

3.6.1 In the ARR Petition for FY 2011-12, PSTCL projected A&G expenses of ₹21.44 crore for its Transmission business and ₹5.43 crore for its SLDC business for FY 2011-12 against which the Commission approved ₹11.17 crore and ₹0.033 crore as A&G expenses for Transmission and SLDC business of PSTCL respectively.

3.6.2 In the ARR Petition for FY 2012-13, PSTCL claimed A&G expenses of ₹23.69 crore for its Transmission business and ₹0.836 crore for its SLDC business for FY 2011-12 against which the Commission approved the A&G expenses of ₹12.18 crore for Transmission business and ₹0.03 crore for SLDC business of PSTCL for FY 2011-12.

3.6.3 In the ARR Petition for FY 2014-15, PSTCL has claimed A&G expenses of ₹10.84 crore (net of capitalization of ₹5.26 crore) inclusive of prior period expenses of ₹0.01 crore and other debits of ₹0.12 crore for its Transmission business. PSTCL vide letter No. 189/FA/ARR-403 dated 22.01.2014 has intimated that an amount of ₹0.76 crore for FY 2011-12 on account of Lease Rentals was inadvertently reflected under interest and finance charges, whereas it was an A&G expense. By excluding ₹0.01 crore as prior period expenses and adding ₹0.76 crore on account of lease rentals to the A&G expenses, the revised claim of A&G expenses for FY 2011-12 works out to ₹11.59 (10.84-0.01+0.76) crore. Similarly, PSTCL has claimed A&G expenses of ₹0.56 crore for its SLDC business for FY 2011-12 based on the Audited Annual Accounts for FY 2011-12.

3.6.4 Regulation 28 (4)(a) of the PSERC Tariff Regulations, 2005 provides for adjusting base O&M expenses in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent years. The WPI for FY 2011-12 is determined at 8.94% which is adopted for purposes of calculation of allowable R&M expenses.

3.6.5 As discussed in para 2.6.4 & 2.6.5, the Commission adopts approved A&G expenses of FY 2010-11 as base A&G expenses for FY 2011-12. The approved A&G expense of ₹12.82 crore (₹12.04 crore as determined in para 2.6.4 of this Tariff Order as allowable A&G expenses to PSTCL on normative basis for full year and ₹0.78 (0.39+0.39) crore being A&G expenses allowed on approved asset addition during the entire year 2010-11) of FY 2010-11 is being considered for allowing A&G expenses for FY 2011-12. Applying the increase of 8.94% in WPI, the A&G expenses for Transmission business and SLDC business of PSTCL for FY 2011-12 work out to ₹13.97 crore.

3.6.6 In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the A&G expenses are allowable for additional assets added during the year on pro–rata basis from the date of commissioning of assets. Fixed assets approved to be added during the year are considered as having remained in service for six months on an average during the year. However, PSTCL has not claimed any A&G expenses for assets added during the year for Transmission as well as SLDC business.

3.6.7 PSTCL has capitalised assets worth ₹135.91 crore (₹135.78 crore for Transmission business + ₹0.13 crore for SLDC business) during FY 2011-12. The dates of commissioning of assets amounting to ₹135.91 crore are neither available in the Audited Annual Accounts nor in the ARR Petition of the PSTCL. However, A&G expenses for these assets added during the year are being considered assuming that these assets remained in service for six months on an average during FY 2011-12. The average percentage rate of A&G expenses of ₹13.97 crore for assets of ₹5134.73 crore as on 01.04.2011 works out to 0.27% (13.97/5134.73x100) for Transmission and SLDC business. By applying the average rate of 0.27% on addition of assets of ₹135.91 crore for half year for Transmission and SLDC business, the allowable A&G expenses for fixed assets added during the year works out to ₹0.18 crore. Thus, allowable A&G expenses for FY 2011-12 for Transmission and SLDC business work out to ₹14.15 (13.97+0.18) crore. However PSTCL has claimed A&G expenses of ₹11.59 crore for its Transmission business and ₹0.56 crore for its SLDC business.

3.6.8 In the light of the provisions of the Electricity Act 2003, the judgment of the APTEL as discussed in para 2.4.10 of this Tariff Order as also the claim and prayer of PSTCL in the ARR Petition, the **Commission approves the A&G expenses of ₹11.59 crore for Transmission business and ₹0.56 crore for SLDC business in line with claim of PSTCL based on actual expenses incurred and reflected in the Audited Annual Accounts for FY 2011-12.**

## 3.7 Depreciation Charges

3.7.1 In the ARR Petition of FY 2011-12, PSTCL had claimed depreciation charges of ₹151.80 crore for its Transmission business and ₹0.67 crore for SLDC Business against which ₹115.80 crore was approved by the Commission in the Tariff Order for FY 2011-12 for Transmission Business and ₹0.37 crore for SLDC Business. In the ARR Petition for FY 2012-13, PSTCL had claimed depreciation of ₹132.80 crore for Transmission Business by applying an average rate of 5.28% across the asset class on assets of ₹2753.90 crore which includes assets of ₹477.55 crore added during the year. Similarly, PSTCL claimed ₹0.36 crore as depreciation for FY 2011-12 for SLDC Business. The Commission had approved the depreciation charges of ₹127.11 crore for FY 2011-12 in the Tariff Order for FY 2012-13 for Transmission business and ₹0.36 crore for SLDC business.

In the ARR Petition for FY 2014-15, PSTCL has claimed ₹92.79 crore (after capitalization of ₹0.04 crore) inclusive of ₹2.98 crore as prior period expenses as depreciation charges for Transmission Business and ₹0.82 crore as depreciation charges for SLDC business. By excluding prior period depreciation of ₹2.98 crore for Transmission Business, the claim of PSTCL for depreciation works out to ₹89.81 crore. PSTCL vide memo no. 160/FA/ARR/52 dated 17.01.2014 submitted consolidated (for both business) sub head wise details of assets and depreciation claimed during FY 2011-12. On examination of the information, the Commission observes that the depreciation on the assets which has already been over charged (as discussed in para 2.7.6) has also been claimed by the petitioner. It has also been observed that in some asset sub-heads PSTCL's claim of depreciation is not in line with the rates specified by CERC. The Commission re-determines the depreciation for Transmission and SLDC business as ₹88.01 crore. By excluding ₹0.04 crore as depreciation capitalized during the year, net depreciation works out to ₹87.97 (88.01-0.04) crore, which is segregated between Transmission business and SLDC business as shown in the Table 3.2:

**Table 3.2: Depreciation Charges for Transmission & SLDC business of PSTCL for FY 2011-12**

**(₹ crore)**

| Particulars | For SLDC | | For Transmission | |
|---|---|---|---|---|
| | Projection by PSTCL for FY 2011-12 | Approved by the Commission for FY 2011-12 | Projection by PSTCL for FY 2011-12 | Approved by the Commission for FY 2011-12 |
| I | II | III | IV | V |
| Depreciation | 0.82 | 0.82 | 92.79 | 87.15 |

**The Commission approves depreciation for Transmission business ₹87.15 crore for FY 2011-12 and ₹0.82 crore for SLDC business.**

## 3.8 Interest and Finance Charges

3.8.1 In the ARR Petition for FY 2011-12, PSTCL had claimed interest and finance charges of ₹138.04 crore for its Transmission business and ₹0.33 crore for SLDC business against which the Commission allowed ₹86.19 crore for Transmission business and ₹0.55 crore for SLDC business. In the ARR Petition for FY 2012-13, PSTCL had claimed interest and finance charges of ₹158.80 crore (net of capitalization of ₹25.43 crore and inclusive of ₹1.50 crore as guarantee fee/finance charges) for its Transmission business. Similarly, PSTCL claimed ₹0.14 crore as interest and finance charges for SLDC business. The Commission allowed the interest and finance charges of ₹113.76 crore for Transmission business and ₹0.14 crore for SLDC business for FY 2011-12.

In the ARR & Tariff Petition for FY 2014-15, PSTCL has claimed the Interest & Finance Charges for FY 2011-12 as ₹190.30 crore (net of capitalization of ₹75.24 crore) including interest on working capital amounting to ₹23.13 crore and prior period interest of ₹0.02 crore for Transmission business based on Audited Annual Accounts for FY 2011-12. By excluding prior period adjustments of ₹0.02 crore, net interest and finance charges for Transmission business work out to ₹190.28 crore. Similarly, PSTCL has claimed interest and finance charges of ₹0.79 crore for SLDC business.

The Interest and Finance charges allowable to PSTCL are discussed in the ensuing paragraphs.

3.8.2 **Investment Plan for Transmission Business**

In the ARR Petition for FY 2011-12, PSTCL had estimated a capital expenditure of ₹1367.44 crore against which the Commission had approved an investment plan of ₹600 crore for the Transmission business of PSTCL in Tariff Order of FY

2011-12. PSTCL had estimated the capital expenditure at ₹1042.39 crore in the RE for FY 2011-12 against which the Commission had approved an investment of ₹800 crore. In the ARR Petition for FY 2014-15, PSTCL has claimed an investment plan of ₹922.66 crore during FY 2011-12 based on Audited Annual Accounts. PSTCL has, however, raised a loan of ₹824.11 crore (excluding GPF loan of ₹15.29 crore) during the FY 2011-12 against this investment.

Accordingly, the Commission approves the actual loan requirement of PSTCL for FY 2011-12 of ₹824.11 crore. The interest is re-worked by Commission on allowable loans (other than WCL and GPF) as ₹225.49 crore as given in the Table 3.3.

**Table 3.3: Interest on Loans (Other than WCL)**

**(₹ crore)**

| Sr. No. | Particulars | Loans as on April 1, 2011 | Receipt of Loans during FY 2011-12 | Repayment of Loans during FY 2011-12 | Loans as on March 31, 2012 | Amount of Interest |
|---|---|---|---|---|---|---|
| I | II | III | IV | V | VI | VII |
| 1. | As per data furnished in ARR Petition (other than WCL& GP Fund) | 1654.39 | 824.11 | 139.69 | 2338.81 | 225.49 |
| 2. | Approved by the Commission (other than WCL and GP Fund) | 1654.38 | 824.11 | 139.69 | 2338.80 | 225.49 |

3.8.3 **Interest on GP Fund**

PSTCL has claimed an interest of ₹14.61 crore on GP fund of ₹201.78 crore .The interest of ₹14.61 crore on GP Fund, being statutory payment, is allowed as claimed by PSTCL for FY 2011-12.

3.8.4 **Capitalization of Interest Charges**

In the ARR Petition for FY 2014-15, PSTCL has capitalized ₹75.24 crore interest charges based on Audited Annual Accounts for FY 2011-12.

The Commission, as per past practice, approves capitalisation of interest of ₹75.24 crore for FY 2011-12 based on the Audited Annual Accounts.

3.8.5 **Finance Charges**

PSTCL has claimed finance charges of ₹2.28 crore (including guarantee fee of ₹1.50 crore and lease rental of ₹0.76 crore) based on Audited Annual Accounts for FY 2011-12. PSTCL vide letter no. 189/FA/ARR-403 dated 22.01.2014 has intimated that an amount of ₹0.76 crore for FY 2011-12 on account of Lease Rentals has inadvertently been reflected under the head interest and finance charges, which pertains to A&G expenses. By excluding ₹0.76 crore on account of lease rentals from the finance charges, net finance charges work out as ₹1.52 (2.28-0.76) crore. The Commission, accordingly, approves the finance charges of ₹1.52 crore for FY 2011-12 for Transmission business of PSTCL.

3.8.6 **Diversion of Capital Funds**

The Commission, in para 2.15.7 of Tariff Order for PSPCL for FY 2011-12, had determined the interest expenses of ₹240.40 crore to be disallowed for diversion of capital funds towards revenue purposes in FY 2010-11, based on Audited Annual Accounts for FY 2009-10. The Commission retained its decision to make similar disallowance for PSTCL for FY 2010-11 and segregated share of PSTCL, based on the Gross Fixed Assets of PSTCL and PSPCL as on April 16, 2010. The interest on diverted funds of ₹1821.21 crore @ 13%, being SBI Advance Rate as on April 01, 2011, worked out to ₹236.76 crore. For FY 2011-12, the share of PSTCL, out of ₹236.76 crore, worked out to ₹24.39 crore of which ₹10.30 crore was to the account of PSTCL and the balance of ₹14.09 crore was to the account of GoP.

The Audited Annual Accounts for FY 2011-12 have now been received and have been examined & analyzed to re-determine diversion of capital funds for FY 2011-12. The Commission observes that there is no diversion of capital funds for revenue purposes by PSTCL for FY 2011-12.

3.8.7 **Interest on Working Capital**

In the ARR Petition for FY 2011-12, PSTCL had claimed interest on working capital of ₹25.07 crore for FY 2011-12 of which the Commission approved interest on working Capital of ₹15.47 crore for FY 2011-12.

In the ARR Petition for FY 2012-13, PSTCL had claimed interest on working capital of ₹19.79 crore of which the Commission approved interest on working capital of ₹20.60 crore.

In the ARR Petition for FY 2014-15, PSTCL has claimed interest on working capital of ₹23.13 crore for Transmission business. Regulation 21 of PSERC Tariff Regulations stipulates that while determining the cost of Transmission, the Commission shall be guided, as far as feasible, by the principles and methodologies specified by CERC. Accordingly, the Commission has re-calculated the working capital requirement, as per norms specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 based on the approved expenses of PSTCL, which works out to ₹177.13 crore. By applying a rate of interest of 13% (Advance Rate of SBI as on 01.04.2011), the Commission approves ₹23.03 crore as interest on working capital for PSTCL for FY 2011-12, as shown in Table 3.4.

**Table 3.4: Interest on Working Capital for Transmission business of PSTCL for FY 2011-12**

**(₹ crore)**

| Sr. No. | Particulars | Approved by the Commission |
|---|---|---|
| **I** | **II** | **III** |
| 1. | Receivables equivalent to two months of fixed cost | 108.40 |
| 2. | Maintenance spares @ 15% of Operation and Maintenance expenses | 44.18 |
| 3. | Operation and Maintenance expenses for one month | 24.55 |
| 4. | Total Working Capital | 177.13 |
| 5. | Interest Rate | 13.00 % |
| 6. | Interest on Working Capital | 23.03 |

The approved interest and finance charges for Transmission Business of PSTCL for FY 2011-12 are shown in Table 3.5 below:

**Table 3.5: Interest Charges for PSTCL for FY 2011-12**

**(₹ crore)**

| Sr. No. | Particulars | Interest as Claimed by PSTCL | Amount disallowed by the Commission | Amount allowed by the Commission |
|---|---|---|---|---|
| **I** | **II** | **III** | **IV** | **V** |
| 1. | Interest on Institutional Loans | 225.49 | 0.00 | 225.49 |
| 2. | Interest on GP Fund | 14.61 | 0.00 | 14.61 |
| 3. | Interest on Working Capital Loans | 23.13 | 0.10 | 23.03 |
| 4. | Finance charges | 2.28 | 0.76* | 1.52 |
| **5.** | **Total (1+2+3+4)** | **265.51** | **0.86** | **264.65** |
| 6. | Less Capitalisation | 75.24 | 0 | 75.24 |
| **7.** | **Net Interest Charges** | **190.27** | **0.86** | **189.41** |

** Being separately considered in A&G expenses.*

**Accordingly, the Commission approves net interest charges of ₹189.41 crore for PSTCL for FY 2011-12.**

3.8.8 **Investment Plan for SLDC business**

In the ARR Petition for FY 2012-13, PSTCL had proposed an investment of ₹3.13 crore for FY 2011-12 against ₹25 crore approved by the Commission in the Tariff

Order for FY 2011-12. The Commission approved an investment plan of ₹3.13 crore as estimated by PSTCL for its SLDC business in the review for FY 2011-12.

In the ARR Petition for FY 2014-15, PSTCL has submitted that it had made an investment of ₹0.13 crore in the SLDC business and the same was converted to Gross Fixed Assets (GFA). However, there are no separate loans for SLDC business and no interest charges have been claimed on this account. Therefore, the Commission considers interest on loan as NIL for FY 2011-12 for SLDC business of PSTCL.

3.8.9 **Interest on Working Capital for SLDC Business**

In the ARR Petition for FY 2012-13, PSTCL had claimed interest on working capital of ₹0.80 crore on the total working capital of ₹6.42 crore for its SLDC business. The Commission approved the working capital of ₹3.56 crore and interest thereon of ₹0.46 crore for SLDC business of PSTCL for FY 2011-12.

In the ARR Petition for FY 2014-15, PSTCL has claimed ₹0.79 crore as interest on Working Capital of ₹6.11 crore. Applying the principle used in Transmission business, the Commission approves the interest on working capital of ₹0.79 crore by applying a rate of 13% (advance rate of SBI as on April 1, 2011) on total working capital of ₹6.11 crore as given in Table 3.6.

**Table 3.6: Interest on Working Capital for SLDC business: FY 2011-12**

**(₹ crore)**

| Sr. No. | Particulars | FY 2011-12 | |
|---|---|---|---|
| | | Projected by PSTCL for SLDC | Approved by the Commission |
| I | II | III | IV |
| 1. | Receivables equivalent to two months fixed cost | 3.99 | 3.99 |
| 2. | Maintenance spares @15% of O&M expenses | 1.36 | 1.36 |
| 3. | Operation & Maintenance expenses for one month | 0.76 | 0.76 |
| 4. | Total working capital | 6.11 | 6.11 |
| 5. | Interest rate (%) | 13.00 | 13.00 |
| 6. | Interest on working capital | 0.79 | 0.79 |

**The Commission thus approves the working capital of ₹6.11 crore and interest thereon of ₹0.79 crore for SLDC business of PSTCL for FY 2011-12.**

## 3.9 Return on Equity

3.9.1 In ARR Petition for FY 2011-12, PSTCL had claimed RoE of ₹77.14 crore for FY 2011-12 at a rate of 15.5% (pre-tax) grossed up to 33.99%, as per CERC (Terms and Conditions of Tariff) Regulations, 2009. However, the Commission, as in the past, allowed RoE of ₹45.99 crore @ 14% on the total equity of ₹328.50 crore of PSTCL. However for SLDC business, PSTCL had not claimed any RoE, and hence, no ROE had been allowed.

3.9.2 In ARR Petition for FY 2012-13, PSTCL claimed a Return on Equity of ₹89.09 crore for the Transmission business for FY 2011-12 @ 15.5% (pre tax) to be grossed up to 23.48% as per CERC Regulations on the opening equity of ₹379.42 crore against which the Commission allowed Return on Equity (ROE) of ₹50.92 crore @ 15.5% on the equity amount of ₹328.50 crore. In the ARR Petition for FY 2012-13, PSTCL also claimed ₹0.11 crore towards Return on Equity for SLDC business at an effective rate of 23.48% as per CERC Regulations. However, the Commission did not allow any ROE for SLDC business for FY 2011-12 as the opening balance of equity in the books of SLDC was Nil.

3.9.3 In ARR Petition for FY 2014-15, PSTCL has claimed RoE of ₹93.91 crore for FY 2011-12 at a rate of 15.5% on the basis of average of opening and closing equity capital. Petitioner further submitted that it has a negative profit before tax (PBT) amounting to ₹22.29 crore for FY 2011-12 as per Audited Annual Accounts for FY 2011-12 and it does not incur any tax liability. Hence, the petitioner has not grossed up the rate of return on equity with the corporate tax/MAT rate as per provisions of Section 15 of CERC (Terms and Conditions of Tariff) Regulations, 2009.

3.9.4 Therefore, in accordance with the PSERC Tariff Regulations and order dated 18.10.2012 of Hon'ble APTEL in Appeal No. 7, 46 and 122 of 2011, the Commission decides that the Return on Equity be allowed on the actual equity employed in the creation of assets i.e. ₹605.88 crore @ 15.5% which works out to ₹93.91 crore.

**The Commission, thus, approves RoE of ₹93.91 crore @15.5% on the equity amount of ₹605.88 crore for FY 2011-12.**

### 3.10 ULDC Charges

3.10.1 In the ARR Petition for FY 2011-12, PSTCL claimed ULDC Charges of ₹10.00 crore for FY 2011-12 for its SLDC business. Subsequently, PSTCL revised these charges to ₹18.91 crore on account of revision in ULDC rates by the Order of CERC dated 18.03.2011 and the same were allowed by the Commission.

3.10.2 In the ARR Petition for FY 2012-13, PSTCL claimed ₹10.59 crore towards ULDC charges for FY 2011-12 payable to PGCIL for its SLDC business and the same were allowed by the Commission.

3.10.3 In the ARR Petition for FY 2014-15, PSTCL has claimed ₹17.11 crore on account of ULDC charges for its SLDC business based on Audited Annual Accounts for FY 2011-12.

**Accordingly, the Commission approves ULDC charges of ₹17.11 crore to PSTCL for its SLDC business for FY 2011-12.**

### 3.11 Non-Tariff Income

3.11.1 In the ARR Petition for FY 2011-12, PSTCL had projected a Non-Tariff Income of ₹9.76 crore in respect of Transmission business for FY 2011-12. The Commission approved ₹9.76 Crore as Non-Tariff Income of Transmission business of PSTCL for FY 2011-12. In the ARR Petition for FY 2012-13, PSTCL estimated Non-Tariff income of ₹13.05 crore in respect of Transmission business for FY 2011-12 and the same was allowed by the Commission.

3.11.2 In the ARR Petition for FY 2014-15, PSTCL has claimed ₹14.68 crore on account of Non-Tariff Income for Transmission business based on Audited Annual Accounts for FY 2011-12.

**Accordingly, the Commission approves Non-Tariff income of ₹14.68 crore for the Transmission business of PSTCL for FY 2011-12.**

3.11.3 In the ARR Petition for FY 2011-12 and FY 2012-13, PSTCL submitted that it had not received any Non-Tariff income during FY 2011-12 for SLDC business. The Commission, accordingly, considered the Non-Tariff income for SLDC business as nil for FY 2011-12.

3.11.4 In the ARR Petition for FY 2014-15, PSTCL has claimed ₹3.85 crore on account of Non-Tariff Income for its SLDC business based on Audited Annual Accounts for FY 2011-12.

**Accordingly, the Commission approves Non-Tariff income of ₹3.85 crore for SLDC business of PSTCL for FY 2011-12.**

### 3.12 Revenue from Open Access Consumers

3.12.1 In the ARR Petition for FY 2014-15, PSTCL has claimed a receipt of Transmission charges from Open Access Consumers amounting to ₹27.81 crore for FY 2011-12 based on the Audited Annual Accounts for FY 2011-12.

**Accordingly, the Commission approves Transmission Charges from Open Access Consumers of ₹27.81 crore for Transmission business of PSTCL for FY 2011-12.**

3.12.2 In the ARR Petition for FY 2014-15, PSTCL has claimed a receipt of Operating Charges from Open Access Consumers for SLDC business amounting to ₹14.76 crore for FY 2011-12 based on the Audited Annual Accounts for FY 2011-12.

**Accordingly, the Commission approves Operating Charges from Open Access Consumers of ₹14.76 crore for SLDC business of PSTCL for FY 2011-12.**

### 3.13 Prior Period Expenses

3.13.1 In the ARR Petition for FY 2014-15, PSTCL has not claimed prior period expenses separately. However, PSTCL has merged the prior period expenses under concerned heads i.e. ₹0.04 crore under R&M, ₹0.01 crore under A&G, ₹2.98 crore under depreciation and ₹0.02 crore under interest and finance charges.

3.13.2 As regards R&M expense of ₹0.04 core and A&G expenses of ₹0.01 crore are concerned, Commission is of the view that these expenses have been allowed to PSTCL based on the actual expenditure incurred as per Audited Annual Accounts excluding expenses booked under prior period. As such, the Commission allows an amount of ₹0.04 crore and ₹0.01 crore as prior period R&M and A&G expenses to PSTCL.

3.13.3 As regards depreciation booked under prior period amounting to ₹2.98 is concerned, the Commission is of the view that it has allowed deprecation on the sub-head wise assets and also disallowed the depreciation provided in excess of 90% of the original cost of assets during the previous year. As such, the Commission finds no merit in the claim of PSTCL and no amount is allowed on this account.

3.13.4 As regards interest and finance charges booked under prior period amounting to ₹0.02 crore are concerned, the Commission is of the view that it has allowed interest and finance charges based on normative basis. As such, the Commission finds no merit in the claim of PSTCL and no amount is allowed on this account.

3.13.5 No claim of prior period expenses has been made for SLDC business of PSTCL. Hence, no prior period expense is allowed for SLDC business of PSTCL.

**Accordingly, the Commission approves prior period expenses of ₹0.05 (0.04+0.01) crore for FY 2011-12 for Transmission business of PSTCL.**

### 3.14 Annual Revenue Requirement

The Summary of the Annual Revenue Requirement for SLDC business and Transmission business of PSTCL for FY 2011-12 is shown in Table 3.7 (A & B).

**Table 3.7A: Annual Revenue Requirement for SLDC for FY 2011-12**

**(₹ crore)**

| Sr. No. | Particulars | For SLDC Business | | | | |
|---|---|---|---|---|---|---|
| | | Approved in T.O. for FY 2011-12 | RE of PSTCL for FY 2011-12 in ARR for FY 2012-13 | Approved by the Commission in the review for FY 2011-12 | Actual as per Audited Annual Accounts | Final Approval by the Commission |
| I | II | III | IV | V | VI | VII |
| 1. | Employee Cost | 3.32 | 7.74 | 4.08 | 6.60 | 6.60 |
| 2. | R&M expenses | 0.17 | 2.24 | 0.17 | 1.93 | 1.93 |
| 3. | A&G expenses | 0.03 | 0.84 | 0.03 | 0.56 | 0.56 |
| 4. | Depreciation | 0.37 | 0.36 | 0.36 | 0.82 | 0.82 |
| 5. | Interest charges | 0.55 | 0.14 | 0.14 | 0.00 | 0.00 |
| 6. | Interest on Working Capital | 0.00 | 0.80 | 0.46 | 0.79 | 0.79 |
| 7. | Return on Equity | 0.00 | 0.11 | 0.00 | 0.00 | 0.00 |
| 8. | Provision for Bad Debts and other Debits | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 9. | ULDC Charges | 18.91 | 10.59 | 10.59 | 17.11 | 17.11 |
| 10. | Prior Period expenses | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| **11.** | **Annual Revenue Requirement** | **23.35** | **22.82** | **15.83** | **27.81** | **27.81** |
| 12. | Less: | | | | | |
| | i. Non-Tariff income | 0.00 | 0.00 | 0.00 | 3.85 | 3.85 |
| | ii. Income from Open Access Customers | 0.00 | 0.00 | 0.00 | 14.76 | 14.76 |
| **13.** | **Net Revenue Requirement (11-12)** | **23.35** | **22.82** | **15.83** | **9.20** | **9.20** |
| 14. | Revenue from Tariff | 0.00 | 34.37 * | 34.37 * | 23.35 | 23.35 |
| **15.** | **Gap (-)/ Surplus (+) (13-14)** | **0.00** | **(+) 11.55** | **(+) 18.54** | **(+)14.15** | **(+)14.15** |

*Includes income from OA charges.

**Table 3.7B: Annual Revenue Requirement for Transmission Business for FY 2011-12**

(₹ crore)

| Sr. No. | Particulars | For Transmission Business | | | | |
|---|---|---|---|---|---|---|
| | | Approved in Tariff Order for FY 2011-12 | RE of PSTCL for FY 2011-12 in ARR for FY 2012-13 | Approved by the Commission in the review for FY 2011-12 | Actual as per Audited Annual Accounts | Final Approval by the Commission |
| I | II | III | IV | V | VI | VII |
| 1. | Employee Cost | 162.82 | 259.32 | 199.57 | 257.05 | 257.05 |
| 2. | R&M expenses | 55.89 | 61.22 | 59.63 | 25.96 | 25.92 |
| 3. | A&G expenses | 11.17 | 23.69 | 12.18 | 10.84 | 11.59 |
| 4. | Depreciation | 115.80 | 132.80 | 127.11 | 92.79 | 87.15 |
| 5. | Interest charges | 86.19 | 158.80 | 113.76 | 167.17 | 166.38 |
| 6. | Interest on Working Capital | 15.47 | 19.79 | 20.60 | 23.13 | 23.03 |
| 7. | Return on Equity | 45.99 | 89.09 | 50.92 | 93.91 | 93.91 |
| 8. | Provision for Bad Debts and other Debits | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 |
| 9. | ULDC Charges | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 10. | Prior Period expenses | 0.00 | 0.00 | 0.00 | 0.00 | 0.05 |
| **11.** | **Annual Revenue Requirement** | **477.86** | **744.72** | **583.77** | **670.85** | **665.08** |
| 12. | Less: | | | | | |
| | i. Non- Tariff income | 9.76 | 13.05 | 13.05 | 14.68 | 14.68 |
| | ii. Income from Open Access Customers | 0.00 | 0.00 | 0.00 | 27.81 | 27.81 |
| **13.** | **Net Revenue Requirement (11-12)** | **468.10** | **731.67** | **570.72** | **628.36** | **622.59** |
| 14. | Revenue from Tariff | | 481.01* | 481.01* | 468.10 | 468.10 |
| **15.** | **Gap (-)/ Surplus (+) (13-14)** | | **(-) 250.66** | **(-) 89.71** | **(-) 160.26** | **(-) 154.49** |

*Includes income from OA charges.

The summary of the Annual Revenue Requirement of PSTCL as a whole for FY 2011-12 is shown in Table 3.8.

**Table 3.8: Annual Revenue Requirement for PSTCL for FY 2011-12**

**(₹ crore)**

| **Sr. No.** | **Particulars** | **For PSTCL** | | | | |
|---|---|---|---|---|---|---|
| | | **Approved in Tariff Order for FY 2011-12** | **RE of PSTCL for FY 2011-12 in ARR for FY 2012-13** | **Approved in Review for FY 2011-12** | **Actual as per Audited Annual Accounts** | **Final Approval by the Commission FY 2011-12** |
| **I** | **II** | **III** | **IV** | **V** | **VI** | **VII** |
| 1. | Employee Cost | 166.14 | 267.06 | 203.65 | 263.65 | 263.65 |
| 2. | R&M expenses | 56.06 | 63.46 | 59.80 | 27.89 | 27.85 |
| 3. | A&G expenses | 11.20 | 24.53 | 12.21 | 11.40 | 12.15 |
| 4. | Depreciation | 116.17 | 133.16 | 127.47 | 93.61 | 87.97 |
| 5. | Interest charges | 86.74 | 179.53 | 134.96 | 191.09 | 190.20 |
| 6. | Return on Equity | 45.99 | 89.20 | 50.92 | 93.91 | 93.91 |
| 7. | Provision for Bad Debts and other Debits | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 |
| 8. | ULDC Charges | 18.91 | 10.59 | 10.59 | 17.11 | 17.11 |
| 9. | Prior Period Expenses | 0.00 | 0.00 | 0.00 | 0.00 | 0.05 |
| **10.** | **Annual Revenue Requirement** | **501.21** | **767.54** | **599.60** | **698.66** | **692.89** |
| 11. | Less: | | | | | |
| | i. Non- Tariff income | 9.76 | 13.05 | 13.05 | 18.53 | 18.53 |
| | ii. Income from Open Access Customers | 0.00 | 0.00 | 0.00 | 42.57 | 42.57 |
| **12.** | **Net Revenue Requirement (10-11)** | **491.45** | **754.49** | **586.55** | **637.56** | **631.79** |
| 13. | Revenue from tariff | 0.00 | 515.38* | 515.38* | 491.45 | 491.45 |
| **14.** | **(Gap)(-) / Surplus (+) for the year** | **0.00** | **(-) 239.11** | **(-) 71.17** | **(-) 146.11** | **(-) 140.34** |
| 15. | Gap for FY 2010-11 | | | | (-) 150.69 | (-) 136.48 |
| **16.** | **Total Gap (-)** | | | | **(-) 296.80** | **(-) 276.82** |

*Includes income from OA charges.

The Net Revenue Requirement of ₹631.79 crore of PSTCL for FY 2011-12 is the transmission charges payable by PSPCL during FY 2011-12. PSTCL had received Transmission charges of ₹491.45 crore from PSPCL during FY 2011-12. Thus, there remains a gap of ₹140.34 crore for FY 2011-12. After adding gap of ₹136.48 crore for FY 2010-11, total gap works out to ₹276.82 crore, which is being carried forward to Table 5.11 of this Tariff Order.

# Chapter 4
# True Up for FY 2012-13

## 4.1 Background

The Commission had approved the ARR and Tariff for FY 2012-13 in its Tariff Order dated July 16, 2012, which was based on costs and revenue estimated by PSTCL for its Transmission and SLDC functions.

PSTCL in its ARR for FY 2013-14 had submitted the revised estimates of costs and revenue for FY 2012-13. The Commission considered it appropriate and fair to revisit and review the approvals granted by it for FY 2012-13 with reference to the revised estimates made available by PSTCL but without altering the principles and norms adopted by the Commission earlier and accordingly approved the revised ARR for FY 2012-13 in the Review.

## 4.2 True up for FY 2012-13

PSTCL in its ARR for FY 2014-15, has submitted that since the annual accounts for FY 2012-13 are not finalized; it is not submitting the petition for the approval of ARR for FY 2012-13. Also, clause-9 (2) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 states that,

> *"9. REVIEW AND TRUING UP…. After audited accounts of a year are made available, the Commission shall undertake similar exercise as above with reference to the final actual figures as per the audited accounts. This exercise with reference to audited accounts shall be called Truing Up'." (Emphasis supplied)*

PSTCL has further submitted that the Truing-up exercise may be undertaken only on the basis of Audited Annual Accounts. Since the accounts for FY 2012-13 are not audited, it has been submitted that the Truing-up exercise may be undertaken by the Commission for FY 2012-13 after the finalization of Audited Annual Accounts.

As per provision under Tariff Regulations, True up can be undertaken only after the Audited Annual Accounts are made available. Hence, the Commission decides to undertake the True up for FY 2012-13 alongwith ARR petition of PSTCL for FY 2015-16, when the Audited Annual Accounts for FY 2012-13 are made available by PSTCL to the Commission.

# Chapter 5
# Review for FY 2013-14

## 5.1 Background

The Commission had issued the Tariff Order for Transmission business and SLDC business of PSTCL for FY 2013-14. PSTCL has now submitted petition for determination of ARR and Transmission charges & SLDC charges for FY 2014-15 for its Transmission business and SLDC business along with Review for FY 2013-14.

The Commission has analyzed each of the components of ARR for FY 2013-14 in the following sections of this chapter.

## 5.2 Transmission System Availability

5.2.1 PSTCL has submitted actual quarter-wise Transmission System Availability during FY 2013-14 (April to Sept.) as shown in Table 5.1.

**Table 5.1: Transmission System Availability of PSTCL (in %)**

| Sr. No. | Voltage level | FY 2013-14 | |
|---|---|---|---|
| | | April – June | July – Sept. |
| I | II | III | IV |
| 1. | 220 kV | 99.89 | 99.69 |
| 2. | 132 kV | 99.63 | 99.76 |

5.2.2 PSTCL has submitted that PSTCL has been able to maintain the availability of its transmission system above normative annual transmission availability factor of 98% and has requested an appropriate incentive for the performance of the transmission system in accordance with the PSERC Tariff Regulations, at the time of truing up of FY 2013-14.

The Commission has taken note of the availability of PSTCL transmission system and will consider for incentive at the time of True up as per PSERC Tariff Regulations.

## 5.3 Transmission Loss

PSTCL had projected the transmission loss at 4.5% for FY 2013-14 in its ARR for the same year. Since PSTCL had not completed the intra-state boundary metering, the Commission retained the transmission loss at 2.5% for FY 2013-14, and at the same time ordered that the Commission would revisit the transmission loss in the review/true up for FY 2013-14, after the boundary meters are provided and energy audit is conducted.

PSTCL has submitted in the ARR for FY 2014-15 that the process of energy metering is still in progress and is expected to be completed by 31.12.2013. PSTCL has prayed to the Commission that till the system of energy accounting is not in place, the transmission losses of similarly placed STUs should be considered for allowing the transmission losses of PSTCL. PSTCL has further prayed to the Commission for approving the transmission losses of 4.5%, as submitted in previous petitions of PSTCL.

**Pending installation of Intra-State Boundary Metering-cum-Transmission Level Energy Audit Scheme necessary to arrive at accurate transmission loss, the Commission retains the transmission loss level at 2.5% as approved in the Tariff Order for FY 2013-14. This will be re-visited during True up after the boundary meters are made functional and energy audit is done.**

## 5.4 Employee Cost

5.4.1 In the ARR Petition for FY 2013-14, PSTCL had projected employee expenses of ₹273.22 crore for Transmission business (net of capitalization of ₹26.40 crore) and ₹10.54 crore for SLDC business for FY 2013-14. Consequent upon the GoP notification dated 24.12.2012, PSTCL submitted a revised projection of employee cost of ₹379.93 crore for Transmission business and ₹9.06 crore for SLDC business against which the Commission approved an amount of ₹365.32 crore as employee cost for Transmission business and ₹3.82 crore for SLDC business.

5.4.2 In the ARR Petition for FY 2014-15, PSTCL has claimed ₹316.80 crore on account of employee cost for Transmission business. This includes an amount of ₹184.00 crore on account of Terminal Benefits.

Similarly, PSTCL has claimed ₹7.02 crore on account of employee cost for SLDC business. The petitioner has not claimed any amount towards terminal benefits for SLDC business as the total terminal benefits have not been segregated into STU & SLDC and the same have been considered for Transmission business.

5.4.3 PSERC vide notification dated 17.09.2012 has amended the PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005. Regulation 28 (2) (a) of the amended regulations provides as under:

*‘O&M expenses as approved by the Commission for the year 2011-12 (true-up) shall be considered as base O&M expenses for determination of O&M expenses for subsequent years’.*

5.4.4 In the true up for FY 2011-12, Commission has allowed ₹114.09 crore as ‘other employee cost’ to PSTCL for transmission business. This includes the impact of pay revision and ₹21.89 crore on account of arrears of pay revision. After deducting arrears of pay revision, ‘other employee cost’ for PSTCL (including impact of pay revision) for transmission business works out to ₹92.20 (114.09-21.89) crore which is adopted as base for calculating allowable other employee cost for subsequent years for transmission business.

Similarly, in the true up for FY 2011-12, Commission has allowed ₹6.60 crore as ‘employee cost’ to PSTCL for SLDC business. This includes the impact of pay revision and ₹0.88 crore on account of arrears of pay revision. After deducting arrears of pay revision, ‘other employee cost’ for PSTCL for SLDC business works out to ₹5.72 (6.60-0.88) crore which is adopted as base for calculating allowable other employee cost for subsequent years for SLDC business.

5.4.5 The provisions of the PSERC Tariff Regulations provide for determination of employee cost, as under:

- Terminal benefits on actual basis
- Increase in other expenses limited to average increase in WPI

PSTCL has claimed terminal benefits of ₹184.00 crore for FY 2013-14. Since terminal benefits are to be allowed on actual basis as per amended Regulation 28 (3) (a) (ii), **the Commission allows terminal benefits of ₹184.00 crore for FY 2013-14 to PSTCL.**

5.4.6 As per PSERC Tariff Regulations, increase in ‘other employee cost’ is to be limited to average increase in WPI which works out to 7.35% for FY 2012-13. Applying the WPI increase of 7.35% to the base figure of ₹92.20 crore, the ‘other employee cost’ of transmission business of PSTCL works out to ₹98.98 crore for FY 2012-13. Similarly, by applying 7.35% to the base figure of ₹5.72 crore for SLDC, the other employee expense for SLDC for FY 2012-13 works out to ₹6.14 crore. However, the average annual WPI increase for FY 2013-14 would only be available next year. Accordingly, based on the WPI available for 8 months (April 2013 to November 2013), the Commission has calculated the average WPI increase of 5.29% which is adopted for purposes of calculation of allowable employee cost for FY 2013-14. The allowable ‘other employee cost’ as calculated above for FY 2012-13 is ₹98.98 crore for Transmission business and ₹6.14 crore for SLDC business. After applying the WPI increase of 5.29%, **the ‘other employee cost’ works out to ₹104.22 crore for Transmission business and ₹6.46 crore for SLDC business for FY 2013-14.**

5.4.7 PSTCL has also claimed arrears of pay revision of ₹15.40 crore for Transmission business. However no amount has been claimed on account of arrears of pay revision for SLDC business.

Keeping in view the judgment of Hon’ble APTEL as discussed in para 3.4.8 of this Tariff Order, **the Commission allows the claim of arrears of pay revision of ₹15.40 crore for Transmission business.** However no amount is allowed on account of arrears of pay revision for SLDC business as petitioner has not claimed the same.

**Thus, the Commission approves the total employee cost of ₹303.62 (184.00+104.22+15.40) crore for Transmission business and ₹6.46 crore for SLDC business for FY 2013-14.**

## 5.5 Repair and Maintenance (R&M) Expenses

5.5.1 In the ARR Petition for FY 2013-14, PSTCL had projected the R&M expenses of ₹70.03 crore for its Transmission business (which includes R&M expenses of ₹10.00 crore for assets likely to be added during the year) and ₹8.16 crore for its SLDC business (which includes R&M expenses of ₹5.04 crore on assets likely to be added during the year) against which the Commission approved an amount of ₹113.79 crore as R&M expenses for Transmission business and ₹0.29 crore for SLDC business.

5.5.2 In the ARR Petition for FY 2014-15, PSTCL has claimed R&M expenses of ₹51.87 crore (net of capitalisation of ₹1.45 crore) but including prior period expenses of ₹0.28 crore for its transmission business. By excluding ₹0.28 crore as prior period expenses from the R&M expenses, net R&M expenses for FY 2013-14 work out to ₹51.59 crore. Similarly, PSTCL has claimed ₹2.56 crore for its SLDC business for FY 2013-14.

5.5.3 PSERC vide notification dated 17.09.2012 has amended the PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005. Regulation 28 (2) (a) of the amended regulations provides as under:

*'O&M expenses as approved by the Commission for the year 2011-12 (true-up) shall be considered as base O&M expenses for determination of O&M expenses for subsequent years'.*

5.5.4 In the true up for FY 2011-12, Commission has approved ₹25.92 crore as R&M expenses to PSTCL for transmission business which is adopted as base for calculating allowable R&M expenses for subsequent years for transmission business.

Similarly, in the true up for FY 2011-12, Commission has approved ₹1.93 crore as R&M expenses to PSTCL for SLDC business which is adopted as base for calculating allowable other employee cost for subsequent years for SLDC business.

5.5.5 Amended Regulation 28(2)(b) of the PSERC Tariff Regulations, 2005 provides for adjusting base O&M expenses in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent years. The WPI for FY 2012-13 works out to 7.35%. Applying the WPI increase of 7.35% to the base figure of ₹25.92 crore, the allowable R&M expenses for transmission business of PSTCL work out to ₹27.83 crore for FY 2012-13. Similarly, by applying 7.35% to the base figure of ₹1.93 crore for SLDC, the R&M expense for SLDC for FY 2012-13 works out to ₹2.07 crore.

In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the R&M expenses are allowable for additional assets added during the year on pro–rata basis from the date of commissioning of assets. Fixed assets approved to be added during the year are considered as having remained in service for six months on an average during the year. In the absence of Audited Annual Accounts for FY 2012-13, it is not possible to determine assets added during the year. So, Commission finds it appropriate to take the figure of assets added during the year as determined in the review of 2012-13 in the Tariff Order for FY 2013-14 for the purpose of calculation of allowable R&M expenses for FY 2012-13.

5.5.6 PSTCL had been allowed to capitalise assets worth ₹1348.15 crore (₹1344.97 crore for Transmission business + ₹3.18 crore for SLDC business) during FY 2012-13 in the review. These are being considered for calculating allowable R&M expenses for FY 2012-13. R&M expenses for these assets added during the year are being considered assuming that these assets remained in service for six months on an average during FY 2012-13. The average percentage rate of R&M

expenses of ₹27.83 crore for assets of ₹5265.17 crore as on 1.4.2012 work out to 0.53% (27.83/5265.17x100) for Transmission business. Similarly, average percentage rate of R&M expenses of ₹2.07 crore for assets of ₹5.50 crore as on 01.04.2012 work out to 37.64% (2.07/5.50x100) for SLDC business. By applying the average rate of 0.53% on addition of assets of ₹1344.97 crore for half year for Transmission business, the allowable R&M expenses for the fixed assets added during the year work out to ₹3.56 crore. Thus, allowable R&M expenses for FY 2012-13 for Transmission Business work out to ₹31.39 (27.83+3.56) crore. By applying the average rate of 37.64% on addition of assets of ₹3.18 crore for half year for SLDC business, the allowable R&M expenses for the fixed assets added during the year works out to ₹0.60 crore. Thus, allowable R&M expenses for FY 2012-13 for SLDC Business work out to ₹2.67 (2.07+0.60) crore.

5.5.7 The Commission adopts R&M expenses of ₹34.95 crore (₹27.83 crore as determined above being allowable R&M expenses of PSTCL for transmission business for FY 2012-13 and ₹7.12 crore being R&M expenses allowed on approved asset addition during the entire year) of FY 2012-13 as base expenses for calculating R&M expenses for FY 2013-14. Similarly, the Commission adopts R&M expenses of ₹3.27 crore (₹2.07 crore as determined above being allowable R&M expenses of PSTCL for transmission business for FY 2012-13 and ₹1.20 crore being R&M expenses allowed on approved asset addition during the entire year) of FY 2012-13 as base expenses for allowing R&M expenses for FY 2013-14.

The average annual WPI increase for FY 2013-14 would only be available next year. Accordingly, based on the WPI available for 8 months (April 2013 to November 2013), the Commission has calculated the average WPI increase of 5.29% which is adopted for purposes of calculation of allowable R&M expenses for FY 2013-14. The allowable R&M expense as calculated above for FY 2012-13 is ₹34.95 crore for Transmission business and ₹3.27 crore for SLDC business. After applying the WPI increase of 5.29%, the R&M expenses work out to ₹36.80 crore for Transmission business and ₹3.44 crore for SLDC business for FY 2013-14.

5.5.8 In the ARR Petition for FY 2014-15, PSTCL has not claimed any R&M expenses for assets added during the year 2013-14 for Transmission Business. PSTCL has proposed to capitalize assets to the extent of ₹1579.27 crore in the RE for FY 2013-14 against the proposed capital expenditure of ₹851.60 crore. However, based on the capital expenditure actually incurred up to November, 2013, the

Commission has approved the investment outlay of ₹450.00 crore for FY 2013-14 in para 5.8.3 of this Order. Accordingly capitalization works out to ₹1307.71 crore for FY 2013-14.

5.5.9 In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the R&M expenses are allowable for assets added during the year on pro-rata basis from the date of commissioning of assets. The percentage of allowable R&M expenses of ₹36.80 crore vis-a-vis the Opening Gross Fixed Assets (GFA) of ₹6610.14 (₹5265.17 crore assets as on 31.03.2012 plus ₹1344.97 crore added during FY 2012-13) crore works out to 0.56%. Accordingly, the additional R&M expenses on the asset addition of ₹1307.71 crore work out to ₹3.66 crore, considering the asset addition for six months, on an average during the year. **Thus, total R&M expenses allowable to PSTCL for Transmission business works out to ₹40.46 (36.80+3.66) crore for FY 2013-14.**

5.5.10 In the ARR Petition for FY 2014-15, PSTCL has not claimed any R&M expenses for assets added during the year 2013-14 for SLDC Business. PSTCL has proposed to capitalize assets to the extent of ₹13.53 crore in the RE for FY 2013-14 against the proposed capital expenditure of ₹13.53 crore. However, the Commission has approved the investment outlay of ₹1.00 crore for FY 2013-14 in para 5.8.4 of this Order. Accordingly, capitalization works out to ₹1.00 crore for FY 2013-14. Thus, the percentage of approved R&M expenses of ₹3.44 crore vis-a-vis the Opening Gross Fixed Assets (GFA) of ₹8.68 (₹5.50 crore assets as on 31.03.2012 plus ₹3.18 crore of assets taken for FY 2012-13) crore works out to 39.63%. The additional R&M expenses on the asset addition of ₹1.00 crore works out to ₹0.20 crore, considering the asset addition for six months, on an average during the year. Thus allowable R&M expenses for SLDC business work out to ₹3.64 (3.44+0.20) crore.

**Thus, the Commission approves the R&M expenses of ₹40.46 crore for Transmission business and of ₹3.64 crore for SLDC business of PSTCL for FY 2013-14.**

## 5.6 Administrative and General (A&G) Expenses

5.6.1 In the ARR Petition for FY 2013-14, PSTCL had projected A&G expenses of ₹40.51 crore for its Transmission business which included A&G expenses of ₹5.78 crore for asset addition during the year. In the ARR Petition for FY 2013-14, PSTCL had also projected A&G expenses of ₹2.11 crore for its SLDC business which included A&G expenses of ₹0.94 crore for asset addition during FY 2013-14 against which the Commission approved an amount of ₹26.24 crore as A&G expenses for Transmission business and ₹0.05 crore for SLDC business.

5.6.2 In the ARR Petition for FY 2014-15, PSTCL has claimed A&G expenses of ₹25.78 crore (net of capitalisation of ₹5.01 crore) but including prior period expenses of ₹0.01 crore for its transmission business. By excluding ₹0.01 crore as prior period expenses from the A&G expenses, net A&G expenses for FY 2013-14 work out to ₹25.77 crore. Similarly, PSTCL has claimed A&G expenses of ₹1.52 crore for its SLDC business for FY 2013-14.

5.6.3 PSERC vide notification dated 17.09.2012 has amended the PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005. Regulation 28 (2) (a) of the amended regulations provides as under:

*'O&M expenses as approved by the Commission for the year 2011-12 (true-up) shall be considered as base O&M expenses for determination of O&M expenses for subsequent years'.*

5.6.4 In the true up for FY 2011-12, Commission has approved ₹11.59 crore as A&G expenses to PSTCL for transmission business which are adopted as base for calculating allowable A&G expenses for subsequent years for transmission business.

Similarly, in the true up for FY 2011-12, Commission has approved ₹0.56 crore as A&G expenses to PSTCL for SLDC business which is adopted as base for calculating A&G cost for subsequent years for SLDC business.

Amended Regulation 28 (2) (b) of the PSERC Tariff Regulations, 2005 provides for adjusting base O&M expenses in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent years. The WPI for FY 2012-13 works out to 7.35%. Applying the WPI increase of 7.35% to the base figure of ₹11.59 crore, the allowable A&G expenses for transmission business of PSTCL works out to ₹12.44 crore for FY 2012-13. Similarly, by applying 7.35% to the base figure of ₹0.56 crore for SLDC, the A&G expense for SLDC for FY 2012-13 works out to ₹0.60 crore.

In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the A&G expenses are allowable for additional assets added during the year on pro–rata basis from the date of commissioning of assets. Fixed assets approved to be added during the year are considered as having remained in service for six months on an average during the year. In the absence of Audited accounts for FY 2012-13, it is not possible to determine assets added during the year. So, Commission finds it appropriate to take the figure of assets added during the year as determined in the review of FY 2012-13 in the Tariff Order for FY 2013-14 for the purpose of calculation of allowable A&G expenses for FY 2012-13.

5.6.5 PSTCL had been allowed to capitalise assets worth ₹1348.15 crore (₹1344.97 crore for Transmission business + ₹3.18 crore for SLDC business) during FY 2012-13 in the review which are being considered for calculating allowable A&G expenses for FY 2012-13. A&G expenses for these assets added during the year are being considered assuming that these assets remained in service for six months on an average during FY 2012-13. The average percentage rate of A&G expenses of ₹12.44 crore for assets of ₹5265.17 crore as on 01.04.2012 work out to 0.24% (12.44/5265.17x100) for Transmission business. Similarly, average percentage rate of A&G expenses of ₹0.60 crore for assets of ₹5.50 crore as on 01.04.2012 work out to 10.91% (0.60/5.50x100) for SLDC business. By applying the average rate of 0.24% on addition of assets of ₹1344.97 crore for half year for Transmission business, the allowable A&G expenses for the fixed assets added during the year work out to ₹1.61 crore. Thus, allowable A&G expenses for FY 2012-13 for Transmission Business work out to ₹14.05 (12.44+1.61) crore. By applying the average rate of 10.91% on addition of assets of ₹3.18 crore for half year for SLDC business, the allowable A&G expenses for the fixed assets added during the year works out to ₹0.17 crore. Thus, allowable A&G expenses for FY 2012-13 for SLDC Business work out to ₹0.77(0.60+0.17) crore.

The Commission adopts A&G expenses of ₹15.66 crore (₹12.44 crore as determined above being allowable A&G expenses of PSTCL for transmission business for FY 2012-13 and ₹3.22 crore being A&G expenses allowed on approved asset addition during the entire year) of FY 2012-13 as base expenses for calculating A&G expenses for FY 2013-14. Similarly, the Commission adopts A&G expenses of ₹0.94 crore (₹0.60 crore as determined above being allowable A&G expenses of PSTCL for transmission business for FY 2012-13 and ₹0.34 crore being A&G expenses allowed on approved asset addition during the entire year) of FY 2012-13 as base expenses for allowing A&G expenses for FY 2013-14.

The average annual WPI increase for FY 2013-14 would only be available next year. Accordingly, based on the WPI available for 8 months (April 2013 to November 2013), the Commission has calculated the average WPI increase of

5.29%, which is adopted for purposes of calculation of allowable A&G expenses for FY 2013-14. The allowable A&G expenses as calculated above for FY 2012-13 is ₹15.66 crore for Transmission business and ₹0.94 crore for SLDC business. Applying WPI increase of 5.29%, the A&G expenses work out to ₹16.49 crore for Transmission business and ₹0.99 crore for SLDC business for FY 2013-14.

5.6.6 In the ARR Petition for FY 2014-15, PSTCL has not claimed any A&G expenses for assets added during the year 2013-14 for Transmission Business. PSTCL has proposed to capitalize assets to the extent of ₹1579.27 crore in the RE for FY 2013-14 against the proposed capital expenditure of ₹851.60 crore. However, based on the capital expenditure actually incurred up to November 2013, the Commission has approved the investment outlay of ₹450.00 crore for FY 2013-14 in para 5.8.3 of this Order. Accordingly capitalization works out to ₹1307.71 crore for FY 2013-14.

5.6.7 In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the A&G expenses are allowable for assets added during the year on pro-rata basis from the date of commissioning of assets. The percentage of allowable A&G expenses of ₹16.49 crore vis-a-vis the Opening Gross Fixed Assets (GFA) of ₹6610.14 (₹5265.17 crore assets as on 31.0±3.2012 plus ₹1344.97 crore taken for FY 2012-13) crore works out to 0.25%. Accordingly, the additional A&G expenses on the asset addition of ₹1307.71 crore work out to ₹1.63 crore, considering the asset addition for six months, on an average during the year. **Thus, A&G expenses allowable to PSTCL for Transmission business works out as ₹18.12 (16.49+1.63) crore for FY 2013-14.**

5.6.8 A&G expenses of PSTCL for FY 2013-14 for Transmission business also include an amount of ₹0.25 crore as Annual License fee, ₹0.25 crore as Tariff filing fee and ₹0.24 crore as audit fee. PSTCL vide letter no. 381/FA/ARR-403 dated 11.02.2014 has requested that any expenditure on account of license fee, initial or renewal, fees for determination of tariff and audit fee be allowed on actual basis over and above the A&G expenses approved by the Commission. Regulation 28 (2) (b) of PSERC (Terms and Conditions for Determination of Tariff) Second Amendment Regulations, provides as under:-

> ‘*Base O&M expenses (except employee cost) as above shall be adjusted according to variation in the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year to determine the O&M expenses for subsequent years.*

*Provided that any expenditure on account of license fee, initial or renewal, fees for determination of tariff and audit fee shall be allowed on actual basis over and above the A&G expenses approved by the Commission.'*

5.6.9 As per above regulation Annual License fee amounting to ₹0.25 crore, fee for determination of tariff amounting to ₹0.25 crore and audit fee of ₹0.24 crore is also allowable to PSTCL in addition to the A&G expenses as worked out above. **Thus, total A&G expenses allowable to PSTCL for Transmission business work out to ₹18.86 (18.12+0.25+0.25+0.24) crore for FY 2013-14.**

5.6.10 In the ARR Petition for FY 2014-15, PSTCL has not claimed any A&G expenses for assets added during the year 2013-14 for SLDC Business. PSTCL has proposed to capitalize assets to the extent of ₹13.53 crore in the RE for FY 2013-14 against the proposed capital expenditure of ₹13.53 crore. However, the Commission has approved the investment outlay of ₹1.00 crore for FY 2013-14 in para 5.8.4 of this Order. Accordingly, capitalization works out to ₹1.00 crore for FY 2013-14. The percentage of allowable A&G expenses of ₹0.99 crore vis-a-vis the Opening Gross Fixed Assets (GFA) of ₹8.68 (₹5.50 crore assets as on 31.03.2012 plus ₹3.18 crore of assets taken for FY 2012-13) crore works out to 11.41%. The additional A&G expenses on the asset addition of ₹1.00 crore work out to ₹0.06 crore considering the asset addition for six months, on an average during the year. **Accordingly, total A&G expenses allowable to PSTCL for SLDC business work out as ₹1.05 (0.99+0.06) crore for FY 2013-14.**

**Thus, the Commission approves the A&G expenses of ₹18.86 crore for Transmission business and of ₹1.05 crore for SLDC business of PSTCL for FY 2013-14.**

### 5.7 Depreciation Charges

5.7.1 In ARR Petition for FY 2013-14, PSTCL projected the depreciation charges of ₹267.49 crore for FY 2013-14 for its Transmission business and ₹1.35 crore for SLDC business against which the Commission approved the depreciation charges of ₹218.91 crore for Transmission business and ₹0.57 crore for SLDC business. In the ARR Petition of FY 2014-15, PSTCL has revised its claim of depreciation charges to ₹166.14 crore for Transmission business and ₹0.93 crore for SLDC business. PSTCL has submitted that actual depreciation charges for FY 2013-14 are not available. PSTCL has calculated the depreciation on the average rate of depreciation which is applied across the asset classes on the opening balance of assets for the year.

5.7.2 The Commission has approved the depreciation charges of ₹87.15 crore for Transmission business for FY 2011-12 in this Tariff Order on the Gross Fixed Assets value (GFA) of ₹2338.74 crore (excluding land) as on March 31, 2012. In the absence of Audited Annual Accounts for FY 2012-13 and sub-head wise detail of assets, the Commission adopts the addition of GFA of FY 2012-13 as ₹1344.97 crore determined in Tariff Order for FY 2013-14 for calculating depreciation. The Commission also observes that no depreciation on assets added during FY 2013-14 is considered as the utility has not submitted Audited Annual Accounts for FY 2012-13. Accordingly, the Commission determines the depreciation charges as ₹137.27 crore for FY 2013-14. This shall be re-considered on submission of sub-head wise details of assets for FY 2012-13 & 2013-14.

5.7.3 The Commission has approved the depreciation charges of ₹0.82 crore for SLDC business for FY 2011-12 in this Tariff Order on the Gross Fixed Assets value (GFA) of ₹5.50 crore as on March 31, 2012. In the absence of Audited Annual Accounts for FY 2012-13, the Commission adopts the addition of GFA of FY 2012-13 as ₹3.18 crore as determined in Tariff Order for FY 2013-14 for calculating depreciation. Accordingly, the Commission works out the depreciation charges as ₹1.29 crore for FY 2013-14 on GFA of ₹8.68 crore as on 1.04.2013 against the claim of depreciation of ₹0.93 crore for SLDC business. The Commission however restricts allowable depreciation to ₹0.93 crore in line with claim of utility. This shall be re-considered on submission of sub-head wise details of assets for FY 2012-13 and FY 2013-14.

Depreciation on assets added/reduced during FY 2013-14 will be considered during True Up after submission of Audited Accounts.

**The Commission, accordingly, approves the depreciation charges of ₹137.27 crore for Transmission business and ₹0.93 crore for SLDC business for FY 2013-14.**

## 5.8 Interest and Finance Charges

5.8.1 In the ARR Petition for FY 2013-14, PSTCL projected interest charges of ₹358.84 crore (net of capitalization of ₹10.00 crore) for Transmission business and ₹2.57 crore for SLDC business. Consequent upon GoP notification dated 24.12.2012, the utility revised its interest claim to ₹441.67 crore for Transmission business. The Commission approved interest charges of ₹299.25 crore for Transmission business and ₹0.97 crore for SLDC business for FY 2013-14.

5.8.2 In the ARR Petition for FY 2014-15, PSTCL has revised its claim of Interest charges to ₹311.99 (other than interest on Working Capital Loans (WCL) and net of capitalization of ₹104.14 crore) crore for Transmission business and ₹0.51 crore for SLDC business.

The interest and finance charges are discussed in the ensuing paragraphs.

5.8.3 **Investment Plan for Transmission Business**

In the ARR Petition of FY 2013-14, PSTCL had estimated a capital expenditure of ₹990.18 crore against which the Commission had approved an investment plan of ₹900.00 crore for the Transmission business of PSTCL in Tariff Order of FY 2013-14. PSTCL has estimated the capital expenditure at ₹851.60 crore for FY 2013-14 in the ARR Petition of FY 2014-15.The details of capital expenditure submitted by PSTCL are shown in Table 5.2.

**Table 5.2: Estimates of Capital Expenditure for Transmission business for FY 2013-14**

**(₹ crore)**

| Sr. No. | Particulars | Opening WIP* as on March 31, 2013 | Expenditure during FY 2013-14 | Transferred to Assets | Closing WIP* as on March 31, 2014 |
|---|---|---|---|---|---|
| **I** | **II** | **III** | **IV** | **V** | **VI** |
| 1. | 132 kV | 28.85 | 40.40 | 51.41 | 17.84 |
| 2. | 220 kV | 405.17 | 433.76 | 629.29 | 209.64 |
| 3. | 400 kV | 1049.89 | 362.44 | 883.57 | 528.76 |
| 4. | ERP & others | 0.00 | 15.00 | 15.00 | 0.00 |
| 5. | **Total** | **1483.91** | **851.60** | **1579.27** | **756.24** |

**Works in progress.*

The Commission observes that PSTCL has proposed an ambitious investment plan for its Transmission business for FY 2013-14. PSTCL has furnished the actual expenditure upto Nov 2013 at ₹281.24 crore against proposed capital expenditure of ₹851.60 crore in the RE for FY 2013-14. Based on the actual capital expenditure up to Nov, 2013 likely capital expenditure for the FY 2013-14 works out to ₹421.86 crore. The Commission approves the capital expenditure at ₹450.00 crore for FY 2013-14 based on actual capital expenditure and some enhancement. PSTCL has also shown consumer contribution of ₹0.67 crore in first half of FY 2013-14.Thus, the loan requirement for Transmission business of PSTCL works out to ₹449.33 crore.

PSTCL has proposed to capitalize its assets to the extent of ₹1579.27 crore in the RE for FY 2013-14 against the proposed capital expenditure of ₹851.60 crore. The Commission has approved an investment of ₹450.00 crore and the corresponding capitalization works out to ₹1307.71 crore.

5.8.4 **Investment Plan for SLDC business**

In the ARR Petition of FY 2014-15, PSTCL has proposed an investment of ₹13.53 crore for SLDC Business for FY 2013-14 against ₹15.00 crore approved by the Commission in the Tariff order for FY 2013-14 as detailed in Table 5.3.

**Table 5.3: Estimates of Capital Investment for SLDC business for FY 2013-14**

**(₹ crore)**

| Sr. No. | Particulars | Projected for SLDC |
|---|---|---|
| **I** | **II** | **III** |
| 1. | RTU addition/replacement | 3.50 |
| 2. | Intrastate Boundary Metering cum Transmission Level Energy Audit Scheme | 10.00 |
| 3. | Voice Recording Cum Expert Message Management System | 0.03 |
| 4. | **Total** | **13.53** |

It is seen from Table 5.3 that the major item of expenditure of ₹10.00 crore is for Intrastate Boundary Metering cum Transmission Level Energy Audit Scheme. As per capital expenditure statement of PSTCL submitted vide memo no. 285/FA/ARR-52 dated 31.01.2014, SLDC has not incurred any capital expenditure upto November, 2013. The Commission observes that initial investment plan of SLDC business as filed in the ARR Petition of FY 2013-14 was ₹18.40 crore against which the Commission had allowed ₹15.00 crore for SLDC business. In the ARR Petition of FY 2014-15, the investment plan for SLDC business for FY 2013-14 has been reduced by PSTCL to ₹13.53 crore, which was further reduced to ₹1.00 crore by PSTCL vide memo no. 878/FA/ARR-403 dated 02.04.2014. The Commission, therefore, considers it appropriate to allow investment plan of ₹1.00 crore for FY 2013-14 for SLDC business of PSTCL. Accordingly, the Commission approves an investment plan of ₹1.00 crore for SLDC business of PSTCL in the review for FY 2013-14. Considering the approved capital expenditure of ₹1.00 crore, the loan requirement for SLDC business of PSTCL works out to ₹1.00 crore.

PSTCL has submitted that it has proposed capitalization of ₹13.53 crore out of capital expenditure of ₹13.53 crore estimated for SLDC business. The Commission has approved an investment of ₹1.00 crore in the review and corresponding capitalization works out to ₹1.00 crore in the ratio of opening capital works in progress (CWIP) to total estimated/approved capital expenditure of PSTCL as determined by the Commission. Accordingly, Commission allows capitalization of expenditure of ₹1.00 crore for SLDC in the Review for

FY 2013-14.

PSTCL has shown the opening balance of loans as on April 1, 2013 as ₹3097.12 crore against ₹2267.97 crore approved in the Tariff Order for FY 2013-14.

PSTCL has claimed ₹293.73 crore (net of capitalization of ₹104.14 crore) towards interest on opening balance of Loans [other than working capital loans (WCL) and GP Fund] and an addition of loans of ₹860.50 crore during FY 2013-14 excluding consumer contribution of ₹0.67 crore for its Transmission business in the R.E for FY 2013-14. The interest allowable is worked out as detailed in Table 5.4.

**Table 5.4: Interest on Loans (other than WCL& GP Fund) for Transmission business**

**(₹ crore)**

| Sr. No. | Particulars | Loans as on April 1, 2013 | Receipt of Loans during FY 2013-14 | Repayment of Loans during FY 2013-14 | Loans as on March 31, 2014 | Amount of Interest |
|---|---|---|---|---|---|---|
| I | II | III | IV | V | VI | VII |
| 1. | As per data furnished in ARR Petition (other than WCL) | 3097.12 | 860.50 | 255.44 | 3702.18 | 397.87 |
| 2. | Approved by the Commission (other than WCL) | 2267.97 | 449.33 | 255.44 | 2461.86 | 276.77 |

**The Commission thus approves the interest on loans at ₹276.77 crore for the Transmission business of PSTCL for FY 2013-14.**

PSTCL has claimed ₹0.51 crore towards interest on Loans (other than WCL) in the RE for FY 2013-14 for its SLDC business. PSTCL has shown the opening balance of loans as on April 01, 2013 as ₹0.77 crore against ₹1.00 crore approved in the Tariff Order for FY 2013-14. The Commission, therefore, adopts the opening balance as on April 01, 2013 of ₹0.77 crore for calculation of interest on loan. The interest on allowable loans (other than Working Capital Loans) is worked out as detailed in Table 5.5.

**Table 5.5: Interest on Loans for SLDC (other than WCL)**

**(₹ crore)**

| Sr. No. | Particulars | Loans as on April 1, 2013 | Receipt of Loans during FY 2013-14 | Repayment of Loans during FY 2013-14 | Loans as on March 31, 2014 | Amount of Interest |
|---|---|---|---|---|---|---|
| I | II | III | IV | V | VI | VII |
| 1. | As per data furnished in ARR Petition (other than WCL) | 0.77 | 13.53 | 0.0 | 14.30 | 0.51 |
| 2. | Approved by the Commission (other than WCL) | 0.77 | 1.00 | 0.00 | 1.77 | 0.09 |

**The Commission approves the interest on loans at ₹0.09 crore for FY 2013-14 for the SLDC business of PSTCL.**

5.8.5 **Finance Charges**

PSTCL had claimed guarantee fees as finance charges of ₹4.00 crore in the ARR Petition of FY 2013-14 against which the Commission allowed ₹2.98 crore. PSTCL has not claimed any finance/ guarantee charges for its Transmission & SLDC Business in the ARR Petition for FY 2014-15 and are hence not allowed.

5.8.6 **Interest on GP Fund**

PSTCL has claimed an interest of ₹18.26 crore on GP fund of ₹219.54 crore. The interest of ₹18.26 crore on GP Fund, being statutory payment, is allowed as claimed by PSTCL for FY 2013-14.

5.8.7 **Capitalization of Interest Charges**

PSTCL has claimed ₹104.14 crore as capitalization of interest for the FY 2013-14 for the Transmission business of PSTCL and nil capitalization of interest charges for its SLDC business. The Commission determines the capitalization of interest of ₹0.00 crore in the ratio of Work In Progress (WIP) and total WIP and GFA for SLDC business. The Commission also determines the capitalization of interest of ₹30.85 crore in the ratio of Work In Progress (WIP) and total WIP and GFA for transmission business of PSTCL.

5.8.8 **Diversion of Capital Funds**

The Commission, in paras 2.15.7 and 2.15.8 of the Tariff Order for FY 2011-12, had determined the diversion of capital funds for revenue purposes at ₹2458.56 crore based on the Board's Audited Annual Accounts for FY 2009-10. The amount of diverted funds carrying interest liability, was worked out to ₹1821.21 crore. The Audited Accounts for FYs 2010-11 and 2011-12 had not been made available to the Commission by PSTCL at the time of determination of tariff order for FY 2013-14. Therefore, the amount of the diverted funds of ₹1821.21 crore based on the Audited Annual Accounts for FY 2009-10, as determined in the Tariff Order for FY 2011-12, was considered for FY 2013-14. The interest on these diverted funds @ 13%, being SBI advance rate as on 1st April, 2011, worked out to ₹236.76 crore. Of this amount, interest of ₹24.39 crore was considered in the Tariff Order for PSTCL and the balance amount of ₹212.37 crore was considered in the Tariff Order for PSPCL.

The Audited Annual Accounts for FY 2011-12 have now been received and have been examined and analyzed to re-determine diversion of capital funds for FY

2011-12. The Commission observes that there is no diversion of capital funds for revenue purposes by PSTCL for FY 2011-12 in para 3.8.7 of this Tariff Order.

The Audited Annual Accounts for FY 2012-13 have not been made available to the Commission by PSTCL. Based on the Audited Annual Accounts for FY 2011-12, the Commission is of the view that the diversion of capital funds for revenue purpose for FY 2013-14 may be considered as nil. However, the amount of diversion and interest thereon will be reconsidered by the Commission in the true up after receipt of Audited Annual Accounts for FY 2013-14.

The Commission approves interest charges for PSTCL for its Transmission business for FY 2013-14 as shown in Table 5.6.

**Table 5.6: Interest Charges for Transmission business for FY 2013-14**

**(₹ crore)**

| Sr. No. | Particulars | Loans as on April 01, 2013 | Receipt of loans during FY 2013-14 | Repayment of loans | Loans as on March 31, 2014 | Interest charges approved by the Commission |
|---|---|---|---|---|---|---|
| **I** | **II** | **III** | **IV** | **V** | **VI** | **VII** |
| 1. | Interest on institutional loans | 2267.97 | 449.33 | 255.44 | 2461.86 | 276.77 |
| 2. | Finance Charges | | | | | 0.00 |
| 3. | GP Funds | | | | | 18.26 |
| 4. | Total (1+2) | | | | | 295.03 |
| 5. | Less : Capitalization | | | | | 30.85 |
| **6.** | **Net Interest Charges** | | | | | **264.18** |

**The Commission, accordingly, approves the interest and finance charges of ₹264.18 crore for the Transmission business of PSTCL for FY 2013-14.**

Similarly, the approved interest charges for SLDC business of PSTCL for FY 2013-14 are shown in Table 5.7.

**Table 5.7: Interest Charges for SLDC business for FY 2013-14**

**(₹ crore)**

| Sr. No. | Particulars | Loans as on April 01, 2013 | Receipt of loans during FY 2013-14 | Repayment of loans during FY 2013-14 | Loans as on March 31, 2014 | Amount of interest |
|---|---|---|---|---|---|---|
| **I** | **II** | **III** | **IV** | **V** | **VI** | **VII** |
| 1. | Interest on institutional loans | 0.77 | 1.00 | 0.00 | 1.77 | 0.09 |
| 2. | Finance Charges | | | | | 0.00 |
| 3. | Total (1+2) | 0.77 | 1.00 | 0.00 | 1.77 | 0.09 |
| 4. | Less : Capitalization | | | | | 0.00 |
| **5.** | **Net Interest Charges** | | | | | **0.09** |

**Accordingly, the Commission allows Interest Charges of ₹0.09 crore for the SLDC business of PSTCL for FY 2013-14.**

5.8.9 **Interest on Working Capital**

In the ARR Petition for FY 2013-14, PSTCL had claimed interest on working capital of ₹42.89 crore for Transmission business, on normative basis, on a total working capital of ₹290.78 crore against which the Commission approved interest charges of ₹33.14 crore for Transmission Business of PSTCL for FY 2013-14.

In the ARR Petition for FY 2014-15, PSTCL has claimed interest on working capital of ₹37.76 crore for Transmission business, on normative basis, on a total working capital of ₹261.29 crore for FY 2013-14.

The Commission has considered the working capital as per PSERC Tariff Regulations. The interest on working capital of ₹224.11 crore works out to ₹25.84 crore for FY 2013-14 by applying an interest rate of 11.53%, being the average rate of interest actually payable by the utility on the loans claimed by them during the year 2013-14 as detailed in Table 5.8.

**Table 5.8: Interest on Working Capital for Transmission business of PSTCL for FY 2013-14**

**(₹ crore)**

| Sr. No. | Particulars | Projected by the PSTCL | Approved by the Commission |
|---|---|---|---|
| I | II | III | IV |
| 1. | Receivables equivalent to two months | 169.25 | 139.42 |
| 2. | Maintenance spares @ 15% of Operation and Maintenance (O&M) expenses | 59.17 | 54.44 |
| 3. | Operation and Maintenance expenses for one month | 32.87 | 30.25 |
| 4. | Total working capital | 261.29 | 224.11 |
| 5. | Rate of Interest | 14.45 % | 11.53% |
| **6.** | **Interest on Working Capital** | **37.76** | **25.84** |

**The Commission, thus, approves the Working Capital of ₹224.11 crore and interest thereon of ₹25.84 crore for the Transmission business of PSTCL for FY 2013-14.**

In the ARR Petition for FY 2013-14, PSTCL has claimed interest of ₹2.16 crore for SLDC business on the total working capital of ₹14.63 crore. The Commission had allowed the interest on working capital as ₹0.60 crore on the working capital of ₹5.51 crore.

In the ARR Petition for FY 2014-15, PSTCL has claimed interest of ₹1.00 crore on working capital of ₹6.95 crore for FY 2013-14. Applying the above principle, the Commission has worked out the interest on working capital by applying rate of 6.77%, being, the rate of interest payable by PSTCL on loans for FY 2013-14 as detailed in Table 5.9.

**Table 5.9: Interest on Working Capital for SLDC business of PSTCL for FY 2013-14**

**( ₹ crore)**

| Sr. No. | Particulars | Projected by the PSTCL | Approved by the Commission |
|---|---|---|---|
| I | II | III | IV |
| 1. | Receivables equivalent to two months | 9.77 | 2.91 |
| 2. | Maintenance spares @ 15% of Operation and Maintenance (O&M) expenses | 3.12 | 1.67 |
| 3. | Operation and Maintenance expenses for one month | 1.73 | 0.93 |
| 4. | Total working capital | 14.63 | 5.51 |
| 5. | Rate of Interest | 14.75 % | 6.77 % |
| **6.** | **Interest on working capital** | **2.16** | **0.37** |

**The Commission, thus, approves the Working Capital of ₹5.51 crore and interest thereon of ₹0.37 crore for SLDC business of PSTCL for FY 2013-14.**

## 5.9 Return on Equity (RoE)

In the ARR Petition for FY 2013-14, PSTCL had claimed ₹75.38 crore towards RoE at 22.95% grossed up rate assuming the equity base of ₹328.50 crore. Subsequently, PSTCL had revised its claim to 15.5% of equity (against 22.95% in view of amended Tariff Regulations notified on 17.09.2012). Consequent upon finalization of the Transfer Scheme notified by GoP on 24.12.2012, PSTCL further revised the amount of equity to ₹605.83 crore being the amount of equity employed in assets. The Commission allowed RoE of ₹93.90 crore @ 15.5% on an equity amount of ₹605.83 crore to PSTCL for FY 2013-14 for Transmission business.

In the ARR Petition for FY 2014-15, PSTCL has claimed RoE of ₹93.91 crore for FY 2013-14 at a rate of 15.5% on the basis of average of opening and closing equity capital. Therefore, in accordance with the PSERC Tariff Regulations, the Commission decides that the Return on Equity be allowed on the actual equity employed in the creation of assets i.e. ₹605.88 crore @ 15.5% which works out to ₹93.91 crore.

**The Commission, thus, approves RoE of ₹93.91 crore @15.5% on the equity amount of ₹605.88 crore for FY 2013-14 to PSTCL for Transmission business.**

## 5.10 Obligatory Taxes

In the ARR Petition for FY 2014-15, PSTCL has claimed ₹19.68 crore on account of Income Tax for Transmission business for FY 2013-14. Regarding Income Tax, Regulation 32 of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 provides as under:-

1. *Obligatory taxes, if any, on the income of the generating company or the licensee from its core / licensed business shall be computed as an expense and shall be recovered from the customers/consumers.*

   *Provided that tax on any income other than the core / licensed business shall not constitute a pass through component in tariff and tax on such other income shall be payable by the generating company or the licensee.*
2. *Tax on income, if actually liable to be paid, shall be limited to tax on return on equity allowed, excluding incentives.*
3. *The Tax on income shall be considered at income tax rate including surcharge, cess etc as applicable during the relevant year in accordance with the provisions of Income Tax Act, 1961 duly amended from time to time.*
4. *The benefits of tax holiday and the credit for carrying forward losses applicable as per the provisions of the Income Tax Act, 1961 shall be fully passed on to the customers / consumers.*

As per above regulation, PSTCL is entitled to income tax limited to tax on return on equity allowed. As the petitioner is liable to pay MAT on book profit during FY 2013-14 and the Commission is allowing RoE of ₹93.91 crore to PSTCL so, MAT is limited to tax on return on equity i.e. 18.5% on book profit and 10% surcharge thereon plus 3% Education Cess (total rate 20.9605%), which works out to ₹19.68 (93.91 x 20.9605%) crore. PSTCL in reply to query from the Commission has also furnished proof of making payment of advance tax amounting to ₹25.48 (10.31+15.17) crore. **So income tax of ₹19.68 crore (limited to tax on return on equity) is allowed to PSTCL for FY 2013-14.**

## 5.11 Non-Tariff Income

In the ARR Petition for FY 2013-14, PSTCL had claimed receipts of ₹2.66 crore as Non-Tariff income. PSTCL had also stated that the income from OA consumers being an infirm source of revenue cannot be estimated. It had further stated that the Commission may true-up the same during consideration of the true-up petition for FY 2013-14. The Commission determined Non-Tariff income of ₹5.76 crore for the Transmission business of PSTCL for FY 2013-14 considering the fact that income from OA consumers is an infirm source of revenue.

In the ARR Petition for FY 2014-15, PSTCL has claimed ₹8.41 crore on account of Non-Tariff Income for Transmission business for FY 2013-14. Petitioner further submitted that it has received an amount of ₹5.36 crore as Non-Tariff income during first half of the year and it has considered an amount of ₹3.04 crore for second half of the year. Considering the Non-Tariff income received during first half of the year, the Non-Tariff income for the entire year is estimated as ₹10.72 crore.

**Accordingly, the Commission approves Non-Tariff income of ₹10.72 crore for the Transmission business of PSTCL for FY 2013-14.**

In the ARR Petition for FY 2013.14, PSTCL submitted that it had not received any Non-Tariff income during FY 2013-14 for SLDC business. The Commission, accordingly, considered the Non-Tariff income for SLDC business as nil for FY 2013-14.

In the ARR Petition for FY 2014-15, PSTCL has claimed ₹2.49 crore on account of Non-Tariff Income for its SLDC business for FY 2013-14. Petitioner further submitted that it has received an amount of ₹1.66 crore as Non-Tariff income during first half of the year for SLDC business and it has considered an amount of ₹0.83 crore for second half of the year. Considering the Non-Tariff income received during first half of the year, the Non-Tariff income for SLDC business for the entire year is estimated as ₹3.32 crore.

**Accordingly, the Commission approves Non-Tariff income of ₹3.32 crore for the SLDC business of PSTCL for FY 2013-14.**

### 5.12 Revenue from Open Access Consumers

In the ARR Petition for FY 2014-15, PSTCL has claimed a receipt of Transmission charges from Open Access Consumers amounting to ₹42.43 crore for FY 2013-14. Petitioner further submitted that it has received an amount of ₹28.29 crore as revenue from Open Access Consumers during first half of the year and balance ₹14.14 crore shall be received during second half of the year. Considering the revenue received during first half of the year, revenue from Open Access Consumers for the entire financial year 2013-14 is ascertained as ₹56.58 crore.

**Accordingly, the Commission approves ₹56.58 crore as revenue from Open Access Consumers for the Transmission business of PSTCL for FY 2013-14.**

In the ARR Petition for FY 2014-15, PSTCL has claimed a receipt of Operating charges from Open Access Consumers for SLDC business amounting to ₹5.16 crore for FY 2013-14. Petitioner further submitted that it has received an amount of ₹3.44 crore as revenue from Open Access Consumers during first half of the year and balance ₹1.72 crore shall be received during second half of the year. Considering the revenue received during first half of the year, revenue from Open Access Consumers for the entire year 2013-14 is ascertained as ₹6.88 crore.

**Accordingly, the Commission approves Operating Charges from Open Access Consumers of ₹6.88 crore for SLDC business of PSTCL for FY 2013-14.**

### 5.13 ULDC Charges

PSTCL had claimed ₹31.40 crore towards ULDC charges for FY 2013-14 in the ARR for FY 2013-14. PSTCL vide its reply, dated 11.12.2012, to the deficiencies pointed out by the Commission, had revised the claim of ULDC charges from ₹31.40 crore to ₹27.40 crore and the Commission approved ₹27.40 crore as ULDC charges for FY 2013-14.

In the ARR Petition for FY 2014-15, PSTCL has claimed ₹15.12 crore on account of ULDC charges for its SLDC business for FY 2013-14. Since the ULDC charges are decided by CERC from time to time, **the Commission allows ₹15.12 crore as ULDC charges for FY 2013-14 as claimed by PSTCL**.

### 5.14 Annual Revenue Requirement

The Summary of the Annual Revenue Requirement for SLDC business and Transmission business of PSTCL for FY 2013-14 is shown in Table 5.10 (A & B).

**Table 5.10 (A): Annual Revenue Requirement for SLDC Business**

**(₹ crore)**

| Sr. No. | Particulars | For SLDC | | | |
|---|---|---|---|---|---|
| | | **Projections for FY 2013-14 in ARR for fY 2013-14** | **Approved by the Commission in T.O. 2013-14** | **RE for FY 2013-14 in ARR for FY 2014-15** | **Approved by the Commission in the Review** |
| **I** | **II** | **III** | **IV** | **V** | **VI** |
| 1. | Employee cost | 10.54 | 3.82 | 7.02 | 6.46 |
| 2. | R&M expenses | 8.16 | 0.29 | 2.56 | 3.64 |
| 3. | Administrative and General expenses | 2.11 | 0.05 | 1.52 | 1.05 |
| 4. | Depreciation | 1.35 | 0.57 | 0.93 | 0.93 |
| 5. | Interest charges | 2.57 | 0.97 | 0.51 | 0.09 |
| 6. | Interest on working capital | 2.16 | 0.60 | 1.00 | 0.37 |
| 7. | Return on Equity | 0.00 | 0.00 | 0.00 | 0.00 |
| 8. | ULDC Charges | 31.40 | 27.40 | 15.12 | 15.12 |
| 9. | Obligatory Taxes | 0.00 | 0.00 | 0.00 | 0.00 |
| **10.** | **Annual Revenue Requirement** | **58.30** | **33.70** | **28.66** | **27.66** |
| **11.** | **Less:** | | | | |
| | i. Non-Tariff income | 0.02 | 0 | 2.49 | 3.32 |
| | ii. Charges from Open Access Customers | 0 | 0 | 5.16 | 6.88 |
| **12.** | **Net Revenue Requirement (10-11)** | **58.28** | **33.70** | **21.01*** | **17.46** |
| 13. | Add revenue gap carried forward | 0.33 | 0.00 | 0.00 | 0.00 |
| 14. | Add carrying cost for revenue gap | 0.00 | 0.00 | 0.00 | 0.00 |
| **15.** | **Total ARR** | **58.61** | **33.70** | **21.01** | **17.46** |

**As per Petition ₹21.02 crore.*

**Table 5.10 (B): Annual Revenue Requirement for Transmission Business**

(₹ crore)

| Sr. No. | Particulars | For Transmission | | | |
|---|---|---|---|---|---|
| | | Projections for FY 2013-14 in ARR for FY 2013-14 | Approved by the Commission in T.O. 2013-14 | RE for FY 2013-14 in ARR for FY 2014-15 | Approved by the Commission in the Review |
| I | II | III | IV | V | VI |
| 1. | Employee cost | 273.22 | 365.32 | 316.80 | 303.62 |
| 2. | R&M expenses | 70.03 | 113.79 | 51.87 | 40.46 |
| 3. | Administrative and General expenses | 40.51 | 26.24 | 25.78 | 18.86 |
| 4. | Depreciation | 267.49 | 218.91 | 166.14 | 137.27 |
| 5. | Interest charges | 358.84 | 299.25 | 311.99 | 264.18 |
| 6. | Interest on working capital | 42.89 | 33.14 | 37.76 | 25.84 |
| 7. | Return on Equity | 75.38 | 93.90 | 93.91 | 93.91 |
| 8. | ULDC Charges | 0.00 | 0.00 | 0.00 | 0.00 |
| 9. | Obligatory Taxes | 0.00 | 0.00 | 19.68 | 19.68 |
| **10.** | **Annual Revenue Requirement** | **1128.36** | **1150.55** | **1023.93*** | **903.82** |
| **11.** | **Less:** | | | | |
| | i. Non-Tariff income | 2.66 | 5.76 | 8.41 | 10.72 |
| | ii. Charges from Open Access Customers | 0 | 0 | 42.43 | 56.58 |
| **12.** | **Net Revenue Requirement (10-11)** | **1125.70** | **1144.79** | **973.09** | **836.52** |
| 13. | Add revenue gap carried forward | 81.71 | 89.18 | 0.00 | 0.00 |
| 14. | Add carrying cost for revenue gap | 0.00 | 1.97 | 0.00 | 0.00 |
| **15.** | **Total ARR** | **1207.41** | **1235.94** | **973.09** | **836.52** |

**As per Petition ₹1023.92 crore.*

**Thus, the Commission approves the Annual Revenue Requirement of ₹836.52 crore for Transmission business and ₹17.46 crore for SLDC business of PSTCL for FY 2013-14.**

The summary of the Annual Revenue Requirement of PSTCL as a whole for FY 2013-14 is shown in Table 5.11.

**Table 5.11: Annual Revenue Requirement of PSTCL for FY 2013-14**

**(₹ crore)**

| Sr. No. | Particulars | For PSTCL | | | |
|---|---|---|---|---|---|
| | | Projections by PSTCL for FY 2013-14 | Approved by the Commission in T.O. 2013-14 | RE for FY 2013-14 in ARR for FY 2014-15 | Approved by the Commission in the Review |
| I | II | III | IV | V | VI |
| 1. | Employee cost | 283.76 | 369.14 | 323.82 | 310.08 |
| 2. | R&M expenses | 78.20 | 114.08 | 54.43 | 44.10 |
| 3. | (A&G) expenses | 42.62 | 26.29 | 27.30 | 19.91 |
| 4. | Depreciation | 268.85 | 219.48 | 167.07 | 138.20 |
| 5. | Interest charges | 406.46 | 333.96 | 351.26 | 290.48 |
| 6. | Return on Equity | 75.38 | 93.90 | 93.91 | 93.91 |
| 7. | Income Tax | 0.00 | 0.00 | 70.36 | 19.68 |
| 8. | ULDC Charges | 31.40 | 27.40 | 15.12 | 15.12 |
| **9.** | **Annual Revenue Requirement** | **1186.66** | **1184.25** | **1103.27** | 931.48 |
| 10. | Less: | | | | |
| | i. Non-Tariff income | 2.68 | 5.76 | 10.90 | 14.04 |
| | ii. Charges from Open Access Customers | 0.00 | 0.00 | 47.59 | 63.46 |
| **11.** | **Net Revenue Requirement (9-10)** | **1183.98** | **1178.49** | **1044.78** | **853.98** |
| 12. | Revenue from Tariff | | | 1269.64 | 1269.64 |
| **13.** | **Revenue surplus for FY 2013-14** | | | **224.86** | **415.66** |
| 14. | Less revenue deficit up-to FY 2011-12 | | | | (-) 276.82 |
| 15. | Less revenue deficit for FY 2012-13 based on T.O FY 2013-14 | 82.04 | 89.18 | 0.00 | (-) 18.01 |
| 16. | Add carrying cost for revenue gap | 0.00 | 1.97 | 0.00 | * |
| **17.** | **Cumulative gap (-) / surplus (+)** | | | | **(+) 120.83** |

*See para 6.14.

The ARR of ₹853.98 crore of PSTCL for FY 2013-14 (review) are the Transmission charges payable by PSPCL for FY 2013-14 against the approved Transmission charges of ₹1269.64 crore as per Tariff Order of FY 2013-14. After taking into account the revenue gap (deficit) of ₹294.83 (276.82+18.01) crore upto FY 2012-13 and revenue surplus of ₹415.66 crore for FY 2013-14, net revenue surplus works out to ₹120.83 crore. However, the Commission approved the Transmission charges of ₹1269.64 crore in the Tariff Order for FY 2013-14, as such, PSTCL will be receiving Transmission charges of ₹1269.64 crore from PSPCL during FY 2013-14. The surplus of ₹120.83 crore is being carried forward to Table 6.11 of this Tariff Order.

# Chapter 6
# Annual Revenue Requirement for FY 2014-15

## 6.1 Introduction

PSTCL has projected the Annual Revenue Requirement (ARR) for FY 2014-15, separately for its Transmission business and SLDC business. The Commission has analyzed the projections for each item and determined the ARR for FY 2014-15, separately, for Transmission business and SLDC business of PSTCL in this chapter.

## 6.2 Transmission System Capacity

PSTCL has projected the Transmission capacity of the system as 12946.72 MW (net) and 13803.36 MW (gross) for FY 2014-15, as per the generation capacity addition plan as well as the power purchase plan from central sector and other sources. The Transmission system capacity projected by PSTCL in the ARR includes generating stations connected with Transmission/distribution system of PSPCL. The Commission has determined the Transmission capacity (net) of PSTCL system from the data submitted by PSTCL, as 12244.31 MW, which the Commission approves.

## 6.3 Transmission System Availability

PSTCL has submitted that it has consistently maintained the Transmission System Availability well above 99%. PSTCL has further submitted that in FY 2014-15, it will put its best efforts to maintain the Transmission System Availability at comparable levels. PSTCL has prayed to the Commission to incentivize the performance of PSTCL, while considering the true up of ARR for FY 2014-15.

The Commission has taken note of the submissions of PSTCL and shall consider its actual Transmission System Availability for FY 2014-15 for incentive, as per PSERC Tariff Regulations, at the time of true up.

## 6.4 Transmission Losses

PSTCL in the ARR for FY 2014-15 has submitted that the process of intra-state boundary metering is still in progress and is expected to be completed by

31.12.2013. Subsequent to that, PSTCL would be in a position to accurately measure the Transmission losses.

In view of the above, PSTCL has prayed the Commission to approve the Transmission losses of 4.5%, as submitted in previous petitions of PSTCL.

In para 5.3 of this Tariff Order, the Commission has retained the Transmission losses at 2.5% for FY 2013-14. Since PSTCL has not completed the intra-state boundary metering, **the Commission retains the Transmission losses level at 2.5% for FY 2014-15. The Commission would revisit the Transmission losses in the review/ true up for FY 2014-15, after the intra-state boundary meters are provided and energy audit is conducted.**

## 6.5 Employee Cost

6.5.1 In the ARR Petition for FY 2014-15, PSTCL has claimed ₹453.54 crore on account of employee cost for Transmission business for FY 2014-15. This includes an amount of ₹186.15 crore on account of Terminal Benefits, ₹117.05 crore on account of progressive funding of unfunded past liabilities and ₹2.78 crore on account of terminal benefits for new employees of PSTCL after 16.04.2010.

6.5.2 Similarly, PSTCL has claimed ₹8.52 crore on account of employee cost for SLDC business. The petitioner has not claimed any amount towards terminal benefits for SLDC business as the total terminal benefits have not been segregated into STU & SLDC and the same have been considered for Transmission business. Employee cost projection by PSTCL for FY 2014-15 is detailed in Table 6.1.

**Table 6.1: Employee Cost Projected by PSTCL for FY 2014-15**

**(₹ crore)**

| Sr. No. | Particulars | Projected for Transmission business for FY 2014-15 | Projected for SLDC business for FY 2014-15 |
|---|---|---|---|
| **I** | **II** | **III** | **IV** |
| 1. | Salaries | 90.73 | 4.17 |
| 2. | Overtime | 3.30 | 0.00 |
| 3. | Dearness Allowance | 85.63 | 3.62 |
| 4. | Other Allowances | 19.28 | 0.70 |
| 5. | Medical Expenses Reimbursement | 1.23 | 0.01 |
| 6. | Leave Travel Assistance/Concession | 0.03 | 0.01 |
| 7. | Payment under Workmen Compensation Act | 0.16 | 0.00 |
| 8. | Electricity Concession to PSTCL Employees | 2.40 | **0.00** |
| 9. | Staff Welfare Expenses | 0.36 | 0.01 |
| 10. | Total Salary and Other Employee Expenses | 203.12 * | 8.52 |
| 11. | Progressive Funding of Terminal Benefits | 117.05 | 0.00 |
| 12. | Terminal Benefits- Actual payouts | 186.15 | 0.00 |
| 13. | Terminal Benefits for new employees | 2.78 | 0.00 |
| 14. | **Total** | **509.10** | **8.52** |
| 15. | Less Amount capitalised | 55.54 | 0.00 |
| **16.** | **Net Employee Cost** | **453.56** | **8.52** |

** Shown in petition as ₹203.10 crore.*

The provisions of the amended Regulation 28(3) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005, (Second Amendment), provide for determination of employee cost in two parts.

- *Terminal benefits including BBMB share on actual basis*
- *Increase in other employee expenses limited to average increase in Wholesale Price Index (WPI).*

6.5.3 PSTCL has projected terminal benefits of ₹188.93 crore (including ₹2.78 crore on account of terminal benefits for new employees of PSTCL after 16.04.2010) for **Transmission business for FY 2014-15 which is allowed on actual basis as per provisions of PSERC Regulations, 2005. No separate claim on account of terminal benefits has been made for SLDC business of PSTCL for FY 2014-15, hence not allowed.**

6.5.4 PSTCL has projected the 'other employee cost' at ₹147.58 crore after excluding terminal benefits of ₹188.93 crore and ₹117.05 crore for progressive funding of unfunded past liabilities for Transmission business. Similarly, PSTCL has projected the ‘other employee cost’ at ₹8.52 crore for SLDC business for FY 2014-15. As per regulations, the approved ‘other employee cost’ for the previous year is to be considered as the base expense while allowing such cost in the succeeding year. Regulation 28(3)(b) provides for increase in other employee expenses limited to an increase in Wholesale Price Index (WPI). The average annual WPI increase for FY 2014-15 would only be available next year. Accordingly, based on the WPI available for 8 months (April 2013 to November 2013), the Commission has calculated the average WPI increase of 5.29% which is adopted for purposes of calculation of allowable employee cost for FY 2014-15. The approved ‘other employee cost’ in the Review for FY 2013-14 in para 5.4.6 of this order is ₹104.22 crore for Transmission business and ₹6.46 crore for SLDC business. After applying the WPI increase of 5.29%, the ‘other employee cost’ works out to ₹109.73 crore for Transmission business and ₹6.80 crore for SLDC business for FY 2014-15. **Accordingly, the Commission approves ‘Other Employee Cost’ of ₹109.73 crore for Transmission business and ₹6.80 crore for SLDC business of PSTCL for FY 2014-15.**

6.5.5 PSTCL has projected ₹117.05 crore on account of progressive funding of unfunded past liabilities of pension and gratuity based on the Transfer Scheme issued by Government of Punjab vide notification dated 24.12.2012.

The Commission observes that the terminal liability of ₹14346.00 crore has not been reflected in the Balance Sheet dated 16.04.2010 of erstwhile Punjab State Electricity Board as well as in the Opening Balance Sheets of the successor entities.

Sub-clause 8A of Clause 6 of Transfer Scheme dated 24.12.2012 provides that liability in respect of Pension, Gratuity and Leave Encashment of the personnel shall be a charge to the tariff which means that these expenses need to be routed through Profit and Loss account from FY 2014-15. However, debiting of such liability in Profit and Loss account is in contravention of Accounting Standard 5.

Para 16 of Accounting Standard 5 provides for debiting prior period expenses in the books. However, the term ‘prior period items’, as defined in this Standard, refers only to income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The terminal benefit liability of PSEB cannot be termed as a ‘prior period item’ as it is not a result of error or omission. Even if such a liability is treated as ‘prior period item’ the same cannot be charged to current profit or loss as per para 19 of the Accounting Standard 5. As such, charging of prior period Terminal Benefit liability to consumers of State is in contravention of Accounting Standard 5 notified by Ministry of Corporate Affairs, New Delhi.

Moreover Transfer Scheme cannot override the subordinate legislation i.e. Regulation of the Commission (in the instant case Regulation 33 of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005) which mandates as under:

“33. *Unfunded liability of pension and gratuity;*

*‘With regard to unfunded past liabilities of pension and gratuity, the Commission will follow the principle of ‘pay as you go’. The Commission shall not allow any other amount towards creating fund for meeting unfunded past liability of pension and gratuity.’*

The Commission observes that due to aforementioned reasons, the Terminal Benefit liability as on 16.04.2010 cannot be a charge on tariff and passed on to the consumers. The Commission shall only apply its Regulations while determining the Tariff.

As such, no amount is allowed on account of progressive funding of unfunded past liability of pension and gratuity to PSTCL for FY 2014-15.

**Thus, the Commission approves the total employee cost of ₹298.66 (188.93+109.73) crore for Transmission business and ₹6.80 crore for SLDC business for FY 2014-15.**

### 6.6 Repair and Maintenance (R&M) Expenses

6.6.1 In the ARR Petition of FY 2014-15, PSTCL has projected the R&M expenses of ₹61.33 crore for its Transmission business (which includes R&M expenses of ₹4.71 crore for assets likely to be added during the year) and ₹5.15 crore for its SLDC business (which includes R&M expenses of ₹1.84 crore on assets likely to be added during the year).

6.6.2 As discussed in para 5.5 of this Order, the normative base expense for allowing R&M expenses during FY 2014-15 for PSTCL’s Transmission business is calculated at ₹44.12 (36.80+7.32) crore where ₹36.80 crore are the normative base R&M expenses for FY 2013-14 and ₹7.32 crore represent additional R&M expenses for asset addition during the entire year. Besides, the base R&M expenses for SLDC business are ₹3.84 (3.44+0.40) crore where ₹3.44 crore are the normative expenses for FY 2013-14 and ₹0.40 crore represent additional

R&M expenses for asset addition during FY 2013-14.

6.6.3 The Commission has been approving the R&M expenses in accordance with the provisions of Regulations 28(4) of PSERC Tariff Regulations, 2005 by adjusting the base R&M expenses in proportion to the increase in WPI. The WPI increase for FY 2014-15 will only be available in the next year. Therefore, as per past practice, available WPI increase of 5.29% (for April 2013 to November 2013) is being applied to arrive at the allowable R&M expenses for FY 2014-15. **Applying WPI increase of 5.29%, allowable R&M expenses for Transmission business of PSTCL during FY 2014-15 work out to ₹46.45 crore.** Similarly, the Commission allows WPI increase of 5.29% for the SLDC business of PSTCL on the base R&M expenses of ₹3.84 crore. **The R&M expenses for SLDC business of PSTCL, therefore, work out to ₹4.04 crore for FY 2014-15.**

6.6.4 In the ARR Petition for FY 2014-15, PSTCL has also claimed ₹4.71 crore towards R&M expenses on likely asset addition of ₹1201.43 crore for its Transmission business. Similarly PSTCL has claimed R&M expenses of ₹1.84 crore on asset addition of ₹21.40 crore for SLDC business during FY 2014-15. As regards the claim of ₹4.71 crore and ₹1.84 crore on proposed addition of assets in terms of the PSERC Tariff Regulations, the Commission is of the view that the increase in R&M expenses demanded on this account cannot be allowed at this stage and will be considered at the time of review next year when more accurate figures of asset addition are available.

**Thus, the Commission approves the R&M expenses of ₹46.45 crore for Transmission business and of ₹4.04 crore for SLDC business of PSTCL for FY 2014-15.**

### 6.7 Administrative and General (A&G) Expenses

6.7.1 In the ARR Petition for FY 2014-15, PSTCL has projected A&G expenses of ₹30.59 crore for its Transmission business which includes A&G expenses of ₹2.73 crore for asset addition during the year. Similarly, PSTCL has also projected A&G expenses of ₹2.60 crore for its SLDC business which includes A&G expenses of ₹0.93 crore for asset addition during FY 2014-15.

6.7.2 The Commission has been approving the A&G expenses in accordance with the provisions of Regulations 28(4) of PSERC Tariff Regulations by adjusting the base A&G expenses in proportion to the increase in WPI. The base normative A&G expenses for PSTCL's Transmission business of ₹19.75 crore (₹16.49 crore being approved as normative A&G expenses for FY 2013-14 and ₹3.26 crore being additional A&G expenses on asset addition during the year) are being considered for FY 2014-15. **Applying the WPI increase of 5.29% (as discussed in para 6.5.4 of this Order), the allowable A&G expenses for FY 2014-15 work out to ₹20.79 crore for Transmission business of PSTCL for FY 2014-15.**

6.7.3 The base normative A&G expenses of ₹1.11 crore [₹0.99 crore being approved normative A&G expenses for FY 2013-14 and ₹0.12 crore being additional A&G expenses on asset addition during the year] are being considered for FY 2014-15 for its SLDC business. **Applying the WPI increase of 5.29% (as discussed in para 6.5.4 of this Order), the allowable A&G expenses for FY 2014-15 work out to ₹1.17 crore for SLDC business of PSTCL.**

6.7.4 PSTCL has also claimed ₹2.73 crore towards A&G expenses for assets of ₹1201.43 crore likely to be added in Transmission business during FY 2014-15. PSTCL has further claimed ₹0.93 crore towards A&G expenses on likely asset addition of ₹21.40 crore for SLDC for FY 2014-15. As per past practice, the claim of A&G expenses on proposed asset addition in terms of the PSERC Tariff Regulations is not allowed at this stage but will be considered at the time of review next year when more accurate figures of asset addition are available.

6.7.5 A&G expenses of PSTCL for FY 2014-15 for Transmission business also include an amount of ₹0.25 crore as Annual License fee, ₹0.25 crore as Tariff filing fee and ₹0.27 crore as audit fee. PSTCL vide letter no. 381/FA/ARR-403 dated 11.02.2014 has requested that any expenditure on account of license fee, initial or renewal, fees for determination of tariff and audit fee shall be allowed on actual basis over and above the A&G expenses approved by the Commission. PSERC (Terms and Conditions for Determination of Tariff) Second Amendment Regulations, 2012 Regulation 28 (2) (b) provides as under:-

> '*Base O&M expenses (except employee cost) as above shall be adjusted according to variation in the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year to determine the O&M expenses for subsequent years.*
>
> *Provided that any expenditure on account of license fee, initial or renewal, fees for determination of tariff and audit fee shall be allowed on actual basis over and above the A&G expenses approved by the Commission.'*

6.7.6 As per above regulation, Annual License fee amounting to ₹0.25 crore, fees for determination of tariff amounting to ₹0.25 crore and audit fee of ₹0.27 crore is also allowable to PSTCL in addition to the A&G expenses as worked out above. Thus, total A&G expenses allowable to PSTCL for Transmission business works out as ₹21.56 (20.79+0.25+0.25+0.27) crore for FY 2014-15.

**The Commission, thus approves A&G expenses of ₹21.56 crore for Transmission business and ₹1.17 crore for SLDC business of PSTCL for FY 2014-15.**

### 6.8 Depreciation Charges

6.8.1 PSTCL has projected depreciation charges of ₹239.44 crore for FY 2014-15 for its Transmission business on assets of ₹4508.02 crore as on April 1, 2014 and assets of ₹1201.43 crore likely to be added during the FY 2014-15. PSTCL has submitted that depreciation expenses for FY 2014-15 have been calculated on the average rate of depreciation of 4.69% which is applied across the asset classes on the average of opening and closing balance of assets for the year.

6.8.2 The Commission has approved the depreciation charges of ₹137.27 crore for Transmission business for FY 2013-14 in this Tariff Order on the Gross Fixed Assets value (GFA) of ₹3683.71 crore (excluding land) as on March 31, 2013. In the absence of Audited Annual Accounts and sub-head-wise details of assets for FY 2013-14, the Commission adopts the addition of GFA of FY 2013-14 as ₹1307.71 crore as determined in para 5.8.3 of this tariff order for calculating depreciation. Depreciation on assets added during FY 2014-15 shall be considered during review/true-up. Accordingly, the Commission determines the depreciation charges as ₹186.00 crore for FY 2014-15.

6.8.3 In the ARR Petition FY 2014-15, PSTCL claimed the depreciation charges as ₹1.86 crore for SLDC business. The Commission has worked out the depreciation charges of ₹1.29 crore for SLDC business for FY 2013-14 in para 5.7.3 of this Tariff Order on the Gross Fixed Assets value (GFA) of ₹8.68 crore as on March, 2013. In the absence of Audited Annual Accounts for FY 2013-14, the Commission adopts the addition of GFA of FY 2013-14 as ₹1.00 crore as determined in para 5.8.4 of this tariff order for calculating depreciation. Accordingly, the Commission determines the depreciation charges as ₹1.45 crore for FY 2014-15.

6.8.4 Depreciation on assets added/reduced during FY 2014-15 shall be considered during review/True Up.

**The Commission, accordingly, approves the depreciation charges of ₹186.00 crore for Transmission business and ₹1.45 crore for SLDC business for FY 2014-15.**

## 6.9 Interest and Finance charges

6.9.1 In the ARR Petition for FY 2014-15, PSTCL has claimed interest charges of ₹435.72 crore (net of Capitalization of ₹50.00 crore) for Transmission business and ₹3.12 crore for SLDC business.

The interest and finance charges are discussed in the ensuing paragraphs.

### 6.9.2 Investment Plan for Transmission Business

In the ARR Petition for FY 2014-15, PSTCL has projected a capital expenditure of ₹645.21 crore for FY 2014-15. The details of capital expenditure and capitalization projected by PSTCL are given in Table 6.2.

**Table 6.2: Capital Expenditure projected by PSTCL for its Transmission business for FY 2014-15**

**(₹ crore)**

| Sr. No. | Particulars | Opening WIP* as on March 31, 2014 | Expenditure during FY 2014-15 | Transferred to Assets | Closing WIP* as on March 31,2015 |
|---|---|---|---|---|---|
| I | II | III | IV | V | VI |
| 1. | 132 kV | 17.84 | 36.06 | 53.90 | 0.00 |
| 2. | 220 kV | 209.64 | 344.71 | 413.77 | 140.58 |
| 3. | 400 kV | 528.76 | 240.00 | 718.76 | 50.00 |
| 4. | ERP & Others | 0.00 | 24.44 | 15.00 | 9.44 |
| **5.** | **Grand Total** | **756.24** | **645.21** | **1201.43** | **200.02** |

* *Works in progress*

PSTCL has submitted that it is executing the following two major 400 kV Transmission schemes:-

(i) 400 kV system for evacuation of power from Talwandi Sabo Thermal Power project of 1980 MWs (3 x 660 MWs).

(ii) 400 kV system for evacuation of power from Rajpura Thermal Power Project 1320 MWs (2 x 660 MWs).

Both the Power projects are being executed under private sector. The generation from Talwandi Sabo is likely to materialize during FY 2014-15. For evacuation of power of this generation project, 400 kV Transmission lines have to be connected to major pockets of various load centres of Punjab from the new 400 kV grid substations at Dhuri, Nakodar, Makhu and Muktsar. Further the Transmission system is to be integrated with Northern Regional system at Moga and Amritsar sub-stations of PGCIL for reliable operation of the power projects. The expected fund requirement for FY 2014-15 is ₹190.00 crore.

PSTCL has further proposed a capital expenditure of ₹344.71crore for the 220 kV works and ₹36.06 crore for 132 kV works.

The Commission has examined the Investment Plan of ₹645.21 crore projected by PSTCL for FY 2014-15 and observes that establishment of 400 kV system for evacuation of power from Thermal Power Projects and other 220 kV and 132 kV Transmission works are essential for increased/improved power supply in the State. Commission has also observed that capital expenditure actually incurred up to the end of November 2013 is ₹281.24 crore only against estimated capital expenditure of ₹851.60 crore for FY 2013-14 as submitted by PSTCL. The Commission has estimated the capital expenditure at ₹450.00 crore for FY 2013-14 in para 5.8.3 of this Tariff Order. Based on actual expenditure incurred in FY 2013-14, approved investment plan for FY 2013-14 and projects planned for FY 2014-15, Commission considers it appropriate to allow an investment plan of ₹500.00 crore to PSTCL for its Transmission business. If required, PSTCL may spend more than the allowed investsment plan and increase in capital expenditure, if any, will be considered by the Commission during Review of FY 2014-15.

**The Commission, accordingly, approves an Investment Plan and loan requirement of ₹500.00 crore for the Transmission business of PSTCL for FY 2014-15. This loan requirement is taken into consideration for computation of interest charges.**

PSTCL has proposed to capitalize expenditure to the extent of ₹1201.43 crore for FY 2014-15. The Commission has approved an Investment Plan of ₹500.00 crore for FY 2014-15 and the corresponding capitalization works out to ₹965.46 crore.

6.9.3 **Investment Plan for SLDC Business**

In the ARR Petition for FY 2014-15, PSTCL has projected the capital expenditure of ₹21.40 crore for its SLDC business for FY 2014-15. The details of capital expenditure projected by PSTCL for SLDC business are given in Table 6.3.

**Table 6.3: Capital Expenditure projected by PSTCL for SLDC business for FY 2014-15**

**(₹ crore)**

| Sr. No. | Particulars | FY 2014-15 (Projected) |
|---|---|---|
| **I** | **II** | **III** |
| 1. | RTU addition/ replacement | 3.30 |
| 2. | RTU to cover left out 132 kV & new 220 kV Substations | 10.00 |
| 3. | Intra-state Boundary Metering Cum Transmission Level Energy Audit Scheme. | 2.00 |
| 4. | Voice Recording Cum Expert Message Management System | 1.50 |
| 5. | Implementation of islanding Scheme in Punjab | 4.50 |
| 6. | Other miscellaneous Capex requirement | 0.10 |
| **7.** | **Total** | **21.40** |

PSTCL has estimated capital expenditure of ₹21.40 crore and capitalization of ₹21.40 crore during FY 2014-15.

It is seen from Table 6.3 that the major component of projected expenditure is on account of RTUs to cover left out 132 kV & new 220 kV substations and implementation of Islanding Scheme in Punjab, replacement of existing RTUs, implementation of Intra-state boundary metering scheme. FA/PSTCL vide memo no. 878/FA/ARR 403 dated 02.04.2014 revised the capital expenditure for FY 2013-14 from ₹13.53 crore to ₹1.00 crore and for FY 2014-15 from ₹21.40 crore to ₹33.80 crore. Commission observes that procurement of RTUs is essential for systems stability and implementation of Intra-state Boundary Metering Scheme is essential for determining intra-state Transmission losses.

Therefore, the Commission considers it appropriate to allow investment expenditure of ₹27.00 crore for FY 2014-15 for SLDC business of PSTCL. However**,** if there is an increase in expenditure, the same shall be considered by the Commission at the time of Review of FY 2014-15.

**The Commission approves an Investment Plan of ₹27.00 crore for SLDC business of PSTCL and the corresponding capitalization works out to ₹17.13 crore which is approved.**

PSTCL should ensure that it does not execute Transmission works in Punjab which are the responsibility of Power Grid Corporation of India Limited. Also coordination between PSPCL and PSTCL is essential in all investment works to ensure optimum utilization of assets created.

The interest on allowable loans (other than Working Capital Loans) is worked out for Transmission business as indicated in Table 6.4.

**Table 6.4: Interest on Loans (Other than WCL) for Transmission business**

**(₹ crore)**

| Sr. No. | Particulars | Loans as on April 01, 2014 | Receipt of Loans during FY 2014-15 | Repayment of Loans during FY 2014-15 | Loans as on March 31, 2015 | Amount of Interest |
|---|---|---|---|---|---|---|
| **I** | **II** | **III** | **IV** | **V** | **VI** | **VI** |
| 1. | As per data furnished by PSTCL in ARR Petition (other than WCL) | 3702.18 | 645.21 | 286.90 | 4060.49 | 469.41 |
| 2. | Approved by the Commission (other than WCL) | 2461.86 | 500.00 | 286.90 | 2674.96 | 310.62 |

**The Commission, thus, approves an interest of ₹310.62 crore on loans (other than working capital loans) for Transmission business of PSTCL for FY 2014-15.**

Similarly, PSTCL has projected interest and finance charges of ₹3.12 crore for SLDC business of PSTCL for FY 2014-15. The interest on allowable loans (other than working capital loans) is worked out as indicated in Table 6.5.

**Table 6.5: Interest on Loans (Other than WCL) for SLDC**

**(₹ crore)**

| Sr. No. | Particulars | Loans as on April 01, 2014 | Receipt of loans during FY 2014-15 | Repayment of loans during FY 2014-15 | Loans as on March 31, 2015 | Amount of Interest |
|---|---|---|---|---|---|---|
| **I** | **II** | **III** | **IV** | **V** | **VI** | **VII** |
| 1. | As per data furnished by PSTCL in ARR Petition (other than WCL) | 14.30 | 21.40 | 0.00 | 35.70 | 3.12 |
| 2. | Approved by the Commission (other than WCL) | 1.77 | 27.00 | 0.00 | 28.77 | 1.91 |

**The Commission, accordingly, approves an interest of ₹1.91 crore on loans (other than Working Capital Loans) for SLDC business of PSTCL for FY 2014-15.**

6.9.4 **Finance Charges**

PSTCL has not claimed any finance charges for its Transmission and SLDC business and are hence not allowed.

6.9.5 **Interest on GP Fund**

PSTCL has claimed an interest of ₹16.31crore on GP fund of ₹197.58 crore. The interest of ₹16.31 crore on GP Fund, being statutory payment, is allowed as claimed by PSTCL for FY 2014-15.

6.9.6 **Capitalization of Interest Charges**

PSTCL has claimed ₹50.00 crore towards capitalization of interest charges for its Transmission business. The Commission approves the capitalization of interest of ₹8.16 crore in the ratio of net Works in Progress (WIP) to the expenditure for FY 2014-15 for the Transmission business of PSTCL. For its SLDC business, PSTCL has not claimed any capitalization of interest charges. However as per norms, the Commission approves capitalization of interest charges of ₹0.51 crore for SLDC business of PSTCL for FY 2014-15.

6.9.7 The Commission approves interest charges for PSTCL for its Transmission business for FY 2014-15 as shown in Table 6.6.

**Table 6.6: Interest Charges for Transmission Business for FY 2014-15**

**(₹ crore)**

| Sr. No. | Particulars | Loans as on April 01, 2014 | Receipt of loans during FY 2014-15 | Repayment of loans during FY 2014-15 | Loans as on March 31, 2015 | Interest charges approved by the Commission |
|---|---|---|---|---|---|---|
| I | II | III | IV | V | VI | VII |
| 1. | Interest on institutional loans | 2461.86 | 500.00 | 286.90 | 2674.96 | 310.62 |
| 2. | GP fund | | | | | 16.31 |
| 3. | Total (1+2) | 2461.86 | 500.00 | 286.90 | 2674.96 | 326.93 |
| 4. | Less: Capitalization | | | | | 8.16 |
| 5. | Net Interest Charges | | | | | 318.77 |

**The Commission, accordingly, approves the interest and finance charges of ₹318.77 crore for the Transmission business of PSTCL for FY 2014-15.**

The approved interest charges for SLDC business of PSTCL for FY 2014-15 are shown in Table 6.7.

**Table 6.7: Interest Charges for SLDC business for FY 2014-15**

**(₹ crore)**

| Sr.No. | Particulars | Loans as on April 01, 2014 | Receipt of loans during FY 2014-15 | Repayment of loans during FY 2014-15 | Loans as on March 31, 2015 | Interest charges approved by the Commission |
|---|---|---|---|---|---|---|
| I | II | III | IV | V | VI | VII |
| 1. | Interest on institutional loans | 1.77 | 27.00 | 00.0 | 28.77 | 1.91 |
| 2. | Less: Capitalization | | | | | 0.51 |
| 3. | Net Interest Charges | | | | | 1.40 |

**Accordingly, the Commission allows Interest Charges of ₹1.40 crore for the SLDC business of PSTCL for FY 2014-15.**

6.9.8 **Interest on Working Capital**

In the ARR Petition for FY 2014-15, PSTCL has claimed interest on working capital of ₹51.09 crore for Transmission business, on normative basis, on a total working capital of ₹353.54 crore.

The Commission has considered the working capital as per PSERC Tariff Regulations. The interest on working capital of ₹249.46 crore works out to ₹28.76 crore for FY 2014-15 by applying an interest rate of 11.53% as taken in the review for FY 2013-14 as detailed in Table 6.8.

**Table 6.8: Interest on Working Capital for Transmission business of PSTCL for FY 2014-15**

**(₹ crore)**

| Sr. No. | Particulars | Projected by the PSTCL | Approved by the Commission |
|---|---|---|---|
| I | II | III | IV |
| 1. | Receivables equivalent to two months | 226.26 | 163.90 |
| 2. | Maintenance spares @ 15% of Operation and Maintenance (O&M) expenses | 81.82 | 55.00 |
| 3. | Operation and Maintenance expenses for one month | 45.45 | 30.56 |
| 4. | Total working capital | 353.54 | 249.46 |
| 5. | Rate of Interest | 14.45 % | 11.53 % |
| 6. | Interest on Working Capital | 51.09 | 28.76 |

**The Commission, thus, approves the Working Capital of ₹249.46 crore and interest thereon of ₹28.76 crore for the Transmission business of PSTCL for FY 2014-15.**

In the ARR Petition for FY 2014-15, PSTCL has claimed interest on working capital of ₹1.52 crore for SLDC business on the total working capital of ₹10.51

crore. The Commission has considered the working capital as per PSERC Tariff Regulations. The interest on working capital of ₹7.75 crore works out to ₹0.52 crore for FY 2014-15 by applying an interest rate of 6.77% as taken in the review for FY 2013-14 as detailed in Table 6.9.

**Table 6.9: Interest on Working Capital for SLDC business of PSTCL for FY 2014-15**

**(₹ crore)**

| Sr. No. | Particulars | Projected by the PSTCL | Approved by the Commission |
|---|---|---|---|
| I | II | III | IV |
| 1. | Receivables equivalent to two months | 6.72 | 4.95 |
| 2. | Maintenance spares @ 15% of Operation and Maintenance (O&M) expenses | 2.44 | 1.80 |
| 3. | Operation and Maintenance expenses for one month | 1.36 | 1.00 |
| 4. | Total working capital | 10.51 | 7.75 |
| 5. | Rate of Interest | 14.45% | 6.77% |
| **6.** | **Interest on working capital** | **1.52** | **0.52** |

**The Commission, thus, approves the Working Capital of ₹7.75 crore and interest thereon of ₹0.52 crore for SLDC business of PSTCL for FY 2014-15.**

## 6.10 Return on Equity (RoE)

In ARR Petition for FY 2014-15, PSTCL has claimed RoE of ₹93.91 crore for FY 2014-15 at a rate of 15.5% on the basis of average of opening and closing equity capital. Therefore, in accordance with the PSERC Tariff Regulations, the Commission decides that the Return on Equity be allowed on the actual equity employed in the creation of assets i.e. ₹605.88 crore @ 15.5% which works out to ₹93.91 crore.

**The Commission, thus, approves RoE of ₹93.91 crore @ 15.5% on the equity amount of ₹605.88 crore for FY 2014-15 to PSTCL for Transmission business**.

## 6.11 ULDC Charges

PSTCL has claimed ₹17.61 crore towards ULDC charges for FY 2014-15 in the ARR Petition for FY 2014-15. Since the ULDC charges are decided by CERC from time to time, **the Commission allows ₹17.61 crore as ULDC charges for FY 2014-15 as claimed by PSTCL for SLDC business**.

## 6.12 Non-Tariff Income

In the ARR Petition for FY 2014-15, PSTCL has claimed receipts of ₹8.05 crore as Non-Tariff income for Transmission Business and ₹0.05 crore for SLDC business. The Commission decides that the Non-Tariff Income for Transmission Business and SLDC business of the Utility be taken at the previous year's level. **Accordingly, the Commission determines Non-Tariff income of ₹10.72 crore for the Transmission business and ₹3.32 crore for SLDC business of PSTCL for FY 2014-15.**

**6.13 Revenue from Open Access Consumers**

In the ARR Petition for FY 2014-15, PSTCL has not claimed any receipt of Transmission charges from Open Access Consumers for Transmission business for FY 2014-15. Similarly, PSTCL has not claimed any receipt of operating charges from Open Access Consumers for SLDC business for FY 2014-15. The Commission is conscious of the fact that income from OA Consumers is an infirm source of revenue. In PSPCL Tariff Order, the Commission has also allowed lot of incentives to consumers for using PSPCL power e.g Introduction of ToD Tariff & kVAh Tariff, Rebate to consumers catered at higher voltages, rebate to consumers for using power more than a threshold limit etc., which may result in minimizing the use of open access power. **The Commission, therefore, assumes income from OA consumers as Nil both for Transmission & SLDC business of PSTCL.**

The Commission will, however, reconsider quantum of Income from Open Access Consumers after receipt of Audited Annual Accounts in the True up in respect of both Transmission & SLDC business of PSTCL.

**6.14 Carrying Cost on Revenue Gap**

6.14.1 The Commission has determined a revenue gap of ₹136.48 crore during the True up for FY 2010-11. The Commission allows carrying cost of ₹8.02 crore @ 11.75% for FY 2010-11 (six months) and ₹17.74 crore @ 13% for FY 2011-12 (full year) being Advance Rate of State Bank of India. The Commission also allows carrying cost of ₹7.46 crore for FY 2012-13 (six months) based on weighted average interest rate of loans for FY 2012-13 on account of non-recovery of the revenue gap. Thus, the Commission allows carrying cost of ₹33.22 (8.02+17.74+7.46) crore on revenue gap of ₹136.48 crore for FY 2010-11 to PSTCL.

PSTCL was unable to furnish Audited Annual Accounts for FY 2010-11 for true-up in time i.e. during FY 2012-13 due to late finalization of the Opening Balance Sheet of PSTCL by GoP. The Commission, further, decides that the carrying cost due to delay in the finalization of the Opening Balance Sheet of PSTCL, which has been notified by GoP on 24.12.2012, is attributable to Government of Punjab. Accordingly, the carrying cost of revenue gap of ₹136.48 crore for FY 2010-11 amounting to ₹31.07 crore (₹7.46 crore for 6 months of FY 2012-13 + ₹15.74 crore for 12 months of FY 2013-14 and ₹7.87 crore for 6 months of FY 2014-15) is passed on to GoP.

6.14.2 The Commission has determined a revenue gap of ₹140.34 crore during the True up for FY 2011-12. The Commission had allowed carrying cost of ₹4.63 crore @ 13% for FY 2011-12 (six months) on the revenue gap of ₹71.17 crore in review for FY 2011-12 in Tariff Order for FY 2012-13. Accordingly, carrying cost of ₹16.05 crore on balance revenue gap of ₹69.17 (140.34-71.17) crore is allowed for FY 2011-12 (six months), FY 2012-13 (full year), FY 2013-14 (6 months) at interest rates as detailed above for FY 2011-12 to PSTCL.

As discussed in para 6.14.1, the carrying cost of revenue gap of ₹69.17 crore for FY 2011-12 amounting to ₹7.98 crore (₹3.99 crore for 6 months of FY 2013-14 + ₹3.99 crore for 6 months of FY 2014-15) is passed on to GoP.

6.14.3 The Commission allows carrying cost of ₹2.08 crore (in addition to carrying cost of ₹1.97 crore allowed in Tariff Order for FY 2013-14) on the Revenue Gap of FY 2012-13 of ₹18.01 crore determined in the review for FY 2012-13 in Tariff Order for FY 2013-14 based on the weighted average interest rates for FY 2013-14 (six months) and FY 2014-15 (six months). Thus, the total carrying cost allowable to PSTCL for revenue gaps of FY 2010-11, FY 2011-12 and FY 2012-13 works out to ₹51.35 (33.22+16.05+2.08) crore. However, the Commission has ascertained a surplus of ₹415.66 crore for FY 2013-14. The Commission accordingly considers it appropriate to recover ₹47.92 crore as carrying cost on this surplus.

Thus, t**he total carrying cost receivable by PSTCL works out to ₹42.48 crore out of which ₹3.43 (51.35-47.92) crore is payable by PSPCL and ₹39.05 (31.07+7.98) crore is payable by Government of Punjab.**

## 6.15 Annual Revenue Requirement

The Summary of the Annual Revenue Requirement for SLDC Business and Transmission Business of PSTCL for FY 2014-15 is shown in Table 6.10.

**Table 6.10: Annual Revenue Requirement for SLDC and Transmission Business of PSTCL for FY 2014-15**

**(₹ crore)**

| Sr. No. | Particulars | For SLDC | | For Transmission | |
|---|---|---|---|---|---|
| | | Projected for FY 2014-15 | Approved by the Commission for FY 2014-15 | Projected for FY 2014-15 | Approved by the Commission for FY 2014-15 |
| I | II | III | IV | V | VI |
| 1. | Employee costs | 8.52 | 6.80 | 453.54 | 298.66 |
| 2. | R&M expenses | 5.15 | 4.04 | 61.33 | 46.45 |
| 3. | A&G expenses | 2.60 | 1.17 | 30.59 | 21.56 |
| 4. | Depreciation | 1.86 | 1.45 | 239.44 | 186.00 |
| 5. | Interest charges | 3.12 | 1.40 | 435.72 | 318.77 |
| 6. | Interest on working capital | 1.52 | 0.52 | 51.09 | 28.76 |
| 7. | Return on Equity | 0.00 | 0.00 | 93.91 | 93.91 |
| 8. | ULDC Charges | 17.61 | 17.61 | 0.00 | 0.00 |
| **9.** | **Annual Revenue Requirement** | **40.38*** | **32.99** | **1365.62** | **994.11** |
| 10. | Less: Non-Tariff Income | 0.05 | 3.32 | 8.05 | 10.72 |
| **11.** | **Net Revenue Requirement** | **40.33** | **29.67** | **1357.57**** | **983.39** |

** As per petition ₹40.37 crore.*
*** As per petition ₹1357.58 crore.*

The summary of the Annual Revenue Requirement of PSTCL as a whole for FY 2014-15 is shown in Table 6.11.

**Table 6.11: Annual Revenue Requirement for PSTCL for FY 2014-15**

**(₹ crore)**

| Sr. No. | Particulars | For PSTCL | |
|---|---|---|---|
| | | Projected for FY 2014-15 | Approved by the Commission for FY 2014-15 |
| I | II | III | IV |
| 1. | Employee costs | 462.06 | 305.46 |
| 2. | R&M expenses | 66.48 | 50.49 |
| 3. | A&G expenses | 33.19 | 22.73 |
| 4. | Depreciation | 241.30 | 187.45 |
| 5. | Interest charges | 438.84 | 320.17 |
| 6. | Interest on working capital | 52.61 | 29.28 |
| 7. | Return on Equity | 93.91 | 93.91 |
| 8. | ULDC Charges | 17.61 | 17.61 |
| 9. | Income Tax | 0.00 | 0.00 |
| **10.** | **Annual Revenue Requirement** | **1406.00** | **1027.10** |
| 11. | Less: Non-Tariff income | 8.10 | 14.04 |
| **12.** | **Net Revenue Requirement (10-11)** | **1397.90** | **1013.06** |
| 13. | Surplus upto FY 2013-14 | 71.95 | 120.83 |
| 14. | Carrying cost of Gaps attributable to:<br>i. Government of Punjab ₹39.05 cr.<br>ii. PSTCL ₹3.43 cr. | 141.51 | 3.43 |
| **15.** | **Cumulative Revenue Requirement** | **1611.36 *** | **895.66** |

**As per Petition ₹1611.35 crore.*

The ARR of ₹1013.06 crore of PSTCL for FY 2014-15 are the Transmission charges payable by PSPCL for FY 2014-15. After taking into account the revenue surplus of ₹120.83 crore upto FY 2013-14 and carrying cost of ₹3.43 crore net Transmission charges payable by PSPCL works out to ₹895.66 crore. Hence, this amount is carried forward to Table 6.30 of the Tariff Order of PSPCL for FY 2014-15.

# Chapter 7
# Commission's Directives

**Compliance of Commissions Directives**

PSERC has a statutory function under Electricity Act, 2003 to guide the State Transmission Utility to ensure development of an efficient, coordinated and economical system of Intra-State Transmission lines for smooth flow of Electricity to load centers. The Commission issues directives to the utility through its Tariff Order each year to enable the State Transmission utility to achieve these goals. Measures to ensure stability in grid operations, maximum economy and efficiency in the operation of the power system in the State have also been given due importance in these directives.

The Commission's directives are an integral part of the Tariff Order, which the State Transmission Utility is obligated to comply with in order to achieve the above mentioned objectives of the Electricity Act, 2003. The status of compliance of directives issued in the Tariff Order for FY 2013-14 and PSERC comments along with further directives for compliance by PSTCL during FY 2014-15 is summarized as under:-

**An overview of the directives issued to PSTCL in Tariff Order for FY 2013-14, its compliance & directives for FY 2014-15**

| Sr. No | Issues | PSERC's Directives for FY 2013-14 | PSTCL's Reply/Progress ending March, 2014 | PSERC's Comments/ Directives for FY 2014-15 |
|---|---|---|---|---|
| **7.1** | **Boundary metering, Energy Audit and T&D loss Reduction** | PSTCL is directed to achieve the target (for implementation of the Boundary metering by July 2013) and intimate the actual Transmission losses in PSTCL system.<br>The Commission directs PSTCL to compile online power factor data of its transmission lines on monthly basis and submit to the Commission | To meet with the regulatory directive for calculation of transmission losses, SLDC/ PSTCL has taken up implementation of Intrastate Boundary Metering cum Transmission Level Energy Audit Scheme. The order was placed in Oct., 2012.<br>Total 750 nos. Availability Based Tariff (ABT) meters and 450 nos. Conventional Energy Meters (CEMs) have been ordered to the firm till now. Around 700 Nos. Special Energy Meters (SEMs)/ Availability Based Tariff (ABT) meters and 390 Conventional Energy Meters (CEMs) have been installed at 189 locations. The 10 number pending CEMs at new | PSTCL has not been able to implement 100% Boundary metering by its committed date. The Commissioning of the project may be expedited.<br>Commission reiterates its directive to PSTCL to submit the data to the Commission on Actual Transmission losses in PSTCL system on monthly basis. |

| Sr. No | Issues | PSERC's Directives for FY 2013-14 | PSTCL's Reply/Progress ending March, 2014 | PSERC's Comments/ Directives for FY 2014-15 |
|---|---|---|---|---|
| | | | substations of PSTCL shall be installed by 30.04.2014. Left out ABT meters and CEMs with SLDC shall be used for future purposes.<br><br>Centralized Energy Centre (CEC) has been set up at SLDC, Ablowal, Patiala and Server hardware along with Racks, Firewalls, switches have been installed. Major modules of the developed software are under testing.<br><br>This project was scheduled to be completed during Jul, 2013 but got delayed due to some technical issues in respect of communication connectivity. With the commissioning of Boundary Metering Project, the transmission losses of PSTCL from this project shall be available by 31.08.2014 as a special software team from Singapore has undertaken the installation of Multi-drive software. | |
| **7.2** | **Employee Cost** | a) **Manpower:**<br>PSTCL should ensure its implementation (of work study report on manpower) during 2013-14 and submit the action taken report to the Commission within three months of issuance of this Tariff Order. | The final work study report on manpower was submitted by PwC in October 2010. At that time, 66KV system was a part of PSTCL and the report was prepared keeping this in mind. Later on, 66KV system was transferred to PSPCL and some offices along with posts had been transferred to PSPCL. Also various, new offices have been created in PSTCL. This has effectively changed the entire structure of PSTCL as compared to the time when the PwC report was prepared. Hence, keeping in view of this aspect, necessary changes are required to be done in the work study report on manpower.<br><br>During January 2014, PSPCL & PSTCL have agreed to apportion the cost of contract between the two utilities and PwC has been requested to complete the balance work of PSTCL at the earliest possible. This will be then reviewed by the Committee constituted by BOD, PSTCL. | PSTCL has not been able to implement the 'work study report on manpower' due to the structural changes in the organization and has asked PwC to review its report. The review work of PwC may be got completed in a time bound manner and its implementation may be assured by 31.12.2014.<br>PSTCL shall submit the action taken report to the Commission in first week of January, 2015 on revised PwC report. |

| Sr. No | Issues | PSERC's Directives for FY 2013-14 | PSTCL's Reply/Progress ending March, 2014 | PSERC's Comments/ Directives for FY 2014-15 |
|---|---|---|---|---|
| | | b) **UnmannedS/stns.**: Unmanned S/stns are existing in India & abroad.These are required to be executed to save manpower and run the system efficiently. PSTCL must submit its action plan in this regard to the Commission within three months of issuance of this Tariff Order. | Administrative approval for providing SAS on 5 nos. Sub-stations have been taken. Qualifying criteria for floating tender enquiry has been got approved. Tender enquiry in this regard shall be floated very soon.<br>Apart from above it is pertinent to mention that all the substations in PSTCL have control of 11 kV feeders. As the frequency of faults on 11 kV feeders is more as compared to HV lines and to allow work on 11 kV feeders sub-station operator is required round the clock, so these substations cannot be unmanned.<br>However substation automation have various advantages like availability of all substation events and data with time precision at a single point which is helpful in fault analysis, improving system performance. SAS shall also be required for the concept of Smart Grid Implementation. | PSTCL's move to establish unmanned S/stns. is painfully slow. PSTCL should move in the direction of operating all its switch gear from SLDC as per International Practices. Commission directs PSTCL to submit its action plan to convert all its sub stations as unmanned, after conducting a techno-economic analysis. This action plan be submitted along with ARR of FY 2015-16. |
| | | c) **Training**: A copy of the training schedule may be submitted to the Commission. PSTCL must implement the already approved PSEB Training Policy aimed at 'one week training for all' annually. | Being a new entity, technical training cell has been created by PSTCL. The approval of Punjab Govt. is required for creation of new posts which is being followed.<br>However, training to the new as well as existing staff is being imparted through various outside training institutes. | Commission reiterates its directions to PSTCL to submit a copy of the training schedule to the Commission and PSTCL must implement the already approved PSEB Training Policy aimed at one week training of all, annually. |
| | | d) **Implementation of Enterprise Resource Planning (ERP):** Brief report, particularly status of implementation of ERP, should be submitted to the Commission within two months of issuance of this Tariff Order. | Implementation of ERP by other power utilities has been studied by the selected members of the Steering Committee and Core Committee. The Functionality Matrices have been finalized by the Consultant after due consideration of the recommendations of the Core Committee. The Consultants are preparing DPR of the ERP. | The Commission directs PSTCL to submit the status report of implementation of ERP, to the Commission on bi-annual basis. |
| **7.3** | **Loading Status of PSTCL** | List of overloaded Sub-stations and transmission lines | Loading status of 220kV/ 132kV overloaded substations and transmission lines have been | Updated list of overloaded Sub-stations and transmission lines |

| Sr. No | Issues | PSERC's Directives for FY 2013-14 | PSTCL's Reply/Progress ending March, 2014 | PSERC's Comments/ Directives for FY 2014-15 |
|---|---|---|---|---|
| | **transmission lines and sub stations.** | along with action plan for unloading should be put on PSTCL web-site and updated regularly. Progress of de-loading of lines/sub-stations must be supplied to the Commission on quarterly basis. | uploaded at PSTCL web-site. Progress of de-loading is being submitted. | along with action plan for de-loading should be easily accessible on PSTCL web-site. The Commission directs PSTCL to submit the progress of de-loading of overloaded lines/sub-stations to the Commission on quarterly basis. |
| 7.4 | **Mtc. of category wise details of fixed asset** | The Commission re-iterates its directions to PSTCL, to maintain the category-wise details of assets as per provisions of the Companies Act, 1956.<br>PSTCL shall report the time bound schedule for compliance. | The Fixed Asset Register (FAR) as on 31.03.2011 and 31.03.2012 category wise, location code wise has been prepared by PSTCL. The quantity wise detail of all assets has not been shown in this register; the quantity wise detail of all the assets with value is being prepared in consultation with M/s Susheel Jeet Puria & Company which is under process. | The Commission directs PSTCL to submit the status report of Mtc. of category wise details of fixed assets, to the Commission on quarterly basis. |
| 7.5 | **Adequacy of existing switchgear and Earthmat at PSTCL sub stations** | The Commission reiterates it's directions to PSTCL, to undertake the activity of replace-ment of switchgears and strengthening of earth mats wherever required and to maintain earthing parameters as per IEEE Earthing Guide 80. Biannual progress report in this regard should be submitted to the Commission. | Earthing parameters at all substations are within limit except of nine substations of P&M circle, Amritsar at which strengthening work is being carried out. | The Commission directs PSTCL to submit the status report to the Commission on bi-annual basis. |

### B. New Directive issued in Tariff Order for FY 2014-15

| Sr. No. | Issue | Directive in Tariff Order FY 2014-15 |
|---|---|---|
| 1 | **Audited Annual Accounts for FY 2012-13 and FY 2013-14** | PSTCL is directed to submit Audited Annual Accounts for FY 2012-13 and FY 2013-14 along with the audit report of Statutory Auditors and CAG of India at the time of filing of ARR Petition for FY 2015-16. |
| 2 | **Reactive Compensation for FY 2014-15** | PSTCL is directed to carry out system studies to identify requirement of Reactive Compensation in PSTCL system and ensure installation of requisite reactive compensation at its sub-stations during FY 2014-15. |

# Chapter 8
# Determination of Transmission and SLDC Charges

## 8.1 Annual Revenue Requirement

The Commission has determined the ARR for PSTCL for FY 2014-15 at ₹895.66 crore. Out of ₹895.66 crore, the ARR approved for Transmission business is ₹865.99 crore and the ARR approved for SLDC business of PSTCL is ₹29.67 crore.

## 8.2 Determination of Transmission Tariff

8.2.1 PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 specify that transmission tariff will have the following components:

i) SLDC Operation Charges,

ii) Reactive Energy Charges,

iii) Charges for use of network.

8.2.2 The Commission has approved the ARR of SLDC business for FY 2014-15 as ₹29.67 crore against ₹40.33 crore projected by PSTCL, as shown in Table 6.10 of this Tariff Order. The transmission system capacity projected by PSTCL for FY 2014-15 is 12946.72 MW (net) and 13803.36 MW (gross). The Commission has determined the transmission system capacity of PSTCL as 12244.31 MW (net) in para 6.2. Since, at present, there is only one Distribution Licensee in the State of Punjab, thus, whole of the SLDC charges will be borne by PSPCL, which works out to ₹2.47 crore per month. **Thus, the Commission approves SLDC charges at the rate of ₹2.47 crore per month for PSPCL and for long term/medium term open access customers at the rate of ₹2019.31/MW/month of the contracted capacity.**

8.2.3 As provided in Regulation 24(2)(c) of the Open Access Regulations, 2011 notified by the Commission, Short Term Open Access customers shall pay to the SLDC, composite operating charge at the rate of ₹2000 per day or part of the day for each transaction.

8.2.4 The reactive energy charges raised by NRLDC on PSTCL will be directly recoverable by PSTCL from PSPCL.

8.2.5 The ARR for Transmission business of PSTCL for FY 2014-15 has been approved at ₹983.39 crore, as shown in Table 6.10 of this Tariff Order. Taking into account the surplus revenue of ₹120.83 crore at the end of FY 2013-14 and ₹3.43 crore towards carrying cost of revenue gaps as shown in Table 6.11, the ARR of PSTCL works out to ₹865.99 crore. The Commission, for determining charges for use of the transmission network, has considered the fact that the ARR of Transmission business of PSTCL is 'fixed' in nature. Hence, the Commission decides that the entire ARR for Transmission business of PSTCL be recovered through a demand charge based on the transmission system capacity. The Commission has worked out in para 6.2, the transmission capacity of PSTCL as 12244.31MW (net).

**The Commission determines the transmission charges at the rate of ₹72.17 crore per month payable by PSPCL**.

## 8.3 Determination of Open Access Transmission Charges

8.3.1 The Open Access Transmission Charges during FY 2014-15 as per the Open Access Regulations notified by the Commission, are computed in Table 8.1.

**Table 8.1: Long-term Open Access Transmission Charges for FY 2014-15**

| Sr. No. | Particulars | Quantum |
|---|---|---|
| I | II | III |
| 1. | Annual Revenue Requirement (ARR) (₹ crore) | 865.99 |
| 2. | Transmission System Capacity (MW) (net) | 12244.31 |
| 3. | Transmission Tariff (₹/MW/month) | 58938 |
| 4. | Long Term and Medium term Open Access Charges (₹/MW/Month) of the contracted capacity (same as above) | 58938 |
| 5. | Transmission Charges based on 46173 MU of energy at transmission boundary for sale in the State, as approved in Table 6.5 of PSPCL Tariff Order for FY 2014-15 (paise/kWh) | 19 |

8.3.2 As per clause (2) (b) of Regulation 23 of the Open Access Regulations, 2011, full Open Access Transmission charges for Short-term Open Access will be levied, which works out to 19 paise/kWh (17paise/kVAh) for FY 2014-15. For Long Term and Medium Term Open Access customers, these charges shall be ₹58938/MW/Month of the contracted capacity.

## 8.4 Amount payable by GoP to PSTCL on account of carrying cost on revenue gap

In para 6.14.3 of this Tariff Order, the Commission has determined an amount of ₹39.05 crore payable by GoP to PSTCL on account of carrying cost on revenue gaps. **Thus, GoP is liable to pay an amount of ₹39.05 crore to PSTCLduring FY 2014.15.**

## 8.5 Date of Effect

The Commission notes that the ARR Petition of PSTCL for FY 2014-15 covers the complete financial year. The recovery of transmission charges and SLDC charges, therefore, has to be such that the total revenue requirement of PSTCL for FY 2014-15 is recovered in this period.

**The Commission, therefore, decides to make the transmission charges and SLDC charges applicable from April 01, 2014 and the charges determined above shall remain operative till March 31, 2015.**

**This Order is signed and issued by the Punjab State Electricity Regulatory Commission on this, the 22nd day of August, 2014.**

Date: August 22, 2014
Place: CHANDIGARH

| Sd/- | Sd/- | Sd/- |
|---|---|---|
| (GURINDER JIT SINGH)<br>MEMBER | (VIRINDER SINGH)<br>MEMBER | (ROMILA DUBEY)<br>CHAIRPERSON |

Certified

Sd/-
Secretary
Punjab State Electricity Regulatory Commission
Chandigarh

**ANNEXURE- I**

**List of Objectors**

| Objector No. | Name and Address of the Objector |
| --- | --- |
| 1 | PSEB Engineers' Association<br>45, Ranjit Bagh, Passey Road, Patiala. |
| 2 | Government of Punjab (GoP) |

**Objection No. 1: General Secretary, PSEB Engineers Association, Patiala**

**Issue No. 1: Description of Transmission system**

PSTCL has wrongly described the category of 220 kV single/double conductor lines whereas it should be single/double circuit & may be corrected.

**Reply of PSTCL**

PSTCL has agreed to correct the same and noted for future.

**View of the Commission**

PSTCL has agreed to do the corrections as desired by the objector.

**Issue No. 1.1**

443.86 circuit KM of 220 kV lines has been added in 2010-11. The list of new lines added may be given.

**Reply of PSTCL**

The list of 220 kV Lines added during 2010-11 is as under please:-

| Sr. No. | Name of Transmission Lines added | Length in Ckt KM |
|---|---|---|
| 1. | LILO of 220 kV RTP-Mohali DC Line at 220 kV Kharar | 6.520 |
| 2. | LILO of 220 kV Verpal-Patti DC Line at 220 kV Rashiana | 27.828 |
| 3. | 220 kV Mohali-I-Mohali-II SC Line | 8.900 |
| 4. | 220 kV Mohali-2-Derabassi SC Line | 20.000 |
| 5. | 220 kV Lehra Mohabat-Himmatpura DC Line | 81.170 |
| 6. | 220 kV Mansa-Refinary Rama Mandi DC Line | 97.000 |
| 7. | LILO of 220 kV Moga-Mukatsar DC Line at 220 kV sadiq | 37.000 |
| 8. | 220 kV Verpal-Balachak DC Line | 3.944 |
| 9. | 220 kV Khassa-Balachak DC Line | 82.343 |
| 10. | For 220 kV Pakhowal Addition in Lalton-Malerkotla Line SC Line | 49.574 |
| 11. | For 220 kV Ferozepur road Ludhiana Addition in Lalton-Humbran SC Line | 29.573 |
| **12.** | **Total** | **443.852** |

**View of the Commission**

PSTCL has supplied the information as sought by the objector.

**Issue No. 1.2**

Power Transformers of 1468.83 MVA is stated to be added in 2010-11. Out of this capacity, the list of power transformers of 100 MVA rating or higher which have been added may be supplied.

**Reply of PSTCL**

The list of Power Transformers installed during 2010-11 is as under:-

1. 100 MVA at 220 kV S/S Kartarpur
2. 100 MVA at 220 kV S/S Civil Line Amritsar
3. 100 MVA at 220 kV S/S Rashiana
4. 100 MVA at 220 kV S/S Barnala
5. 100 MVA at 220 kV S/S Kharar
6. 100 MVA at 220 kV S/S Sahnewal
7. 100 MVA at 220 kV S/S Kohara
8. 100 MVA at 220 kV S/S Amloh
9. 100 MVA at 220 kV S/S Gobindgarh-3
10. 100 MVA at 220 kV S/S Sadiq

**View of the Commission**

PSTCL has supplied the information as sought by the objector.

**Issue No. 2.0: Transmission Availability Capacity**

Transmission availability of 220 kV and 132 kV has been given. It may be clarified if these availability figures relate to 132 kV and 220 kV lines only. Availability figures for power transformers and HT shunt capacitors installed in 220 kV and 132 kV substations may also be given.

**Reply of PSTCL**

It is clarified that Power availability figures already supplied relates to 220 kV & 132 kV Transmission Lines. Power availability in respect of Power Transformers for the year 2010-11 is as below:-

1st Quarter= 99.42%
2nd Quarter= 99.87%
3rd Quarter= 99.95%
4th Quarter= 99.94%

So far availability of HT shunt capacitors installed is concerned, it could not be calculated as there is no bus reactor in Punjab Power System as intimated by Engineer-In-Chief/ SLDC, PSTCL Patiala, vide memo no. 789 dt: 29/11/2013.

**View of the Commission**

There is no problem in calculating the availability of HT shunt capacitors. As such, information should be furnished to the objector.

**Issue No. 3.0: Load Flow Study**

PSTCL may carry out a load flow study for transmission system as existing in July, 2010 (paddy season 2010-11) and give the figure of percentage transmission loss as per system study for paddy 2010 condition.

**Reply of PSTCL**

For calculating transmission losses, boundary metering is being implemented.

**View of the Commission**

The reply of PSTCL is not satisfactory as technical losses of the transmission system can be calculated on the basis of load flow study. PSTCL is advised to go through the issue and supply the information sought by the objector.

**Issue No. 4.0: Sanctioned Staff**

PSTCL has stated that against 6697 sanctioned posts, the actual was 4032.

**Reply of PSTCL**

No comments required.

**View of the Commission**

The issue does not require comments of the Commission.

**Issue No. 4.1 &4.2**

The IEGC as approved by CERC states as under:

> "*The control rooms of the NLDC, RLDC, all SLDCs, power plants, substation of 132 kV and above, and all regional entities shall be manned round the clock by qualified and adequately trained personnel. Training requirements may be notified by the Commission from time to time, by orders".*

PSTCL may give the action plan of how it is going to meet the operational requirement for manning the posts for 220 kV and 132 kV system.

**Reply of PSTCL**

To meet the operational requirement for manning the posts for 220 kV & 132 kV systems, this office is planning to recruit additional staff against induction posts and has written to PSPCL to transfer employees against promotion quota posts of various categories.

**View of the Commission**

PSTCL should comply with the provisions of the Electricity Rules & CEA Regulations.

**Issue No. 5: Line Maintenance Charges**

For comparison with CERC norms, the O&M charges have been wrongly calculated on the basis of 220 kV lines of two conductors instead of taking the CERC norms of 220 kV D/C line. Similarly for 132 kV lines, the CERC norms for 220 kV lines of double circuit need to be applied instead of double conductor. The applicable norm of CERC for 2010-11 is as under:

Single circuit single conductor ₹ 0.189 lac per KM
Double circuit single conductor ₹ 0.284 lac per KM

**Reply of PSTCL**

Noted and further action will be taken by the Commission (PSERC) as per Regulation.

**View of the Commission**

R&M expenses are approved as per PSERC Regulations.

**Issue No. 6**

It is stated that 220 kV lines of 270.37 KM have been added during 2011-12. Details of the new lines added may be supplied.

**Reply of PSTCL**

The list of 220 kV lines added during 2011-12 is as under please:-

| Sr. No. | Name of Transmission Lines added | Length in Ckt KM |
|---|---|---|
| 1. | 220 kV Patti-Algon Kothi SC Line | 20.500 |
| 2. | 220 kV Mohali-I-Lalru SC Line | 41.185 |
| 3. | 220 kV Dera bassi-Lalru SC Line | 22.185 |
| 4. | 220 kV PGCIL-Dhandri Kalan SC Line | 22.357 |
| 5. | 220 kV PGCIL-Lalton Kalan SC Line | 2.987 |
| 6. | 220 kV PGCIL-Sahnewal SC Line | 19.418 |
| 7. | 220 kV PGCIL Lalton Kalan-Ckt-3 SC Line | 6.738 |
| 8. | LILO of 220 kV Mukatsar-Bathinda ckt-I DC Line at 220 kV Katorewala (Malout) | 49.00 |
| 9. | 220 kV Mansa-Jhunir DC Line | 85.995 |
| **10.** | **Total** | **270.365** |

**View of the Commission**

PSTCL has supplied the information as sought by the objector.

**Issue No. 6.1**

Transformer capacity of 1756.7 MVA has been added during 2011-12. Details of 100 MVA and above transformers added may be supplied.

**Reply of PSTCL**

The list of 100 MVA & 160 MVA Transformers installed during 2011-12 is as under;

1. 100 MVA at 220 kV S/S Khassa.
2. 100 MVA at 220 kV S/S Algon Kothi.
3. 100 MVA at 220 kV S/S Malerkotla
4. 100 MVA at 220 kV S/S Nabha
5. 100 MVA at 220 kV S/S Lalru
6. 100 MVA at 220 kV S/S Patran
7. 100 MVA at 220 kV S/S Dhuri
8. 160 MVA at 220 kV S/S FZR Road Ludhiana.
9. 100 MVA & 160 MVA at 220 KV S/S Doraha.
10. 100 MVA at 220 kV S/S Goraya.
11. 100 MVA at 220 kV S/S Bajakhana.
12. 100 MVA at 220 kV S/S Bottianwala.
13. 100 MVA at 220 kV S/S Ghubaya
14. 100 MVA at 220 kV S/S Jhunir
15. 100 MVA at 220 kV S/S Katorewal

**View of the Commission**

PSTCL has supplied the information as sought by the objector.

**Issue No. 7: Review 2013-14**

The following 400/220 kV transformers have been stated as commissioned.

| | |
|---|---|
| Muktsar | 2x315 MVA |
| Makhu | 2x315 MVA |
| Nakodar | 2x315 MVA |
| Dhuri | 2x500 MVA |
| Rajpura | 2x500 MVA |

STU may give the list of 220 kV lines for dispersal of power from the above stated substations.

**Reply of PSTCL**

The information regarding 220 kV lines for dispersal of power from 400/220 kV Transformers has been supplied.

**View of the Commission**

PSTCL has supplied the information as sought by the objector.

**Issue No. 8.**

The STU has to discharge the functions as prescribed in section 39 of the Electricity Act 2003. Accordingly,

8.1 The STU i.e. PSTCL is required to ensure coordination with PSPCL so that the power from the 400 kV system stepped down to 220 kV is further transmitted after stepping down to 66 kV and this supply is given to the Powercom substations.

8.2 The purpose of the 400 kV system being constructed is to evacuate power from Talwandi Sabo and Rajpura thermal power stations. The function of STU is to ensure that this power which is transmitted at 400 kV is further stepped down and transmitted to 220 kV substations from where it is to be further converted to 66 kV and this 66 kV supply has to be given to Powercom in a coordinated manner as envisaged/ prescribed in section 39 of the Electricity Act 2003.

8.3 PSTCL should therefore supply details of 220 kV lines and 220 kV substations along with 220/66 kV transformers over which the power from the two generating stations, Talwandi Sabo and Rajpura is to be supplied to Powercom.

**Reply of PSTCL**

Details of 220 kV lines emanating from 400 kV grids have already covered under Issue No. 6.0, however details of sub-station attached with the respective 400 kV grids along with their 220/66 kV T/Fs are given below:

| **Name of 400 kV Grid** | **220 kV Stations connected** | | | **Remarks (if any)** |
|---|---|---|---|---|
| | Name of 220 kV Grid | 'MVA' capacity of 220/66 kV T/F | Total MVA | |
| Makhu | Rashiana<br>Algon<br>Mastewala proposed<br>Dharmkot (Karial) | *(100+100)<br>*(100+100)<br>*(100+100)<br>160* | 760 | |
| Muktsar | Abohar (proposed)<br>Malout<br>Fazilka (Proposed)<br>Gobhaya<br>Sandhwan (Proposed) | 100*<br>(100+100)*<br>100<br>250<br>100 | 750 | |
| Nakodar | Kartarpur<br>Rehana-Jattan<br>Nurmehal | (200+200)<br>(100+100)*<br>100* | 700 | |
| Rajpura | Gobindgarh-1<br>Patiala<br>Devigarh<br>Lalru<br>Majra (proposed) | 300<br>(200+60*)<br>(100+160*)<br>200<br>100 | 1120 | 3rd 500 MVA, 400/220 kV ICT has also been planned in long term planning. |

| Name of 400 kV Grid | 220 kV Stations connected | | | Remarks (if any) |
|---|---|---|---|---|
| Dhuri | Dhuri<br>Nabha<br>Sunam<br>Bangan<br>Dhanaula | 300<br>(100+160)<br>(200+160)<br>(100+*100)<br>160 | 1280 | 3rd 500 MVA, 400/220 kV ICT has also been planned in long term planning. |

** Indicates the additional planned capacity.*

**View of the Commission**

PSTCL has supplied the information as sought by the objector.

**Issue No. 8.4 &8.5**

8.4 In addition to coordinating with Powercom, the STU is also required to coordinate with CTU / PGCIL. The 400 kV lines will be linked to CTU/ PGCIL at Moga and Amritsar substations of PGCIL. At Moga, there is already a very serious problem of congestion / overloading of 220 kV lines. With injection of Talwandi Sabo and Rajpura power, the STU/ PSTCL have to ensure that there will not be any congestion/ overloading at the PGCIL substations and system where the PSTCL 400 kV lines interlinked, i.e. Moga and Amritsar.

8.5 Transco may inform/ give details of additional lines of 220 kV from Moga and Amritsar which are envisaged to be constructed.

**Reply of PSTCL**

a) 400 kV PGCIL Moga

At present PGCIL Moga has a total installed capacity of 3x250 + 1x315 = 1065 MVA. However Standing Committee on Planning, CEA has also decided to replace existing 250 MVA, ICTs with 500 MVA, thus total ICT capacity of PGCIL Moga will become 1815 MVA, There are total 6 nos. circuits emanating from 400 kV Moga as :-

i) 400 kV PGCIL Moga – 220 kV Moga = 4 Circuits out of which two are of twin moose & two are of twin zebra.

ii) 400 kV PGCIL Moga – 220 kV Jagraon, DC line with one Ckt. LILO at 220 kV Ajitwal, having conductor size of 0.4 Sq".

Although the above 220 kV line system is adequate for catering about 2246 MVA of power, yet some problem in the system was observed during previous paddy due to burnt Isolator contacts. The detailed report in this regard and remedial measures thereof can be taken from the office of CE/TS. Keeping in view the recent disturbance occurred in west zone following additional links have also been planned.

i) LILO of 220 kV Ferozepur – 220 kV Talwandi Bhai (Proposed) at 220 kV Sadiq. LILO length = 28 Km, Conductor size = 0.4 Sq"

ii) 220 kV Bajakhana – 220 kV Baghapurana DC line 30 Km with 0.4 Sq" conductor.

iii) LILO of 400 kV PGCIL Moga – 220 kV Jagraon at 220 kV Himmatpura. LILO length = 32 Km conductor size = 0.4 Sq"

iv) 400 kV PGCIL Moga – 220 kV Mehal Kalan DC line 50 Km with 0.4 Sq" conductor.

v) LILO of 220 kV GHTP – Mansa at 220 kV Dhanaula LILO length = 35 Km conductor size = 0.4 Sq"

b) 400 kV Amritsar

PGCIL Balachak (Amritsar) has a total installed capacity of 1130 MVA. One 500 MVA, 400/220 kV ICT has recently been commissioned. There are total four nos. of 220 kV circuits emanating from the grid as:-

i) 400 kV Balachak – 220 kV Khassa DC with 0.4 Sq" conductor.

ii) 400 kV Balachak – 220 kV Verpal DC with Twin Moose conductor.

This present setup of 220 kV lines emanating from 400 kV Balalchak has a total capacity of 1391.28 MVA.

**View of the Commission**

PSTCL has supplied the information as sought by the objector. However, adequacy of the power dispersal system from 400 KV substations in Punjab under contingency conditions as per Planning Criteria of CEA should also be checked by PSTCL.

**Issue No. 9: Staffing norms for 400 kV substations**

For 400 kV substations, it is desirable to have two AEEs in maintenance, with one AEE for 400 kV switchgear and substation equipment while one AEE would be required for the control room equipments. With increasing trend towards electronic control and computerisation, the AEE/Maintenance in-charge of Control Room equipment would have to be a specialist in electronic control and instrumentation.

**Reply of PSTCL**

It is a suggestion and will be considered by the management.

**View of the Commission**

The issue is an administrative matter and does not relate to ARR. However, PSTCL management may consider the views of the objector.

**Issue No. 9.1**

PSTCL should give details of training in 400 kV system which has been given / is being given / is proposed to be given for the O&M personnel who are to be deployed in the O&M of the 400 kV substations that are becoming operational.

**Reply of PSTCL**

Detail of Trainee in 400 kV system, which has been given as under:-

| Sr. No. | Name of Officer/ Employee | Designation | Emp. ID | Name of Station |
|---|---|---|---|---|
| 1. | Er. Amandeep singh | AE | 501027 | 400 kV S/Stn Dhuri |
| 2. | Er Harmanjot Singh Cheema | AE | 501039 | 400 kV S/Stn Dhuri |
| 3. | Sh. Rishabh Sharma | JE | 601064 | 400 kV S/Stn Dhuri |
| 4. | Sh. Yadwinder Singh | JE | 601042 | 400 kV S/Stn Dhuri |
| 5. | Sh. Kunal Garg | JE | 601099 | 400 kV S/Stn Dhuri |
| 6. | Sh Atual Garg | UDC | 606021 | 400 kV S/Stn Dhuri |
| 7. | Sh. Amrinder Singh | SSA | 603023 | 400 kV S/Stn Dhuri |
| 8. | Er. Jaswinder Pal singh | AE | 501027 | 400 kV S/Stn Rajpura |
| 9. | Er. Karan Badsal | AE | 501016 | 400 kV S/Stn Rajpura |
| 10. | Er Amamdeep singh Dhiman | AE | 501025 | 400 kV S/Stn Rajpura |
| 11. | Er Gagandeep singh | AE | 501074 | 400 kV S/Stn Rajpura |
| 12. | Sh. Malkit Singh | JE | 601129 | 400 kV S/Stn Rajpura |
| 13. | Smt Divyadeep | SSA | 603047 | 400 kV S/Stn Rajpura |
| 14. | Er Sukhjinder | AE | 501035 | 400 kV S/Stn Mastewal |

**View of the Commission**

PSTCL has supplied the information as sought by the objector.

**Issue No. 9.2**

PSTCL may indicate whether provision has been made for training expenses in the ARR.

**Reply of PSTCL**

These expenses are included under the head A&G Expenses.

**View of the Commission**

A&G expenses are approved as per PSERC Regulations.

**Issue No. 10 & 10.1: Payment of Income Tax**

Tax payment is made if the organisation is in profit; on the contrary there is a continuous revenue gap of previous years as under:

a) For 2010-11, there is a revenue gaps of ₹150.69 crore

b) For 2011-12, there is a revenue gap of ₹146.12 crore

These revenue gaps should have been carried out so that the indicated surplus of ₹212.18 crore is neutralized and the tax liability could have been avoided.

It is suggested that advice of income tax lawyers/consultants may be obtained by PSTCL so that the income tax liability is avoided.

10.1 A company which indicates surplus/ profit must pay the tax out of its profit and not pass through this liability on to Powercom which is already under huge accumulated loss. The pass through of tax liability by PSTCL to PSPCL may not be allowed.

**Reply of PSTCL**

Payment of income tax – Minimum Alternate Tax (MAT) is as per Income tax Act and can't be avoided.

**View of the Commission**

The Commission agrees with the reply of PSTCL.

**Issue No. 11**

(a) It is stated that 637 KM of 220 kV lines are to be added in 2014-15. The details of 220 kV lines to be added may be supplied.

(b) Detail of 1 No. 400 kV substation and 7 Nos. 220 kV substations to be added in 2014-15 may be supplied.

(c) Out of 3652.50 MVA substation capacity to be added, the list of power transformers of 100 MVA and above may be supplied.

**Reply of PSTCL**

(a) Detail of 220 kV lines to be added in 2014-15 has been provided.

(b)&(c) Detail of 1 no. 400 kV sub-station & 7 no. 220 kV sub-stations to be added has been provided.

**View of the Commission**

PSTCL has supplied the information as sought by the objector.

**Issue No. 12: Evacuation of Power**

The increase in substation capacity as per ARR is summarised as under:

| | |
|---|---|
| 2013-14 | 5935 MVA |
| 2014-15 | 3652 MVA |
| Total | 9587 MVA |

Out of this capacity, 3890 MVA is of 400/220 kV power transformers as under:

| | |
|---|---|
| Muktsar | 630 MVA |
| Makhu | 630 MVA |
| Nakodar | 630 MVA |
| Dhuri | 1000 MVA |
| Rajpura | 1000 MVA |
| Total | 3890 MVA |

Practically, the loading upto 100% would not be possible in case of these 400 kV power transformers. With loading upto 80%, the capacity would be 80% of 3890 MVA = 3112 MVA while the power to be evacuated would be 1980 +1400 i.e. 3380 MW. It is indicated that the work of 400 kV Amloh (2x500 MVA) and 400 kV Doraha (2x500 MVA) is to be executed. The timeframe for completion of these 2 new substations at Amloh and Doraha may be informed. Further, it may also be informed if these substations are being executed by Transco or being contracted out to Powergrid or some other construction agency.

**Reply of PSTCL**

It has been intimated that against capacity of 3112 MVA at 80% loading of 400 kV T/Fs, power to be evacuated from Rajpura & Talwandi Sabo will be 1400+1980= 3380 MW. It may be added that the power to be evacuated will be less by about 8% due to auxiliary consumption of thermal units. Therefore net power to be evacuated would be adequate. However, this S/S is to be executed by PSTCL.

**View of the Commission**

PSTCL has supplied the information as sought by the objector.

**Issue No. 13: Transmission system capacity**

a) Capacity of Sasan has been included 2 times. This may be corrected.

b) The capacity of Udupi is not yet finalized/ approved. Because of the high cost of imported coal and consequent high tariff, it is quite likely that Commission may not give approval for purchase of this high cost power. Until this approval is given, the capacity from Udupi may not be included in the list given.

**Reply of PSTCL**

a) Capacity of Sasan and Sasan ultra mega project has been provided as per the information provided by PSPCL.

b) This relates to power purchase for the FY 2014-15 and this power purchase is being dealt by concerned wing of PSPCL. As this plant is also reflected at page 117 of ARR petition filed by PSPCL, accordingly PSTCL has also included this plant in the transmission capacity.

**View of the Commission**

PSTCL is advised to get the correct information from PSPCL and supply the information directly to the objector under intimation to the Commission.

**Issue No. 14**

400 kV works have been given including the new 400 kV substations at Amloh and Doraha. However, out of the estimated cost of ₹289.23 crore, only ₹50 crore are proposed to be spent in 2014-15. Accordingly, the schedule of completion of these new works/ substations may be informed.

**Reply of PSTCL**

Reply covered in Issue No. 12 above.

**View of the Commission**

The reply given by PSTCL does not cover the reply to the issue raised by the objector. The same may be supplied by PSTCL to the objector now.

**Issue No. 14.1**

It is suggested that Transco may develop its in-house expertise for construction and O&M of the 400 kV system and substations/ lines.

**Reply of PSTCL**

Noted for compliance.

**View of the Commission**

PSTCL has noted the issue for compliance.

**Issue No. 14.2**

₹413.77 crore assets of 220 kV are to be commissioned in 2014-15. The list of 220 kV lines to be commissioned in 2014-15 may be supplied.

**Reply of PSTCL**

List of 220 kV lines to be commissioned in 2014-15 has been supplied.

**View of the Commission**

PSTCL has supplied the information as sought by the objector.

**Issue No. 14.3**

The details of substation capacity to be added for 2014-15 have not been supplied. Transco may supply the details of substation location and capacity to be increased/ added at 220 kV level in 2014-15 and in particular the list of power transformers of 100 MVA and above that are to be commissioned in 2014-15 may be supplied.

**Reply of PSTCL**

Desired information has been supplied.

**View of the Commission**

PSTCL has supplied the information as sought by the objector.

**Issue No. 15: Training Expenses**

Transco may clarify if training expenses have been included. In A&G expenses for 2014-15, training expenses have been indicated as ₹0.11 crore only which appears to be grossly inadequate.

**Reply of PSTCL**

Training Expenses for FY 2014-15 indicated in A&G Expenses may be read as ₹1.1 crore instead of ₹0.11 crore.

**View of the Commission**

These expenses are allowed as per PSERC Regulations.

**Issue No. 16: R&M Expenses**

R&M expenses of ₹61.33 crore have been claimed. Since Transco transmission and substation network includes a large number of 220 kV and 132 kV substations with age of 20-25 years or more, it is suggested that Transco may prepare a list of substations and equipment which is over 25 years old and on the basis of this list, an action plan needs to be finalized so as to replace the equipment which has completed its useful life. Equipment such as circuit breakers is subjected to excessive wear and tear because of higher number of tripping in the transmission system and on this account may have to be replaced much earlier than 25 years. Further, equipment such as CTs, PTs and Lightning Arrestors which is approaching 25 years, has a much higher chance of failure and it may be desirable to have these equipment replaced in time otherwise there can be a large number of faults resulting failure of this equipment. In such case of equipment failures, not only the power supply fails, but also the adjacent equipment also gets damaged. So it would be economical to have a timely replacement of such equipment which has completed its useful life.

As per CERC norms, the useful life of a transmission line is 35 years while the life of substation equipment is 25 years.

**Reply of PSTCL**

The list of equipments more than 25 year old required to be replaced is as below:-

| Sr. No. | Name of Circles | Breakers CTs | PTs | LAs |
|---|---|---|---|---|
| 1. | Amritsar | 33 | 38 | 75 |
| 2. | Bathinda | 14 | 10 | 49 |
| 3. | Jalandhar | 33 | 47 | 76 |
| 4. | Ludhiana | 21 | 28 | 26 |
| 5. | Patiala | 33 | 3 | 49 |
| **6.** | **Total** | 134 | 126 | 215 |

The R&M is planned for the above in the FY 2014-15.

**View of the Commission**

R&M Expenses are approved as per PSERC Regulations.

**Issue No. 17 to 17.3: Interest and Finance Charges**

Transco being a newly created entity is not in healthy condition with respect to the interest and finance charges as indicated below;

| | |
|---|---|
| Addition in loans | ₹ 645.21 crore |
| Repayment | ₹ 308.85 crore |
| Net loan | ₹ 336.36 crore |
| Interest on loan | ₹ 485.72 crore |
| Net funds to PSTCL | ₹ (-)149.36 crore |

The impact of servicing a loan is such that Transco does not get any fund despite addition in loan amount, but it has to make a net payment/cash outgo of ₹149.36 crore.

17.1 Interest and finance charges are the largest single component of ARR as under:

| | 2010-11 | 2011-12 | 2013-14 | 2014-15 |
|---|---|---|---|---|
| ARR (Total) | 553 | 628 | 973 | 1358 |
| Intt. & Fin Charges | 124 | 167 | 312 | 436 |
| %age ARR | 22 | 27 | 32 | 32 |

17.2 While as per CERC methodology the loan amount is reduced every year by the amount of depreciation recovered through tariff, in the present petition, the depreciation amount is much less than the interest payable even.

17.3 Even if the depreciation along with RoE is taken, the combined amount is still inadequate to meet the interest payable requirements as under;

| | |
|---|---|
| Depreciation | ₹ 239.44 crore |
| RoE | ₹ 93.91 crore |
| Dep. + RoE | ₹ 333.35 crore |
| Interest | ₹ 435.72 crore |

Thus, even the combined depreciation plus RoE amount is not adequate to meet the interest charges on loan and as a result, the amount of loan is increasing year after year.

**Reply of PSTCL**

No comments are required. However, it is intimated that Interest is being allowed on the investment by PSERC and it has no relevancy with depreciation.

**View of the Commission**

Interest and Finance charges are allowed as per PSERC Regulations.

**Issue No. 18.1 to 18.3: Function of Coordination**

With the earlier integrated operation of PSEB, the coordination was inbuilt. With a separate Transco, under section 39 of the Electricity Act 2003, it is the Transco which has to perform the statutory function of coordination.

18.1 In practical terms, the coordination implies that when Transco has commissioned a 220 kV substation, there should be minimum delay in the commissioning of 220/66 kV power transformers.

18.2 Further, once a 220/66 kV transformer has been commissioned; the outgoing lines and substations of 66 kV to be constructed by Powercom should be ready to draw the power and utilize the capacity at the 220 kV substation.

18.3 In case a 100 MVA, 220/66 kV transformer is commissioned but the outgoing 66 kV lines and receiving end substations are not ready, it will result in stranded investment at the 220 kV sub-station.

**Reply of PSTCL**

Co-ordination in respect of 400 kV/220 kV/132 kV transmission works is now being done regularly in the shape of Co-ordination Committee Meetings. Till now, five co-ordination committee meetings (i.e. Transmission Planning Committee Meetings in line with Punjab State Grid code provisions) have been convened so far. Further the progress reports of 400 kV/220 kV/132 kV transmission works are also regularly being supplied to planning wing of PSPCL so that PSPCL may take timely action in respect of ensuring adequacy of 66 kV evacuation system at their end. It is further added that whatever 400 kV/220 kV/132 kV transmission works are planned by PSTCL, copy of the same is also forwarded to CE/Planning PSPCL, for their information and further necessary action. The date of energisation, completion date, loading data & particulars of T/F etc. can be obtained from P&M, PSTCL. Further point regarding monthly co-ordination meeting at level of Chief Engineer, and quarterly with Director level has been noted & shall be put up to the management please.

**View of the Commission**

Lack of coordination between two utilities is still visible in many areas which should be addressed at the appropriate level.

**Issue No. 18.4**

As a practical check for ensuring coordination, it is proposed that the following information may be supplied by Transco in respect of 100 MVA and 160 MVA capacity power transformers commissioned in 2011-12, 12-13 and 13-14.

a) Particulars of Transformer

b) Date of energisation of transformer on no load.

c) Date when the transformer was actually loaded.

**Reply of PSTCL**

Power Transformers installed during 2010-11, 2011-12, 2012-13, 2013-14 are as under;

(i) 2010-11 = 10 Nos. 100 MVA

(ii) 2011-12 = 14 Nos. 100 MVA, 2 Nos. 160 MVA

(iii) 2012-13 = 21 Nos. 100 MVA, 2 Nos. 500 MVA

(iv) 2013-14 = 9 Nos. 100 MVA, 6 Nos. 160 MVA, 2 Nos. 315 MVA

**View of the Commission**

The information supplied by PSTCL is incomplete. The complete information may be supplied by PSTCL to the objector.

**Issue No. 18.5 to 18.6**

18.5 There have been numerous instances when 100 MVA transformers was energized but the outgoing circuit breaker / bays of 66 kV were not ready and as a result the transformer remained idle and unutilized for prolonged period.

18.6 It is further suggested that the coordination mechanism between Powercom and Transco may be strengthened so that there is a monthly coordination meeting at the level of Chief Engineer and at the level of Director every quarter.

**Reply of PSTCL**

Noted.

**View of the Commission**

PSTCL has noted the suggestion of the objector.

**Issue No. 18.7**

18.7 It is observed that the 400 kV lines have been commissioned so as to meet the generation requirements:

| **400 kV Line** | **Commissioning** |
|---|---|
| Dhuri-Talwandi | 21-08-12 |
| RajpuraTPS-Rajpura- Dhuri | 17-06-13 |
| Talwandi- Muktsar, Asr-Makhu, Rajpura TPS-Nakodar | 30-11-13 |
| Nakodar-Makhu | 31-12-13 |
| Talwandi-Moga -Nakodar, Talwandi- Nakodar | 31-03-14 |
| Muktsar-Makhu | 30-04-14 |

For Rajpura power the Rajpura-Nakodar-Makhu-Amritsar section was completed on 30th Nov. and 31st Dec. 2013. It is noted that in case of NTPC-PGCIL there is often mismatch between generation and transmission of the order of years, but in the present case of 400 kV Punjab system there has been close coordination. However in case of Dhuri-Talwandi line for idle period the transmission charges should be payable by Sterlite for the period generation was delayed.

**Reply of PSTCL**

There in already proper matching of 400 kV Punjab System with the generation to be added through Talwandi Sabo and Rajpura TPS.

**View of the Commission**

Reply of PSTCL is incomplete, PSTCL to give complete information as required by the objector.

**Objection No. 2: Government of Punjab**

Department of Power, GoP has conveyed its observations on the ARR of PSTCL in its letter dated 23.05.2014 which are summarized hereunder, along with the view of the Commission.

**Issue No. 1: Employee Cost**

The employee cost is the genuine cost of the Utility, which can in no way be reduced as the Terms & Conditions of an employee can in no way be changed to his disadvantage during the course of his service. In the past also, the State Government had been supporting the PSTCL's contention that actual employee cost should be allowed as pass through as it is a legitimate historical component of the cost of supply and a committed liability of PSTCL. The Employee Cost is the genuine cost of the Utility, which can in no way be reduced. Therefore, Commission is requested to approve the Employee Cost as submitted by PSTCL.

**View of the Commission**

Employee Cost is allowed as per notified Regulations wherein terminal benefits are allowed on actual basis and increase in other employee cost is limited to average increase in WPI. However, in line with provisions of the Electricity Act, 2003, the consumers' interest is to be kept paramount. Accordingly, O&M expenses have been allowed on actual basis where claim of the utility is less than the normative allowable expenses. Refer para 2.4, 3.4, 5.4 and 6.5 of this Tariff Order.

**Issue No. 2: A&G Expenses**

There is 10.26% growth of A&G expenses in FY 2011-12 over FY 2010-11. Therefore A&G expenses of PSTCL for FY 2014-15 should be allowed at 10% increase over FY 2013-14 (Revised Estimates) figure.

**View of the Commission**

A&G expenses have been allowed in line with notified Regulations. However, in line with provisions of the Electricity Act, 2003, the consumers' interest is to be kept paramount. Accordingly, O&M expenses have been allowed on actual basis where claim of the utility is less than the normative allowable expenses. Refer para 2.6, 3.6, 5.6 and 6.7 of this Tariff Order.

**Issue No. 3: R&M Charges**

The transmission system of the State is very old. Special Repair & Maintenance works in addition to General Repair & Maintenance has to be carried out to ensure efficiently uninterrupted power transmission in the State. Repair & Maintenance of Transmission System of the State is of great importance so that uninterrupted supply can be maintained and grid failure be avoided.

The actual Repair and Maintenance charges of PSTCL are lower than the R&M allowed by the Commission in its previous Tariff Orders. Keeping in view the above facts, the Commission may be requested to allow R&M expenses as requested by PSTCL.

**View of the Commission**

R&M expenses have been allowed in line with notified Regulations. However, in line with provisions of the Electricity Act, 2003, the consumers' interest is to be kept paramount. Accordingly, O&M expenses have been allowed on actual basis where claim of the utility is less than the normative allowable expenses. Refer para 2.5, 3.5, 5.5 and 6.6 of this Tariff Order.

**Issue No. 4: Capital Expenditure Plan**

PSTCL has submitted Capital Expenditure of ₹666.61 crore for FY 2014-15. PSTCL is undertaking 400 kV Transmission works related to Talwandi Sabo Power Project and Rajpura Thermal Power Project. The Transmission System have accordingly been planned to cater to the major load growth centers in Punjab by formation of a 400 kV main ring in the State. The objective of the these projects is to provide adequate transmission arrangements to meet the disposal of power from the bulk consumption points to the major load centers with reliability and security alongwith the interconnections in the Northern Regional Grid.

Because of the capacity addition in the State Generation, appropriate Transmission capacity is also required to be created, the Commission is requested to allow the Capital Expenditure keeping in view the overall expenditure of the utility.

**View of the Commission**

The Commission while approving the investment plan of the utility takes cognizance of the level of actual expenditure incurred during the relevant years and the preceding year apart from the physical progress achieved in the previous years. Refer para 2.8, 3.8, 5.8 and 6.9 of this Tariff Order.

**Issue No. 5: Transmission Losses**

The Commission is requested to approve the Transmission losses taking into consideration the Transmission losses for other State utilities or benchmarking with CERC norms.

**View of the Commission**

In the absence of intra-state boundary metering, the Commission is fixing the targeted transmission loss at 2.5%. As and when the installation of intra-state boundary metering is completed by PSTCL and data stabilizes, the Commission will fix the transmission loss on the basis of actual transmission loss of PSTCL.

**Issue No. 6: Expenditure Plan of SLDC**

PSTCL is discharging the statutory functions of the State Load Despatch Centre (SLDC) in the State of Punjab. State Load Despatch Centre in Punjab has started working independently since FY 2011-12. SLDC of Punjab is at nascent stage of being established as an independent unit. PSTCL has submitted the total revenue requirement of ₹40.37 crore for SLDC for FY 2014-15 and has planned Capital Investment for SLDC function as under:-

i) RTUs addition as well as replacement of old technology and/ or non-performing/ un-maintainable/ aged RTUs.
ii) Intrastate Boundary Metering cum Transmission Level Energy Audit Scheme.
iii) Voice Recording Cum Expert Message Management System for the purpose of Voice Recording to record the conversation mainly between NRLDC & SLDC and SLDC & PSPCL/ PSTCL grid substations regarding grid management for network security.
iv) Implementation of Islanding Scheme in Punjab.

The SLDC is a backbone of the State's power sector. Its financial, operational and technical viability has to be maintained at every cost. The Commission is requested to approve the expenditure as detailed above for smooth functioning of SLDC. The Commission is requested to keep above aspects and overall utility of the expenditure and decide keeping in view various guidelines/ instructions issued by Ministry of Power so that a financial, operational and technical viability of PSTCL is maintained while finalizing the tariff for 2014-15.

**View of the Commission**

The Commission is conscious of the fact that SLDC is pivotal to the state's power sector. The expenses of SLDC under various heads are allowed in line with Tariff Regulations.

**ANNEXURE- III**

**Minutes of the Meeting of State Advisory Committee of the Punjab State Electricity Regulatory Commission held on February 17, 2014**.

The meeting of the PSERC, State Advisory Committee was held in the office of the Commission at Chandigarh on February 17, 2014 to discuss ARRs and Tariff Petitions for FY 2014-15 filed by PSPCL and PSTCL. The following were present:

| | | |
|---|---|---|
| 1. | Mrs. Romila Dubey,<br>Chairperson, PSERC | Ex-officio Chairperson |
| 2. | Er.Virinder Singh,<br>Member, PSERC | Ex-officio Member |
| 3. | Er.Gurinder Jit Singh,<br>Member, PSERC | Ex-officio Member |
| 4. | Sh. Jacob Pratap, Dy. Labour Commissioner,<br>on behalf of Labour Commissioner, Pb. | Member |
| 5. | Sh. Jaspal Singh, CE,<br>on behalf of Vice Chancellor, PAU | Member |
| 6. | Sh. D.L Sharma,<br>Chairman, CII, Punjab State Council | Member |
| 7. | Sh. K.K. Singh, Advisor Power<br>on behalf of Chairman, PHDCCI, | Member |
| 8. | Sh. R.B. Kumar, Dy. CEE/TRD/NR, HQ<br>on behalf of Chief Elec. Engineer,<br>Northern Railways | Member |
| 9. | Sh. Aishvarya Sharma, AAE-II,<br>On behalf of Director/Agriculture | Member |
| 10. | Sh. Vinod Bansal, Financial Advisor<br>on behalf of Director, Finance & Commercial,<br>PSTCL | Member |
| 11. | Er. K.L. Sharma, Director/Distribution,<br>PSPCL | Member |
| 12. | Er. Rakesh Kumar Sahi,<br>Chief Engineer, ARR & TR,<br>PSPCL | Member |
| 13. | Er. S.K.Anand,<br>Ex-Member Distribution, PSEB | Member |

| | | |
|---|---|---|
| 14. | Prof. R. S. Ghuman,<br>Chair Professor, .Nehru SAIL Chair and<br>Head Panchayati Raj Unit, CRRID, | Member |
| 15. | Shri Pishora Singh, President,<br>BKU (EKTA), Sidhupur | Member |
| 16. | Shri Bhagwan Bansal<br>Punjab Cotton Factory, Ginners Association | Member |
| 17. | Er. Suresh Kumar Gupta,<br>(Ex-Member/ Generation), PSEB,<br>Patiala | Member |
| 18. | Sh. Vijay Talwar, State Vice-President-Cum-Co<br>Chairman, National Power Committee,<br>Laghu Udyog Bharti, Jalandhar | Spl. Invitee |
| 19. | Sh. Amrik Singh Khalilpur<br>VPO Khalilpur, Derababa Nanak,<br>Distt. Gurdaspur. | Spl. Invitee |
| 20. | Er. A.S. Pabla,<br>House No. 69, Phase-III-A,<br>SAS Nagar (Mohali) | Spl. Invitee |
| 21. | Er. P.P. Garg,<br>Secretary, Secretary/PSERC | Ex-officio |

The Chairperson welcomed the Members of the State Advisory Committee and thanked everyone present for having spared time to attend the meeting. The Chairperson thereafter requested the Members to offer their suggestions/comments on the Annual Revenue Requirement and Tariff Petitions for FY 2014-15 filed by PSPCL and PSTCL.

**1. <u>Prof. R.S. Ghuman</u>**

Prof. R.S. Ghuman pointed out that all the AP consumers should be given supply through meters so that the actual consumption of AP sector could be measured. Chairperson, PSERC pointed out that necessary directives have been given to PSPCL for 100% metering of AP connections. However, PSPCL is finding it difficult to implement directives as a lot of manpower is required to install and read energy meters. Although AMR system has been installed at majority of the 11 kV AP feeders, installing meters at the premises of each and every AP consumer is very expensive. Shri S.K. Gupta pointed out that even now a large number of AP connections are running on mixed load rural feeders and PSPCL is ignorant about this aspect. Director/Distribution, PSPCL stated that at present about 12,000 AP connections are running on urban and kandi area feeders. Chairperson, PSERC directed PSPCL to submit a status report regarding AP connections running on mixed load rural feeders within three months. Prof. Ghuman was of the view that due to unmetered AP supply, the T&D losses have been inflated with theft of energy. He was of the view that if the utility is not able to generate the exact data regarding AP connections then it is the governance failure of PSPCL. He pointed out that the percentage of metered energy sale is going down. There is also unauthorized AP meter load. He further pointed out that the revenue gap is increasing year by year raising doubts about survival of the utility. Member (V), PSERC pointed out that PSERC has directed PSPCL to implement an AMR cum LT shunt capacitor model through outsourcing which will not cost anything to the utility but the response of the utility to implement this project was lukewarm.

Prof. R.S. Ghuman also requested for a clarification regarding different tariff rates for the Thermal Power Plants (TPPs) coming up in private sector in Punjab. Er. S.K. Gupta further pointed out that these TPPs are going to be charged higher rates by Coal India Limited for the coal to be supplied to these thermal plants. Director/Gen. & RE, PSERC explained that TPPs at Rajpura and Talwandi Sabo were allotted by erstwhile PSEB (now PSPCL) under case-2 bidding through competitive bidding process undertaken as per Competitive Bidding Guidelines and Standard Bidding Documents issued by Ministry of Power, Government of India.

Prof. R.S. Ghuman suggested that the proposal of PSPCL to surrender about 13000 MU from these TPPs and bear fixed charges to the tune of ₹1706.00 crore should be rejected. Rather, some viable solution is needed to sell this power to minimize loss on this account.

**2. <u>Sh. Aishvarya Sharma, AAE-II</u>**

Sh. Aishvarya Sharma, AAE-II who represented Director Agriculture endorsed the views of Prof. Ghuman.

**3. <u>Mr. S.K. Gupta</u>**

Mr. S.K. Gupta pointed out that the revenue collection has reduced by about ₹900 crore whereas there is marginal decrease in energy sales. At this, Chief Engineer/ARR, PSPCL stated that the decrease in revenue is due to power factor incentive, voltage rebate, roll back in tariff and on account of various judgments of APTEL/various Courts. Mr. Gupta raised the issue of recalling of loans by the Govt. of Punjab. Chairperson, PSERC stated that the recalling of loans is a matter between PSPCL and Government of Punjab. Mr. Gupta further stated that the revenue gap is increasing year by year and the financial condition of the utility is getting from bad to worse every year. He further pointed out that as per ARR, PSPCL is going to surrender 13,000 MU of surplus power in FY 2014-15 and as a result of this, the consumers will have to bear the burden of fixed charges to the tune of ₹1706 crore. Out of ₹1706 crore, ₹1053 crore is in respect of three upcoming plants in the State of Punjab. He suggested that auctioning/sale of surplus power be resorted to by PSPCL to reduce the burden of fixed cost on the consumers. He pointed out that the price of coal in case of GGSSTP is higher than the price of coal in respect of GNDTP and GHTP and desired that the reasons for higher price vis-à-vis GCV variation needs to be looked into. Mr. Gupta further pointed out that the upcoming IPPs in Punjab will receive coal at higher rate than generating stations of PSPCL.

4. **<u>Sh. R.B.Kumar, Dy. CE/TRD/Northern Railway</u>**

Sh. R.B.Kumar pointed out that step motherly treatment is being meted out to Northern Railway, as power factor rebate which is given to Industrial Consumers for power factor more than 0.9 is not available to Railways, and the same is given for power factor more than 0.95. He also requested that instead of cash, bank guarantee should be accepted as security from the Railways.

5. **<u>Mr. Bhagwan Bansal, Punjab Cotton Factory Ginners Association</u>**

Mr. Bhagwan Bansal pointed out that due to decrease in water table, cotton ginning industry was adversely effected. He requested that Monthly Minimum Charges should be done away with and bills should be raised only on actual consumption basis. He further requested that if any cotton ginning industrial consumer opts for temporary disconnection of his industry due to non availability of raw material, then the same may be reconnected within one year without charging MMC.

6. **Mr. Jaspal Singh, CE, Punjab Agriculture University**

Mr. Jaspal Singh requested the Commission to requisition the action taken report on the minutes of the State Advisory Committee from PSPCL regularly.

7. **Mr. D.L. Sharma, Chairman, CII**

The Chairperson requested the CII to deliberate upon and submit a proposal regarding the utilization of surplus power by way of increased consumption of industrial consumers. CII representative requested that in the tariff order, wheeling charges and cross subsidy surcharge should be reduced and also the burden of fixed charges of surplus power should not be passed on to the consumers. Member (V) pointed out that this would be counterproductive as consumers would resort to open access rather than buying power from PSPCL which would effect the survival of the utility. At this, CII requested that at least cross subsidy charges should be reduced and should be determined as per voltage-wise/category-wise cost of service. He further pointed out that the increase in equity by Government of Punjab by transfer of figures from one head to another was effecting the consumers adversely.

8. **Er. A.S.Pabla**

Er. Pabla suggested that the meters should be installed on all AP connections. With metering of AP connections, the power factor of each tube well connection can be measured and corrective steps can be taken. This will lead to huge saving for the utility. DSM measures can also be applied on AP connections which will further lead to 20% to 30% of saving. Er. Pabla further requested the Commission that the DSM measures have not been taken care of in the ARR by PSPCL and it should be part of ARR.

9. **Er. S.K.Anand**

Er. S.K. Anand appreciated the Commission for its role. He stressed that the financial position of PSPCL is deteriorating. He further added that all proposals such as AMR, DSM & others are not useful at all as the condition of distribution system is not good. He suggested that the distribution system should be overhauled in a phased manner but on priority basis. Even SCADA at 400 kV is not hundred percent working. He also suggested that the subsidy should be given by the State Govt. at average cost of supply. He stressed that all stakeholders should come on one platform. He pointed out the following shortcomings of the utility which needed to be addressed on priority.

- There is no personnel and technical planning in PSPCL.
- No policy regarding postings and transfers.
- Distribution system has no engineering inputs.
- No technical map of 11 kV/LT system.
- There is shortage of manpower at some places, and as such restructuring of manpower is required.

He pointed out that the basic malady of PSPCL was that its present distribution structure is 4 to 5 tiered and is based on 1895 PWD Model. According to Er. S.K. Anand, its adverse effects are as under:

i) In spite of more than 50,000 employees in the distribution set up, against a requirement of not more than 35,000 to 40,000, there are huge all round shortages of staff and the worst effected is the cutting edge level of the sub division, which is effecting the operations adversely.

ii) There are, by and large, no engineering inputs in the distribution set up where the new construction, as well as the operation and maintenance activity is being looked after by line staff. Design element is missing. The entire distribution system is poorly laid and poorly maintained, with the resultant ill effects, in terms of an abnormal incidence of outages and equipment failure.

iii) There is no way that PSPCL can achieve the desired standards of supply under this system.

Er. S.K.Anand expressed strong apprehension about the initiative of installing of automatic metering and removal of meters from consumer premises to stall leakages/theft. Already, a large number of these meters have gone defective.

He stressed the need to replace the current distribution set up with a modern set up on functional basis. Director/Distribution PSPCL expressed that there was lot of opposition to the expansion of restructuring of distribution based on Patiala model for cities and Nabha model for rural areas. On this, Member (V) pointed out that distribution reorganization based on functional model was the order of the day and all neighbouring countries of India like Sri Lanka, countries in Africa and some Indian utilities like Andhra Pradesh have changed their distribution organization on functional basis and thus PSPCL was to implement only a well tried and practical model of distribution organization which it has been committing to implement since 2010.

**10**. **Mr. Sachdeva, PHD Chamber**

Mr. Sachdeva pointed out that at the time of creation of companies, the balance sheet of these companies should have been zero but it was not so. He stated that the steel industry in Punjab is in a bad shape and the tariff rates for industrial consumers should not be increased. Further, the rebate on ToD Tariff should be increased to ₹2.00 per unit. He suggested that the voltage wise tariff should be introduced. AP cross subsidy burden should be reduced. He suggested that as the number of employees are decreasing in PSPCL, man power planning is the need of the hour. Automation is the necessity of the hour and everything including billing details etc should be available on the website of the utility. He further added that the decisions/directives of the Commission are not being implemented by PSPCL and the Commission should penalize the utility for any violations in this regard.

Sh. R.S. Sachdeva also suggested that the proposal of PSPCL to surrender about 13000 MU from Thermal Power Plants and bear fixed charges to the tune of ₹1706 crore may not be agreed to. Rather, some viable solution is needed to sell this power to minimize the loss on this account.

**11.** **Sh. Pishora Singh, President, Bharti Kisan Union (Ekta)**

Sh. Pishora Singh suggested that the tariff rates of electricity for rural areas should be reduced as the villages are not getting uninterrupted power. He suggested that the number of employees should be increased in the rural areas as during the emergency/night hours no employees are available for attending the complaints of the consumers in the rural areas and also there are lots of power cuts in rural areas. More staff is required to maintain the supply in the villages. The consumers are required to travel about 30 KM to lodge their complaints. He added that at present PSPCL has outsourced the construction of new lines/shifting of meters in pillar boxes to the contractors and the quality of work done by the contractors is very poor. PSPCL should look in to the matter. He also added that the VDS for AP consumers should be opened. He further pointed out that although the meters of the consumers have been shifted outside their houses, but the cost of damage to meter is being borne by the consumers without verifying the cause of damage. This practice of PSPCL should be stopped immediately. He stressed the need of NRSE/Micro Hydel projects in the State instead of thermal projects.

**12. <u>Mr. Vijay Talwar, Laghu Udyog Bharti (Punjab Chamber)</u>**

Mr. Talwar alleged that PSPCL is not disclosing all the non tariff income from the consumers. PSPCL has collected about ₹2,000 crore as non tariff income but has shown ₹900 crore only in the ARR for FY 2014-15. Either a special audit should be carried out or sworn affidavit taken from PSPCL regarding the correctness of the figures. He further said that PLEC should be done away with and instead of PLEC, tariff should be so designed that it is ₹3.00 per unit more during peak load period than the normal tariff. ToD should be implemented upto MS category of consumers. PPAs should be reviewed where they are expiring or likely to be renewed in the future. PSPCL has spent hundreds of crores in implementation of IT in PSPCL, but no results have so far been shown, as such, PSPCL needs to expedite execution of IT plan on priority.

The Chairperson concluded the meeting by thanking all present for their suggestions and assured the house that their concerns and suggestions would be considered.