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

CONTENTS

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

PETITION NO. 71 OF 2012

IN THE MATTER OF:

ANNUAL REVENUE REQUIREMENT

FILED BY THE PUNJAB STATE POWER CORPORATION LIMITED

FOR THE FINANCIAL YEAR 2013-14

PRESENT : Ms. Romila Dubey, Chairperson

Er. Virinder Singh, Member

Er. Gurinder Jit Singh, Member

Date of Order: April 10, 2013

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 supply of electricity by the Punjab State Power Corporation Limited (PSPCL) to consumers of the State of Punjab for FY 2013-14. The ARR filed by the PSPCL, facts presented by the PSPCL in its various submissions, objections received by the Commission from consumer organizations and individuals, issues raised by the public in hearings held at Bathinda, Chandigarh, Ludhiana and Jalandhar, the responses of the PSPCL 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 ten Tariff Orders determined tariff in pursuance of the ARRs and Tariff Applications submitted by the Punjab State Electricity Board (the Board) for the years 2002-03 to 2006-07, 2008-09, 2009-10, 2010-11 and Punjab State Power Corporation Limited (PSPCL) for the years 2011-12 and 2012-13. Tariff Order for the FY 2007-08 had been passed by the Commission in suo motu proceedings.

1.2 ARR for the year 2013-14

PSPCL has filed the ARR for FY 2013-14 on 30.11.2012. In this petition, PSPCL has submitted that it is one of the 'Successor Entities' of the erstwhile Board duly constituted under the Companies Act, 1956, on 16.04.2010 after unbundling of the Board by Government of Punjab vide notification no.1/9/08-EB(PR)/196 dated 16.04.2010, under the "Punjab Power Sector Reforms Transfer Scheme" (Transfer Scheme). The Balance Sheet appended to the Transfer Scheme is provisional and the Final Transfer Scheme for PSPCL has not been notified yet. Hence, forecast of various financial parameters have been made on the basis of assumptions detailed in the ARR Petition. PSPCL has, therefore, requested the Commission to consider its Petition as a Provisional ARR Petition, subject to finalization of the Transfer Scheme by GoP in due course of time. GoP has now finalized transfer of assets and liabilities to the successor entities vide notification No.1/4/04-EB(PR)/620 dated 24.12.2012 and notification No.1/4/04-EB(PR).632 dated 24.12.2012. PSPCL has, however, not submitted the audited accounts for FYs 2010-11 and 2011-12.

The Commission in its Tariff Order for FY 2012-13 had observed that the Provisional Balance Sheets, of the two successor entities, ending March 31, 2009, as appended to the above mentioned Transfer Scheme showed significant variations when compared to the audited balance sheet of the integrated utility. Therefore, the Commission deemed it proper to rely on the information filed by the erstwhile Board in its ARR Petition for FY 2010-11 and not on the Provisional Balance Sheet for the purpose of tariff determination for FY 2012-13. On the same lines, for FY 2013-14 also, the Commission has determined the ARR and tariff based on the submissions of PSPCL in its ARR petition for FY 2013-14. The Commission has adhered to existing norms and principles for review of the ARR for FY 2012-13.

In the ARR petition for FY 2013-14, PSPCL has worked out a cumulative revenue gap of Rs. 12053.39 crore and has intimated a revenue gap of Rs.16039.30 crore after GoP notification dated 24.12.2012 for FY 2013-14 including gap of previous year and carrying cost of previous year gap. On scrutiny, it was noticed that the ARR was deficient in some respects and in its communication vide no. PSERC/Tariff/163/8513 dated 6.12.2012, the Commission sought further information which was furnished by PSPCL in its letter no.1260/CC/DTR/Dy.CAO/238/Deficiency dated 18.12.2012. The Commission took the ARR on record on 19.12.2012. The Commission sought additional information vide its communication dated 04.01.2013 which was supplied by PSPCL vide letter no.1332/CC/DTR/Dy.CAO/238/Main dated 08.01.2013 & no. 1443/CC/DTR/Dy.CAO/238 dated 24.01.2013 and subsequent submissions.

The Annual Revenue Requirement determined by the Commission in this Tariff Order is based on the petition filed by PSPCL, operating as a Utility, performing functions of Generation, Distribution and Trading of electricity. The tariff determination by the Commission is based on the revised estimates of FY 2012-13 and projections of FY 2013-14 as submitted by PSPCL.

1.3 Objections and Public Hearings

A public notice was published by PSPCL in the The Tribune, The Hindustan Times, Dainik Bhaskar and Daily Ajit on 22.12.2012 and then on 10/11.1.2013 after GoP notification dated 24.12.2012 inviting objections from the general public on the ARR filed by PSPCL. Copies of the ARR were made available on the website of PSPCL and in the offices of the Chief Engineer/ARR and TR, PSPCL, Patiala, Liaison Officer, PSPCL Guest House, near Yadvindra Public School, Phase-8, Mohali and also in the offices of all the Chief Engineers (Operation) and all the Superintending Engineers (Operation) of the PSPCL. In the public notice, objectors were advised to file their objections with the Secretary of the Commission by 28.1.2013 with an advance copy to the PSPCL. 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 total 8 No. written objections by due date i.e. 28.1.2013 and 38 Nos. after due date. The Commission decided to take all these objections into consideration.

Number of objections received from individual consumers, consumer groups, organizations and others are detailed below:

Sr. No.	Category	No. of Objections
1.	Chambers of Commerce	4
2.	Industrial Associations	21
3.	Industry	12
4.	Railways	1
5.	PSEB Engineers Association	1
6.	Individuals	1
7.	Govt. of Punjab (GoP)	1
8.	Others	5
	Total	**46**

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

The Commission decided to hold public hearings at Bathinda, Chandigarh, Ludhiana and Jalandhar. A public notice to this effect was published on 17.01.2013 in Indian Express, Times of India, The Tribune, Punjabi Tribune and Amar Ujala as well as uploaded on the website of the Commission and also informed the objectors, consumers and the general public in this respect as per details hereunder:

<table>
<tr><th>Venue</th><th>Date & time of public hearing</th><th>Category of consumers to be heard</th></tr>
<tr><td><u>BATHINDA</u>
Conference Room, Guest House, Thermal Colony, PSPCL, Bathinda.</td><td><u>January 31, 2013</u>
11.30 AM to 1.30 PM.
(To be continued in the afternoon, if necessary).</td><td>All consumers/ organizations of the area.</td></tr>
<tr><td rowspan="2"><u>CHANDIGARH</u>
Commission office i.e. SCO 220-221, Sector 34-A, Chandigarh.</td><td><u>February 01, 2013</u>
11.00 AM to 1.30 PM</td><td>Industry.</td></tr>
<tr><td>3.00 P.M. onwards</td><td>Agricultural consumers and their unions.</td></tr>
<tr><td rowspan="2"><u>CHANDIGARH</u>
Commission office i.e. SCO 220-221, Sector 34-A, Chandigarh.</td><td><u>February 04, 2013</u>
11.00 AM to 1.30 PM</td><td>All consumers except Industry, Agricultural consumers and Officers'/ Staff Associations of PSPCL and PSTCL.</td></tr>
<tr><td>3.00 P.M. onwards</td><td>Officers' /Staff Associations of PSPCL and PSTCL and other Organizations.</td></tr>
<tr><td><u>LUDHIANA</u>
Multi Purpose Hall, Power Colony, PSPCL, Opposite PAU, Ferozepur Road, Ludhiana.</td><td><u>February 06, 2013</u>
11.30 AM to 1.30 PM.
(To be continued in the afternoon, if necessary).</td><td>All consumers/ organizations of the area.</td></tr>
<tr><td><u>JALANDHAR</u>
Conference Room, Office of Chief Engineer /Operation (North), PSPCL, Shakti Sadan, GT Road, Jalandhar.</td><td><u>February 08, 2013</u>
11.30 AM to 1.30 PM
(To be continued in the afternoon, if necessary).</td><td>All consumers/organizations of the area.</td></tr>
</table>

Through this public notice, it was also intimated that the Commission will conduct a public hearing at Chandigarh on February 20, 2013 in which the PSPCL 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 PSPCL were heard by the Commission. A summary of the issues raised in the objections, the response of the PSPCL 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. PSERC/Tariff/T/163/9110 dated 26.12.2012 and D.O. No.9787 dated 13.01.2013 followed by letter no.PSERC/Tariff/T/163/Vol.II/11913 dated 28.02.2013 seeking its views on the ARR to which the Government responded vide its letter no. 1/2/2013-EB(PR)/204 dated 22nd March, 2013. The same has been considered by the Commisson.

1.5 Proposal for Introduction of Time of Day (ToD) Tariff

PSPCL submitted a proposal for Time of Day (ToD) Tariff vide Chief Engineer/ARR & TR, PSPCL memo No.1751/Misc./CC/Dir.TR-233 dated 6th March, 2013. A Public Notice was published by PSPCL in the Hindustan Times, Punjabi Jagran, Dainik Jagran and Daily Ajit on 08.03.2013 inviting objections / comments / suggestions from general public and other stakeholders. Public hearing was held on 25.03.2013 in the Commission's office at Chandigarh.

Summary of submissions of PSPCL, response/objections of stakeholders and decision of the Commission is contained in para 5.3 of Chapter-5 of this Tariff Order.

1.6 State Advisory Committee

The State Advisory Committee constituted under Section 87 of the Act, discussed the ARR of PSPCL in a meeting convened for this purpose on 12.02.2013. The minutes of the meeting of the State Advisory Committee are enclosed as **Annexure–III** of this 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.

1.7 Compliance of Directives

In its previous Tariff Orders, the Commission had issued certain directives to PSPCL in the public interest. A summary of directives issued during previous years, status of compliance along with the Directives of the Commission for FY 2013-14 is given in **Annexure-IV** of this Tariff Order.

Chapter-2

True Up for FY 2010-11and FY 2011-12

2.1 Background

2.1.1 FY 2010-11

The Commission had approved the ARR and Tariff for FY 2010-11 in its Tariff Order dated April 23, 2010, which was based on the costs and revenue estimated by erstwhile Punjab State Electricity Board (Board). The Tariff Order for FY 2010-11 contained approvals of costs and revenue projections based on the integrated utility estimates, for different items of costs to be incurred and revenue likely to accrue during the year.

PSPCL in its ARR petition for FY 2011-12 had submitted the revised estimates of costs and revenue pertaining to Generation, Trading and Distribution functions, for FY 2010-11. The costs relating to Fuel Cost, Power Purchase cost etc. were entirely attributable to PSPCL whereas the other costs like Employee cost, R&M expenses, A&G expenses, Depreciation, Interest and Finance Charges, Return on Equity etc., of the composite Board were to be apportioned between the two successor entities i.e. PSPCL and PSTCL. On April 16, 2010, the Board was unbundled into two successor entities, PSPCL and PSTCL. PSPCL was entrusted with Generation, Trading and Distribution functions and PSTCL was entrusted with Transmission and State Load Despatch functions. The total expenses were apportioned between these two entities, based on the functions entrusted to each entity. The Commission considered it appropriate and fair to re-visit and review the approvals granted by it for the Generation and Distribution functions of the Board in the Tariff Order for FY 2011-12 with reference to the revised estimates made available by PSPCL, but without altering the principles and norms adopted earlier and accordingly, approved the revised ARR for FY 2010-11 in the Review.

PSPCL in its ARR petition for the year 2012-13 had submitted that ‘Provisional True-up” for FY 2010-11 may be undertaken as per provisional accounts for the year. However, as per provision under Regulation 9 of PSERC Tariff Regulations, True-up can be undertaken only after Audited Accounts of the year are made available. In view of this, the Commission had decided to undertake the True up for FY 2010-11 alongwith the PSPCL ARR petition for FY 2013-14 when the Audited Accounts for FY 2010-11 were likely to be made available.

2.1.2 FY 2011-12

The Commission had approved the ARR and Tariff for FY 2011-12 in its Tariff Order dated May 09, 2011 which was based on costs and revenue estimated by PSPCL.

PSPCL in its ARR for FY 2012-13 had submitted the revised estimates of costs and revenue pertaining to Generation and Distribution for FY 2011-12. The Commission considered it appropriate and fair to re-visit and revierw the approvals granted by it for the Generation and Distribution functions in the Tariff Order for FY 2012-13 with refence to the revised estimates made available by PSPCL but without altering the principles and norms adopted by the Commission earlier, and accordingly, approved the revised ARR for FY 2011-12 in the Review.

2.2 True up for FY 2010-11 and FY 2011-12

PSPCL in its ARR for FY 2013-14 has submitted that the Provisional Truing up for FY 2010-11 and FY 2011-12 may be carried out based on provisional accounts for these years. However, as per provision under Tariff Regulations, True up can be undertaken only after the Audited Accounts are made available. Hence the Commission decides to undertake the True up for FY 2010-11 and FY 2011-12 alongwith PSPCL ARR petition for FY 2014-15, when the Audited Accounts for FY 2010-11 and FY 2011-12 are likely to be made available.

Chapter-3

Review for FY 2012-13

3.1 Background

PSPCL, in its petition relating to Review for FY 2012-13, has estimated the energy sales, operating parameters, generation, expenditure for generation & distribution and revenue for FY 2012-13, based on actual energy sales, generation, expenditure and revenue for the first half (April 2012 to September 2012) of FY 2012-13 and estimated performance for the remaining part of the year, and has provided the revised estimates of energy sales, generation, expenditure and revenue for FY 2012-13.

The performance of FY 2012-13 (revised estimate) is compared with the ARR for FY 2012-13 approved vide Commission's order dated July 16, 2012.

The Commission has analyzed the energy sales, energy generation and components of expenditure and revenue in the Review for FY 2012-13 in this chapter.

3.2 Energy Demand (Sales)

3.2.1 Metered Energy Sales

The Commission in the Tariff Order for FY 2012-13 approved metered energy sales within the State at 23913 MU as against 24781 MU projected by PSPCL. PSPCL, in the ARR petition for FY 2013-14, has re-estimated the metered energy sales for FY 2012-13 at 25947 MU.

PSPCL has estimated energy sales of metered categories for FY 2012-13 on the basis of actuals for the first six months (April 2012 to September 2012) and by applying category-wise half-yearly 3 year compounded annual growth rate (CAGR) of second half of the period from FY 2008-09 to FY 2011-12, to the corresponding actual category-wise energy sales in the second half of FY 2011-12.

The Commission has estimated sales to metered categories on the basis of actual sales for the first six months of FY 2012-13 (April 2012 to September 2012) and by applying category-wise half-yearly CAGR of second half of the period from FY 2008-09 (actual) to FY 2011-12 (actual, but unaudited) to the corresponding category wise sales of second half for FY 2011-12. Accordingly, the Commission has worked out the estimated sales to metered categories as 25948 MU for FY 2012-13, as detailed in Table 3.1:

Table 3.1: Estimated Metered Energy Sales for FY 2012-13

(MU)

Sr. No.	Category	Sales during 2nd half of FY 2008-09 (Actual)	Sales during 2nd half of 2011-12 (Actual)	3 year CAGR during 2nd half of FY 2008-09 to 2nd half of FY 2011-12	Sales during 1st half of FY 2012-13 (Actual)	Estimated sales during 2nd half of FY 2012-13 (4+4*5)	Estimated sales for FY 2012-13 (6+7)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1	Domestic	3360	4161	7.39%	5067	4468	9535
2	Non-Residential	969	1277	9.64%	1502	1400	2902
3	Small Power	381	442	5.07%	453	464	917
4	Medium Supply	824	913	3.48%	908	945	1853
5	Large Supply	4418	4867	3.28%	4837	5027	9864
6	Public Lighting	81	80	-0.41%	66	80	146
7	Bulk Supply	244	284	5.19%	293	299	592
8	Railway Traction	69	70	0.48%	69	70	139
9	**Total Metered sales**	**10346**	**12094**		**13195**	**12753**	**25948**

The Commission has retained sales to common pool consumers at 305 MU as projected by PSPCL. PSPCL has projected Outside State sale during FY 2012-13 as 113 MU. The Commission notes that this includes free share of Himachal Pradesh (HP) in RSD (60 MU) and HP royalty in Shanan (53 MU). The free share of HP in RSD is required to be excluded from the Outside State sale. Therefore, the Commission considers the Outside State sale as 53 MU and Common Pool sale as 305 MU.

The metered energy sales projected by the PSPCL during determination of ARR for FY 2012-13, approved by the Commission in the Tariff Order for FY 2012-13, the revised estimates furnished by PSPCL and now approved by the Commission for FY 2012-13 are given in Table 3.2:

Table 3.2: Metered Energy Sales approved for FY 2012-13

(MU)

Sr. No.	Category	Projected by PSPCL in ARR for FY 2012-13	Approved by the Commission in T.O. for FY 2012-13	Revised Estimates of PSPCL in ARR for FY 2013-14	Now approved by the Commission
1	**2**	**3**	**4**	**5**	**6**
1.	Domestic	10082	9642	9536	9535
2.	Non-Residential	3126	2838	2902	2902
3.	Small Power	939	891	917	917
4.	Medium Supply	1918	1815	1852	1853
5.	Large Supply	7856	7856	9864	9864
6.	Public Lighting	129	135	146	146
7.	Bulk Supply	576	552	591	592
8.	Railway Traction	156	184	140	139
9.	**Total Metered sales within the State**	**24781**	**23913**	**25948 ***	**25948**
10.	Common Pool sale	305	305	305	305
11.	Outside State sale	111	0	113	53
12.	**Total sales (9+10+11)**	**25197**	**24218**	**26366**	**26306**

* Against 25947 projected by PSPCL in ARR Petition.

Accordingly, the metered sales of 25948 MU within the State, Common Pool sale of 305 MU and Outside State sale as 53 MU are now approved by the Commission as per details shown in Table 3.2.

3.2.2 AP Consumption

As against 11922 MU AP consumption projected by PSPCL in its ARR of 2012-13, the Commission, in its Tariff Order for FY 2012-13, approved AP consumption of 11003 MU after applying an increase of 5% over the consumption of 10479 MU approved by the Commission for FY 2011-12 in the Tariff Order for FY 2012-13. In the ARR petition for FY 2013-14, PSPCL has revised the estimate of AP consumption to 11456 MU for FY 2012-13.

PSPCL has revised the AP consumption for FY 2012-13 based on the assessed AP consumption during the first half of FY 2012-13 (April 2012 to September 2012) and estimation for second half of FY 2012-13. PSPCL has assessed the AP consumption for the first half of FY 2012-13 as 7649 MU based on sample meters provided throughout the State. The AP consumption for the 2nd half of FY 2012-13 has been assessed by PSPCL by increasing actual sales of 2nd half of FY 2011-12 by 5%. PSPCL has intimated actual sales for 2nd half of FY 2011-12 as 3626 MU and AP consumption for 2nd half of FY 2012-13 has accordingly been projected at 3807 MU. PSPCL has submitted that estimated increase of 11.70% in AP consumption in

FY 2012-13 over 10256 MU during FY 2011-12 is due to poor monsoon, use of inefficient pump sets, decrease in water level and use of submersible pump sets.

The Commission while working out the AP consumption from the monthly AP data submitted by PSPCL to the Commission, on the basis of load of AP connections and supply hours, observed that in many cases, the AP consumption recorded by the sample meters is almost the same as worked out on the basis of load of AP connections and supply hours. This showed that the readings of the sample meters were not recorded correctly. Further, the energy pumped shown in AMR data submitted by PSPCL every month for 25 number AP feeders per circle of PSPCL showed considerable difference when compared with the AP consumption calculated by PSPCL on the basis of AP factor, which in turn was calculated by PSPCL on the basis of sample meter readings. In order to further examine the authenticity of the sample meters data, the Commission asked PSPCL to supply the details of energy pumped for AP supply during FY 2012-13, vide Commission's letter nos. 10606 dated 01.02.2013 and 10897 dated 07.02.2013. PSPCL supplied the information regarding the number of AP feeders and energy pumped vide its email dated 09.02.2013. On scrutiny, the information supplied by PSPCL vide email dated 09.02.2013 was found to be deficient in some respects. PSPCL submitted the revised information on 13.02.2013, incorporating the details regarding the number of feeders and energy pumped, giving separate figures for AP 3-phase 3-wire, AP 3-phase 4-wire and Kandi area. PSPCL again vide email dated 19.02.2013 submitted the month wise and division wise details of number of feeders, energy pumped and load. On the basis of the information supplied by PSPCL, the Commission has estimated AP consumption during FY 2012-13 as 10687 MU, as worked out in Table-3.3.

Table 3.3: AP Consumption for FY 2012-13

(MU)

Sr. No.	Description	Energy
(i)	Energy pumped during April, 2012 to Dec., 2012 in case of 3-phase 3-wire AP feeders	9872.76
(ii)	Energy pumped during April, 2012 to Dec., 2012 in case of 3-phase 4-wire AP feeders	83.42 [a]
(iii)	Energy pumped during April, 2012 to Dec., 2012 in case of Kandi area feeders feeding AP load	353.28 [b]
(iv)	Total energy pumped during April, 2012 to Dec., 2012 for AP supply {(i)+ (ii)+ (iii)}	10309.45
(v)	Estimated energy pumped for AP supply during Jan., 2013 to March, 2013	1961.58 [c]
(vi)	Total energy pumped for AP supply during FY 2012-13 {(iv)+ (v)}	12271.04
(vii)	Less losses @ 13.84% {(vi)x13.84%}	1698.31 [d]
(viii)	Net AP consumption for FY 2012-13 {(vi) - (vii)}	10572.73
(ix)	AP consumption for load of 85.049 MW running on Urban Feeders [not included above at Sr.No.(viii)] {(viii)x 85.049/7886.395}	114.02 [e]
(x)	**Total AP consumption for FY 2012-13 {(viii)+ (ix)}**	**10686.75**

(a) *Calculated by multiplying the number of 3-phase 4-wire AP feeders for each month with AP consumption per feeder for that month in case of 3-phase 3-wire AP feeders.*

(b) *Calculated by assuming the AP load on Kandi area feeders feeding AP load as 30% (as intimated by PSPCL).*

(c) *Calculated by multiplying the total energy pumped (as worked out at Sr. No. (iv)) with 19.03% (average of the percentages of AP consumption during the last three months to the first nine months of FY 2010-11 and FY 2011-12).*

(d) *The loss percentage of 13.84 for FY 2012-13 has been computed from Tariff Order for FY 2012-13.*

(e) *AP load running on 3-phase 3-wire, 3-phase 4-wire and Kandi Area feeders is 7886.395 MW ending December 2012 as per information supplied by PSPCL on 19.02.2013.*

Thus, the Commission approves the AP Consumption of 10686.75 MU (say 10687 MU) for FY 2012-13, subject to validation.

3.2.3 Total Energy Sales for FY 2012-13

The total energy sales as per Revised Estimates (RE) given by PSPCL in its ARR Petition and now approved by the Commission for FY 2012-13 are given in Table 3.4.

Table 3.4: Total Energy Sales for FY 2012-13

(MU)

Particulars	Energy sales (RE) by PSPCL for FY 2012-13	Energy sales approved by the Commission for FY 2012-13
1	**2**	**3**
Metered sales	25948	25948
AP consumption	11456	10687
Total sales within State	**37404**	**36635**
Common pool sale	305	305
Outside State sale	113	53
Total	**37822**	**36993**

The Commission approves the total energy sales at 36993 MU for FY 2012-13.

3.3 Transmission and Distribution Losses (T&D Losses)

In its ARR petition for FY 2012-13, PSPCL had projected Transmission and Distribution losses at 17% for FY 2012-13 (a reduction of 0.5% from the loss level of 17.5% projected for FY 2011-12). The Commission, however, retained/fixed the T&D losses at 18% for FY 2012-13 as target set for FY 2012-13 in its Tariff Order for FY 2010-11.

PSPCL in its ARR petition for FY 2013-14 has projected the T&D losses for FY 2012-13 at 17.00% (a reduction of 0.42% with respect to the loss of 17.42% assessed for the year 2011-12). PSPCL has submitted that it has been taking steps to reduce the distribution loss through various loss reduction and network planning initiatives. PSPCL has claimed that considering the geographical spread of the area and consumer base of PSPCL, loss level of 17.42% in FY 2011-12, 17% in FY 2012-13 and 16.5% as projected for FY 2013-14 is indicative of the efficient performance of the PSPCL. As per PSPCL, efforts to reduce losses below these levels would require huge investments, and appropriate cost benefit analysis is essential as return in the form of loss reduction may not justify the investment in certain cases. PSPCL has further submitted that driven by the targets and directives given by the Hon'ble Commission, PSPCL is making concerted efforts to reduce and control the losses and is already recognized at par with some of the efficient utilities in the country. On the issue of T&D losses, the Commission is of the firm opinion that further reduction in losses should be attempted by PSPCL on the lines of South Korean Model of Distribution System through which South Korea has been able to reduce its losses from 40% to 4% over last three decades.

However, the Commission decides to retain T&D losses at 18.00% as fixed in the Tariff Order for FY 2012-13.

As mentioned in para 3.3 and para 4.2 of the Tariff Order for FY 2012-13, the Commission is of the view that since the erstwhile Board has been unbundled into two separate entities i.e. PSTCL & PSPCL, losses should be separately considered and approved for these utilities. PSTCL in its ARR has submitted that it has ordered Intrastate Boundary Metering-cum-Transmission Level Energy Audit Scheme and works in this respect under this scheme are expected to be completed during 2013-14. With the commissioning of this scheme, PSTCL will be able to monitor its System Losses. Under these circumstances, the Commission decides to stipulate only overall target T&D losses, with segregation into transmission loss and distribution loss within the overall target, pending final adjustment between PSTCL and PSPCL based on actual data while truing-up or at a later stage.

Keeping the overall T&D loss level of 18.00% and based on the provisionally approved transmission loss of 2.5% for PSTCL for FY 2012-13 in the Tariff Order for PSTCL for FY 2013-14, the target distribution loss (66kV and below) for PSPCL for FY 2012-13 works out to 15.90%, which the Commission approves. The Commission will revisit the distribution loss of PSPCL while undertaking the True up for FY 2012-13.

3.4 Energy Requirement

3.4.1 The total energy requirement to meet the demand of the system is the sum of estimated metered sales including Common Pool and Outside State sales, estimated AP consumption and T&D losses. The total energy requirement for FY 2012-13 projected in the ARR for FY 2012-13, approved by the Commission in the Tariff Order, revised estimates furnished by PSPCL in the ARR for FY 2013-14 and now approved by the Commission are given in Table 3.5:

Table 3.5: Energy Requirement for FY 2012-13

(MU)

Sr. No.	Particulars	Projected by PSPCL in ARR for FY 2012-13	Approved by the Commission in T.O. for FY 2012-13	Revised Estimates by PSPCL for FY 2012-13 in ARR Petition FY 2013-14	Now approved by the Commission for FY 2012-13
1	**2**	**3**	**4**	**5**	**6**
1	Metered sales within the State	24781	23913	25948	25948
2	AP consumption	11922	11003	11456	10687
3	**Total sales within the State (1+2)**	36703	34916	37404	**36635**
4	Common pool sale	305	305	305	305
5	Outside State sale	111	0	113	53
6	**Total sales (3+4+5)**	37119	35221	37822	**36993**
7(a)	T&D losses on Sr.No.3 (%)	17.00%	18.00%	17.00%	18.00%
7(b)	T&D losses on Sr. No.3	7518	7664	7661	8042
8	**Total energy input required [6+7(b)]**	44637	42885	45483	**45035**
9	**Energy at transmission periphery to be sold within the State (8-4-5)**		42580		**44677**
10(a)	Transmission loss (%)		2.50%		2.50%
10(b)	Transmission loss		1065		1117
11	Energy available to PSPCL [9-10 (b)]		41515		43560
12(a)	Distribution loss (%)		15.90%		15.90%
12(b)	Distribution loss		6599		6925
13	**Energy available for sale to consumers within the State [11-12 (b)]**		34916		**36635**

3.4.2 The revised energy requirement for FY 2012-13 with T&D losses of 18.00% is determined as 45035 MU which has to be met from PSPCL's own generation (thermal and hydel) including share from BBMB, purchase from Central Generating Stations and other sources.

3.5 PSPCL's own generation

3.5.1 Thermal Generation

PSPCL has estimated the revised gross generation of GNDTP, GGSSTP and GHTP for FY 2012-13 based on actual generation of the respective plants up to September, 2012 and estimating the generation for the second half of FY 2012-13 on the basis of the planned and forced outages of the respective plants and the scheduled renovation and modernization work undergoing (in the case of GNDTP units-III and IV) during second half of FY 2012-13.

The Commission has, however, obtained the actual generation of different stations from April, 2012 to January, 2013 and the projected generation from February, 2013 to March, 2013. The actual gross generation from April, 2012 to October, 2012 and November, 2012 to January, 2013 and the generation projected from February, 2013 to March, 2013 by PSPCL is summarized in Table 3.6

Table 3.6: Actual & Projected Gross Thermal Generation for FY 2012-13

(MU)

Sr. No.	Station	Actual gross generation from April 2012 to October, 2012	Actual gross generation from November 2012 to January 2013	Projected gross generation from February 2013 to March 2013	Estimated gross generation from November 2012 to March 2013 (4+5)	Total gross generation (3+6)
1	**2**	**3**	**4**	**5**	**6**	**7**
1	GNDTP	869	432	336	768	1637
2	GGSSTP	5671	2482	1440	3922	9593
3	GHTP	4573	1770	1059	2829	7402
4	**Total**	**11113**	**4684**	**2835**	**7519**	**18632**

PSPCL has intimated in the ARR petition that 26.612 MU generated during trial run of GNDTP unit III during April, 2012 to September, 2012 and expected generation of 50 MU from the unit during October, 2012 has not been included in the generation figures of GNDTP for FY 2012-13. The Commission has, however, obtained the actual generation figures (145.067 MU gross) during trial run of GNDTP unit III, which has been put on commercial operation with effect from 07.12.2012. It has also been intimated by PSPCL that the capacity of GNDTP unit III has been increased from 110 MW to 120 MW with effect from 07.12.2012. Further, in such cases, as per the accounting procedure, the expenditure incurred will be charged to Capital Expenditure and the revenue earned will be treated as reduction in Capital Expenditure.

In view of the above, the Commission decides to approve thermal generation of 18777 MU as worked out in Table 3.6(A):

Table 3.6(A): Gross Thermal Generation

(MU)

Sr. No.	Station	Total gross generation
1	**2**	**3**
1	GNDTP	1637
		145 *
2	GGSSTP	9593
3	GHTP	7402
4	**Total**	**18777**

**During trial run of GNDTP unit III.*

Auxiliary energy consumption and net generation: The plant-wise auxiliary energy consumption projected by PSPCL during determination of ARR for FY 2012-13, auxiliary energy consumption approved by the Commission in the Tariff Order for FY 2012-13, the revised figures projected by PSPCL in the ARR petition for FY 2013-14, and now approved by the Commission are given in Table 3.7:

Table 3.7: Auxiliary energy consumption for FY 2012-13

Sr. No.	Station	Projected by PSPCL in ARR for FY 2012-13	Approved by the Commission in T.O. for FY 2012-13	RE by PSPCL in ARR for FY 2013-14	Now approved by the Commission
1	**2**	**3**	**4**	**5**	**6**
1	GNDTP	11.00 %	11.00 %	11.00 %	11.00 %
2	GGSSTP	8.50 %	8.50 %	8.50 %	8.50 %
3	GHTP	9.00 %	8.50 %	8.24 %*	8.50 %

**Weighted average of auxiliary energy consumption of 8.00% for Ist half of 2012-13 and 8.50% for second half of 2012-13 as projected by PSPCL in ARR.*

In the Tariff Order for FY 2012-13, the Commission had adopted the CERC norms for assessment of net generation for GGSSTP and GHTP, and considered the various issues and submissions regarding the auxiliary energy consumption of GNDTP units in para 4.4.1 of the Tariff Order for FY 2012-13, and accordingly fixed the auxiliary energy consumption for FY 2012-13 at 11%, 8.50% and 8.50% for GNDTP, GGSSTP and GHTP respectively.

The Commission, therefore, approves auxiliary consumption for GNDTP, GGSSTP and GHTP at the level already approved in the Tariff Order for FY 2012-13 i.e. at 11%, 8.50% and 8.50% respectively.

The station-wise generation projected by PSPCL during determination of ARR for FY 2012-13, generation approved by the Commission in its Tariff Order for that year, revised estimates supplied by PSPCL in the ARR for FY 2013-14 and the generation now approved by the Commission are given in Table 3.8:

Table 3.8: Thermal Generation for FY 2012-13

(MU)

Sr. No.	Station	Projected by PSPCL in ARR for FY 2012-13		Approved by the Commission in T.O. for FY 2012-13		Revised Estimates of PSPCL in ARR for FY 2013-14		Now approved by the Commission	
		Gross	Net	Gross	Net	Gross	Net	Gross	Net
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1	GNDTP	2815	2505	2552	2271	1784	1588	1782	1586
2	GGSSTP	9300	8509	9863	9025	9678	8856	9593	8778
3	GHTP	6989	6360	7577	6933	7350	6745	7402	6773
4	**Total**	**19104**	**17374**	**19992**	**18229**	**18812**	**17189**	**18777**	**17137**

The Commission approves gross and net thermal generation for FY 2012-13 at 18777 MU and 17137 MU respectively.

3.5.2 Hydel Generation

PSPCL, in the ARR petition for FY 2012-13, projected the net hydel generation including BBMB share at 8233.82 MU for FY 2012-13. The Commission, in its Tariff Order for FY 2012-13, approved the net hydel generation including BBMB share at 8112 MU. PSPCL, in its ARR petition for FY 2013-14, has submitted the revised net hydel generation at 8514 MU for FY 2012-13.

PSPCL has submitted in the ARR for FY 2013-14 that the availability from hydel plants for FY 2012-13 has been re-estimated on the basis of the actual generation figures during the first half of FY 2012-13 and the revised generation target estimated for the respective hydel plants for the second half of FY 2012-13. PSPCL has further stated that the availability projections for 2nd half of FY 2012-13 are based on last three years average for the corresponding months. Royalty to HP from Shanan for 2nd half of FY 2012-13 has been considered as same as for the 2nd half of FY 2011-12. Share to HP from RSD for 2nd half of FY 2012-13 has been considered at the same percentage of gross generation as that of 2nd half of FY 2011-12. The auxiliary losses in the plants have been calculated based on the average of the historical data. The availability from BBMB and Common Pool share for the 2nd half of FY 2012-13 has been calculated based in the directives in the Order dated 31.10.2011 from Ministry of Power, which has defined the new allocation for the State of Punjab from the Bhakra Nangal Project and Beas Project.

The Commission has obtained from PSPCL actual gross generation of its own hydel generating stations upto January, 2013 and also the projected generation for February, 2013 and March, 2013. The actual gross generation of PSPCL's own hydel generating stations from April, 2012 to January, 2013 and the generation projected from February, 2013 to March, 2013 by PSPCL is summarized in Table 3.9:

Table 3.9: Actual Gross Hydel Generation from April 2012 to January 2013 and projected Hydel Generation from February 2013 to March 2013

(MU)

Sr. No.	Station	Actual gross generation from Apr 12 to Jan 13	Projected gross generation for Feb 13 & Mar 13	Total gross generation
1	**2**	**3**	**4**	**5**
1	Shanan	386.53	48.56	435.09
2	UDBC	288.71	36.64	325.35
3	RSD	1228.83	156.83	1385.66
4	MHP	1188.36	194.24	1382.60
5	ASHP	575.27	113.37	688.64
6	Micro Hydel	6.50	1.75	8.25
7	**Gross own hydro**	**3674.20**	**551.39**	**4225.59**

In view of the actual station-wise generation of PSPCL's own hydel generating stations from April 2012 to January, 2013 intimated by PSPCL and the generation projected by PSPCL of its own hydel generating stations from February, 2013 to March 2013 being reasonable, the Commission approves the gross hydel generation of PSPCL's own hydel generating stations as given under column 5 of Table 3.9.

The Commission has worked out net hydel generation for FY 2012-13 by deducting the auxiliary consumption, transformation losses and free HP share in RSD as indicated in Table 3.10. HP royalty in Shanan (53 MU) has not been deducted from the gross hydel generation as the same has been considered as sale Outside the State in para 3.2.1, since some revenue is earned from this sale.

The Commission also obtained from PSPCL, its actual share from BBMB upto January, 2013 and also the projection for February, 2013 and March, 2013, and approves the same for FY 2012-13.

The total availability of station-wise hydel generation as projected by PSPCL in the ARR for FY 2012-13, generation approved by the Commission in its Tariff Order for FY 2012-13, the revised estimate submitted by PSPCL in the ARR for FY 2013-14, and now approved by the Commission is given in Table 3.10:

Table 3.10: Hydel Generation for FY 2012-13

(MU)

Sr. No.	Station	Projected by PSPCL in ARR for FY 2012-13	Approved by the Commission in T.O. for FY 2012-13	Revised Estimates of PSPCL in ARR for FY 2013-14	Now Approved by the Commission
1	2	3	4	5	6
1.	Shanan	545.41	528	446	435
2	UDBC	378.43	368	327	325
3	RSD	1454.69	1360	1401	1386
4	MHP	1112.37	1127	1289	1383
5	ASHP	678.76	658	706	689
6	Micro Hydel	9.37	10	8	8
7	**Total own generation (Gross)**	**4178.72**	**4051**	**4177**	**4226**
8	Auxiliary consumption and transformation loss	155.17	149	42	34 *
9	HP share in RSD				64 **
10	**Total own generation (Net)**	**4023.55**	**3902**	**4135**	**4128**
11	**PSPCL share from BBMB**				
(a)	PSPCL share excluding common pool share (Net)	3904.83	3905	4074	3901
(b)	Add Common pool share	305.43	305	305	305
12	**Net share from BBMB**	**4210.27**	**4210**	**4379**	**4206**
13	**Total hydro availability (Net) (Own+BBMB)**	**8233.82**	**8112**	**8514**	**8334**

** Transformation loss @ 0.5% (21 MU), Auxiliary consumption @ 0.5% for RSD generation of 1386 MU and UBDC stage-I generation of 160 MU (having static exciters) and @ 0.2% for others (13 MU).*
*** HP share @ 4.6% in RSD (64 MU).*

The Commission, thus, approves revised hydel generation for FY 2012-13 at 4128 MU (net) from own hydel stations and 4206 MU (net) as share from BBMB, as shown in Table 3.10.

3.5.3 The gross and net availability of thermal and hydel generation approved for FY 2012-13 is depicted in Table 3.11:

Table 3.11: Gross and Net availability of Thermal and Hydel Generation approved for FY 2012-13

(MU)

Sr. No.	Thermal and Hydel Generation	Gross Generation	Net Generation
1	2	3	4
1	Thermal	18777	17137
2	Hydel		
(a)	Own generation	4226	4128
(b)	Share from BBMB (including Common Pool share)	4206	4206
(c)	Total Hydel (Own + BBMB)	8432	8334
3	**Total (Thermal + Hydel) availability**	**27209**	**25471**

3.6 Power Purchase

To meet the energy requirement, PSPCL had projected power purchase at 18917 MU (net) in the ARR for FY 2012-13. The Commission, in its Tariff Order for

FY 2012-13, approved power purchase at 16544 MU (net) for FY 2012-13. PSPCL has now furnished revised estimates of power purchase for FY 2012-13 at 19779 MU (net) in its ARR petition for FY 2013-14. The approved total energy requirement during FY 2012-13 including Common Pool sale and Outside State sale and T&D losses are determined as 45035 MU as discussed in para 3.4. The energy available from PSPCL's own generating stations including its share from BBMB is 25471 MU (17137 MU of thermal generation and 8334 MU of hydel generation including share from BBMB) as approved in para 3.5. The balance energy requirement works out to 19564 MU (net) which has to be met through purchases from Central Generating Stations and other sources.

The Commission, accordingly, approves the revised power purchase at 19564 MU (net) for FY 2012-13.

3.7 Energy Balance

Details of energy requirement and energy availability projected by PSPCL in its ARR petition for FY 2012-13, approved by the Commission in its Tariff Order for FY 2012-13, revised estimates supplied by PSPCL in the ARR petition for FY 2013-14 and now approved by the Commission is given in Table 3.12:

Table 3.12: Energy Balance for FY 2012-13

(MU)

Sr. No.	Particulars	Projected by PSPCL in ARR for FY 2012-13	Approved by the Commission in Tariff Order for FY 2012-13	Revised Estimates by PSPCL in ARR for FY 2012-13	Now approved by the Commission for FY 2012-13
1	2	3	4	5	6
(A)	**Energy Requirement**				
1	Metered Sales	24781	23913	25948	25948
2	Sales to Agriculture	11922	11003	11456	10687
3	**Total Sales within the State**	**36703**	**34916**	**37404**	**36635**
4	T&D Losses (%)	17.00%	18.00%	17.00%	18.00%
5	T & D Losses	7518	7664	7661	8042
6	Sale to Common Pool consumers	305	305	305	305
7	Outside State Sale	111	0	113	53
8	**Total Requirement**	**44637**	**42885**	**45483***	**45035**
(B)	**Energy Available**				
9	Own generation (Ex-bus)				
(a)	Thermal	17375	18229	17189	17137
(b)	Hydel	4135	3902	4135	4128
10	Share from BBMB (incl. share of common pool consumers)	4210	4210	4379	4206
11	Purchase (net)	18917	16544	19779	19564
12	**Total Availability**	**44637**	**42885**	**45482**	**45035**

* Against 45482 projected by PSPCL in the ARR.

3.8 Fuel Cost

3.8.1 PSPCL in the ARR petition for FY 2012-13 had projected fuel cost of ₹4172 crore for gross generation of 19104 MU. The Commission, in its Tariff Order for FY 2012-13, approved fuel cost of ₹3824.34 crore for gross thermal generation of 19992 MU. PSPCL, in its ARR petition for FY 2013-14, has revised the estimates of fuel cost to ₹4318.14 crore for gross thermal generation of 18812 MU, based on calorific value and price of coal / oil, transit loss of coal, station heat rate of thermal generating stations and specific oil consumption for FY 2012-13, as given in Table 3.13. PSPCL has submitted that techno-commercial parameters have been estimated on the basis of historical data. It has also been submitted that the prices of coal and oil for 2nd half of FY 2012-13 have been escalated by 5% over prices for 1st half of FY 2012-13.

Table 3.13: Calorific Value and Price of Coal & Oil, Transit loss of coal, Specific Oil consumption and Station Heat Rate as submitted by PSPCL for FY 2012-13

Sr. No.	Station	Period	As submitted by PSPCL						
			Gross Calorific value of coal (kCal/kg)	Calorific Value of Oil (kCal/ lt)	Price of Oil (₹/ KL)	Price of coal excluding transit loss (₹/MT)	Transit Loss (%)	Station Heat Rate (kCal/ kWh)	Specific Oil Consum-ption (ml/kWh)
1	2	3	4	5	6	7	8	9	10
1	GNDTP	H1	4000	9400	48946.00	3366.84	2.35	2855.48	1.47
	GNDTP	H2	4000	9400	51393.30	3535.18	1.50	2825.00	1.52
2	GGSSTP	H1	4020	9700	42399.75	3555.55	0.28	2547.13	0.48
	GGSSTP	H2	4000	9700	44519.74	3733.32	1.50	2558.00	1.00
3	GHTP	H1	4019	9500	43448.00	3437.33	2.17	2365.00	0.26
	GHTP	H2	4025	9500	45620.40	3609.19	2.00	2500.00	1.00

H1: April 2012 to September, 2012 & H2: October, 2012 to March, 2013.

Fuel cost being a major item of expense, the Commission thought it prudent to get the same validated. The calorific value of oil & coal, the price of oil & coal and transit loss of coal validated by the Commission are indicated in Table 3.14(A). These values are based on data from April 01, 2012 to September 30, 2012.

Table 3.14(A): Calorific Value and Price of Coal & Oil and Transit loss of coal as validated by the Commission for FY 2012-13

Sr. No.	Station	As validated by the Commission				
		Calorific value of coal (kCal/kg)	Calorific Value of Oil (kCal/lt)	Price of Oil (₹/KL)	Price of coal (₹/MT) (Excluding Transit Loss)	Transit Loss (%)
1	2	3	4	5	6	7
1	GNDTP	4000	9532	48946.00	3370.00	2.35
2	GGSSTP	4020	9737	42389.52	3546.44	0.36
3	GHTP	4019	9506	43539.00	3438.00	2.17

3.8.2 Substantial quantity of coal received from the captive coal mine of PSPCL has been used during FY 2012-13. The Commission has taken the coal quantity received from PANEM (PSPCL's captive coal mine) as submitted by PSPCL. The price of coal and corresponding calorific values given in the ARR petition of PSPCL [Table 3.13] and those validated by the Commission [Table 3.14(A)] are weighted average values of coal for 6 months (April 01, 2012 to September 30, 2012), including PANEM coal.

3.8.3 The Commission in para 4.7.4 of the Tariff Order for FY 2012-13 observed with regard to drop in Gross Calorific Value (GCV) of receipted coal and the coal going to bunkers, as under:

"The normal drop in Gross Calorific Value of receipt coal and the coal going to bunkers should be about 150 kCal/Kg, whereas the drop at the Thermal Plants of PSPCL has been observed much higher (about 800 kCal/Kg). This drop needs to be examined and the effect of this, if any, shall be taken into consideration at the time of Review/True up."

The Commission passed an order dated 08.10.2012 in petition no. 42 of 2012 (suo motu) in the matter of Fuel Audit of various Thermal Plants of Punjab State Power Corporation Limited. The parts relevant to the issue of GCV as contained in the order of the Commission dated 08.10.2012 are reproduced below:

"(c) To adopt a uniform method of GCV measurement for receipted and bunkered coal by adding the effect of surface moisture to the GCV at the rate of 145 kCal/kg per 1% of moisture."

"(d) To bring down the drop in GCV between the receipted coal and bunkered coal within 150 kCal/kg."

"(f) To work out the monthly weighted average GCV of receipted coal (at the thermal plants) and bunkered coal and furnish the same quarterly and at the time of filing the ARR and Tariff Petition with the Commission."

The Commission vide letter no. 10608 dated 04.02.2013 sought the information regarding GCV of receipted coal and bunkered coal from PSPCL. On the basis of the information supplied by PSPCL vide its letter no. 1571 dated 11.02.2013, the GCV of receipted coal and bunkered coal in respect of Thermal Generating Stations of PSPCL is summarized in Table 3.14(B):

Table 3.14(B): GCV of Receipted coal / Bunkered coal

Sr. No.	Name of the Thermal Generating Station	Average of GCV of receipted coal for Nov.12, Dec. 12 & Jan.13 (kCal/kg)	Average of GCV of bunkered coal for Nov.12 Dec. 12 & Jan.13 (kCal/kg)	Difference in average GCV of receipted coal and bunkered coal (3-4) (kCal/kg)	Maximum permissible drop in GCV as per orders of the Commission dated 08.10.12 & 27.02.13 (kcal/kg)	GCV determined after deducting maximum permissible drop in GCV from GCV of receipted coal (3-6) (kCal/kg)
1	**2**	**3**	**4**	**5**	**6**	**7**
1	GNDTP	4320	4072	248	150	4170
2	GGSSTP	4509	4082	427	150	4359
3	GHTP	4191	4131	60	150	4041

As the Commission issued the order in the matter of Fuel Audit of various Thermal Plants of Punjab State Power Corporation Limited on 08.10.2012, the Commission decides to continue with the existing practice of adopting of GCV of bunkered coal for working out the fuel cost for the period from April, 2012 to October, 2012 i.e. values as given under Column 3 of Table 3.14(A), and decides to adopt the GCV of receipted coal minus maximum permissible drop in GCV as per the order of the Commission dated 08.10.2012 (150 kCal/kg) for working out the fuel cost from November, 2012 to March, 2013 i.e. values as given under Column 7 of Table 3.14(B).

3.8.4 The Commission in para 4.7.3 of the Tariff Order for FY 2012-13 had decided to consider any revision of SHR for GGSSTP and GNDTP, after receipt of required clarifications on certain observations on the results arrived at by Central Power Research Institute (CPRI), while reviewing FY 2012-13 in its next Tariff Order. In view of the clarifications supplied by CPRI that GGSSTP and GNDTP units are capable of operating at SHR of 2500 kcal/kWh and 2825 kCal/kWh respectively, the Commission observed that the values of SHR being adopted by it for GGSSTP and GNDTP are in order and there is no case for any relaxed norm. This has already been conveyed to PSPCL vide Commission's letter no. 4798 dated 22.08.2012.

3.8.5 The gross generation considered by the Commission in the estimation of fuel cost for FY 2012-13 is 18632 MU (11113 MU from April 2012 to October 2012 and 7519 MU from November 2012 to March 2013). The fuel cost for different stations corresponding to generation, now approved by the Commission, has been worked out based on the parameters adopted by the Commission in its Tariff Order for FY 2012-13. Table 3.15 details the fuel cost based on calorific value & price of coal & oil as mentioned in Table 3.14(A) & Table 3.14(B).

3.8.6 No transit loss has been allowed for PANEM coal while arriving at fuel cost as prices according to the contract are on F.O.R. destination basis. In the case of coal other than PANEM coal, transit loss of 1.5% has been allowed by the Commission, which shall be trued up at actuals, subject to a maximum of 1.5%.

Table 3.15: Fuel Cost for FY 2012-13

Sr. No.	Item	Derivation	Unit	GNDTP	GGSSTP	GHTP	Total
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
For the period April 2012 to October 2012							
1	Generation	A	MU	869	5671	4573	11113
2	Heat Rate	B	kcal/kWh	2825	2500	2500	
3	Specific oil consumption	C	ml/kWh	1.00	1.00	1.00	
4	Calorific value of oil	D	kcal/litre	9532	9737	9506	
5	Calorific value of coal	E	kcal/kg	4000	4020	4019	
6	Overall heat	F = (A x B)	Gcal	2454925	14177500	11432500	
7	Heat from oil	G = (A x C x D) / 1000	Gcal	8283	55219	43471	
8	Heat from coal	H = (F-G)	Gcal	2446642	14122281	11389029	
9	Oil consumption	I=(Gx1000)/D	KL	869	5671	4573	
10	Total coal consumption excluding transit loss	J=(H*1000)/E	MT	611661	3513005	2833797	
For the period November 2012 to March 2013							
11	Generation	K	MU	768	3922	2829	7519
12	Heat Rate	L	kcal/kWh	2825	2500	2500	
13	Specific oil consumption	M	ml/kWh	1.00	1.00	1.00	
14	Calorific value of oil	N	kcal/litre	9532	9737	9506	
15	Calorific value of coal	O	kcal/kg	4170	4359	4041	
16	Overall heat	P=(K x L)	Gcal	2169600	9805000	7072500	
17	Heat from oil	Q= (K x M x N) / 1000	Gcal	7321	38189	26892	
18	Heat from coal	R= (P-Q)	Gcal	2162279	9766811	7045608	
19	Oil consumption	S=(Qx1000)/N	KL	768	3922	2829	
20	Total coal consumption excluding transit loss	T=(R*1000)/O	MT	518532	2240608	1743531	

Fuel Cost for FY 2012-13							
21	Total Generation	U = A+K	MU	1637	9593	7402	18632
22	Total oil consumption	V = I+S	KL	1637	9593	7402	
23	Transit loss of coal	W	(%)	1.50	1.50	1.50	
24	Total coal consumption excluding transit loss	X = J+T	MT	1130193	5753613	4577328	
25	Quantity of PANEM coal	Y	MT	805579	4034556	3421085	
26	Quantity of coal other than PANEM coal (excluding transit loss)	Z=(X-Y)	MT	324614	1719057	1156243	
27	Quantity of coal other than PANEM coal (including transit loss)	AA=Z/(1-W/100)	MT	329557	1745236	1173851	
28	Total quantity of coal required	AB=Y+AA	MT	1135136	5779792	4594936	
29	Cost of oil	AC	₹/KL	48946.00	42389.52	43539.00	
30	Cost of coal	AD	₹/MT	3370.00	3546.44	3438.00	
31	Total cost of oil	AE=AC x V / 10^7	₹crore	8.01	40.66	32.23	80.9
32	Cost of coal	AF=AB x AD/10^7	₹crore	382.54	2049.77	1579.74	4012.05
33	**Total fuel cost**	**AG=AE+AF**	**₹crore**	**390.55**	**2090.43**	**1611.97**	**4092.95**
34	**Per unit fuel cost**	**AH=(AG/U)x10**	**₹/kWh**	**2.39**	**2.18**	**2.18**	**2.20**

The fuel cost of ₹4092.95 crore for gross thermal generation of 18632 MU does not include the fuel cost for generation of 145 MU during trial run of GNDTP Unit III as the same is chargeable to Capital Expenditure, and the revenue earned for sale of generation (net) during trial run is to be treated as reduction in Capital Expenditure.

The Commission, therefore, approves the revised fuel cost at ₹4092.95 crore for gross thermal generation of 18632 MU.

3.9 Power Purchase Cost

3.9.1 The Commission, in its Tariff Order for FY 2012-13, approved the power purchase cost of ₹5717.04 crore, comprising of ₹5636.69 crore for purchase of 17151 MU (gross) and ₹80.35 crore for purchase of RECs. PSPCL, in its ARR petition for FY 2013-14, has given revised estimates of ₹7417.73 crore (exclusive of PSTCL transmission charges of ₹830.01 crore) for purchase of 20665.45 MU (gross) for

FY 2012-13 and purchase of RECs for FY 2011-12 (₹40.00 crore) and for FY 2012-13 (₹10.00 crore).

3.9.2 As discussed in para 3.6, the requirement of 19564 MU (net) is to be met through purchase from central generating stations and other sources. The transmission loss external to PSTCL system has to be added to arrive at the quantum of gross energy to be purchased. The Commission in the Tariff Order for FY 2012-13 has considered external losses at a weighted average of 3.54% in line with the actual loss of past 52 weeks, i.e. from 31.01.2011 to 29.01.2012, as per NRLDC calculations as against 3.89% proposed by PSPCL. PSPCL has intimated the overall weighted average of actual external losses in the first six months of the year at 3.96%. For the full year 2012-13, PSPCL has projected the overall weighted average of external losses at 4.29%, to compute the power purchase cost. The Commission provisionally approves the external losses at 4.25% (worked out after deducting the power purchase within the State of Punjab from the total power purchase intimated by PSPCL in the ARR and power purchase under UI, for the first six months of the year), subject to true up. After adding 4.25% external losses, the gross energy required to be purchased works out to be 20432 MU (19564 MU + external losses of 868 MU).

PSPCL in its ARR for FY 2013-14 has shown power purchase of 14198.47 MU at a total cost of ₹4881.68 crore for the first half of FY 2012-13, which the Commission provisionally approves. Further, the Commission decides to determine the power purchase cost for balance requirement of 6233.53 MU (20432 – 14198.47) on pro-rata basis, based on the cost provisionally approved by the Commission for the first half of FY 2012-13. Accordingly, the pro-rata amount for purchase of 6233.53 MU works out to ₹2143.20 crore (4881.68 x 6233.53/14198.47). Therefore, the total power purchase cost for FY 2012-13 works out to ₹7024.88 crore.

3.9.3 PSPCL has shown an amount of ₹40.00 crore for purchase of RECs already allowed in Tariff Order for FY 2012-13 for meeting short fall in the RPO for FY 2011-12. PSPCL has also shown an amount of ₹10.00 crore for purchase of RECs for FY 2012-13.

The Commission, therefore, approves the revised power purchase cost of ₹7074.88 crore, comprising of ₹7024.88 crore for now determined power purchase of 20432 MU (gross) and ₹50.00 crore for purchase of RECs.

3.10 Employee Cost:

3.10.1 In the ARR petition for FY 2012-13, PSPCL claimed employee cost of ₹3834.72 crore against which the Commission approved a sum of ₹ 3340.97 crore in the Tariff Order for FY 2012-13. PSPCL has now revised employee cost to ₹4049.22 crore in the Revised Estimate for FY 2012-13 in the ARR petition for FY 2013-14. Consequent upon the Punjab Government notification dated 24.12.2012, in response to the Commission letter no PSERC/Sr.A.O/ARR-2013-14/130/9527 dated 04.01.2013, CE/ARR & TR, PSPCL vide memo no 1332/CC/DTR/Dy.CAO/238/Main dated 08.01. 2013, submitted a revised estimate of employee cost of ₹3953.03 crore. This is inclusive of ₹211.82 crore on account of pay arrears and ₹100.88 crore on account of BBMB share of employee cost as detailed in Table 3.16.

Table 3.16: Employee Cost Estimated by PSPCL for FY 2012-13

(₹ crore)

Sr.No.	Particulars	FY 2012-13 (RE)
1	**2**	**3**
1	Basic Pay	1173.95
2	Overtime	13.00
3	Dearness Allowance	844.76
4	Fixed medical Allowance	31.00
5	Other Allowances	215.00
6	Bonus/ Generation Incentive	85.00
7	Medical Expenses Reimbursement	15.00
	Total (1 to 7)	2377.71
	Terminal Benefits	
8	Earned Leave Encashment	139.91
9	Gratuity	237.84
10	Commutation of Pension	0.00
11	Workman's compensation	0.20
12	Ex-gratia	0.00
13	Fringe Benefit Tax	0.00
14	Arrears of Pay	211.82
	Total (8 to 14)	589.77
	Pension Payments	
15	Basic Pension	889.32
16	Dearness pension	
17	Dearness Allowance	
18	Any other expense	109.35
	Total (15 to 18)	998.67
	Total Expenses	**3966.15**
Less:	Amount capitalised	114.00
	Net amount	3852.15
Add:	Prior Period	0.00
Add:	BBMB share	100.88
	Net Employee Cost	**3953.03**

3.10.2 PSPCL has submitted that it has taken into consideration the following assumptions in estimating the employee cost for FY 2012-13:

a) For the second half of FY 2012-13, the actual expenses incurred during the first half of the year and expected payments during remaining half of the year have been considered.

b) Second instalment of pay revision arrears has been considered in the employee cost for FY 2012-13.

3.10.3 The Commission in its earlier Tariff Orders has been observing that the Employee Cost of the Utility is one of the highest in the Country and urging the utility to take effective steps to contain employee cost. It is now noted that as a result of repeated directives given by the Commission in this regard, some appropriate steps have been initiated by the Utility to enhance employee productivity. In its ARR, PSPCL has stated that it has initiated various steps to limit and reduce the employee cost. Some of the key initiatives undertaken by the utility are as under:

- Stopping of fresh recruitment against retirements/deaths.
- Ban on creation of new posts/charges.
- Reduction in generation incentives by 10% since 3/2003.
- Computerization of collection centres.
- Current and new expansion projects are being executed through existing employees, whose number is reducing year after year.
- Technical hands are inducted to a bare minimum.
- PSPCL has initiated a ‘Functional Model of Distribution Offices’ implemented presently in Patiala, Nabha, Amritsar, Jalandhar and Bathinda and likely to be rolled out in the entire State resulting in reduction of 10 to 12% of staff.
- PSPCL will further implement firm measures which can control the manpower costs on medium and on long term basis once the PwC report is accepted.
- Implementation of IT under various schemes.

With the initiation of the above noted measures, the utility has stated that various productivity parameters have improved. The utility has stated that the number of employees has decreased from 87066 in 2001-02 to 48611 in 2012-13 whereas number of consumers has increased from 3.8 million to 7.96 million in the corresponding years. Over this period, the employee productivity parameters have almost doubled.

3.10.4 The Commission notes that a study for rationalization of manpower by Pricewaterhouse Cooper (PwC) has been completed and shall be implemented in the near future. Also, positive steps have been taken to rationalize manpower costs as detailed in para 3.10.3. Although it is a good start, the utility still needs to go a long way to contain employee cost. The Commission, in line with earlier observations in this respect, is unable to accept the revised estimates of employee cost and considers it appropriate to determine such cost as per its Regulations.

The provisions of the amended Regulation 28(3) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 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).*

Regulation 28(3)(b) also provides for consideration of any exceptional increase in employee cost on account of pay revision.

3.10.5 PSPCL has estimated the terminal benefits and BBMB share amounting to ₹1689.32 (589.77 + 998.67+ 100.88) crore. PSPCL's estimates include ₹109.35 crore towards 'Any other expense'. With reference to a query from the Commission, PSPCL in its Memo No.1349/CC/DTR-238 dated 11.01.2013 informed that figures of LTA/LTC shown under this sub head may be considered as 'Other Employee Cost'. Accordingly, the amount of ₹7.62 crore towards Leave Travel Assistance and Leave Travel Concession, ₹43.80 crore towards Staff Welfare expenses and ₹0.20 crore towards 'Workman's Compensation', which are not in the nature of pension payment, are not considered as terminal benefits. Similarly, payment of ₹211.82 crore towards 'Arrears of Pay' claimed under head 'Terminal Benefits' is not in the nature of terminal benefits.

Thus, the claim of Terminal Benefits and BBMB share of expenses stands re-determined at ₹1425.88 crore and is allowed by the Commission as per provision of PSERC Tariff Regulations for FY 2012-13.

3.10.6 PSPCL has claimed ₹2641.15 crore (after excluding terminal benefits and inclusive of pay arrears) towards 'other employee cost' in the RE for FY 2012-13. Regulation 28(3)(b) provides for increase in other employee expenses limited to an increase in Wholesale Price Index (WPI). Amended Regulation 28(2) provides for considering a base figure of FY 2011-12 (true up) for purposes of allowing WPI increase to arrive at allowable ‘other employee cost’ for FY 2012-13. Since the Annual Audited Accounts for FY 2011-12 have not been made available to the Commission by the utility, the Commission is left with no other alternative but to treat the approved ‘other employee cost’ in the RE of FY 2011-12 as the base expenses for purpose of ascertaining the allowable ‘other employee cost’ to PSPCL for FY 2012-13.

3.10.7 The approved ‘other employee cost’ in the RE of FY 2011-12(Review) in the Tariff Order for FY 2012-13 is ₹1482.99 crore. After allowing average WPI increase of 7.6% based on available WPI for 9 months (April 2012 to December 2012), **the allowable ‘other employee cost’ works out to ₹1595.70 crore which is approved by the Commission.**

3.10.8 PSPCL has also claimed arrears of ₹211.82 crore on account of pay revision payable in FY 2012-13. 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 in the case of 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.

In the Tariff Order for PSPCL and PSTCL for FY 2012-13, the Commission re-examined the issue and reduced the disallowance to 17.22% being the percentage of weighted disallowance of employee cost in the true-up for FYs 2006-07, 2007-08 & 2008-09.

The Hon’ble APTEL, in its Judgement dated 18.10.2012 passed in Appeal Nos.7, 46 & 122 of 2011 filed by PSPCL against the Tartiff Orders for FYs 2009-10, 2010-11 and 2011-12, observed that

> *We do not find any logic behind reducing the arrears pay of ₹35.49 crore by 28.48%.............* ***Again, reduction as usual on regular basis in terms of the practice of the past by 28.48% does not appear to be justified.*** *Our findings*

on this issue is the same plus the observation that in course of true up in respect of the Tariff Order for 2011-12 the Commission will review the matter.'

The Hon'ble APTEL also relied upon the decision of the Apex Court in the case of **West Bengal Electricity Regulatory Commission versus Central Electricity Regulatory Commission (2002) 8 SCC 715** wherein it has been held that when the utility needs to comply with a lawful agreement entered into with the employees the same cannot be avoided and wriggled out.

The true up of FY 2011-12 is yet to take place for want of Audited Annual Accounts of PSPCL for FY 2011-12. However, keeping in view the observations of Hon'ble APTEL the Commission allows the claim for arrear of pay revision of ₹211.82 crore.

Accordingly, the amount of arrears of ₹211.82 crore is allowed for FY 2012-13.

3.10.9 In the ARR petition for FY 2013-14, the utility has not filed a separate claim on account of pay revision. In response to a query in this regard, PSPCL submitted that exact details of impact of pay revision of employee cost is not available. However, an estimate in respect of impact of pay revision of PSPCL employees has already been supplied to the Commission vide office memo No. Spl.1/DTR/Dy.C.A.O/234/ deficiencies dated 13.02.2012 during finalization of Tariff Order for FY 2012-13. Accordingly, an examination of the said letter was made. PSPCL had claimed ₹333.57 crore for FY 2012-13 inclusive of impact of pay revision of ₹26.44 crore relating to the employees of PSTCL. This claim had been calculated after considering an increase of 9% on account of pay/DA. The Commission observed that WPI increase takes care of any escalation and thus ascertained the total claim of pay revision at ₹306.04 crore, inclusive of ₹24.26 crore pertaining to PSTCL. The pay revision impact for PSPCL was thus calculated at ₹281.78 crore. A WPI increase of 7.4% was allowed on this amount by the Commission to ascertain the impact of pay revision for PSPCL for FY 2012-13. Based on the WPI indices available for nine months (April, 2012 to December, 2012), the Commission has now ascertained the increase in WPI of 7.6% for FY 2012-13. Allowing a WPI increase of 7.6% on ₹281.78 crore (as discussed above), the impact of pay revision for PSPCL for FY 2012-13 works out to ₹303.19 crore. **In view of discussion in para 3.10.3 & 3.10.8, the Commission allows the impact of pay revision of ₹303.19 crore.**

Thus, the Commission approves the total employee cost of ₹3536.59 (1425.88+1595.70+211.82+303.19) crore for FY 2012-13.

3.11 Repair and Maintenance (R&M) Expenses

3.11.1 In the ARR petition for FY 2012-13, PSPCL projected R&M expenses at ₹562.15 crore inclusive of ₹40.72 crore for asset addition during the year 2012-13 against which the Commission approved ₹457.49 crore in the Tariff Order for FY 2012-13. In the ARR petition for FY 2013-14, PSPCL has revised R&M expenses to ₹464.46 crore inclusive of ₹15.21 crore for asset addition during the year 2012-13 and prior period expenses of ₹0.10 crore.

3.11.2 Regulation 28(2) of the PSERC Tariff Regulations, 2005 as amended from time to time reads as under:

"O&M expenses for distribution licensee(s) shall be determined by the Commission as follows:

(a) 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.

(b) 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."

In the previous years, the Commission had allowed actual or normative expenses whichever are less holding that normative expenses were the maximum allowable expenses and could not be allowed over and above the claim. However, Hon'ble APTEL in its judgment dated 18.10.2012 passed in petition nos.7, 46 and 122 of 2011 filed by PSPCL against the Tariff Orders for FY 2009-10, FY 2010-11 and FY 2011-12 had observed that the PSERC Tariff Regulations provide for allowing R&M and A&G expenses on normative basis and not on normative or actual, whichever is less.

The Commission is also conscious of the fact that the PSERC Tariff Regulations provide for considering O&M (which includes R&M) expenses as approved by the Commission for the year 2011-12 (true up) to be considered as base O&M expenses for determination of O&M expenses for subsequent years. Since the true-up of FY 2011-12 is yet to be done for want of Audited Annual Accounts of PSPCL for FY 2011-12, the Commission decides to consider the normative R&M expenses worked out for FY 2011-12 as the base expenses for FY 2012-13 in line with the observations of Hon'ble APTEL mentioned supra.

Keeping in view the Regulations and the observations of the Hon'ble APTEL, the Commission has ascertained the expenses for FY 2011-12 to be taken as base for 2012-13 by re-working expenses on normative basis from FY 2005-06 onwards. Thus, the base expenses for FY 2012-13 work out to ₹489.13 (470.89+18.24) crore where ₹470.89 crore are the normative R&M expenses for FY 2011-12 and ₹18.24 crore represent additional R&M expenses for six months for asset addition during FY 2011-12.

The actual increase in Wholesale Price Indices (WPI) available for nine months (April 2012 to December 2012) is 7.6%. After allowing WPI increase of 7.6% on the base figure of ₹489.13 crore, the R&M expenses for FY 2012-13 work out to ₹526.30 crore.

3.11.3 In the ARR petition for FY 2013-14, PSPCL has also claimed ₹15.21 crore towards R&M expenses on asset addition of ₹1505.00 crore during FY 2012-13. It has proposed to capitalize assets to the extent of ₹1505.00 crore in the RE for FY 2012-13 against the initial proposed Investment Plan of ₹1860.00 crore. However, the Commission, in para 3.14.2 has approved the capital investment of ₹1300.00 crore for FY 2012-13. Accordingly the capitalization of assets against the approved Investment Plan of ₹1300.00 crore is determined at ₹1215.25 crore.

3.11.4 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 of PSPCL for six months on an average during the year. Based on the ratio of approved R&M expenses to Gross Fixed Assets (GFA), additional R&M expenses of ₹13.52 crore are approved for FY 2012-13.

3.11.5 As regards prior period expenses of ₹0.10 crore claimed by PSPCL, the Commission is of the view that such expenses are to be considered at the time of truing up when the Audited Accounts for the year would be available. Thus, the total allowable normative R&M expenses work out to ₹539.82 (526.30+13.52) crore.

The Commission, accordingly, approves the revised R&M expenses of ₹539.82 crore for FY 2012-13.

3.12 Administration and General (A&G) Expenses

3.12.1 In the ARR petition for FY 2012-13, PSPCL projected A&G expenses of ₹111.45 crore including A&G expenses of ₹7.73 crore for asset addition during the year for

FY 2012-13 against which expenses of ₹101.42 crore were approved by the Commission in the Tariff Order for FY 2012-13. In the ARR petition for FY 2013-14, PSPCL has revised the A&G expenses to ₹110.23 crore for FY 2012-13 net of capitalization of ₹20.96 crore but including prior period expenses of ₹0.06 crore and ₹3.61 crore expenses on account of asset addition during FY 2012-13. Besides, in para 7.2.5 of the ARR, the utility has submitted that the expenses on account of licence fee, fee for determination of tariff may be allowed on actual basis in terms of proviso to clause 2(b) of the amended Regulation 28 of the PSERC Tariff Regulations. PSPCL has submitted that A & G expenses are re-estimated by a year-on-year increase of 9% over the actual expenditure for FY 2011-12.

3.12.2 In the previous years, the Commission had allowed actual or normative expenses whichever are less holding that normative expenses were the maximum allowable expenses and could not be allowed over and above the claim. However, Hon'ble APTEL in its judgment dated 18.10.2012 passed in petition nos. 7, 46 and 122 of 2011 filed by PSPCL against the Tariff Orders for FY 2009-10, FY 2010-11 and FY 2011-12 had observed that the PSERC Tariff Regulations provide for allowing R&M and A&G expenses on normative basis and not on normative or actual, whichever is less.

The Commission is also conscious of the fact that the PSERC Tariff Regulations provide for considering O&M (which includes A&G) expenses as approved by the Commission for the year 2011-12 (true up) to be considered as base O&M expenses for determination of O&M expenses for subsequent years. Since the true-up of FY 2011-12 is yet to be done for want of Audited Annual Accounts of PSPCL for FY 2011-12, the Commission decides to consider the normative A&G expenses worked out for FY 2011-12 as the base expenses for FY 2012-13 in line with the observations of Hon'ble APTEL mentioned supra.

Keeping in view the Regulations and the observations of the Hon'ble APTEL, the Commission has ascertained the base expenses for FY 2011-12 by re-working expenses on normative basis from FY 2005-06 onwards. Thus, the base expenses for FY 2012-13 work out to ₹112.42 (108.26+4.16) crore where ₹108.26 crore are the normative A&G expenses for FY 2011-12 and ₹4.16 crore represents additional A&G expenses for six months for asset addition during FY 2011-12.

The actual increase in Wholesale Price Indices (WPI) available for nine months (April 2012 to December 2012) is 7.6%. After allowing WPI increase of 7.6% on the base figure of ₹112.42 crore, the A&G expenses for FY 2012-13 work out to ₹120.96 crore.

3.12.3 PSPCL has also claimed ₹3.61 crore towards A & G expenses on asset addition of ₹1505.00 crore for FY 2012-13. In the ARR, PSPCL has proposed to capitalize assets to the extent of ₹1505.00 crore in the RE for FY 2012-13 against the initial proposed Investment Plan of ₹1860.00 crore. However, the Commission in para 3.14.2 of this order has revised the Investment Plan to ₹1300.00 crore for FY 2012-13. Accordingly, the capitalization of assets against the reduced Investment Plan of ₹1300.00 crore is determined at ₹1215.25 crore.

3.12.4 In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the A & G expenses are permissible 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 of PSPCL for six months on an average during the year. Based on the ratio of approved normative A&G expenses to GFA, additional A&G expenses of ₹3.13 crore are allowable for FY 2012-13.

3.12.5 As regards prior period expenses of ₹0.06 crore claimed by PSPCL, the Commission is of the view that such expenses are to be considered at the time of truing up when the Audited Accounts for the year would be available. **Thus, allowable A&G expenses work out to ₹124.09 (120.96+3.13) crore for FY 2012-13.**

3.12.6 The Commission observes that the proviso to Regulation 28(2)(b) of the PSERC Tariff Regulations, 2005 as amended provides for allowing expenditure on account of licence fee, initial or renewal, fee for determination of tariff and audit fee, over and above the A&G expenses approved by the Commission. Accordingly, the Commission allows ₹8.97 (licence fee 3.99 + ARR processing fee 4.84 + audit fee 0.14) crore on this account over and above the total A&G expenses approved by the Commission for FY 2012-13.

The Commission, accordingly, approves the revised A&G expenses of ₹133.06 (124.09+8.97) crore for FY 2012-13.

3.13 Depreciation Charges

3.13.1 In the ARR petition for FY 2012-13, PSPCL projected depreciation charges of ₹770.32 crore against which Commission approved depreciation charges of ₹768.00 crore. In the ARR petition of FY 2013-14, PSPCL has revised its claim of depreciation charges to ₹758.47 crore on assets valued at ₹20388.84 crore. PSPCL has submitted that depreciation charges for FY 2012-13 have been calculated on the average rate of depreciation which is applied across the asset classes on the opening balance of assets for the year.

3.13.2 The Commission had approved the depreciation charges at ₹768.00 crore for FY 2012-13 in the Tariff Order of FY 2012-13 on assets of ₹20644.95 crore as on April 1, 2012, which have now been revised by the utility to ₹20388.84 crore. In the absence of Audited Annual Accounts for FYs 2010-11 & 2011-12, the Commission adopts the asset value of ₹20644.95 crore (as on April 1, 2012) as ascertained in the Tariff Order of FY 2012-13. Details of function-wise depreciation charges on the asset value of ₹20644.95 crore are given in Table 3.17.

Table 3.17: Depreciation Charges of PSPCL for FY 2012-13

(₹ crore)

Sr. No.	Item	Assets as on April 1,2012 as per ARR FY 2013-14	Depreciation charges claimed in ARR FY 2012-13	Deprecia-tion rate (%)	Assets as on April 1,2012 as approved by the Commission in Tariff Order FY 2012-13	Deprecia-tion rate (%)	Depreciation charges now approved by the Commission
1	2	3	4	5	6	7	8
1	Thermal	6011.42	223.63	3.72%	6136.14	3.72%	228.26
2	Hydro	5986.33	222.69	3.72%	6429.60	3.72%	239.18
3	Internal Combustion	2.68	0.10	3.72%	2.68	3.73%	0.10
4	Transmission (66 kV & 33 kV)	11.65	0.43	3.72%	72.84	3.73%	2.72
5	Distribution	8240.01	306.53	3.72%	7798.42	3.72%	290.10
6	Others	136.74	5.09	3.72%	205.27	3.72%	7.64
	Total	**20388.84**	**758.47**		**20644.95**		**768.00**

The Commission considers no depreciation on assets added during the year as the utility has not submitted Audited Annual Accounts for FYs 2010-11 and 2011-12. Also, it is noted with concern that the Fixed Asset Register (FAR) is pending finalization despite clear directions in this regard. Moreover, the utility has claimed depreciation only on the opening balance of assets as in the past. Depreciation on assets added during the year will be considered during True up.

The Commission, accordingly, approves the depreciation charges of ₹768.00 crore for FY 2012-13 in the Review.

3.14 Interest and Finance Charges

3.14.1 In the ARR petition for FY 2012-13, PSPCL claimed Interest and Finance Charges of ₹2571.68 crore (net) against which the Commission had approved an amount of ₹1580.35 crore for FY 2012-13. In the ARR petition for FY 2013-14, PSPCL has revised the Interest and Finance Charges for FY 2012-13 to ₹2587.24 crore inclusive of finance charges of ₹180 crore as given in Table 3.18.

Table 3.18: Interest and Finance Charges claimed by PSPCL for FY 2012-13 (RE)

(₹ Crore)

Sr.no.	Descrisption	Interest as depicted in ARR Petition
1	Interest on Institutional Loans	916.48
2	Interest on GoP Loans	0.00
3	Interest on GPF	185.00
4	Lease rentals	0.00
5	Interest to Consumers	100.00
6	Bills Discounting	0.00
7	Lease Rentals	0.00
8	**Sub - Totals**	**1201.48**
9	Interest on Working Capital Loan (WCL)	1272.12
10	Other Interest	0.00
11	Finance Charges	180.00
12	Add prior period	0.01
13	**Total (8+9+10+11+12)**	2653.61
14	Less Capitalization	66.37
15	**Net Interest and Finance Charges**	**2587.24**

The Interest and Finance Charges allowable to PSPCL are discussed in the ensuing paragraphs.

3.14.2 Investment Plan

The Commission in its Tariff Order for FY 2012-13 approved an Investment Plan of ₹2800.00 crore against projected capital expenditure of ₹3286.19 crore for FY 2012-13. In the ARR petition for FY 2013-14, PSPCL has submitted a revised Investment Plan of ₹1860.00 crore for FY 2012-13 as summarized in Table 3.19.

Table 3.19: Summary of Capital Expenditure planned by PSPCL

(₹ crore)

Sr.No.	Particulars	FY 2012-13 (RE)
1	**2**	**3**
(a)	Generation	530.59
(b)	Transmission	200.00
(c)	Distribution	1129.41
	Total	**1860.00**

The Utility has submitted that capital expenditure is planned on Generation activities mainly for the R&M activities and on Transmission & Distribution activities for the improvement projects for network up to 66 kV, construction of new sub stations and mini grid sub stations along with associated Transmission lines. The Commission has reviewed the capital expenditure planned by utility for FY 2012-13 for different functions of Generation, Transmission and Distribution.

(a) Generation

For FY 2012-13, PSPCL has proposed expenditure on major schemes namely, BBMB Bhakra left bank and Dehar PH (₹62.00 crore), Mukerian HEP-II (₹65.00 crore), Shahpur Kandi HEP (₹42.14 crore), GNDTP works based on RLA Study (₹126.02 crore), R&M of GNDTP (₹70.24 crore), GGSSTP (₹56.15 crore), GHTP stage-I (₹43.04 crore).

(b) Transmission

PSPCL has also submitted that capital expenditure of ₹200.00 crore has been planned for network capacity addition, improvement projects for network up to 66 KV, construction of new substations and mini grid substations along with associated transmission lines during FY 2012-13.

(c) Distribution

PSPCL has further submitted that distribution function requires regular capital expenditure for network capacity addition and system improvement works. The proposed expenditure is mainly envisaged for normal development works including System Improvement schemes (₹400.00 crore), works relating to APDRP-II part-A and B (₹335.41 crore), release of Tubewell connection (₹100.00 crore) and shifting of meters out of consumer premises (₹200.00 crore) as DSM measures.

Commission observed that the actual capital expenditure incurred by PSPCL during FY 2010-11 and FY 2011-12 has been ₹985.56 crore and ₹948.56 crore respectively and that the investment proposed by PSPCL for FY 2012-13 at ₹1860 crore is on higher side. The Commission has considered the claim for investment of the utility in view of the growing load demand, need of Transmission network expansion and improvement in Distribution system. **Keeping in view the importance of the schemes under execution, the Commission approves the capital investment of ₹1300 crore for FY 2012-13 against ₹1860 crore proposed by the utility for FY 2012-13.** However, increase/decrease if any, in actual capital investment will be considered during True up.

In addition PSPCL has received consumer contribution of ₹187.44 crore upto December 2012 and after increasing it proportionately, estimated receipts on this account are ₹249.92 crore. Accordingly, actual loan requirement for the level of investment works out to ₹1050.08 crore. **This loan requirement of ₹1050.08 crore is taken into consideration for computation of Interest Charges.**

PSPCL has proposed to capitalize assets to the extent of ₹1505.00 crore for FY 2012-13 against the proposed Investment Plan of ₹1860.00 crore. **However, capitalization of assets is determined as ₹1215.25 crore** in the ratio of opening capital works-in-progress (CWIP) and capital expenditure during the year to sum of CWIP and estimated capital expenditure of PSPCL as approved by the Commission.

In the ARR petition for FY 2013-14, the opening balance of loans for FY 2012-13 (other than working capital loan) is shown as ₹7911.02 crore and interest on loans availed by PSPCL is depicted as ₹916.48 crore. The Commission in Table 3.20 of Tariff Order of FY 2012-13 had approved closing balance of loans (other than working capital loan) of ₹6859.68 crore for FY 2011-12. Considering the opening balance of loans (other than woriking capital loan) of ₹6859.68 crore for FY 2012-13 (as ascertained in Tariff Order for FY 2012-13) and loan requirement of ₹1050.08 crore, the interest on loans (other than working capital loan) works out to ₹777.14 crore as shown in Table 3.20.

Table 3.20: Interest on Loans (other than working capital loans) for FY 2013-14

(₹ crore)

Sr. No.	Particulars	Loans as on April 1, 2012	Receipt of loans during FY 2012-13	Repayment of loans during FY 2012-13	Loans as on March 31, 2013	Amount of Interest
1	2	3	4	5	6	7
1	As per data furnished in ARR petition (other than WCL)	7911.02	1440.26	866.19	8485.09	916.48
2.	Approved by the Commission (other than WCL)	6859.68	1050.08	866.19	7043.57	777.14

3.14.3 Interest on GoP Loans

PSPCL has not claimed any interest on account of GoP Loans as there are no outstanding GoP loans as on April 1, 2012. Thus, there is no interest liability on account of GoP loans.

3.14.4 **Interest on Loans taken to replace re-called GoP Loans**

The interest on loans of ₹3022.10 (1362.00 + 1140.03 + 520.07) crore raised to replace re-called GoP loans adjusted against unpaid subsidy by the GoP is allowed at an average interest rate of 11.24% per annum being the average rate of interest actually paid/payable by the utility on the loans availed by it. **Thus, interest of ₹339.68 crore is approved on this account.**

3.14.5 **Interest on Bridge Loan**

In the ARR petition for FY 2012-13, PSPCL had submitted that GoP had adjusted an amount of ₹981.93 crore against subsidy payable for FY 2011-12. This amount related to RBI bonds issued under a tripartite agreement between CPSUs, GoI and GoP. PSPCL had pleaded that interest on the amount of ₹981.93 crore be allowed as the utility had to raise short term loans to bridge the cash shortage on account of such adjustment. This plea had been accepted by the Commission and an interest of ₹109.17 crore had been allowed on this account in FY 2011-12. As in FY 2011-12, the **Commission approves an interest of ₹110.37 crore @ 11.24% being the average rate of interest, in lieu of adjustment of ₹981.93 crore for FY 2012-13**.

3.14.6 **Interest on Loans raised on account of non-refund of interest by GoP**

In the Tariff Order for FY 2012-13, the Commission determined ₹451.35 crore as the amount of interest payable by GoP to the utility on account of diversion of capital funds for revenue purpose. PSPCL, in its ARR petition has submitted that this amount has so far not been refunded to PSPCL. PSPCL has further submitted that the amount of ₹451.35 crore be treated as a bridge loan and interest be allowed on this account. The Commission has considered the submission made by PSPCL and considers it appropriate to allow interest on ₹451.35 crore @ 11.24%, being the average rate of interest payable on loans during FY 2012-13. **The interest @11.24% works out to ₹50.73 crore and is allowed by the Commission**.

3.14.7 **Interest on General Provident Fund (GPF)**

PSPCL has claimed interest of ₹185.00 crore on GPF accumulations for FY 2012-13 in the ARR petition for FY 2013-14. This amount has been further revised to ₹195 crore vide CE ARR & TR PSPCL Patiala memo no. 1332/cc/DTR/Dy.CAO/ 238/Main dated 08.01.2013. **Accordingly the interest of ₹195.00 crore on GPF, being a statutory payment is allowed as claimed by PSPCL.**

3.14.8 **Finance Charges**

PSPCL in its ARR of 2013-14 has claimed finance charge of ₹180 crore for FY 2012-13 (RE). The Commission sought clarification on this issue in reply to which PSPCL vide memo no.1487/CC/DTR/DY.CAO/238/Vol.II dated 05.02.2013 clarified that guarantee fee of ₹170 crore on the working capital loans raised during FY 2012-13 has been included in the finance charges. PSPCL stated that working capital loan of ₹9292.00 crore has to be raised for FY 2012-13. The Commission sought additional information in respect of source, purpose and term of opening balance of loans and addition of loans during the FY 2012-13. PSPCL vide memo no. 216 dated 19.02.2013 submitted that these loans have been raised to ensure repayment of WCL of ₹8686 crore which includes loans raised to meet cash deficit arising out of adjustment of GoP loans of ₹3022.10 crore and RBI bonds of ₹981.93 crore adajusted against subsidy by GoP. This also includes loan raised to meet deficit on account of non refund of interest of ₹451.35 crore by the GoP.

Regulation 26 (6) of PSERC Tariff Regulations provides for allowing finance charges (including guarantee fee payable to GoP) on loans other than Working Capital Loans. The Regulation separately provides for allowing interest on Working Capital Loans on normative basis as detailed in Regulation 30 of PSERC Tariff Regulations. Strictly speaking, there is no provision in the Regulation for allowing guarantee fee on Working Capital Loans.

Notwithstanding the above, the Commission is conscious of the fact that loans were raised by the utility to meet the cash deficit arising on account of adjustment of subsidy against GoP loans of ₹3022.10 crore and RBI bonds of ₹981.93 crore. Also, loan of ₹451.35 crore has been raised by the utility to bridge the gap due to non refund of interest payable by GoP to the utility. In fact, the Commission has been allowing interest on these amounts in its various Tariff Orders. This has been discussed in para 3.14.4, 3.14.5 and 3.14.6 of this Order also. The Commission, therefore, considers it appropriate to treat the loans of ₹4455.38 crore (3022.10+981.93+451.35) in the nature of regular loans and allows guarantee charges on this amount.

The allowable guarantee charges on the aforementioned amount of ₹4455.38 crore work out to ₹81.51 crore. Considering balance of ₹10 (180 – 170) crore as finance charges claimed for borrowings (other than working capital loan) of ₹1440.26 crore, the finance charges for approved loan requirement of ₹1050.08 crore for FY 2012-13 works out to ₹7.29 crore. **Accordingly, the Commission approves the finance charges of ₹88.80 (81.51+ 7.29) crore for the FY 2012-13.**

3.14.9 **Interest on Consumer Security Deposit**

PSPCL has claimed ₹100.00 crore towards interest to consumers in the FY 2012-13. As per PSERC (Electricity Supply Code and Related Matters) Regulations, 2007, interest is payable to consumers on the security deposits. Though the Audited Annual Accounts of the utility for FYs 2010-11 and 2011-12 have not been submitted to the Commission, the interest to the consumers on security deposits of ₹100 crore, being a mandatory payment is allowed as claimed in the ARR petition for FY 2013-14. **The Commission accordingly allows interest of ₹100.00 crore on Consumer security deposits for FY 2012-13.** However, the issue will be reconsidered on receipt of Audited Annual Accounts of FYs 2010-11 and 2011-12.

3.14.10 **Capitalization of Interest Charges**

PSPCL has claimed ₹66.37 crore towards capitalization of interest charges. The Commission has determined the capitalization of interest charges of ₹72.61 crore in the ratio of closing works in progress to the total capital expenditure. **The Commission, accordingly, approves capitalization of interest charges of ₹72.61 crore of FY 2012-13.**

3.14.11 **Interest on Working Capital**

In the Tariff Order for FY 2012-13, the Commission approved working capital of ₹2023.77 crore with interest cost of ₹263.09 crore. In the ARR petition of FY 2013-14, PSPCL has submitted total working capital loan of ₹9945.99 crore (opening balance) with an interest liability of ₹1272.12 crore, which has been revised to ₹10827.46 crore (opening balance of WCL) with an interest liability of ₹1293.66 crore vide CE/ARR & TR PSPCL, Patiala, Memo No. 1332 dated 08.01.2013.

The Commission has determined the working capital requirement of ₹3414.93 crore in accordance with PSERC Tariff Regulations. As per the PSERC Tariff Regulations the rate of interest on working capital shall be equal to the actual rate of interest paid/ payable on loans by the licensee(s) or the State Bank of India Advance Rate (SBAR) as on April 1 of the relevant year, whichever is lower. As per the information of details of loans availed by PSPCL as submitted in the ARR and additional information submitted by PSPCL vide memo No. 1332/CC/DTR/Dy.CAO/238/Main dated 08.01.2013, the weighted average rate of interest works out to 11.24%, as against SBAR of 14.75% as on April 1, 2012. Accordingly, the rate of 11.24% being the weighted average rate of interest has been used for calculation of Interest on working capital loan. The interest on working capital loan is worked out to ₹383.84 crore. The detail of working capital requirement as per Regulation 30 and allowable interest thereon is depicted in Table 3.21:

Table 3.21: Interest on Working Capital Requirement for FY 2012-13

(₹ crore)

Sr.No	Particulars	Amount
1	**2**	**3**
1	Fuel Cost for two months	682.16
2	O & M expenses for one month	350.79
3	Receivables for two months	3221.56
4	Maintenance Spares@15% of O&M expenses	631.42
5	Less Consumer security deposit	(-)1471.00
6	**Total Working Capital Required**	**3414.93**
7	Interest rate (calculated on weighted average)	11.24%
8	**Interest on Working Capital Loan**	**383.84**

The Commission accordingly approves revised interest of ₹383.84 crore on working capital requirements for FY 2012-13.

3.14.12 **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 PSEB's Annual Audited accounts for FY 2009-10. The amount of diverted funds carrying interest liability was worked out to ₹1821.21 crore. The Audited Accounts for FY 2011-12 & FY 2012-13 have not been made available to the Commission by PSPCL, therefore, the amount of diverted funds of ₹1821.21 crore, based on the Audited Accounts for FY 2009-10 as determined in the Tariff Order of FY 2011-12, is being considered for FY 2012-13. The interest on these diverted funds @ 13% being SBI Advance Rate as on April 1, 2011 works out to ₹236.76 crore. Of this amount, interest of ₹212.37 crore is to be considered in the Tariff Order for PSPCL and the balance amount of ₹24.39 crore is to be considered in the Tariff Order for PSTCL.

Retaining the ratio of disallowance of interest on diverted funds between PSPCL and GoP, the **Commission disallows interest amount of ₹89.70 crore to PSPCL on account of deficiencies in its functioning and the balance amount of ₹122.67 crore is to the account of GoP.** However, the amount of diversion and interest thereon will be considered by the Commission in the True up after receipt of Audited Accounts for FY 2012-13.

Besides, as discussed in para 3.14.10 of Tariff Order for FY 2011-12, the Commission had determined an amount of ₹123.00 crore as receivable by PSPCL from GoP for FY 2010-11. Further, in para 3.14.11 of Tariff Order for FY 2012-13, GoP is liable to pay an amount of ₹328.68 (inclusive of ₹206.01 crore for FY 2009-10 and ₹122.67 crore for FY 2011-12). Now, the Commission has determined the interest of ₹122.67 crore as payable by GoP to PSPCL for FY 2012-13. **Thus, total amount payable by GoP works out to ₹574.35 (123.00+328.68+122.67) crore upto March, 2013. This amount is being carried forward to para 4.13.12 of this Order.**

In view of above, the interest and finance charges are approved as detailed in Table 3.22:

Table 3.22: Interest and Finance Charges for FY 2012-13

(₹ crore)

Sr. No.	Particulars	Loans as on April 1, 2012	Receipt of loans	Repayment of loans	Loans as on March 31,2013	Interest approved by Commission
1	**2**	**3**	**4**	**5**	**6**	**7**
1.	Approved by the Commission (other than WCL)	6859.68	1050.08	866.19	7043.57	777.14
2.	GoP Loans					
3.	Interest on					
a)	Loans taken to replace recalled GoP loans					339.68
b)	Bridge Loan					110.37
c)	Loan raised on account of non refund of interest by GoP					50.73
4.	Interest on GPF					195.00
5.	**Total (1+2+3+4)**	**6859.68**	**1050.08**	**866.19**	**7043.57**	**1472.92**
6.	Add: Finance Charges					88.80
7.	Add: Interest on Consumer Security Deposits					100.00
8.	**Gross Interest and Finance Charges (5+6+7)**					**1661.72**
9.	Less capitalization					72.61
10.	**Net interest and Finance Charges (8-9)**					**1589.11**
11.	Add: interest on Working Capital					383.84
12.	**Total (10+11)**					**1972.95**
13.	Less: Disallowed on a/c of diversion: a) PSPCL- ₹89.70 crore b) GoP – ₹122.67 crore					212.37
14.	**Balance Interest and finance charges (12-13)**					**1760.58**

The Commission, accordingly, approves the interest and finance charges of ₹1760.58 crore for PSPCL for FY 2012-13.

3.15 Subsidy

3.15.1 In para 6.4.1 of the Tariff Order for FY 2012-13, the requirement of subsidy for FY 2012-13 was determined at ₹5511.07 crore for AP consumers, SC Domestic and Non-SC BPL Domestic consumers. After adding short paid subsidy of ₹273.88 crore for FY 2011-12, the total subsidy payable by GoP to PSPCL for FY 2012-13 was approved at ₹5784.95 (5511.07+273.88) crore. The subsidy for FY 2012-13 is revised based on the sales approved for FY 2012-13 as under:

- **AP Consumption:** PSPCL, in its ARR petition for FY 2013-14, has reported AP consumption for FY 2012-13 at 11456 MUs on which subsidy of ₹4881.50 crore inclusive of Meter rental and Service charges of ₹9.00 crore is claimed for FY 2012-13. The Commission has, however, revised AP consumption for FY 2012-13 to 10687 MUs as discussed in para 3.2.2 of this Order. Subsidy on account of AP consumption of 10687 MUs @ 418 paise per kWh inclusive of meter rentals and service charges, works out to ₹4476.17 crore (₹4467.17 crore towards subsidy on account of energy charges and ₹9.00 crore towards subsidy on account of meter rentals, service charges etc.).

  GoP vide its memo No. 11/68/2010-EB2/4175 dated December 16, 2011, had decided to waive off the outstanding electricity bills against tubewell consumers and grant subsidy of ₹357.64 (as claimed by the utility in its Commercial circular 9/2012) crore to be paid to PSPCL in six equated monthly installments. Keeping in view this decision of GoP, only three installments @ ₹59.61 crore per month were considered to be payable during FY 2011-12 by GoP to PSPCL. Thus, PSPCL will also be receiving an additional subsidy of ₹178.82 crore representing balance three installments of subsidy on this account to be received during FY 2012-13. Therefore, AP subsidy payable by GoP to PSPCL works out to ₹4654.99 (4476.17 + 178.82) crore inclusive of meter rentals, service charges etc for FY 2012-13.

- **Scheduled Castes (SC) Domestic Supply (DS) consumers:** PSPCL in its petition for FY 2013-14 claimed ₹651.06 crore inclusive of meter rentals and service charges of ₹17.82 crore towards subsidy on account of sales to scheduled caste domestic supply consumers.

The amount of subsidy will, however, be re-determined based on actual consumption after the availability of the Annual Audited Accounts for the year.

- **Non-SC Below Poverty Line (BPL) DS consumers:** PSPCL in its ARR petition for FY 2013-14 has also claimed ₹32.15 crore, inclusive of Meter rentals and Service charges of ₹1.31 crore, towards subsidy on account of sales to Non-SC Below Poverty Line (BPL) domestic supply consumers.

  Accordingly, the subsidy payable for FY 2012-13 has been determined at ₹5338.20 (4654.99+651.06+32.15) crore.

3.15.2 The GoP has paid/adjusted a subsidy of ₹5059.39 crore in a staggered manner during FY 2012-13.

Accordingly, the balance subsidy determined as payable by the GoP to PSPCL is ₹278.81 (5338.20-5059.39) crore for FY 2012-13.

3.15.3 **Interest on delayed payment of subsidy**

The Commission notes that GoP has made payment of subsidy of ₹5059.39 crore to PSPCL in a staggered manner not adhering to the monthly installment determined by the Commission in para 6.4 of the Tariff Order of FY 2012-13. The Commission also observes that there has been delay in payment of subsidy to PSPCL during FY 2012-13. In accordance with past practice, the Commission, with a view to compensating PSPCL on this account, levies interest on the delayed payment of subsidy at a rate of 11.24% (weighted average rate of interest) which works out to ₹133.58 crore.

Accordingly, net amount of subsidy and interest payable by GoP to PSPCL for FY 2012-13 is determined at ₹412.39 (278.81+133.58) crore.

3 16 Return on Equity (ROE)

3.16.1 In the ARR petition for FY 2012-13, PSPCL has claimed ₹ 607.55 crore as ROE @ 15.5% (pre-tax) to be grossed up to 23.21% on the opening equity of ₹2617.61 crore based on amended CERC Regulations. The Commission in the past, had been allowing ROE @14% as per CERC Regulations prior to amendment in 2009. In the 2009 amendment, CERC adopted a figure of 15.5% (pre-tax) for allowing ROE to power utilities which was to be grossed up as per tax paid by the utility. The Commission observed that in PSERC Tariff Regulations it has been laid down that 'CERC Regulations will be followed as far as possible' and refrained from adopting a figure of 15.5% (pre-tax) holding that PSPCL had not shown requisite improvement in critical parameters like employee cost. Subsequently the Hon'ble APTEL in its Order dated March 3, 2012 in Appeal No. 76 of 2011 in the case of PSTCL directed the Commission to adopt ROE of 15.5%, observing that:

> *'Since Regulation 25 of the State Regulations speaks of being guided by the Central Regulations as amended from time to time and as the CERC has framed new Regulations in 2009 (Regulation 15), the said Regulation 15 which is applicable in the instant case shall be applied sans the Regulation 7 of the Central Regulation, 2004 in as much as Regulation 15 of CERC Regulations, 2009 has abolished the provision of Regulation 7 of CERC Regulations, 2004 and there cannot be double advantage accruable to a transmission company who is of course entitled to the benefit of the CERC Regulations, 2009 (Regulation 15).* ***Once we hold that Regulation 15 of the CERC Regulations, 2009 will become applicable it is implied as also it becomes explicit that tax on income cannot be a pass through to the beneficiaries'****.(emphasis supplied)*

In compliance to the directions of Hon'ble APTEL, the Commission determined ROE of ₹405.73 crore @ 15.5% on the equity amount of ₹2617.61 crore in the Tariff Order of 2012-13.

3.16.2 PSPCL, against various decisions including the decision about allowing of ROE to the Utility @ 14% taken by the Commission in the Tariff Orders of FY 2009-10, FY 2010-11 and FY 2011-12, preferred appeal Nos. 7, 46 and 122 of 2011 before the Hon'ble APTEL. The Hon'ble APTEL in its judgment dated 18.10.2012 decided the issue in favour of the Appellant in accordance with the CERC Tariff Regulations, 2009. In compliance to the said judgment, and after discussing this issue at length in its Order dated 07.01.2013, the Commission allowed additional ROE of ₹44.19 (456.65-412.46) crore at a rate of 15.5% on the equity amount of ₹2946.11 crore (for un-bundled Utility) against 14% already allowed for the year 2009-10 along with carrying cost of ₹23.42 crore as the additional amount of Return on Equity. Thus, total amount allowable on this account was approved at ₹67.61 (44.19+23.42) crore and the effect of the Order of the Commission is being allowed in this Tariff Order. This has been given effect in para 4.16 of this Tariff Order.

3.16.3 In the ARR of FY 2013-14, PSPCL filed its claim for Return on Equity of ₹607.55 crore on the equity amount of ₹2617.61 crore. However, after the issuance of Govt. of Punjab notification dated 24.12.2012 allocating the opening balances of various assets and liabilities between the two Successor Entities (of PSEB) viz: PSPCL and PSTCL as on 16.04.2010, in reply to the Commission letter dated 28.12.2012, PSPCL in its letter dated 04.01.2013 further revised the equity amount to ₹6081.43 crore and claimed an enhanced Return on Equity of ₹1411.50 crore (@ 23.21%) for the year 2012-13. In response to the Commission's query dated 11-1-2013 about the basis of enhancement in the amount of equity invested, the Utility in its letter dated 21.01.2013 stated as under:

'*In the Transfer Scheme 2010 assets valued at ₹30912.00 have been vested in PSPCL. Pursuant to the issue of GoP Notification dated 24-12-2012 the said amount has been the full consideration for the transfer and vesting of PSPCL for which the State Government is entitled to fully paid up equity share capital of ₹6081.43 crore.*

In view of the above, it is submitted that PSPCL has not enhanced its Share Capital from ₹2617.61 crore to ₹6081.43 crore as the same has been fixed on account of the vesting of Distribution & Generation Undertaking comprising assets and liabilities etc. by the State Government under a Statutory Transfer Scheme.

The aggregate value of the assets amounting to ₹30912.00 crore vested with PSPCL is financed by equity fund and loan fund as detailed in Annexure-A2 of the Notification dated 24.12.2012. Accordingly entire Share Capital of ₹6081.43 crore is considered as the actual amount of equity employed for transferring and vesting the assets & liabilities with PSPCL as on 16.04.2010. PSPCL, thus treats this equity share capital being equity employed in creation of assets vested with PSPCL pursuant to the statutory Transfer Scheme mentioned above and have accordingly claimed ROE on the said amount for FY 2010-11 to FY 2013-14. It is also pertinent to mention that the Transfer Scheme notified by Government of Punjab to exercise the power under Section 131,132 etc. of the Electricity Act, 2003, is a statutory scheme and is binding.'

Further, PSPCL in its letter dated 22.03.2013 stated as under:

'It is certified that the actual amount of equity employed in creation of assets is ₹6081.43 crore. Further, it is submitted that the enhanced equity has also contributed to the creation of assets. This is in line with Regulation 25 (4) of PSERC (Terms & Conditions) for determination of Tariff Regulations. It is, therefore, requested that Return on Equity @ 15.5 % may be allowed on the said amount'.

3.16.4 Therefore, keeping in view the amount of equity as per the Transfer Scheme notified by GoP on 24.12.2012, the Commission determines ROE of ₹942.62 crore @ 15.5% on an equity of ₹6081.43 crore for FY 2012-13.

The Commission, accordingly, approves the Return on Equity of ₹942.62 crore on the equity amount of ₹6081.43 crore vested with the Utility in the Transfer Scheme (notified by GoP) for FY 2012-13.

3.17 Transmission Charges Payable to PSTCL

The Commission, in Tariff Order dated July 16, 2012 based on the ARR of PSTCL for FY 2012-13, has determined **₹830.01 crore (₹801.44 crore for Transmission business & ₹28.57 crore for SLDC business) as the transmission charges payable to PSTCL by PSPCL.** Accordingly, the amount of ₹830.01 crore is being included in the ARR of PSPCL for FY 2012-13.

3.18 Charges Payable to GoP on account of power from Ranjit Sagar Dam (RSD)

In the ARR of FY 2012-13, PSPCL had claimed ₹10.50 crore on account of charges payable to GOP for its share of power from RSD towards 3% share of the revenue received by it from sale of power produced from RSD, as maintenance charges as well as charges for remaining works of RSD which were to be deposited in the Punjab treasury. The Commission had, accordingly allowed this amount in the Tariff Order of FY 2012-13. These charges are to be paid to GoP as per decision of the Govt. **Accordingly, the Commission retains its decision taken in the Tariff Order of FY 2012-13 and approves an amount of ₹10.50 crore on this account in the review for FY 2012-13.**

3.19 Non Tariff Income

PSPCL had projected non tariff income of ₹700.07 crore in the ARR for FY 2012-13 inclusive of late payment surcharge for FY 2012-13 in the overall non tariff income. In the ARR of FY 2013-14, PSPCL has stated that it has estimated Non-tariff Income considering an escalation of 5% on year on year basis taking into account provisional accounts for FY 2011-12. This growth has been envisaged based on the increase of sales assumed and the historical trend. In its ARR for FY 2013-14, PSPCL has revised the non tariff income to ₹866.76 crore inclusive of Wheeling Charges and prior period income of ₹259.67 crore and ₹3.55 crore respectively. PSPCL has also taken into account the receipts on account of late payment surcharge under this head in compliance to Regulation 34 of PSERC Tariff Regulations. In response to Commission's deficiencies letter dated 06.12.2012, PSPCL vide letter dated

18.12.2012 intimated that its receipts on account of Wheeling Charges and Cross–subsidy charges will be ₹259.67 crore (inclusive of ₹149.44 crore receivable from Open Access consumers) and ₹113.96 crore respectively for FY 2012-13. As per past practice, the Commission will consider the Prior Period Receipts of ₹3.55 crore after the Audited Accounts for FY 2012-13 become available.

From the details of Non-Tariff Income given in Table 113 of the ARR for FY 2013-14, it is noted that the receipts on account of Cross–subsidy charges were not taken into account by PSPCL. Besides, the utility will also receive an amount of ₹28.13 crore for FY 2012-13 being Meter rentals and service charges from the subsidised categories of consumers. The combined effect of all these will raise the non tariff income of PSPCL to ₹1005.30 (866.76-3.55+113.96 +28.13) crore.

The Commission, therefore, approves the Non Tariff Income at ₹1005.30 crore for FY 2012-13.

3.20 Revenue from Existing Tariff

PSPCL, in its ARR petition for FY 2013-14, has revised the revenue from existing tariff to ₹13729.48 crore (excluding revenue from agriculture, MMC, Wheeling Charges and Cross Subsidy charges) against ₹16003.96 crore approved by the Commission in the Tariff Order for FY 2012-13. Further, consequent upon notification of Transfer Scheme by GoP on 24.12.2012, PSPCL in its letter dated 08.01.2013 has revised the estimate of revenue from existing tariff, based on energy sales of 37821.03 MUs (including sale of 11456.00 MUs to agriculture) to ₹19156.79 crore inclusive of tariff compensation of ₹5427.31 crore from GoP. The Commission has determined the revenue at existing tariff for the approved sales of 36993 MU for FY 2012-13 and considered the PLEC and MMC charges at ₹180.00 crore and ₹332.34 crore respectively for FY 2012-13 as submitted by PSPCL in the additional information supplied in their letter dated 18.12.2012. Taking, these factors into account, the Commission now revises revenue from existing tariff to ₹19329.38 crore for FY 2012-13 as given in Table 3.23.

Table 3.23: Revenue from Existing Tariff for FY 2012-13

Sr. No	Category of Consumers	PSPCL Submission		Now approved by the Commission		
		Energy sale (MU)	Revenue (₹ crore)	Energy sale (MU)	Tariff Rate (paise/unit)	Revenue (₹ crore)
1	2	3	4	5	6	7
1	**Domestic**					
a)	0-100 units	5075.19	3063.04	5075.05	409	2075.70
b)	101- 300 units	2916.36		2916.28	549	1601.04
c)	Above 300 units	1543.72	910.31	1543.67	581	896.87
	Sub Total	**9535.27**	**3973.35**	**9535**		**4573.61**
2	Non-Residential Supply	2901.70	1775.33	2902	603	1749.91
3	Public Lighting	145.82	89.31	146	603	88.04
4	**Industrial Consumers**					
a)	Small Power	917.16	476.06	917	510	467.67
b)	Medium Supply	1852.36	1056.02	1853	561	1039.53
c)	Large Supply	9863.65	5803.23	9864	561	5533.70
	Sub Total	**12633.17**	**7335.31**	**12634**		**7040.90**
5	**Bulk Supply and Grid Supply**					
a)	LT	36.43	21.71	36.50	587	21.43
b)	HT	554.78	315.14	555.50	559	310.53
	Sub Total	**591.21**	**336.85**	**592**		**331.96**
6	Railway Traction	140.29	85.86	139	603	83.82
7	Common Pool	304.66	125.00	305		125.00
8	Outside State sale	112.92	4.87	53		4.87
9	**Total (1 to 8)**	**26365.04**	**13725.88**	**26306**		**13998.11**
10	AP consumption	11456.00	3.58	10687	418	4467.17
11	**Total (9+10)**	**37821.03**	**13729.48**	**36993**		**18465.28**
12	Add Revenue recoverable on a/c. of FCA for 3rd quarter of 2011-12 levied w.e.f. 1st April, 2012 as approved by the Commission in para 6.12 of Tariff Order of FY 2012-13.					33.22
13	Add Revenue recoverable on a/c. of FCA for 1st quarter of 2012-13 levied by PSPCL w.e.f. 1st Sept, 2012 to 30th November, 2012.					119.07
14	Add Revenue recoverable on a/c. of FCA for 2nd quarter of 2012-13 levied by PSPCL w.e.f. 1st Dec , 2012 to 28th February, 2013.					199.47
15	Add PLEC and MMC for FY 2012-13					512.34
16	**Grand Total (1 to15)**					**19329.38**

3. 21 Revenue Requirement

A summary of the Review of FY 2012-13 as discussed in the preceding paragraphs is given in Table 3.24:

Table 3.24: Revenue Requirement for FY 2012-13

(₹ crore)

Sr. No.	Items of Expenses	FY 2012-13		
		Approved in the Tariff Order for FY 2012-13	Proposed by PSPCL in RE	Approved in the Review
1	2	3	4	5
1	Cost of Fuel	3824.34	4318.14	4092.95
2	Cost of power purchase	5717.04	7417.73	7074.88
3	Employee Cost	3340.97	4049.22	3536.59
4	R & M expenses	457.49	464.46	539.82
5	A & G expenses	101.42	110.23	133.06
6	Depreciation	768.00	758.47	768.00
7	Interest & Finance charges	1580.35	2587.24	1760.58
8	Return on Equity	405.73	607.55	942.62
9	Transmission and SLDC charges payable to PSTCL	830.01	830.01	830.01
10	Royalty charges payable to GoP on Power from RSD	10.50	0.00	10.50
11	**Total Revenue Requirement**	**17035.85**	**21143.05**	**19689.01**
12	Less: Non Tariff Income	1068.72	866.76	1005.30
13	**Net Revenue Requirement**	**15967.13**	**20276.29**	**18683.71**
14	Revenue from existing tariff	16003.96	13729.48	*19329.38
15	Tariff compensation from GoP		5427.31	--
16	**Surplus/ (Gap) for FY 2012-13**	**(+) 36.83**	**-**	**(+) 645.67**
17	Cumulative revenue gap (including Regulatory Asset) upto FY 2011-12	(-)1656.16	(-)7020.64	(-)1656.16
18	Add carrying cost on Regulatory Asset of ₹1325.76 crore	(-) 258.51	(-)1118.11	-
19	Add carrying cost on gap in excess of Regulatory asset for FY 2011-12 of ₹330.40 crore	(-) 21.48	-	-
20	**Net Gap for 2012-13**	(-) 1899.32	-9258.26	(-) 1010.49

**Including subsidy.*

Review of FY 2012-13 indicates that there is now a gap (surplus) of ₹645.67 crore for FY 2012-13. After taking into account the cumulative gap (deficit) of ₹1656.16 crore up to FY 2011-12, total gap (deficit) works out to ₹1010.49 crore at the end of FY 2012-13. This deficit is being carried forward to the next financial year i.e FY 2013-14.

Chapter- 4

Annual Revenue Requirement for FY 2013-14

4.1 Energy Demand (Sales)

4.1.1 Metered Energy Sales

PSPCL has projected the metered energy sales for FY 2013-14 based on category-wise 3 years Compounded Annual Growth Rate (CAGR) from FY 2008-09 to FY 2011-12. The category-wise 3 year CAGR has been applied on the revised estimates of metered energy sales of respective categories for FY 2012-13, to arrive at the category-wise metered energy sales projections for FY 2013-14. The details of PSPCL's energy sales projections for FY 2012-13 (RE) and FY 2013-14 (Projected) are as given in Table 4.1.

Table 4.1: Energy Sales of Metered Categories as per ARR Petition for FY 2013-14

(MU)

Sr. No.	Category	Metered Energy Sales	
		FY 2012-13 (RE)	FY 2013-14 (Projections)
1	2	4	5
1.	Domestic	9536	10452
2.	Non-Residential	2902	3218
3.	Small Power	917	972
4.	Medium Supply	1852	1953
5.	Large Supply	9864	9956
6.	Public Lighting	146	143
7.	Bulk Supply	591	622
8.	Railway Traction	140	145
9.	**Total metered Sales (within the State)**	**25948**	**27461**

The Commission has estimated the category-wise energy sales within the State for FY 2013-14 for all categories by applying category-wise 3 year CAGR of the period from FY 2008-09 (actual) to FY 2011-12 (actual, but un-audited) on category-wise energy sales of FY 2012-13 (RE) as approved in Chapter-3 of this order. The energy sales for FY 2008-09 and FY 2011-12, 3 year CAGR for the period from FY 2008-09 to FY 2011-12 as calculated by the Commission and energy sales approved now for FY 2012-13 (RE) in Chapter-3 of this order and energy sales approved for FY 2013-14 for different metered categories within the State are given in Table 4.2.

Table 4.2: 3 Year CAGR & Estimated Energy Sales within the State for FY 2013-14

(MU)

Sr. No.	Category	FY 2008-09 (Actual)	FY 2011-12 (Un-audited)	3 year CAGR (FY 2008-09 to FY 2011-12)	Energy Sales now approved for FY 2012-13	Energy Sales approved by the Commission for FY 2013-14
1	**2**	**3**	**4**	**5**	**6**	**7**
1.	Domestic	6695	8818	9.62%	9535	10452
2.	Non-Residential	1967	2682	10.89%	2902	3218
3.	Small Power	743	884	5.96%	917	972
4.	Medium Supply	1556	1823	5.42%	1853	1953
5.	Large Supply	8747	8996	0.94%	9864	9957
6.	Public Lighting	147	139	-1.85%	146	143
7.	Bulk Supply	480	560	5.27%	592	623
8.	Railway Traction	126	138	3.08%	139	143
9.	**Total metered sales (within the State)**	20461	24040*		25948	27461

** Against 24039 projected by PSPCL in the ARR.*

4.1.2 Energy Sales to Common Pool Consumers and Outside State

PSPCL has projected energy sale to Common Pool consumers and Outside State energy sale for FY 2013-14 as below:

(MU)

Category	FY 2012-13 (RE)	FY 2013-14 (Projections)
Common Pool consumers	305	304
Outside State sale	113	117

PSPCL has submitted that the energy sale to Common Pool consumers for FY 2013-14 is based on the actual figures of energy sale to Common Pool consumers for FY 2011-12 and envisaged changes due to other provisions.

The Commission notes that the Outside State sale of 117 MU, as projected by PSPCL, includes free share of Himachal Pradesh (HP) in RSD (64 MU) and HP royalty in Shanan (53 MU). The free share of HP in RSD is required to be excluded from the Outside State sale, and so the Outside State sale is considered as 53 MU. The Commission accepts the Common Pool sale of 304 MU as projected by PSPCL.

The Commission approves the Outside State sale at 53 MU and the energy sale of 304 MU to Common Pool consumers for FY 2013-14.

The total metered energy sales for FY 2013-14 estimated by PSPCL and approved by the Commission are given in Table 4.3.

Table 4.3: Metered Sales for FY 2013-14

(MU)

Sr. No.	**Category**	**Projected by PSPCL for FY 2013-14**	**Approved by the Commission**
1	**2**	**3**	**4**
1	Domestic	10452	10452
2	Non-Residential	3218	3218
3	Small Power	972	972
4	Medium Supply	1953	1953
5	Large Supply	9956	9957
6	Public Lighting	143	143
7	Bulk Supply	622	623
8	Railway Traction	145	143
9	**Total Metered Sales**	**27461**	**27461**
10	Common Pool	304	304
11	Outside State sale	117	53
12	**Total Sales**	**27882**	**27818**

The Commission, thus, approves metered sales at 27818 MU against 27882 MU projected by PSPCL.

4.1.3 AP Consumption

PSPCL has projected the AP consumption at 12029 MU for FY 2013-14 by applying growth of 5% over AP consumption of 11456 MU projected for FY 2012-13 in the ARR.

The Commission, during the Review for FY 2012-13 in Chapter 3, has approved the AP consumption at 10687 MU for FY 2012-13. The Commission decides to estimate the AP consumption for FY 2013-14 by applying 5% increase (adhoc) over the AP consumption of 10687 MU approved by the Commission for FY 2012-13 in Review, as per the practice adopted in the past. Thus, AP consumption for FY 2013-14 works out to 11221 MU. This will be reviewed on the basis of revised estimates in the next Tariff Order.

The Commission, thus, approves the AP consumption at 11221 MU for FY 2013-14 against 12029 MU projected by PSPCL.

4.1.4 Total Energy Demand (Sales)

The total metered energy sales, AP consumption, Common Pool and Outside State energy sales projected by PSPCL and as approved by the Commission for FY 2013-14 are given in Table 4.4.

Table 4.4: Total Energy Sales for FY 2013-14

(MU)

Sr. No.	Category	Projected by PSPCL for FY 2013-14	Approved by the Commission
1	**2**	**3**	**4**
1	Total Metered sales	27461	27461
2	AP Consumption	12029	11221
3	**Total sales within the State (1+2)**	**39490**	**38682**
4	Common Pool	304	304
5	Outside State sale	117	53
6	**Total sales**	**39911**	**39039**

The Commission, thus, approves total energy sales to different categories of consumers at 39039 MU, including Common Pool and Outside State energy sales.

4.2 Transmission and Distribution Losses (T&D Losses)

PSPCL has submitted that the T&D losses for FY 2013-14 have been projected after considering the expected improvement in the system as a result of planned Capital Works for distribution loss reduction programs. Accordingly, a reduction of over 0.42% with respect to the distribution losses of 17.42% assessed in the year 2011-12 has been proposed in the year 2012-13 and another subsequent 0.5% reduction in FY 2013-14. It has been submitted that PSPCL has been taking steps to reduce the distribution loss through various loss reduction and network planning initiatives. Considering the geographical spread of the service area and consumer base of PSPCL, loss level of 17.42% in FY 2011-12, 17% in FY 2012-13 & 16.5% as projected for FY 2013-14 is indicative of the efficiency performance of PSPCL. As per PSPCL, efforts to reduce losses below these levels would require huge investments, and appropriate cost benefit analysis is essential as return in the form of loss reduction may not justify the investment in certain cases. PSPCL has further submitted that driven by the targets and directives given by the Hon'ble Commission, PSPCL is making concerted efforts to reduce and control the losses and is already recognized at par with some of the efficient utilities in the country. On the issue of T&D losses, the Commission is of the firm opinion that further reduction in losses should be attempted by PSPCL on the lines of South Korean Model of Distribution System through which South Korea has been able to reduce its losses from 40% to 4% over last three decades.

The Commission has decided to retain T&D losses of PSPCL for FY 2012-13 at 18.00% as fixed by the Commission in the Tariff Order for FY 2012-13 against the proposed loss level of 17.00% for FY 2012-13. In para 3.2.2 of the Tariff Order, the

Commission has approved AP consumption of 10687 MU against revised estimate of 11456 MU by PSPCL for FY 2012-13. This may result in higher T&D losses than projected by PSPCL for FY 2012-13 in the ARR petition, and PSPCL may not be able to achieve projected T&D loss of 17% for FY 2012-13. The Abraham Committee envisaged a normative loss reduction of 1% annually where the losses in a particular entity are below 20%. Accordingly, the Commission fixes T&D loss target for FY 2013-14 at 17%.

As mentioned in para 3.3 of this Tariff Order, the Commission is of the view that the losses are to be separately considered and approved for PSTCL and PSPCL. Since PSTCL is still in the process of installing Intra-state Boundary-cum-Transmission Level Energy Audit Scheme and could not provide the required data to estimate losses for PSTCL system separately, the Commission decides to stipulate only overall target T&D losses, with segregation into transmission loss for PSTCL system and distribution loss for PSPCL system within the overall target, pending final adjustment between PSTCL and PSPCL based on actual data at a later stage.

Keeping the overall T&D loss level of 17% as the target set for FY 2013-14 and based on the provisionally approved Transmission Loss of 2.50% for PSTCL for FY 2013-14 in the Tariff Order for PSTCL for FY 2013-14, the target Distribution Loss (66 kV and below system) of PSPCL for FY 2013-14 works out to 15.08%, which the Commission approves provisionally. The Commission will revisit the Distribution Loss of PSPCL while undertaking the Review/ True up for FY 2013-14.

4.3 Energy Requirement

The total energy requirement is the sum of estimated energy sales including Common Pool and Outside State sales and T&D losses. The projected energy sales, T&D losses and energy requirement as reported by PSPCL and as approved by the Commission for FY 2013-14 are given in Table 4.5.

Table 4.5: Energy Requirement for FY 2013-14

(MU)

Sr. No.	Category	Projected by PSPCL for FY 2013-14	Approved by the Commission
1	**2**	**3**	**4**
1	Metered sales within the State	27461	27461
2	AP Consumption	12029	11221
3	**Total sales within the State (1+2)**	**39490**	**38682**
4	Common Pool sales	304	304
5	Outside State sale	117	53
6	**Total sales (3+4+5)**	**39911**	**39039**
7 (a)	T&D losses on Sr. No. 3 (%)	16.50%	17%
7 (b)	T&D losses on Sr. No. 3	7803	7923
8	**Total energy input required [6+7(b)]**	**47714**	**46962**
9	**Energy at Transmission periphery to be sold within the State (8-4-5)**		**46605**
10 (a)	Transmission Loss (%)		2.50%
10 (b)	Transmission Loss		1165
11	Energy available to PSPCL [9-10(b)-640*]		44800
12 (a)	Distribution Loss (%)		15.08%
12 (b)	Distribution Loss		6758
13	**Energy available for Sale to consumers within the State [11-12(b)+640*]**		**38682**

**Energy sale at 220/132 kV voltage level.*

4.4 PSPCL's own Generation

4.4.1 Thermal Generation

PSPCL has projected gross thermal generation for FY 2013-14 at 3018 MU for GNDTP, 9300 MU for GGSSTP and 7238 MU for GHTP.

Plant Availability

- The plant availability of GNDTP for FY 2013-14 has been projected at 86.37%, based on historical performance and maintenance schedules. The maintenance is planned for unit-I for 45 days and unit-III for 20 days.
- The plant availability of GGSSTP for FY 2013-14 has been projected at 91.00%, based on historical performance and maintenance schedules. The maintenance is planned for unit-I for 45 days, unit-II for 14 days, unit-III for 30 days, unit-IV for 25 days and unit-VI for 25 days.
- The plant availability for GHTP for FY 2013-14 has been projected at 95.50% based on historical performance and maintenance schedules. The annual maintenance is planned for unit-IV for 20 days.

The availability of GNDTP, GGSSTP and GHTP based on maintenance schedules (excluding forced outages) for FY 2013-14, has been determined by the Commission as 95.55% (93.84% for GNDTP Unit I&II, 97.26% for GNDTP Unit III&IV), 93.65% and 98.63% respectively.

The Commission has assessed availability and generation for GNDTP and GGSSTP for FY 2013-14 based on average of actual availability and average of actual generation during FY 2009-10, FY 2010-11 and FY 2011-12. For GHTP, the Commission has assessed availability and generation based on average of actual availability and average of actual generation during FY 2010-11 and FY 2011-12, as figures for GHTP Unit IV are not available for FY 2009-10, since GHTP Unit IV was commissioned on January 25, 2010. The availability based upon actual number of maintenance days (including periods of forced outages, if any) and actual generation of GNDTP, GGSSTP and GHTP as discussed above, along with average generation and availability have been worked out in Table 4.6.

Table 4.6: Availability and Generation for GNDTP, GGSSTP and GHTP

Sr.No.	Station	FY 2009-10	FY 2010-11	FY 2011-12	Average
1.	**GNDTP**				
	Generation (MU)	2723	1775	1883	2127
	Availability (%)	88.63%	58.58%	59.93%	69.05%
2.	**GGSSTP**				
	Generation (MU)	10056	9718	9564	9779
	Availability (%)	94.43%	92.69%	91.36%	92.83%
3.	**GHTP**				
	Generation (MU)	-	6833	7621	7227
	Availability (%)	-	88.00%	96.55%	92.28%

Considering the projected availability in FY 2013-14 and the average availability and generation as worked out in Table-4.6, gross generation for FY 2013-14 for GNDTP, GGSSTP and GHTP has been computed in Table 4.7:

Table 4.7: Availability, Gross Generation and PLF of GNDTP, GGSSTP and GHTP for FY 2013-14

Sr. No.	Station	Three years average availability	Three years average generation (MU)	Computed by the Commission for FY 2013-14		
				Availability as per maintenance schedule for FY 2013-14	Generation (MU) (4X5)/3	PLF (calculated)
1	2	3	4	5	6	7
1.	GNDTP	69.05%	2127	95.55%	3077 *	76.35%
2.	GGSSTP	92.83%	9779	93.65%	9865	89.38%
3.	GHTP	92.28%	7227	98.63%	7724	95.84%

**Firstly, generation for GNDTP worked out as 2943 (2127 x 95.55 / 69.05). Then, in view of the submission by PSPCL that installed capacity of GNDTP Units III and IV is expected to increase from 110 MW to 120 MW each, as agreed to by BHEL, on the R&M works, the estimated generation for GNDTP worked out as 3077 MU (2943 x 460 /440).*

Total gross generation from the thermal generating plants during FY 2013-14 will, therefore, be as shown in Table 4.8:

Table 4.8: Gross Thermal Generation for FY 2013-14

(MU)

Sr. No.	Station	Approved generation
1	**2**	**3**
1.	GNDTP	3077
2.	GGSSTP	9865
3.	GHTP	7724
	Total	**20666**

Accordingly, the Commission assesses the total gross thermal generation for FY 2013-14 as 20666 MU against 19556 MU projected by PSPCL in the ARR for FY 2013-14.

Performance Parameters

PSERC Tariff Regulations provide that for determining the cost of generation of each generating station, the Commission shall be guided, as far as feasible, by the principles and methodology of CERC, as amended from time to time. This approach has been adopted consistently by the Commission in its Tariff Orders from FY 2005-06 onwards. CERC vide its notification No. L-7/145 (160) / 2008 – CERC dated 19.01.2009, notified Terms and Conditions of Tariff Regulations, 2009 for electricity tariff for the five year period beginning 01.04.2009, wherein operating norms for thermal plants have also been prescribed. These norms of CERC have been followed by the Commission for estimating the fuel cost in previous Tariff Orders i.e. for FY 2009-10, FY 2010-11, FY 2011-12 and FY 2012-13. The Commission decides to follow these norms for FY 2013-14 also. CERC, has, however, not specified any norms for 110/120 MW units and the Commission had, in the case of GNDTP, adopted the norms specified for Tanda Thermal Power Generating Station of NTPC, which like GNDTP, has 4 units of 110 MW each. The Commission notes that units I, II and III of GNDTP have achieved commercial operation on 31.05.2007, 19.01.2006 and 07.12.2012 respectively, after completion of renovation and modernization, and unit IV is likely to be operational in FY 2013-14 after completion of renovation and modernization. The Commission in the Tariff Order for FY 2011-12 had decided to adopt SHR value for GNDTP unit I & II as per CERC Tariff Regulations effective from 01.04.2009, in which CERC has also revised operational norms of Tanda Thermal Power Generating Station after its renovation and modernization. Accordingly, the SHR value of 2825 kCal/kWh has been taken for calculating the fuel cost for GNDTP units I, II, III and IV. The individual performance parameters are further discussed, later in this chapter.

Auxiliary Consumption and Net Generation

The Commission has adopted CERC norms for assessment of net generation of GGSSTP and GHTP. The Commission had considered various issues and submissions regarding the auxiliary consumption of GNDTP units in para 2.4.1 of the Tariff Order for FY 2010-11 and accordingly fixed the auxiliary consumption for FY 2008-09 at 11%. The same was adopted in subsequent Tariff Orders. Accordingly, the Commission decides to fix auxiliary consumption for GNDTP at 11.00%, for GGSSTP and GHTP at 8.50%, for FY 2013-14. The same values have been projected by PSPCL for FY 2013-14 in the ARR Petition. Auxiliary consumption and net generation from the three thermal generating stations, as projected by PSPCL and approved by the Commission for FY 2013-14 are given in Table 4.9:

Table 4.9: Generation and Auxiliary Consumption for Thermal Plants for FY 2013-14

(MU)

Sr. No.	Station	Projected by PSPCL			Approved by the Commission		
		Gross generation	Auxiliary consumption	Net generation	Gross generation	Auxiliary consumption	Net generation
1	2	3	4	5	6	7	8
1.	GNDTP	3018	332	2686	3077	338	2739
			11.00%			11.00%	
2.	GGSSTP	9300	791	8509	9865	839	9026
			8.50%			8.50%	
3.	GHTP	7238	615	6623	7724	657	7067
			8.50%			8.50%	
	Total	**19556**	**1738**	**17818**	**20666**	**1836**	**18832**

Net thermal generation approved by the Commission for FY 2013-14 is 18832 MU, against 17818 MU projected by PSPCL.

4.4.2 Hydel Generation

In the ARR petition for FY 2013-14, PSPCL has projected hydel generation for FY 2013-14 from its own stations, based on the historical trend. The Commission has estimated the hydel generation, based on the average of three years i.e. FY 2009-10, FY 2010-11 and FY 2011-12. The generation projected by PSPCL and the generation approved by the Commission is given in Table 4.10:

Table 4.10: Own Hydel Generation for FY 2013-14

(MU)

Sr. No.	Station	Generation projected by the PSPCL for FY 2013-14	Actual generation			Generation approved by the Commission (Based on 3 years average)
			FY 2009-10	FY 2010-11	FY 2011-12	
1	2	3	4	5	6	7
1.	Shanan	514.08	511	598	517	542
2.	UBDC Stage 1	160.39	142	169	146	152
3.	UBDC Stage 2	187.18	195	241	149	195
4.	RSD	1511.17	1069	1738	1928	1578
5.	MHP	1204.49	886	1070	1358	1204*
6.	ASHP	714.35	574	742	807	708
7.	Micro Hydel	9.06	13	10	5	9
	Total own hydel generation (gross)	**4300.72**	**3390**	**4568**	**4910**	**4388**

*The commissioning schedule of new power plant *MHP stage-II with total installed capacity of 18 MW (2x9) has been shown as September 2013, but generation has not been shown separately for MHP stage-II in ARR. As such, generation as projected by PSPCL in the ARR has been considered against 1105 MU worked out on 3 years average basis for MHP.*

The Commission approves estimated gross generation of 4388 MU from PSPCL's own hydel stations. The Commission also approves PSPCL's share (net) from BBMB at 4074 MU and Common Pool share at 304 MU as projected by PSPCL for FY 2013-14. The total hydel generation approved by the Commission is depicted in Table 4.11.

Table 4.11: Total Hydel Generation for FY 2013-14

(MU)

Sr. No.	Station	Projected by PSPCL for FY 2013-14	Approved by the Commission
1	2	3	4
1.	Shanan	514.08	542
2.	UBDC Stage 1	160.39	152
3.	UBDC Stage 2	187.18	195
4.	RSD	1511.17	1578
5.	MHP	1204.49	1204
6.	ASHP	714.35	708
7.	Micro hydel	9.06	9
8.	**Total own generation (Gross)**	**4300.72**	**4388**
9.	Auxiliary consumption and transformation loss	41.35	36*
10.	HP share in RSD	117.43	73**
11.	HP Royalty in Shanan		
12.	**Total own generation (Net)**	**4141.94**	**4279**
13.	**PSPCL share from BBMB**		
(a)	PSPCL share (Net)	4073.82	4074
(b)	Common pool share (Net)	303.80	304
14.	**Total from BBMB (Net)**	**4377.62**	**4378**
15.	**Total hydro (Net) (Own + BBMB)**	**8519.56**	**8657**

** Transformation losses @ 0.5% (22 MU), auxiliary consumption @ 0.5% for RSD generation of 1578 MU and UBDC stage -1 generation of 152 MU (having static exciters) and @ 0.2% for others (14 MU).*
*** HP share @ 4.6% in RSD (73 MU).*

The Commission, thus, approves net hydel generation of 8657 MU for FY 2013-14, against 8519.56 MU projected by PSPCL.

4.4.3 Total availability of energy from PSPCL's own stations and share from BBMB

The approved net generation from own thermal and hydel stations of PSPCL and share from BBMB is given in Table 4.12:

Table 4.12: Net Own Generation and share from BBMB for FY 2013-14

(MU)

Sr. No.	Station	Energy available (ex-bus)
1	2	3
1.	Thermal stations	18832
2.	Hydel stations	4279
3.	Share from BBMB (including 304 MU share of Common Pool consumers)	4378
4.	**Total availability**	27489

The Commission approves the total energy availability from PSPCL's own generating stations (thermal and hydel) including share from BBMB as 27489 MU.

4.5 Purchase of Power

4.5.1 The total energy required to meet the demand during FY 2013-14 including Common Pool and Outside State sales is 46962 MU as discussed in para 4.3. The energy available from own generating stations of PSPCL including its share from BBMB is 27489 MU as approved in para 4.4.

4.5.2 The balance energy requirement of 19473 MU (net) has to be met through purchase from Central Generating Stations and other sources. This is against a requirement of 21259 MU (net) projected by PSPCL for FY 2013-14.

4.6 Energy Balance

The energy balance, which takes into account the approved energy sales to different categories of consumers, T&D losses and energy availability, is given in Table 4.13.

Table 4.13: Energy Balance for FY 2013-14

(MU)

Sr. No.	Particulars	Projected by PSPCL for FY 2013-14	Approved by the Commission
1	**2**	**3**	**4**
A) Energy Requirement			
1	Metered Sales	27461	27461
2	AP Consumption	12029	11221
3	**Total Sales within the State**	39490	38682
4	T & D Losses (%)	16.50%	17.00%
5	T & D losses	7803	7923
6	Sales to Common pool consumers	304	304
7	Outside State Sale	117	53
8	**Total Requirement**	**47714**	**46962**
B) Energy Available			
9	Own generation (Ex-bus)		
(a)	Thermal	17818	18832
(b)	Hydro	4259	4279
10	Share from BBMB (including share of Common Pool consumers)	4378	4378
11	Purchase (net)	21259	19473
12	**Total Availability**	**47714**	**46962**

4.7 Fuel Cost

4.7.1 Fuel Cost projected by PSPCL

PSPCL has projected fuel cost of ₹4905.80 crore for a total generation of 19556 MU during FY 2013-14 based on operational and cost parameters as detailed in Table 4.14:

Table 4.14: Operation and Cost Parameters projected by PSPCL for FY 2013-14

Sr. No.	Station	PLF (%)	Station heat rate (kCal/kWh)	Transit loss of coal (%)	Coal price excluding transit loss (₹/MT)	Calorific value of coal (kCal/Kg)	Price of oil (₹/kL)	Specific oil consumption (ml/kWh)	Calorific value of oil (kCal/lt)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1.	GNDTP	75.17	2825	1.50	3708.62	4000	53944.74	1.50	9400
2.	GGSSTP	84.26	2550	1.50	3900.71	4000	46904.52	1.00	9700
3.	GHTP	89.81	2500	2.00	3767.31	4025	48291.29	1.00	9500

4.7.2 PSPCL has submitted as follows regarding the projected parameters and requested for approval of the same:

- Station Heat Rate (SHR) for GNDTP has been projected at 2825 kCal/kWh, based on historical performance / average.
  For GGSSTP, the SHR has been projected at 2550 kCal/kWh, based on historical performance / average.
  For GHTP, the SHR has been projected at 2500 kCal/kWh, based on historical performance / average.

- The price of oil for FY 2013-14 has been projected considering an escalation of 7% over projected price of oil for FY 2012-13.
- The price of coal for FY 2013-14 has been projected considering an escalation of 7% over projected price of coal for FY 2012-13.
- The calorific values of oil and coal are based on actual delivered measurements.
- Transit loss of coal has been projected as per PSERC limits / estimated.
- Specific oil consumption has been projected as per norms.

4.7.3 **Fuel Cost approved by the Commission**

Gross Generation

The gross generation of thermal plants for FY 2013-14 has been discussed in para 4.4.1 and summarized in Table 4.8:

Station Heat Rate

The CERC has laid down norms of gross SHR for coal based thermal stations as given in Table 4.15:

Table 4.15: CERC Norms for Gross Station Heat Rate

Sr. No.	Capacity of Unit / Name of Plant	SHR norms (kCal/kWh)
1	**2**	**3**
1.	200/210/250 MW sets	2500
2.	500 MWs and above sets	2425
3.	Talcher Thermal Power Station	2950
4.	Tanda Thermal Power Station	2825

On the above basis, the Commission approves SHR at 2500 kCal/kWh for GGSSTP and GHTP. As CERC has not specified any norm for 110/120 MW units, the Commission has decided in para 4.4.1 to allow SHR of 2825 kCal/kWh for GNDTP units based on CERC norms for Tanda TPS after its R&M.

Coal Transit Loss

PSPCL in its ARR for FY 2013-14 has projected transit loss of coal for FY 2013-14 at 1.50% for GNDTP & GGSSTP and for GHTP at 2.00%.

The Commission in its Tariff Order for FY 2012-13, after considering the whole issue of transit loss, decided to cap the maximum transit loss of coal at 1.0% for FY 2013-14 & onwards.

In view of the above, the Commission approves the transit loss for all the generating stations of PSPCL as per actual, subject to a maximum of 1.0%, for FY 2013-14. However, no such loss is permissible in the case of PANEM coal, as the same is priced on FOR destination basis.

Price and Calorific Value of Coal and Oil

Fuel cost being a major item of expense, the actual calorific value and price of coal and oil and transit loss of coal for the first six months of FY 2012-13 were verified and the results are given in Table 4.16:

Table 4.16: Validated Calorific Value and Price of Coal and Oil and Transit Loss of Coal for FY 2012-13

Sr. No.	Station	Calorific value of coal (kCal/kg)	Calorific Value of Oil (kCal/lt)	Price of Oil (₹/kL)	Price of coal (₹/MT) (Excluding Transit Loss)	Transit Loss (%)
		3	4	5	6	7
1	GNDTP	4000	9532	48946.00	3370.00	2.35
2	GGSSTP	4020	9737	42389.52	3546.44	0.36
3	GHTP	4019	9506	43539.00	3438.00	2.17

In working out the fuel cost for FY 2013-14, the Commission has considered the price & calorific value of oil and price of coal as validated for first six months of FY 2012-13. The Commission, in para 3.8.3, has decided to adopt calorific value (GCV) of receipted coal minus maximum permissible drop of 150 kCal/kg in calorific value (GCV), as per the order of the Commission dated 08.10.2012, for working out the fuel cost from November, 2012 to March, 2013. The Commission further decides to consider the calorific value of coal, as per Orders of the Commission dated 08.10.2012 & 27.02.2013, for working out the fuel cost for FY 2013-14 and onwards. For FY 2013-14, the Commission decides to consider the figures of calorific value as considered for working out the fuel cost from November, 2012 to March, 2013, i.e. 4170 kCal/kg for GNDTP, 4359 kCal/kg for GGSSTP and 4041 kCal/kg for GHTP, as worked out in Table 4.17. The price and calorific value of coal indicated above are the weighted average values of coal, including PANEM coal.

Table 4.17: Calorific Value of Coal for FY 2013-14

Sr. No.	Name of the Thermal Generating Station	Average of GCV of receipted coal for Nov.12, Dec. 12 & Jan.13 (kCal/kg)	Average of GCV of bunkered coal for Nov.12 Dec. 12 & Jan.13 (kCal/kg)	Difference in average GCV of receipted coal and bunkered coal (3-4) (kCal/kg)	Maximum permissible drop in GCV as per orders of the Commission dated 08.10.12 & 27.02.13 (kcal/kg)	GCV determined after deducting maximum permissible drop in GCV from GCV of receipted coal (3-6) (kCal/kg)
1	2	3	4	5	6	7
1	GNDTP	4320	4072	248	150	4170
2	GGSSTP	4509	4082	427	150	4359
3	GHTP	4191	4131	60	150	4041

Specific oil consumption

PSPCL has projected specific oil consumption at GNDTP, GGSSTP and GHTP as 1.50, 1.00 and 1.00 ml/kWh respectively.

The Commission has adopted CERC norms for specific oil consumption as in the case of other performance parameters of thermal plants. As per CERC Regulations, effective from 01.04.2009, the Commission approves 1.0 ml/kWh specific oil consumption for GNDTP, GGSSTP and GHTP.

Table 4.18: Fuel Cost (Coal and Oil) for FY 2013-14

Sr.No.	Item	Approved Fuel Cost for FY 2013-14					
		Derivation	**Unit**	**GNDTP**	**GGSSTP**	**GHTP**	**Total**
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1	Generation	A	MU	3077	9865	7724	20666
2	Heat Rate	B	kcal/kWh	2825	2500	2500	
3	Specific oil consumption	C	ml/kwh	1.00	1.00	1.00	
4	Calorific value of oil	D	kcal/litre	9532	9737	9506	
5	Calorific value of coal	E	kcal/kg	4170	4359	4041	
6	Overall heat	F = (A x B)	Gcal	8692525	24662500	19310000	
7	Heat from oil	G = (A x C x D) / 1000	Gcal	29330	96056	73424	
8	Heat from coal	H = (F-G)	Gcal	8663195	24566444	19236576	
9	Oil consumption	I=(Gx1000)/D	KL	3077	9865	7724	
10	Transit loss of coal	J	(%)	1.00	1.00	1.00	
11	Total coal consumption excluding transit loss	K=(Hx1000)/E	MT	2077505	5635798	4760350	
12	Quantity of PANEM coal	L	MT	1108928	3838575	3457780	
13	Quantity of coal other than PANEM coal	M=K-L	MT	968577	1797223	1302570	
14	Quantity of coal other than PANEM coal including transit loss	N=M/(1-J/100)	MT	978361	1815377	1315727	
15	Total quantity of coal	O=L+N	MT	2087289	5653952	4773507	
16	Cost of oil	P	₹/KL	48946	42389.52	43539	
17	Cost of coal	Q	₹/MT	3370	3546.44	3438	
18	Total cost of oil	R=P x I / 10^7	₹crore	15.06	41.82	33.63	90.51
19	Total Cost of coal	S=O x Q/10^7	₹crore	703.42	2005.14	1641.13	4349.69
20	**Total fuel cost**	**T=R+S**	**₹crore**	**718.48**	**2046.96**	**1674.76**	**4440.20**
21	**Per unit fuel cost**	**U=Tx10/A**	**₹/kWh**	**2.34**	**2.07**	**2.17**	**2.15**

Based on the generation and operational parameters approved by the Commission above, cost of fuel for FY 2013-14 works out to ₹4440.20 crore for

thermal generation of 20666 MU (gross) as detailed in Table 4.18, which the Commission approves.

4.7.4 **Fuel Cost Adjustment (FCA)**

Any change in the fuel cost from the level approved by the Commission is to be passed on to the consumers as FCA in line with FCA formula specified in Punjab State Electricity Regulatory Commission (Conduct of Business) Regulations, 2005. According to this stipulation, any change in fuel cost would be passed on to the consumers on quarterly basis as per Punjab State Electricity Regulatory Commission (Conduct of Business) (Second Amendment) Regulations, 2012.

4.8 Power Purchase

4.8.1 **Projection by PSPCL:** PSPCL has projected power purchase cost of ₹8680.57 crore (excluding transmission charges of ₹830.04 crore to PSTCL) for purchase of 22180 MU (gross) and for purchase of RECs (₹100 crore) during FY 2013-14. PSPCL has submitted that since PSPCL has scheduled its power procurement plan based on merit order principles, capacity charges payable on the basis of allocated share and contractual obligations have been considered in-spite of the fact that power procurement from various sources has been regulated on the basis of load demand vis-a-vis per unit cost from the generating sources.

The following new power plants have also been considered by PSPCL for assessing energy availability during FY 2013-14, as given in Table 4.19:

Table 4.19: Details of New Power Plants

S.No.	Name of the Plant	Plant Capacity (MW)	PSPCL Share (MW)	Commissioning Schedule
1	Uri-II HEP	60x4=240 MW	9.75x4=39 MW	Feb 2013 (Unit 1 to 4)
2	Parbati-III HEP	130x4=520 MW	20x4=80 MW	Jan 2013 (Unit 1 to 4)
3	Pragati III Gas Power Project	1371 MW	68.55x2=137.1 MW	Mar 2013 (Block 2)
4	Mundra Ultra Mega Project TPP	5x800=4000 MW	475 MW	Feb 2013 (Unit-3), Jun 2013 (Unit-4) Oct 2013 (Unit-5)
5	Sasan Ultra Mega Project TPS	3960 MW	558.36 MW	Feb 2013 (Unit-1) May 2013 (Unit-2) Aug 2013 (Unit-3) Nov 2013 (Unit-4) Mar 2014 (Unit-5)
6	Nagarjuna Udipi TPS (UPCL)	2x600 = 1200 MW	60x2 = 120 MW	Mar 2013 (Unit 1 to 2)
7	Barh-II STPS	2x660 = 1320 MW	66x2 = 132 MW	Oct 2013 (Unit-1)
8	Rihand-III TPP (NTPC)	2x500 = 1000 MW	33.5x2 = 67 MW	Dec 2012 (Unit-1) Nov 2013 (Unit-2)

9	Durgapur DVC TPS	2x500=1000 MW	100x2=200 MW	Nov 2012 (Unit-2)
10	Raghunathpura TPS (DVC)	2x500+20%x1000 =1200 MW	150x2=300 MW	Jul 2013 (Unit-1) Sep 2013 (Unit-2)
11	Rajpura TPS	2x700 = 1400 MW	2x700 = 1400 MW	17 Jan 2014 (Unit-1)
12	Talwandi Sabo TPS	3x660 = 1980MW	3x660 = 1980MW	8 Aug 2013 (Unit-1) 8 Nov 2013 (Unit-2) 8 Mar 2014 (Unit-3)
13	Goindwal Sahib TPS	2x270 = 540 MW	2x270 = 540 MW	20 May 2013 (Unit-1) 20 Nov 2013 (Unit-2)
14	Mukerian Hydel Project Stage-II	9x2 = 18 MW	9x2 = 18 MW	Sep-2013
	Total		**6046.46 MW**	

4.8.2 **Requirement of Energy through Purchase:** As discussed in para 4.5.2, the energy requirement of 19473 MU has to be met through purchase from Central Generating Stations and other sources. The transmission loss external to PSTCL system has to be added to arrive at the total quantum of energy to be purchased**.**

4.8.3 **Transmission Loss external to PSTCL System:** For net purchase of 21259 MU, PSPCL has shown gross power purchase of 22180 MU after adding external transmission loss of 4.15%.

The Commission has considered the external loss at 4.25% as considered by it for FY 2012-13. The gross energy to be purchased, thus, works out to 20337 MU (19473 MU + external transmission loss of 864 MU).

4.8.4 **Entitlement from Central Generating Stations:** PSPCL meets its demand of power by procurement from Central Generating Stations and other external sources apart from State's own Generation. Major sources from which PSPCL procures power are Central Generating Stations viz NTPC, NHPC, NPC, SJVNL and THDC, Co-generation / Biomass Plants, Banking Arrangements and Traders. PSPCL has submitted that in order to optimize the cost of power procured, PSPCL has scheduled its power procurement from various Central Generating Stations (CGSs) on the merit order principles. It has considered the load profile during various seasons, technical constraints and avoidable cost after giving due consideration to contractual obligations, for deciding the procurement/generation schedule. Source of power with the lowest per unit cost has been scheduled to be procured first (base load) and those with highest per unit cost at last (peak load). Sources with equal merit order have been considered together in proportion to their available capacity.

The Commission has determined the average of the actual energy purchased by PSPCL / erstwhile Board during the last three years (FY 2009-10, FY 2010-11 and FY 2011-12) from different NHPC & NPC generating stations under central sector, and compared it with the plant-wise figures projected by PSPCL in the ARR. In case of NTPC generating stations, comparison has been made of the actual energy purchased by PSPCL during FY 2011-12 with the plant-wise figures projected by PSPCL in the ARR. The Commission observed that the PSPCL has projected less power purchase from many thermal generating stations of NTPC and requested PSPCL vide letter no. 9942 dated 17.01.2013 to depute the concerned officers for discussion in the matter. After discussing the matter of less scheduling of power than firm allocation, PSPCL vide its letter no. 1468 dated 29.01.2013 explained that power has been scheduled on merit order principle and excess power available than the requirement has been proposed to be surrendered. The estimated total surrendered power has been intimated by PSPCL as 5734 MU. The Commission as such decides to approve the power purchase from NTPC, NHPC and NPC generating stations, as proposed by PSPCL in the ARR. Based on above, the details of plant capacity, firm allocation, entitlement and power purchase proposed by PSPCL & approved by the Commission from NTPC, NHPC and NPC stations are shown in Table 4.20(A), Table 4.20(B) and Table 4.20(C), respectively.

Table 4.20(A): Power Purchase from NTPC stations - FY 2013-14

Sr. No	Station	Capacity	Firm Allocation		Actual Power Purchase during FY 2011-12		Power Purchase & Share proposed by PSPCL and approved by the Commission for FY 2013-14	
		MW	%	MW	MU	%	MU	%
1	2	3	4	5	6	7	8	9
	NTPC							
1.	Anta(G)	419.00	11.69%	48.98	219.32	13.45%	125.89	13.58%
2.	Anta (R)				66.27		28.62	
3.	Anta (L)				0.05		0.73	
4.	Auraiya(G)	663.00	12.52%	83.01	315.46	13.74%	207.62	13.83%
5.	Auraiya (R)				102.00		24.47	
6.	Auraiya (L)				0.53		3.61	
7.	Dadri(G)	830.00	15.90%	131.97	567.56	16.72%	303.86	16.78%
8.	Dadri (R)				145.50		31.89	
9.	Dadri (L)				0.00		8.81	
10.	Singrauli	2000.00	10.00%	200.00	1589.80	11.74%	1708.10	11.88%
11.	Rihand-I	1000.00	11.00%	110.00	899.73	12.73%	914.38	12.87%
12.	Rihand-II	1000.00	10.20%	102.00	821.25	11.94%	837.45	12.08%
13.	Rihand-III*	1000.00	6.70%	67.00			307.00	
14.	Unchahar-I	420.00	8.57%	35.99	228.76	9.11%	152.28	9.16%
15.	Unchahar-II	420.00	14.28%	59.98	391.05	16.02%	262.51	16.16%
16.	Unchahar-III	210.00	8.10%	17.01	132.25	9.81%	88.34	9.95%
17.	Farakha (ER)	1600.00	1.39%	22.24	125.68	1.39%	82.06	1.39%
18.	Kahalgaon-I (ER)	840.00	6.07%	50.99	262.81	6.07%	180.30	6.07%

Sr. No	Station	Capacity	Firm Allocation		Actual Power Purchase during FY 2011-12		Power Purchase & Share proposed by PSPCL and approved by the Commission for FY 2013-14	
		MW	%	MW	MU	%	MU	%
1	2	3	4	5	6	7	8	9
19	Kahalgaon-II (ER)	1500.00	8.02%	120.30	528.92	8.02%	307.08	8.02%
20	IGSTPS Jhajjar (JV)	500.00	unallocated share		21.49	0.90%	6.89	0.90%
21	NCTPS-2C Dadri-II	980.00			133.36	1.74%	42.33	1.76%
22	Barh – II*	1320.00	10.00%	132.00			213.33	
	Sub Total						**5837.55**	

** Past generation data not available being new stations.*

Table 4.20(B): Power Purchase from NHPC stations - FY 2013-14

Sr. No	Station	Capacity	Firm Allocation		Energy entitlement based on 3 years average	Actual share allocation based on 3 years average	Power Purchase & Share proposed by PSPCL and approved by the Commission for FY 2013-14	
		MW	%	MW	MU	%	MU	%
1	2	3	4	5	6	7	8	9
	NHPC							
1	Bairasuil	180.00	46.50%	83.70	314.25	46.51%	316.40	46.50%
2	Salal	690.00	26.60%	183.54	841.88	26.60%	842.43	26.60%
3	Tanakpur	94.00	17.93%	16.85	70.55	17.30%	69.92	17.93%
4	Chamera-I	540.00	10.20%	55.08	241.95	10.20%	241.71	10.20%
5	Chamera-II	480.00	10.00%	48.00	184.22	12.44%	182.57	12.26%
6	Chamera-III*	231.00	7.86%	18.16			112.38	11.38%
7	Uri	300.00	13.75%	41.25	384.71	13.75%	398.03	13.75%
8	Uri – II*	240.00	16.25%	39.00			182.61	
9	Dhauliganga	280.00	10.00%	28.00	140.66	12.08%	141.18	11.89%
10	Dulhasti	390.00	8.28%	32.29	232.37	10.30%	230.98	10.17%
11	SEWA-II*	80.00	8.33%	6.66			31.21	10.29%
12	Parbati – III*	520.00	15.38%	79.98			302.04	
	Sub Total						**3051.46**	

** Past generation data not available being new stations.*

Table 4.20(C): Power Purchase from NPC stations – FY 2013-14

Sr. No	Station	Capacity	Firm Allocation		Energy entitlement based on 3 years average	Actual share allocation based on 3 years average	Power Purchase proposed by PSPCL and approved by the Commission for FY 2013-14
		MW	%	MW	MU	%	MU
1	2	3	4	5	6	7	8
	NPC						
1	NAPP	440.00	11.59%	51.00	173.35	13.34%	173.02
2	RAPP 3&4	440.00	22.73%	100.01	663.65	24.59%	658.53
3	RAPP 5&6	440.00	10.41%	45.80	261.91	12.31%	248.40
							1079.95

4.8.5 **Cost of Power Purchase**

(a) Central Generating Stations (CGSs)

PSPCL in the ARR petition for FY 2013-14 has submitted that since its power procurement plan is based on merit order principles, capacity charges payable on the basis of allocated share and contractual obligations have been considered in-spite of the fact that power procurement from various sources has been regulated on the basis of load demand vis-a vis per unit cost from the generating sources. PSPCL has further submitted that the capacity charges for CGSs have been considered as per the orders issued by CERC for the respective stations.

The Commission notes that the Terms and Conditions of Tariff Regulations issued by CERC in January, 2009 are applicable for all Central Generating Stations from April 01, 2009 onwards. CERC has issued provisional Tariff Orders for some stations and final Tariff Orders for some other stations. The Commission has decided to consider fixed charges as per respective Tariff Orders issued by CERC, and in cases where Tariff Order has not been issued, fixed charges have been taken as per bills for September 2012, and where bills for September 2012 are also not available, fixed charges have been taken as projected by PSPCL in the ARR. The variable charges have been considered as per bills for September 2012, and where bills for September 2012 are not available, variable charges as projected by PSPCL in the ARR for FY 2013-14 have been considered by the Commission.

NTPC Stations

Fixed Cost

As per CERC Tariff Regulations, fixed cost is payable in proportion to the share allocation of PSPCL in each of the Central Generating Stations and the Commission has accepted this principle. Further, as per CERC regulations, the capacity charge is payable inclusive of incentive and as such capacity charge is to be worked out in proportion to the actual Plant Availability Factor achieved. The actual Plant Availability Factor achieved by NTPC stations during FY 2011-12 is given in Table 4.21.

Table 4.21: Plant Availability Factor of NTPC stations during FY 2011-12

Sr. No.	Station	Plant Availability Factor during FY 2011-12 (%)
1	Anta	94.089
2	Auraiya	92.468
3	Dadri	94.805
4	Singrauli	89.546
5	Rihand-I	97.169
6	Rihand-II	92.203
7	Unchahar-I	94.447
8	Unchahar-II	92.956
9	Unchahar-III	101.661
10	Farakka (ER)	82.560
11	Kahalgaon-I (ER)	80.190
12	Kahalgaon-II (ER)	64.770
13	IGSTPS Jhajjar (NTPC JV)	65.182
14	NCTPS- 2C (DADRI II)	100.313

CERC has issued final tariff orders for tariff block FY 2009-14 for all NTPC stations except IGSTPS Jhajjar (a NTPC JV company), Rihand-III (new plant) and Barh-II (new plant). For IGSTPS Jhajjar provisional tariff order has been issued by CERC. The Annual Fixed Charges (AFC) in case of NTPC stations (Anta, Auraiya, Dadri, Singrauli, Rihand-I, Rihand-II, Unchahar-I, Unchahar-II, Unchahar-III, Farakka(ER), Kahalgaon-I and Kahalgaon-II have been considered by the Commission as per AFC notified in the Tariff Orders issued by CERC and also taking into consideration actual Plant Availability Factor achieved by the respective stations during FY 2011-12. The Normative Plant Availability Factor has been considered as 85% as per CERC regulations.

In case of IGSTPS Jhajjar and NCTPS-2C (Dadri-II), fixed charges have been considered by the Commission as projected by PSPCL in the ARR.

PSPCL has not considered any fixed charges for new plants i.e. Rihand-III and Barh-II, and has considered only variable charges.

Variable Cost

PSPCL has considered variable charges for existing NTPC plants at 5% higher than those in the month of September, 2012.

The Commission has assessed variable charges for FY 2013-14 as per NTPC bills for September, 2012 for different stations, except for Rihand-III (new plant) and Barh-II (new plant).

For Rihand-III and Barh-II, PSPCL has assumed the variable charges with 5% escalation on average unit rate of Kahalgaon-II (NTPC plant) for 1st half (H1) period of FY 2012-13 i.e. 388.50 paise/unit (370 x 1.05). The Commission has considered 370 paise/unit as the rate of power purchase from these plants.

NHPC Stations

Fixed Cost

CERC Tariff Regulations provide that fixed cost is payable in proportion to the share allocation of PSPCL in each of the Central Generating Stations and the Commission has accepted this principle. Further, as per CERC regulations, the capacity charge is payable inclusive of incentive and Free Energy for Home State, and as such capacity charge is to be worked out in proportion to the actual Plant Availability Factor achieved and also after taking into consideration Free Energy for Home State (12%). The actual Plant Availability Factor achieved by different NHPC stations during FY 2009-10, FY 2010-11 and FY 2011-12 and Normative Plant Availability Factor as per CERC is given in Table 4.22.

Table 4.22: Actual Plant Availability Factor and Normative Plant Availability Factor of NHPC stations

Sr. No.	Station	Actual Plant Availability Factor for			Average Plant Availability Factor	Normative Plant Availability Factor as per CERC Regulations /Bills
		FY 2009-10	FY 2010-11	FY 2011-12		
		%	%	%	%	%
1	Bairasuil	91.102	94.995	94.915	93.671	85
2	Salal	59.529	63.102	63.715	62.115	60
3	Tanakpur	63.068	62.586	64.831	63.495	55
4	Chamera-I	97.693	99.171	87.272	94.712	90
5	Chamera-II	97.823	94.986	96.735	96.515	90
6	Uri	72.515	82.141	75.947	76.868	60
7	Dhauli Ganga	92.735	92.011	93.832	92.859	85
8	Dulhasti	96.712	92.870	96.150	95.244	90
9	Sewa-II	-	90.700	85.337	88.019	80

PSPCL has submitted that final Tariff Orders for all plants except Chamera-III, Uri-II and Parbati-III, have been issued. Annual fixed cost in the case of NHPC stations (Bairasuil, Salal, Tanakpur, Chamera-I, Chamera-II, Uri, Dhauliganga, Dulhasti and Sewa-II) has been considered by the Commission as per AFC notified in the Tariff Orders issued by CERC and also taking into consideration average Plant Availability Factor worked out in Table 4.22 and also taking into consideration Free Energy for Home State (12%). For Chamera-III HEP, Annual fixed cost has been considered by the Commission as per provisional tariff order, dated 13.08.2012, issued by CERC and also taking into consideration Free Energy for Home State (12%).

PSPCL has not considered any fixed charges for new plants i.e. Uri-II and Parbati-III, and has considered only variable charges.

Variable Cost

PSPCL has calculated fixed charges and variable charges for existing NHPC plants as per applicable Annual Fixed Charges for FY 2013-14.

The Commission has assessed variable cost for FY 2013-14 as per NHPC bills for September, 2012 for different central generating stations and then increasing it on prorata basis with reference to Annual Fixed Charges for FY 2013-14.

In case of Uri-II and Parbati-III (new stations), PSPCL has assumed the energy charges with 5% escalation on average unit rate of Sewa-II (NHPC plant) for H1 period of FY 2012-13 i.e. 395.85 paise/Unit (377 x 1.05). The Commission has considered 377 paise/unit as the rate of power purchase from these plants.

NPC Stations

PSPCL has considered variable charges for existing NPC stations at 5% higher than those in the month of September 2012.

The power purchase rates for NAPP, RAPP – 3&4 and RAPP – 5&6 Stations have been considered by the Commission as per bills for September, 2012.

(b) Long-term and Short-term Power Purchase from New and Renewable Sources of Energy (NRSE) within the State

Quantum and rate of power purchase (Long-term as well as Short-term) from NRSE are provisionally approved as per PSPCL's projections in the ARR petition for FY 2013-14.

(c) Power Purchase from SJVNL (NJPC), Tehri and other Central Sector Power Plants

The energy entitlement and allocation from SJVNL, Tehri, Koteshwar, Durgapur and Raghunathpura have been taken as projected by PSPCL in the ARR petition for FY 2013-14.

For SJVNL and Tehri, generators are provisionally raising the bill as CERC orders for tariff block 2009-14 are yet to be issued.

For SJVNL, the annual fixed charges and variable charges have been considered as per bills for September, 2012. While determining the fixed charges, the average Plant Availability Factor (100.27%) for FY 2009-10, FY 2010-11 & FY 2011-12, Normative Plant Availability Factor as per CERC regulations (82%) and Free Energy for Home State (12%) have been taken into consideration.

For Tehri, the annual fixed charges and variable charges have been considered as per bills for September, 2012. While determining the fixed charges, the average Plant Availability Factor (81.352%) for FY 2009-10, FY 2010-11 & FY 2011-12 and Normative Plant Availability Factor as per CERC regulations (77%) have been taken into consideration.

Other charges for Tehri and SJVNL are provisionally approved as projected by PSPCL in the ARR Petition for FY 2013-14.

For Koteshwar HEP, generator is provisionally raising the bills as per the minutes of the 18th meeting of TCC and 20th meeting of NRPC held on 28th February, 2011 and 1st March, 2011 respectively. The Commission has determined the fixed charges on the basis of AFC mentioned in the said minutes. Further, while determining the fixed charges, the average Plant Availability Factor (76.989%) for FY 2011-12, Normative Plant Availability Factor as mentioned in the bill for September, 2012 (65.97%) and Free Energy for Home State (12%) have been taken into consideration. The Commission has assessed variable cost as per bills for September, 2012 for Koteshwar HEP and then increasing it on prorata basis with reference to Annual Fixed Charges for FY 2013-14.

For Durgapur TPS, PSPCL has considered the annual fixed charges as per the petition filed with CERC by DVC i.e. Rs 1524.42 crore (91.98% of AFC of ₹1657.33 crore) for FY 2013-14. PSPCL has assumed the variable charges to be 5% higher than those actually billed for September, 2012. The Commission has provisionally approved the fixed charges as proposed by PSPCL and the variable charges as per bills for September, 2012.

For Raghunathpura TPS, PSPCL has assumed the variable charges with 5% escalation on average unit rate of Kahalgaon-II (NTPC plant) for H1 period of FY 2012-13 i.e. 388.50 paise/unit (370 x 1.05). The Commission has considered 370 paise/unit as the rate of power purchase from Raghunathpura TPS.

(d) Power Purchase and Sale under Banking

PSPCL has submitted the net of power purchase and sale under banking from HPSEB Ltd., Uttarakhand Power Corporation Limited (UPCL), J&K and banking through Traders as 1648.23 MU of power sale. The Commission notes that the PSPCL has projected to purchase 1501.05 MU (gross) and to sell 3149.28 MU (gross) under Banking arrangements from/to HPSEB Ltd., UPCL, J&K and through Traders, during FY 2013-14. The Commission provisionally accepts the net power sale and its rate / cost under banking from HPSEB Ltd., UPCL, J&K and banking through Traders as per PSPCL's projections.

In addition, the Commission also approves the Open Access charges for Banked Energy at ₹39.03 crore for purchase of 1501.05 MU, as proposed by PSPCL in the ARR.

(e) Power Purchase from Traders and IPPs (Long Term Power)

Quantum of power purchase from Tala HEP (PTC), Pragati-III Gas Plant Bawana (PPCL), Mundra UMPP (CGPL), Mallana-II HEP (PTC), NVVNL Bundled Power (NTPC Thermal Power + Solar Power), Sasan UMPP (RPL), Udipi TPS (UPCL), Talwandi Sabo TPS (Sterlite), Goindwal Sahib TPS (GVK) and Rajpura TPS (L&T) has been provisionally approved as projected by PSPCL in the ARR.

For Tala HEP (PTC), PSPCL has assumed variable charges as per September, 2012 bills, which the Commission provisionally approves.

For Pragati-III Gas Plant Bawana (PPCL), PSPCL has assumed annual fixed charges as per September, 2012 bills, which the Commission provisionally approves. PSPCL has projected in the ARR the variable charges to be 5% higher than those actually billed in September, 2012 (but actually it is 5% higher than average variable charges of power purchase during first half of FY 2012-13). The Commission has considered the average variable charges of power purchase during first half of FY 2012-13 from this plant i.e. 367.66 paise/unit.

For Mundra UMPP (CGPL), the Commission provisionally approves the fixed charges as proposed by PSPCL in the ARR. PSPCL has assumed the variable charges to be 5% higher than those actually billed in September, 2012 i.e. 165.74 paise/unit (157.85 x 1.05). The Commission has considered the variable charges as per September, 2012 bills i.e.157.85 paise/unit.

For Mallana-II HEP (PTC), PSPCL has assumed power purchase rate of 269 paise/unit. The Commission, however, provisionally approves the power purchase rate of 358 paise/unit as per order of the Commission dated 17.01.2013 in case of petition no. 54 of 2012, plus 5 paise/unit as trading margin.

For NVVNL Bundled Power (NTPC Thermal Power + Solar Power), PSPCL has projected in the ARR the variable charges to be 5% higher than those actually billed in September, 2012 i.e. 564.07 paise/unit (537.21 x 1.05) but actually it is 5% higher than average variable charges of power purchase during first half of FY 2012-13. The Commission has considered the average variable charges of power purchase during first half of FY 2012-13 from this source i.e. 537.21 paise/unit.

For Sasan UMPP (RPL), PSPCL has considered 5% escalation on levelised tariff i.e. 124.95 paise/Unit (119 x 1.05). The Commission has considered 119 paise/unit as the rate of power purchase from Sasan UMPP (RPL).

For Udipi TPS (UPCL), PSPCL has assumed the variable charges with 5% escalation on average per unit rate of Kahalgaon-II (NTPC plant) for H1 period of FY 2012-13 i.e. 388.50 paise/unit (370 x 1.05). The Commission has considered 370 paise/unit as the rate of power purchase from Udipi TPS (UPCL).

For new thermal plants coming up in Punjab, i.e. Talwandi Sabo TPS (Sterlite), Goindwal Sahib TPS (GVK) and Rajpura TPS (L&T), PSPCL has assumed the energy charges equal to their respective levelised tariff i.e. 286.43 paise/unit, 263 paise/unit and 289 paise/unit respectively. Subsequently, PSPCL intimated that for these plants, fixed and variable charges have been calculated based on domestic coal and by considering 50% Plant Load Factor. The charges worked out by PSPCL are as under:

Sr. No.	Plant	Variable Charges (paise/unit)	Fixed Charges (paise/unit)	Total Charges (paise/unit)
1	Talwandi Sabo TPS (Sterlite)	181	135	316
2	Goindwal Sahib TPS (GVK)	188	164	352
3	Rajpura TPS (L&T)	177	122	299

The Commission shall determine the tariff for Goindwal Sahib TPS on filing of petition in this regard by the Generator. The tariff for Talwandi Sabo TPS and Rajpura TPS shall be governed as per provisions in the respective PPAs. As such, the Commission provisionally approves the fixed and variable charges as projected by PSPCL in the ARR.

(f) Power Purchase and Sale from Traders (Short-Term)

PSPCL has projected power purchase of 22180 MU (gross) from Central Generating Stations and other sources, including 2123 MU short-term power purchase through traders.

The Commission has estimated the power available from all Central Generating Stations and other sources including Banking (net) as 20056.78 MU (i.e. aggregate of items (I) to (VII) of Table 4.23). The gross power purchase requirement as worked out under para 4.8.3 is 20337 MU. As such, only 280.22 MU needs to be purchased through traders against 2123 MU proposed by PSPCL at 396.68 paise per unit.

The Commission, therefore, provisionally approves purchase of 280.22 MU of power from traders at the average rate of 396.68 paise/unit, proposed by PSPCL for short term power purchase in the ARR.

The Commission reiterates that PSPCL needs to purchase power in a judicious and economic manner and also resort to Demand Side Management practices, to maintain its commercial viability.

The Commission has analyzed the availability and demand/sales projections of PSPCL during FY 2013-14 and has observed that the availability of power is more than the demand/sale during 8 months of FY 2013-14 (April, May, October, November & December, 2013, January, February & March, 2014) and deficit during 4 months of FY 2013-14 (June, July, August & September, 2013). **Keeping in view the long term interests of the State, PSPCL is advised to review its PPAs with the generators/traders for purchase of power from outside the State of Punjab. This exercise needs to be completed within the shortest possible time period so that the loss on account of surrendering of power could be avoided/ reduced. A report in this regard shall be submitted to the Commission by September, 2013. It may be advisable for PSPCL to shift from PPAs with thermal generators / traders to PPAs with hydro generators / traders as hydro power suits the load profile of Punjab and may prove cheaper to thermal power due to consistent rise in fuel prices, in the long run.**

(g) Inter-State Transmission Charges

PSPCL has stated in the ARR Petition that long term transmission charges recovered by Power Grid Corporation of India Limited (PGCIL) are being charged as per Point of Connection (PoC) methodology with effect from 01.07.2011. CERC vide order dated 31.03.2012 has notified slab rates for April, 2012 to September, 2012 as ₹80000, ₹95000 and ₹110000/MW/Month for NEW Grid (Northern, Eastern & Western). These charges work out to 11, 13 & 15 paise/unit. . For Punjab, withdrawal rates are ₹110000/MW/Month i.e. 15 paise/unit.

CERC vide order dated 16.10.2012 has notified new slab rates for October, 2012 to March, 2013. These rates are ₹79968, ₹94968 and ₹109968 /MW/Month for NEW Grid (Northern, Eastern & Western). These charges work out to 11.19, 13.19 & 15.19 paise/unit. For Punjab, withdrawal rates are ₹94968/MW/Month i.e. 13.19 paise/unit. PSPCL has worked out PGCIL charges for FY 2013-14 based on these rates.

The Commission has worked out the transmission charges payable to PGCIL for FY 2013-14 as ₹807.26 crore.

Based on the above, the cost of power purchase for FY 2013-14 is worked out at ₹7468.41 crore as detailed in Table 4.23.

Table 4.23: Power Purchase cost for FY 2013-14

Sr. No.	Source	Purchase (MU)	AFC (₹ crore)	PSPCL share (%)	Rate of VC (paise/ Unit)	FC (₹ crore)	VC (₹ crore)	Other Charges (₹ crore)	Total (₹ crore) (7+8+9)
1	2	3	4	5	6	7	8	9	10
I	**NTPC**								
1	Anta (G/F)	125.89	211.43	13.58%	277.30	31.78	34.91		66.69
2	Anta (R/F)	28.62			654.70		18.74		18.74
3	Anta (L/F)	0.73			812.30		0.59		0.59
4	Auraiya (G/F)	207.62	290.48	13.83%	283.30	43.70	58.82		102.52
5	Auraiya (R/F)	24.47			782.60		19.15		19.15
6	Auraiya (L/F)	3.61			989.30		3.57		3.57
7	Dadri Gas (G/F)	303.86	403.90	16.78%	284.60	75.59	86.48		162.07
8	Dadri Gas (R/F)	31.89			771.00		24.59		24.59
9	Dadri Gas (L/F)	8.81			795.20		7.01		7.01
10	Singrauli	1708.10	749.79	11.88%	111.40	93.84	190.28		284.12
11	Rihand-I	914.38	566.47	12.87%	118.10	83.34	107.99		191.33
12	Rihand-II	837.45	650.90	12.08%	121.60	85.29	101.83		187.12
13	Rihand-III	307.00			370.00		113.59		113.59
14	Unchahar-I	152.28	250.07	9.16%	245.50	25.45	37.38		62.83
15	Unchahar-II	262.51	258.60	16.16%	245.30	45.70	64.39		110.09
16	Unchahar-III	88.34	198.12	9.95%	245.10	23.58	21.65		45.23
17	Farakka (ER)	82.06	941.72	1.39%	285.80	12.71	23.45		36.16
18	Kahalgaon-I (ER)	180.30	558.37	6.07%	209.30	31.98	37.74		69.72
19	Kahalgaon-II (ER)	307.08	1262.18	8.02%	197.60	77.13	60.68		137.81
20	IGSTPS Jhajjar (NTPC JV)	6.89	1134.04	0.90%	339.50	7.83	2.34		10.17

Sr. No.	Source	Purchase (MU)	AFC (₹ crore)	PSPCL share (%)	Rate of VC (paise/ Unit)	FC (₹ crore)	VC (₹ crore)	Other Charges (₹ crore)	Total (₹ crore) (7+8+9)
21	NCTPS- 2C (DADRI II)	42.33	1089.12	1.76%	236.00	22.62	9.99		32.61
22	Barh-II	213.33			370.00		78.93		78.93
	Sub Total (NTPC)	**5837.55**				**660.54**	**1104.10**		**1764.64**
II	**NHPC**								
23	Bairasuil	316.40	107.60	46.50%	79.22	25.02	25.07		50.08
24	Salal	842.43	280.93	26.60%	52.32	37.36	44.08		81.44
25	Tanakpur	69.92	94.20	17.93%	119.61	8.45	8.36		16.81
26	Chamera-I	241.71	302.86	10.20%	104.68	15.45	25.30		40.75
27	Chamera-II	182.57	370.31	12.26%	140.28	22.70	25.61		48.31
28	Chamera-III	112.38	333.75	11.38%	278.77	18.99	31.33		50.32
29	Uri	398.03	400.60	13.75%	89.00	27.54	35.42		62.97
30	Uri-II	182.61			377.00		68.84		68.84
31	Dhauli Ganga	141.18	298.08	11.89%	151.10	17.72	21.33		39.05
32	Dulhasti	230.98	1067.21	10.17%	321.84	54.27	74.34		128.61
33	Sewa-II	31.21	205.10	10.29%	223.18	10.55	6.97		17.52
34	Parbati-III	302.04			377.00		113.87		113.87
	Sub Total (NHPC)	**3051.46**				**238.04**	**480.52**		**718.56**
III	**NPC**								
35	NAPP	173.02		11.59%	247.20		42.77		42.77
36	RAPP-3 &4	658.53		22.73%	276.27		181.93		181.93
37	RAPP-5 & 6	248.40		10.41%	341.81		84.91		84.91
	Sub Total (NPC)	**1079.95**					**309.61**		**309.61**
IV	**NRSE Power (Punjab)**								
38	Long-term NRSE Power	840.25			493.57		414.72		414.72
39	Short-term NRSE Power	115.00			424.19		48.78		48.78
	Sub Total (NRSE Power)	**955.25**					**463.50**		**463.50**
V	**OTHER SOURCES (Central Sector)**								
40	NJPC (SJVNL)	831.8	1312.43	11.38%	114.10	103.77	94.91	18.15	216.83
41	Tehri (THDC)	272.41	₹18000/M W/Day	8.95%	250.00	62.12	68.10	8.99	139.21
42	Koteswar (THDC)	60.53	390.94	7.53%	210.68	19.52	12.75		32.27
43	Durgapur TPS (DVC)	571.79	1524.42	20.00%	313.40	304.88	179.20		484.08
44	Raghunanthpura TPS (DVC)	1294.70			370.00		479.04		479.04
	Sub Total (Other sources)	**3031.23**				**490.29**	**834.00**	**27.14**	**1351.43**
VI	**Net Banking**								
45	Net Banking with HPSEB, UPCL, J&K and through Traders	-1648.23			321.54		-529.97		-529.97
46	Open Access charges for Banking							39.03	39.03
	Sub Total (Net Banking)	**-1648.23**					**-529.97**	**39.03**	**-490.94**
VII	**TRADERS/IPPs (Long Term Power)**								
47	Tala - HEP (PTC)	97.36			202.00		19.67		19.67
48	Pragati-III Gas Plant Bawana (PPCL)	155.75	477.59	10.00%	367.66	47.76	57.26		105.02

Sr. No.	Source	Purchase (MU)	AFC (₹ crore)	PSPCL share (%)	Rate of VC (paise/ Unit)	FC (₹ crore)	VC (₹ crore)	Other Charges (₹ crore)	Total (₹ crore) (7+8+9)
49	Mundra (UMPP) (CGPL)	2291.28			157.85	212.88	361.68		574.56
50	Malana - II HEP (PTC)	379.89			363.00		137.90		137.90
51	NVVNL Bundled Power (NTPC Thermal Power + Solar power)	17.15			537.21		9.21		9.21
52	Sasan UMPP (RPL)	2010.10			119.00		239.20		239.20
53	Udipi TPS (UPCL)	777.89			370.00		287.82		287.82
54	Talwandi Sabo TPS (Sterlite)	1232.20			181.00	399.60	223.03		622.63
55	Goindwal Sahib TPS (GVK)	620.38			188.00	220.74	116.63		337.37
56	Rajpura TPS (L & T)	167.56			177.00	70.15	29.66		99.81
	Sub Total (Long term)	**7749.57**				**951.13**	**1482.06**		**2433.19**
VIII	**Traders (Short-Term)**								
57	Purchase	280.22			396.68		111.16		111.16
	Sub Total (Short term)	**280.22**					**111.16**		**111.16**
IX	**Other Charges**								
58	PGCIL							807.26	807.26
	Sub Total (Other Charges)							**807.26**	**807.26**
	Total Power purchase	**20337.00**				**2340.01**	**4254.97**	**873.43**	**7468.41**

4.8.6 PSPCL vide its letter no.1678 dated 22.2.2013 has intimated that State Govt. of J&K has passed an Act vide which water usage charges have been levied for generation of electricity along with license fee with effect from October, 2010 in respect of Salal, Uri, Dulhasti and Sewa-II hydel generating stations falling in the State of J&K. CERC vide its order dated 21.01.2011 has allowed reimbursement of these charges from beneficiary States. CERC has also issued the required amendment in Tariff Regulations, 2009 vide 3rd Amendment to Principal Regulations, issued on 31.12.2012. CERC has allowed reimbursement of already paid amount to J&K Govt. in 6 monthly installments along with interest. Based on these orders of CERC, NHPC has raised 3 No. invoices against 1st installment of these charges. As per the details gathered from NHPC by PSPCL, principal amount for PSPCL is ₹233.38 crore and interest amount of ₹17.19 crore. PSPCL has requested to include these amounts in the power purchase cost while deciding the ARR and Tariff Petition for FY 2013-14.

The Commission provisionally approves ₹250.57 crore (233.38 + 17.19) in the power purchase cost for FY 2013-14.

4.8.7 **Cost of purchase of RE power/RECs to meet shortfall in RPO compliance**

In para 4.3, the Commission has approved the energy available to PSPCL for consumption in its area of distribution of electricity as 45440 MU (44800 MU+640 MU) for FY 2013-14. The RE power purchase/generation projected by Punjab Energy Development Agency (PEDA) in consultation with PSPCL for FY 2013-14 is 1254.89 MU [1194.99 MU (Non Solar); 59.90 MU (Solar)]. Accordingly, the shortfall in RE power for complying with the specified RPO for FY 2013-14 is as under:

(MU)

Description of item		**FY 2013-14**
Energy input		45440.00
RPO	Non Solar (@ 3.37%)	1531.33
	Solar (@ 0.13%)	59.07
Available RE power	Non Solar (including own hydel)	1194.99
	Solar	59.90
Shortfall (-)/ Surplus (+)	Non Solar	(-)336.34
	Solar	(+)0.83

To meet the shortfall in compliance of RPO for FY 2013-14, PSPCL has proposed an amount of ₹100 crore in the ARR petition for FY 2013-14 for purchase of RECs. However, in the said ARR petition, PSPCL has proposed to meet the shortfall in RPO compliance through purchase of RE power from outside the State of Punjab and new projects coming up in the State of Punjab or through purchase of RECs.

Accordingly, the Commission provisionally approves the amount of ₹100 crore to meet the shortfall in RPO compliance through purchase of RE power from outside the State of Punjab and new projects coming up in the State of Punjab or through purchase of RECs. However, PSPCL is directed to exhaust all resources for arranging RE power to meet the RPO compliance before resorting to purchase of RECs.

4.8.8 The Commission in its Order dated 17.01.2013 in petition no.74 of 2012 filed by PSPCL, the Commission has approved the short term power purchase of 2578 MU from April, 2013 to October, 2013 for meeting the unrestricted demand of PSPCL. The Commission at para 4.8.3 has worked out the power purchase requirement of PSPCL for FY 2013-14 on the basis of restricted demand/energy sales projections for FY 2013-14 made by PSPCL in the ARR petition, and has accordingly approved short term power purchase of 280.22 MU. *The utility may procure power at judicious and economic rate to meet its emergent requirement through short term purchase. The* *impact of such short term power purchase for meeting the unrestricted demand will be taken into account at the time of Review/True up.*

The total power purchase amount as such has been worked out as ₹7818.98 crore for FY 2013-14, comprising of ₹7468.41 crore for purchase of 20337 MU during FY 2013-14, ₹250.57 crore payable to NHPC towards water usage charges for generation of electricity, along with license fee, in respect of Salal, Uri, Dulhasti and Sewa-II hydel generating stations falling in the State of J&K and ₹100.00 crore to meet the shortfall in RPO compliance through purchase of RE power from outside the State of Punjab and new projects coming up in the State of Punjab or through purchase of RECs, which the Commission provisionally approves.

4.9 Employee Cost

4.9.1 In the ARR petition for FY 2013-14, PSPCL has projected an employee cost of ₹4370.34 crore, net of capitalization of ₹120 crore, for FY 2013-14. Consequent upon the Punjab Government notification dated 24.12.2012, in response to the Commission letter no PSERC/Sr.A.O/ARR-2013-14/130/9527 dated 04.01.2013 CE/ARR & TR, PSPCL vide his memo no 1332/CC/DTR/Dy.CAO/238/Main dated 08.01. 2013, submitted a revised estimate of employee cost of ₹4261.09 crore. This is inclusive of ₹211.82 crore on account of arrears of pay revision and ₹105.93 crore on account of BBMB share of employee cost as detailed in Table 4.24 below :

Table: 4.24: Employee Cost projected by PSPCL for FY 2013-14

(₹ crore)

Sr. No.	Particulars	FY 2013-14 (Projected)
1	**2**	**3**
1	Basic Pay	1187.67
2	Overtime	13.00
3	Dearness Allowance	1018.57
4	Fixed medical Allowance	28.00
5	Other Allowances	220.00
6	Bonus/ Generation Incentive	90.00
7	Medical Expenses Reimbursement	15.00
	Total (1 to 7)	2572.25
	Terminal Benefits	
8	Earned Leave Encashment	112.00
9	Gratuity	195.00
10	Commutation of Pension	0.00
11	Workman's compensation	0.20
12	Ex-gratia	0.00
13	Fringe Benefit Tax	0.00

14	Arrears of Pay	211.82
	Total (8 to 14)	519.02
	Pension Payments	
15	Basic Pension	1069.21
16	Dearness pension	
17	Dearness Allowance	
18	Any other expense	114.68
	Total	1183.89
	Total Expenses	4275.16
Less:	Amount capitalised	120.00
	Net amount	4155.16
Add:	Prior Period	0.00
Add:	BBMB share	105.93
	Net Employee Cost	**4261.09**

4.9.2 In the ARR for FY 2013-14, PSPCL has submitted that it has taken into consideration the following assumptions in projecting the employee cost for FY 2013-14:

a) PSPCL has considered an escalation of 3 % over the actual employee expenses for FY 2012-13.

b) PSPCL has considered increase in Dearness Allowance of 14% (two instalments of 7% each).

c) Third instalment of pay revision arrears has been considered in the employee cost for FY 2013-14.

4.9.3 The Commission in its earlier Tariff Orders has been observing that the Employee Cost of the Utility is one of the highest in the Country and has urged the utility to take effective steps to contain employee cost. It is, now noted that as a result of repeated directives given by the Commission in this regard some appropriate steps have been initiated by the Utility to enhance employee productivity. In its ARR, PSPCL has stated that it has initiated various steps to limit and reduce the employee cost. Some of the key initiatives undertaken by the utility are as under:

- Stopping of fresh recruitment against retirements/deaths.
- Ban on creation of new posts/charges.
- Reduction in generation incentives by 10% since 3/2003.
- Computerization of collection centres.
- Current and new expansion projects are being executed through existing employees, whose number is reducing year after year.
- Technical hands are inducted to a bare minimum.

- PSPCL has initiated a 'Functional Model of Distribution Offices' implemented presently in Patiala, Nabha, Amritsar, Jalandhar and Bathinda and likely to be rolled out in the entire State resulting in reduction of 10 to 12% of staff.
- PSPCL will further implement firm measures which can control the manpower costs on medium and on long term basis once the PwC report is accepted.
- Implementation of IT under various schemes.

With the initiation of the above noted measures, the utility has stated that various productivity parameters have improved. The utility has stated that the number of employees has decreased from 87066 in 2001-02 to 48611 in 2012-13 whereas number of consumers has increased from 3.8 million to 7.96 million in the corresponding years. Over this period, the employee productivity parameters have almost doubled.

4.9.4 The Commission notes that a study for rationalization of manpower by Pricewaterhouse Cooper (PwC) has been completed and shall be implemented in the near future. Also, positive steps have been taken to rationalize manpower costs as detailed in para 4.9.3. Although it is a good start, the utility still needs to go a long way to contain employee cost. The Commission in line with earlier observations in this respect is unable to fully accept the revised estimates of employee cost and considers it appropriate to determine such cost as per its Regulations.

The provisions of the amended Regulation 28 (3) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005, 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).*

Regulation 28(3)(b) also provides for consideration of any exceptional increase in employee cost on account of pay revision.

4.9.5 PSPCL has projected the terminal benefits and BBMB share amounting to ₹1808.84 (519.02+1183.89+105.93) crore. PSPCL's projections include ₹114.68 crore towards 'Any other expense'. With reference to a query from the Commission, PSPCL in its Memo No.1349/CC/DTR-238 dated January 11, 2013 informed that figures of LTA/LTC shown under this sub head may be considered as 'other employee cost'. Accordingly, the amount of ₹8.0 crore towards Leave Travel Assistance and Leave Travel Concession, ₹45.99 crore towards Staff Welfare expenses and ₹0.20 crore towards 'Workman's Compensation', which are not in the nature of pension payments, are not considered as terminal benefits. Similarly, payment of ₹211.82 crore towards 'Arrears of Pay' claimed under the head 'Terminal Benefits' is not in the nature of terminal benefits.

Thus, the Commission re-determines the claim of Terminal Benefits and BBMB share as per provisions of PSERC Tariff Regulations at ₹1542.83 crore and allows the same for FY 2013-14.

4.9.6 PSPCL has projected the 'other employee cost' at ₹2626.44 crore for FY 2013-14 after excluding terminal benefits of ₹1542.83 crore and arrears of pay of ₹211.82 crore. 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 2013-14 would only be available next year. Accordingly, based on the WPI indices available for 9 months (April 2012 to December 2012), the Commission has calculated the average WPI increase of 7.6 % which is adopted for purposes of calculation of allowable employee cost for FY 2013-14. The approved 'other employee cost' in the Review for FY 2012-13 in para 3.10.7 of this Order is ₹1595.70 crore. After applying the WPI increase of 7.6 %, the 'other employee cost' works out ₹1716.97 crore for FY 2013-14.

Accordingly, the Commission approves 'Other Employee Cost' of ₹1716.97 crore for PSPCL for FY 2013-14.

4.9.7 PSPCL has also claimed arrears of ₹211.82 crore on account of pay revision payable in FY 2013-14. **Accordingly, the amount of arrears of ₹211.82 crore is allowed as discussed at length in para 3.10.8 of this Tariff Order**.

4.9.8 In the ARR petition for FY 2013-14, the utility has not filed a separate claim on account of pay revision. On the basis of information supplied by PSPCL during processing of the ARR petition for FY 2012-13, the Commission ascertained the impact of pay revision of ₹303.19 crore for FY 2012-13 as discussed in para 3.10.9 of this Tariff Order. However, no details regarding the impact of pay revision for FY 2013-14 have been filed by the utility. The Commission considers it appropriate to ascertain the impact of pay revision for FY 2013-14 by allowing a WPI increase of 7.6% on ₹303.19 crore, being the impact of pay revision determined by the Commission for FY 2012-13. Applying this WPI increase of 7.6% on ₹303.19 crore,

the Commission determines the impact of pay revision for PSPCL for FY 2013-14 at ₹326.23 crore and allows the same.

Thus, the Commission approves the total employee cost of ₹3797.85 (1542.83+1716.97 +211.82+ 326.23) crore for FY 2013-14.

4.10 Repair and Maintenance (R&M) Expenses

4.10.1 PSPCL has projected the R&M expenses at ₹504.11 crore, which includes R&M of ₹14.53 crore for asset addition during the year, in the ARR and Tariff petition for FY 2013-14. PSPCL has submitted that the additional R&M expenses during the year have been calculated by multiplying the average assets added during the year with the ratio of R&M costs and closing GFA (excluding land) in the provisional annual accounts for FY 2011-12.

4.10.2 The Commission has been approving the R&M expenses in accordance with the provisions of Regulation 28 (2)(b) of PSERC Tariff Regulations by adjusting the base R&M expenses in proportion to the increase in WPI. The base R&M expenses of ₹553.34 crore (539.82 crore as the R&M expenses approved for FY 2012-13 and ₹13.52 crore as additional R&M expenses for assets added during the year) have been considered for FY 2013-14. After applying WPI increase of 7.6% as discussed in para 3.11.2, allowable R&M expenses for FY 2013-14 work out to ₹595.39 crore.

4.10.3 PSPCL has claimed R&M expenses of ₹14.53 crore for likely asset addition of ₹1438.00 crore during FY 2013-14 in terms of Regulation 28(6) of PSERC Tariff Regulations. As regards this claim of ₹14.53 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.

The Commission, accordingly, approves the R&M expenses of ₹595.39 crore for FY 2013-14.

4.11 Administration and General (A&G) expenses

4.11.1 PSPCL has projected the A&G expenses at ₹119.60 crore, which include A&G expenses of ₹3.45 crore for asset addition during the year, in the ARR and Tariff petition for FY 2013-14. PSPCL has submitted that it has considered an escalation of 9% based on the historical growth rates of the A&G expenses and the WPI rate incidental at the beginning of the year. PSPCL has further submitted that additional expenses during the year have been calculated by multiplying the average assets added during the year with the ratio of A&G costs and closing GFA (excluding land) in the provisional annual accounts for FY 2011-12. The assets added during the year have been estimated at ₹1438.00 crore.

4.11.2 The Commission has been approving the A&G expenses in accordance with provisions of the amended Regulation 28 (2)(b) of PSERC Tariff Regulations by adjusting the base A&G expenses in proportion to the increase in WPI. The base A&G expenses of ₹127.22 crore (₹124.09 crore as A&G expenses approved for FY 2012-13 and ₹3.13 crore as additional A&G expenses for asset addition during the year) have been considered for FY 2013-14. Based on the actual increase in WPI (April 2012 to December 2012) of 7.6%, as discussed in para 4.10.2 of this order, the allowable A&G expenses for FY 2013-14 work out to ₹136.89 crore.

4.11.3 PSPCL has claimed A&G expenses to the extent of ₹3.45 crore on the proposed asset addition of ₹1438.00 crore during FY 2013-14. The claim of ₹3.45 crore on the proposed asset addition in terms of the PSERC Tariff Regulations cannot be allowed at this stage but will be considered at the time of Review next year. The total allowable A&G expenses, thus, work out to ₹136.89 crore.

The Commission, accordingly, approves the A&G expenses of ₹136.89 crore for FY 2013-14.

4.12 Depreciation Charges

4.12.1 PSPCL has projected depreciation charges at ₹814.45 crore for FY 2013-14 in the ARR and Tariff petition on assets of ₹21893.84 crore as on April 1, 2013.

4.12.2 PSPCL has submitted that depreciation expenses for FY 2013-14 have been calculated on the average rate of depreciation, which is applied across the asset classes on the opening balance of assets for the year.

4.12.3 In the ARR petition for FY 2013-14, PSPCL has claimed ₹814.45 crore towards depreciation on the opening balance of Gross Fixed Assets (GFA) of ₹21893.84 crore by applying an average rate of depreciation of 3.72% across the asset classes on the opening balance of the year.

In the absence of Audited Accounts for FYs 2010-11 and 2011-12, the Commission adopted the asset value of ₹20644.95 crore as on April 01, 2012 as ascertained in the Tariff Order of FY 2012-13. Taking into consideration the approved asset addition of ₹1215.25 crore in the Review for FY 2012-13, the asset value as on April 01, 2013 is considered at ₹21860.20 (20644.95+1215.25) crore. The approved asset addition of ₹1215.25 crore in FY 2012-13 has been apportioned in the same ratio among the different asset categories as projected by PSPCL in its ARR petition.

Accordingly, the Commission determines depreciation of ₹813.20 crore for FY 2013-14 on assets of ₹21860.20 crore as detailed in Table 4.25.

Table 4.25: Depreciation Charges for FY 2013-14

Sr. No.	Item	Assets as on April 1, 2013 as per ARR FY 2013-14 (₹ crore)	Depreciation charges claimed in ARR FY 2013-14 (₹ crore)	Depreciation rate as claimed (%)	Assets as on April 1, 2013 as approved by the Commission (₹ crore)	Depreciation rate as claimed (%)	Depreciation charges now approved by the Commission (₹ crore)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1	Thermal	6241.43	232.18	3.72%	6497.50	3.72%	241.71
2	Hydel	5996.33	223.06	3.72%	6808.07	3.72%	253.26
3	Internal Combustion	2.68	0.10	3.73%	2.68	3.73%	0.10
	Total Generation	**12240.44**	**455.34**		**13308.25**		**495.07**
4.	Transmission	211.65	7.87	3.73%	77.13	3.73%	2.86
5.	Distribution	9305.01	346.15	3.72%	8257.47	3.72%	307.18
6.	Others	136.74	5.09	3.72%	217.35	3.72%	8.09
	Total	**21893.84**	**814.45**		**21860.20**		**813.20**

The Commission, accordingly, approves the depreciation charges of ₹813.20 crore for FY 2013-14.

4.13 Interest and Finance Charges

4.13.1 PSPCL has claimed Interest and Finance Charges at ₹2656.86 crore in the ARR petition for FY 2013-14 net of capitalization of ₹105.41 crore and inclusive of ₹55.00 crore as finance charges as detailed in Table 4.26. The utility vide CE/ ARR & TR, PSPCL Patiala memo no.1332 dated 08.01.2013 has revised interest charges from ₹2656.86 crore to ₹2689.26 crore which is not being considered due to non submission of Audited Annual Accounts.

Table 4.26: Interest and Finance Charges projected for FY 2013-14

(₹ crore)

Sr. No.	Description	FY 2013-14 (Projected)
1	**2**	**3**
1	Interest on Institutional Loans	1046.08
2	Interest on GoP Loans	-
3	Interest on GPF	195.00
4	Lease rentals	-
5	Interest to Consumers	110.00
6	**Sub Total**	**1351.08**
7	Interest on WCL/STL/MTL	1356.19
8	Other Interest	-
9	Finance Charges	55.00
10	**Total (6+7+8+9)**	**2762.27**
11	Less: Capitalization	105.41
12	**Net Interest and Finance Charges**	**2656.86**

PSPCL has submitted that it has planned significant capital works on various schemes of generation, distribution and transmission functions for which PSPCL has to raise long term loans from various financial institutions to finance these capital works. The interest expenses have been projected on the basis of current outstanding loans and new loans to be taken corresponding to the planned capital expenditure, loan repayment schedule and the interest rate charges to the respective loans. For the new loans considered to fund the investment outlay, PSPCL has considered the average of opening balance and closing balance of loans for calculation of interest expenses.

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

4.13.2 Investment Plan

PSPCL has projected the capital expenditure at ₹2200.00 crore in the ARR and Tariff petition for FY 2013-14 as summarized in Table 4.27.

Table 4.27: Summary of Projected Capital Expenditure

(₹ crore)

Sr.No.	Particulars	FY 2013-14 (Projected)
1	**2**	**3**
(a)	Generation	750.00
(b)	Transmission	300.00
(c)	Distribution	1150.00
	Total	**2200.00**

(a) Generation

The proposed expenditure is envisaged for New Generation power projects namely Shahpur Kandi Hydro Electric project (₹242.14 crore), 1320 MW State Sector Thermal project near Mukerian (₹15.00 crore), R&M of GNDTP (₹87.00 crore), GGSSTP, GHTP and Hydro generating stations of PSPCL.

(b) Transmission

PSPCL has submitted that capital expenditure of ₹300.00 crore has been planned for network capacity addition, improvement projects for network up to 66 KV, construction of new substations and mini grid substations along with associated transmission lines during FY 2013-14.

(c) Distribution

PSPCL has submitted that distribution function requires regular capital expenditure for network capacity addition and improvement works. The proposed expenditure is mainly envisaged for normal development works including System Improvement Schemes (₹400.00 crore), works relating to APDRP-II part-A and B (₹470.00 crore), release of Tubewell connection (₹70.00 crore) and shifting of meters out of consumer premises (₹150.00 crore) as DSM measures.

The Commission has examined the capital expenditure plan projected by PSPCL for FY 2013-14 and observes that PSPCL has envisaged intensive capital expenditure especially for distribution and generation schemes. The Commission has approved the capital expenditure at ₹1300.00 crore, in the Review for FY 2012-13. The proposed capital expenditure for FY 2013-14 is 69.23% higher than the approverd capital expenditure for FY 2012-13. The utility has, thus, proposed a highly ambitious capital investment plan for FY 2013-14. The Commission is of the view that it will impose an avoidable burden on the consumers by way of increase in tariff on account of higher expenditure. The Commission, therefore, keeping in view the level of actual capital expenditure incurred by PSPCL in the previous years and also taking into account the importance of the proposed capital schemes, considers it appropriate to allow capital expenditure of ₹1450.00 crore for FY 2013-14. However, the Commission will consider the actual expenditure incurred during FY 2013-14 by PSPCL in the Review of FY 2013-14 in the next Tariff Order.

The Commission, accordingly, approves the capital expenditure at ₹1450.00 crore for FY 2013-14.

PSPCL has proposed to capitalize assets to the extent of ₹1438.00 crore in the ARR petition for FY 2013-14 against the proposed Investment Plan of ₹2200.00 crore. The Commission has approved Capital expenditure of ₹1450.00 crore in the Investment Plan for FY 2013-14 and the corresponding capitalization in the ratio of sum of opening Capital Works in Progress (CWIP) and estimated capital expenditure by

PSPCL works out to ₹1030.89 crore. The Commission considers capitalization of assets of ₹1030.89 crore for FY 2013-14.

The Commission has approved the consumer contribution at ₹249.92 crore in the Review for FY 2012-13. The Commission takes into consideration, the consumer contribution of ₹250.00 crore at the level approved in the Review for FY 2012-13 towards funding the capital expenditure for FY 2012-13. Accordingly, the loan requirement, for the approved investment of ₹1450.00 crore, works out to ₹1200.00 (1450-250) crore for FY 2013-14. This loan requirement is taken into consideration for computation of interest charges.

In the ARR petition for FY 2013-14, the opening balance of loans (other than WCL) is taken as ₹8485.09 crore and interest on loan availed by PSPCL is depicted as ₹1046.08 crore. The Commission has approved the closing balance of loans (other than WCL) of ₹7043.57 crore in para 3.14.2 of this Order. Considering the opening balance of loans (other than WCL) of ₹7043.57 crore for FY 2013-14 and the loan requirement of ₹1200.00 crore, the interest on loans (other than WCL) works out to ₹836.55 crore as shown in Table 4.28.

Table 4.28: Interest on Loans (Other than WCL) for FY 2013-14

(₹ 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
1	**2**	**3**	**4**	**5**	**6**	**7**
1	As per data furnished in ARR petition (other than WCL)	8485.09	1900.00	981.75	9403.34	1046.08
2	Approved by the Commission (other than WCL)	7043.57	1200.00	981.75	7261.82	836.55

The Commission approves the interest on loan at ₹836.55 crore for FY 2013-14.

4.13.3 **Interest on GoP Loans**

PSPCL has not claimed any interest on account of GoP loans as there are no outstanding GoP loans as on April 1, 2013. Thus, there is no interest liability on account of GoP loans.

4.13.4 **Interest on loans taken to replace re-called GoP loans**

The interest on loans of ₹3022.10 (1362.00+1140.03+520.07) crore raised to replace re-called GoP loans adjusted against unpaid subsidy by the GoP is allowed at an average rate of 11.24% per annum being the average rate of interest actually paid/payable by the utility on the loans availed by it. **Thus interest of ₹339.68 crore is approved on this account.**

4.13.5 **Interest on Bridge Loan**

PSPCL has submitted that the Commission in its Tariff Order for FY 2012-13, had allowed interest on loans taken in lieu of adjustment of ₹981.93 crore during FY 2012-13 against subsidy which relates to RBI bonds (including interest) issued in tripartite agreement between CPSUs, GOI and Govt. of Punjab.

The Commission considers it appropriate to allow interest on ₹981.93 crore at the average rate of 11.24% per annum paid or payable by PSPCL to the financial institutions for short term and mid-term loans as considered in the Review for FY 2012-13. **The interest @11.24% on ₹981.93 crore works out to ₹110.37 crore for FY 2013-14.**

4.13.6 **Interest on Loans raised on account of non-refund of interest by GoP**

In the Tariff Order for FY 2012-13, the Commission determined ₹451.35 crore as the amount of interest payable by GoP to the utility on account of diversion of capital funds for revenue purpose. PSPCL, in its ARR petition has submitted that this amount has so far not been refunded to PSPCL. PSPCL has further submitted that the amount of ₹451.35 crore be treated as a bridge loan and interest be allowed on this account. The Commission has considered the submissions made by PSPCL and considers it appropriate to allow interest on ₹451.35 crore @ 11.24%, being the average rate of interest payable on loans during FY 2012-13. **The interest @ 11.24% works out to ₹50.73 crore and is allowed by the Commission for FY 2013-14.**

4.13.7 **Interest on General Provident Fund (GPF)**

PSPCL has claimed interest of ₹195.00 crore on GPF accumulations in its ARR for FY 2013-14,which has been further revised to ₹202.00 crore vide CE/ARR PSPCL Patiala memo no.1332 dated 08.01.2013. **The Interest of ₹202.00 crore on GPF, being a statutory payment is allowed.**

4.13.8 **Finance Charges**

PSPCL has claimed finance charges of ₹55.00 crore which include guarantee fees payable to Government of Punjab on the Loans availed by PSPCL. The finance charges work out to 2.50% of the estimated borrowings of ₹2200.00 crore. The Commission has approved loan requirement of ₹1200.00 crore for FY 2013-14. **Accordingly, the Commission approves the finance charges of ₹30.00 crore @ 2.50% on the loan requirement of ₹1200.00 crore for FY 2013-14.**

4.13.9 **Interest on Consumer Security Deposits**

PSPCL has claimed ₹110.00 crore towards interest to consumers in the Projections for FY 2013-14. As per the PSERC (Electricity Supply Code and Related Matters) Regulations 2007, interest is payable to consumers on the security deposits. Though the Audited Annual Accounts of the utility for FYs 2010-11 and 2011-12 have not been submitted to the Commission, the interest of ₹110.00 crore for FY 2013-14 payable to the consumers on security deposits being a mandatory payment is allowed as claimed in the ARR petition for FY 2013-14. **The Commission accordingly allows interest of ₹110.00 crore for FY 2013-14.** However, the issue will be reconsidered on receipt of Audited Accounts of FYs 2010-11 and 2011-12.

4.13.10 **Capitalization of Interest Charges**

PSPCL has claimed ₹105.41 crore towards capitalization of interest charges. The Commission determines the capitalization of interest at ₹97.77 crore in the ratio of closing balance of works in progress to the total capital expenditure. **The Commission, accordingly, approves capitalization of interest and finance charges of ₹97.77 crore for FY 2013-14.**

4.13.11 **Interest on Working Capital**

PSPCL has not projected its working capital on the basis of norms as per PSERC Tariff Regulations. Instead, PSPCL has submitted a total working capital loan of ₹10679.93 crore as on April 1, 2013 with an interest liability of ₹1356.19 crore.

The Commission has determined the Working Capital requirement of ₹3540.91 crore as per PSERC Tariff Regulations. By applying an average rate of 11.24% per annum payable by PSPCL to the financial institutions for short term and mid-term loans as considered in the Review for FY 2012-13, the interest on working capital is worked out as shown in Table 4.29.

Table 4.29: Interest on Working Capital Requirement for FY 2013-14

(₹ crore)

Sr.No	Particulars	Amount
1	**2**	**3**
1	Fuel Cost for two months	740.03
2	O & M expenses for one month	377.51
3	Receivables for two months	3314.85
4	Maintenance Spares@15% of O&M expenses	679.51
5	Less Consumer security deposit	(-) 1571.00
6	**Total Working Capital Required**	**3540.91**
7	Interest rate (calculated on weighted average)	11.24%
8	**Interest on Working Capital Loan**	**397.99**

The Commission, accordingly, approves ₹397.99 crore towards interest on working capital requirement for FY 2013-14.

4.13.12 **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 erstwhile Board's Annual Audited 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 have not been made available to the Commission by PSPCL. Therefore, the amount of the diverted funds of ₹1821.21 crore based on the Audited Accounts for FY 2009-10 as determined in the Tariff Order of FY 2011-12 is being considered for FY 2013-14. The interest on these diverted funds @ 13% being SBI advance rate as on April 1, 2011 works out to ₹236.76 crore. **Of this amount, interest of ₹212.37 crore is to be considered in the Tariff Order for PSPCL and the balance amount of ₹24.39 crore is to be considered in the Tariff Order for PSTCL.**

Retaining the ratio of disallowance between PSPCL and GoP, the Commission disallows interest amount of ₹89.70 crore of PSPCL on account of deficiencies in its functioning and the balance amount of ₹122.67 crore is to the account of GoP. However, the amount of diversion and interest thereon will be reconsidered by the Commission in the True up after receipt of Audited Accounts for FYs 2010-11, 2011-12 & 2012-13.

Besides, as discussed in para 3.14.12 of this Order, GoP is liable to pay an amount of ₹574.35 crore to PSPCL upto FY 2012-13. After adding payable amount of ₹122.67 crore disallowed for diversion of capital funds for FY 2013-14, total amount payable by GoP to PSPCL on this account works out to ₹697.02 crore up to March 31, 2014. This is carried forward to para 6.4.4 of this Order.

Based on the analysis and decisions discussed above the interest and finance charges are allowed as detailed in Table 4.30.

Table 4.30: Interest and Finance Charges for FY 2012-13

(₹ crore)

Sr. No.	Particulars	Loans as on April 1, 2013	Receipt of Loans	Repayment of Loans	Loans as on March 31,2014	Interest / Finance Charges approved by the Commission
1	**2**	**3**	**4**	**5**	**6**	**7**
1	Approved by the Commission (Other than WCL and GoP Loans)	7043.57	1200.00	981.75	7261.82	836.55
2	GoP Loans	-	-	-	-	
3	Interest on Loans taken:					
a)	To replace GoP Loans of ₹ 3022.10 crore					339.68
b)	Interest on Bridge Loan					110.37
c)	Interest on loans raised on account of non-refund of interest					50.73
4	Interest on GPF					202.00
5	Lease Rentals					0.00
6	**Total (1+2+3+4+5)**	**7043.57**	**1200.00**	**981.75**	**7261.82**	**1539.33**
7	Add: Finance Charges					30.00
8	Interest on consumers' security					110.00
9	**Gross Interest and Finance Charges (6+7+8)**					**1679.33**
10	Less: Capitalization of Interest					(-) 97.77
11	**Net Interest and Finance Charges (9-10)**					**1581.56**
12	Add: Interest on Working Capital					397.99
13	**Total Interest**					**1979.55**
14	Less: Disallowed on a/c of diversion: a) PSPCL – ₹ 89.70 crore b) GoP – ₹ 122.67 crore					(-) 212.37
15	**Balance Interest and Finance Charges**					**1767.18**

The Commission, accordingly, approves the interest and finance charges of ₹1767.18 crore for PSPCL for FY 2013-14.

4.14 Transmission Charges payable to PSTCL

The Commission, in Tariff Order dated April 10, 2013, passed on the ARR of PSTCL for FY 2013-14, has determined **₹1178.49 crore (₹1144.79 crore for Transmission business & ₹33.70 crore for SLDC business) as the transmission charges payable to PSTCL by PSPCL.** Besides, the Commission has determined net gap (deficit) of ₹18.01 crore for FY 2012-13 and gap of ₹71.17 crore for FY 2011-12 in the review. PSTCL will receive this amount along with the transmission charges determined by the Commission for FY 2013-14. Therefore, with a view to compensating the utility, **the Commission considers it appropriate to allow carrying cost of ₹1.97 crore for one year @ 10.93%, being the weighted average rate of interest paid/payable by the utility to the financing institutions for its loan port-folio for the year.** Accordingly, this is being included in the ARR of PSPCL for FY 2013-14.

4.15 Charges payable to GoP on account of power from Ranjit Sagar Dam (RSD)

In the ARR of FY 2013-14, PSPCL has not claimed any expenditure on account of charges payable to GoP for its share of power from RSD towards 3% share of the revenue received by it from sale of power produced from RSD, as maintenance charges as well as charges for remaining works of RSD. These charges have been levied by GoP on PSPCL for its share of power from RSD being 3% share of the revenue received by it from sale of power produced from RSD, as maintenance charges as well as charges for remaining works of RSD which were to be deposited in the Punjab treasury. The Commission had, accordingly allowed this amount in the Tariff Order of FY 2012-13. These charges are to be paid to GoP as per decision of the Govt. Accordingly, the Commission approves an amount of ₹10.50 crore on this account for FY 2013-14.

4.16 Impact of Commission's Order dated 7.1.2013

The Commission in its Order dated 07.01.2013 in petition no. 57 of 2012 (suo motu) passed in compliance of the Hon'ble APTEL judgment dated 18.10.2012 in the matter of PSPCL appeals nos. 7, 46 & 122 of 2011 against the Tariff Orders for FY 2009-10, FY 2010-11 and FY 2011-12, has ordered that the costs allowed/dis-allowed in respect of various issues be given effect in the ensuing Tariff Order for FY 2013-14. Table 4.31 below shows the net impact of the order of the Commission passed in compliance to the Hon'ble APTEL judgment dated 18.10.2012.

Table 4.31: Impact of Commission's Order dated 07.01.2013 passed in compliance of Hon'ble APTEL judgment dated 18.10.2012 in the matter of Petition No. 57 of 2012 (suo motu)

(₹ **crore**)

Sr. No.	Issues	Year	Amount to be allowed	Impact of Carrying Cost	Total Impact (+) allowable (-) recoverable
1	**2**	**3**	**4**	**5**	**6**
1	Return on Equity	2009-10	44.19	23.42	(+) 7.61
2	Interest on SPV	2007-08	3.48	0.38	(+) 3.86
3	Interest on SPV	2008-09	32.87	3.64	(+) 36.51
4	Non Tariff Income	2007-08	16.40	1.81	(+) 18.21
5	Interest and Finance Charges	2008-09	49.45	32.27	(+) 81.72
6	Total allowed		146.39	61.52	(+) 07.91
7	Impact of Carrying cost recoverable				(-) 248.36
8	Impact of recoverable Carrying cost levied in Commission Order dt.7-1-2013 on excess carrying cost allowed earlier				(-) 118.68
9	**Total amount recoverable**				**(-) 367.04**
10	**Amount allowable as per Commission Order dated 07.01.2013**				**(+) 207.91**
11	**Net amount recoverable**				**(-) 159.13**

However, aggrieved by decisions of the Commission contained in its order dated 07.01.2013, PSPCL had filed a review petition No. 10 of 2013 before the Commission. The Commission while deciding the review petition vide its order dated 28-03-2013, has re-determined the excess carrying cost for revenue gaps at ₹242.65 crore in place of ₹248.36 crore and has accordingly revised the recoverable interest charges on this amount to ₹117.03 crore in place of ₹118.68 crore. Thus, the net amount recoverable from the utility is revised to ₹151.77 crore**. Therefore, the Commission approves the net amount of ₹151.77 crore recoverable from the utility which is to be adjusted against the ARR determined by the Commission for FY 2013-14.**

4.17 Return on Equity (RoE)

4.17.1 In the ARR for FY 2013-14, PSPCL has stated that it has claimed ₹607.55 crore towards RoE at 23.21% grossed up rate assuming the equity base of ₹2617.61 crore. However, PSPCL in its letter dated 08.01.2013, revised its claim for RoE to ₹1411.50 crore worked out @23.21% of the revised equity of ₹6081.43 crore based on GoP Transfer Scheme Notification dated 24.12.2012.

The issue of RoE has been discussed at length in para 3.16 of this Order and the Commission has allowed RoE of ₹942.62 crore @15.5% on an equity of ₹6081.43 crore in the Review for FY 2012-13. As mentioned earlier, the Commission has approved RoE @15.5% placing reliance on its Order dated 07.01.2013 and PSPCL letter dated 18.12.2012 wherein it stated that *'from the past trend and present scenario it is expected that PSPCL shall not pay any Income Tax for FY 2012-13 and FY 2013-14'.* Also PSPCL in its letter dated 22.03.2013 has certified that the actual amount of equity employed in creation of assets is ₹6081.43 crore and has requested the Commission to allow RoE @ 15.5% on this amount. Thus, the Commission considers it appropriate to allow RoE of ₹942.62 crore @ 15.5% on the equity of ₹6081.43 crore.

The Commission, allows RoE of ₹942.62 crore on an equity of ₹6081.43 crore.

4.18 Demand Side Management (DSM) Fund

PSPCL has claimed ₹39.49 crore by levying a public benefit charge of 1 Paise per unit of electricity sold to all categories of consumers for funding of DSM activities for FY 2013-14.

The Commission observes that as per DSM Regulations notified by the Commission on 16.03.2012, PSPCL was required to carry out load/market research to determine the saving potential within six months and get a DSM Plan approved from the Commission within one year from the date of notification of the Regulations. Clause 15 of the DSM Regulations reads as under:

'In order to qualify for cost recovery, each DSM programme must be approved by the Commission prior to implementation and implemented in accordance with approved DSM plan'.

However, PSPCL has not furnished any DSM programme or Plan for approval of the Commission to qualify for cost recovery. Therefore, no fund recovery can be allowed at this juncture.

However, Commission will consider the actual expenditure incurred on DSM activities, duly approved by the Commission, for the year 2013-14 during True up of the same.

4.19 Non Tariff Income

PSPCL has projected non tariff income of ₹906.36 crore inclusive of ₹156 crore on account of Open Access charges in the ARR for FY 2013-14. PSPCL has submitted that it has projected non tariff income by considering an annual year on year escalation of 5% on the non tariff income for the previous year. This growth has been envisaged based on the increase of sales assumed and the historical trend. The receipts from Open Access consumers are an infirm source of receipts and as such the income from these sources is not being considered in the projections for FY 2013-14. Thus, the Non Tariff Income of the uility gets reduced to ₹750.36 (906.36-156.00) crore for FY 2013-14.

PSPCL has also taken into account the receipt on account of late payment surcharge under this head in compliance to Regulation 34 of PSERC Tariff Regulations.

Besides, meter rentals and service charges of ₹29.21 crore of subsidized categories as projected by PSPCL in the ARR are also to be added to non tariff income for FY 2013-14.

The Commission, therefore, approves the Non tariff income at ₹779.57 (750.36 + 29.21) crore as projected by PSPCL for FY 2013-14.

4.20 Revenue from Existing Tariff for FY 2013-14

The revenue from existing tariff proposed by PSPCL for FY 2013-14 is ₹20570.91 crore, including revenue from AP consumption. PSPCL has estimated revenue from PLEC and MMC at ₹180.00 crore and ₹332.34 crore for FY 2012-13. It has not projected MMC and other charges for FY 2013-14 separately in its ARR petition. The Commission decides to retain these charges for FY 2013-14 at the level of FY 2012-13. Accordingly, an amount of ₹512.34 (180.00+332.34) crore is added to the revenue received from tariff for FY 2013-14 on account of MMC and PLEC charges. Thus, the expected revenue from the existing tariff on the basis of sales approved by the Commission works out to ₹19992.73 crore as shown in Table 4.32.

Table 4.32: Revenue from Existing Tariff – FY 2013-14

Sr. No	Category of consumers	Approved by the Commission		
		Energy Sale (MU)	*Tariff Rate (Paise/unit)	Revenue (₹ crore)
1	**2**	**3**	**4**	**5**
1	Domestic			
a)	0-100 Units	5563.13	409	2275.32
b)	101-300 Units	3196.74	549	1755.01
c)	Above 300 Units	1692.13	581	983.13
	Sub-Total	**10452**		**5013.46**
2	Non-Residential Supply	3218	603	1940.45
3	Public Lightening	143	603	86.23
4	Industrial Consumers			
a)	Small Power	972	510	495.72
b)	Medium Supply	1953	561	1095.63
c)	Large Supply	9957	561	5585.88
	Sub-Total	**12882**		**7177.23**
5	Bulk Supply & Grid Supply			
a)	LT	39	587	22.89
b)	HT	584	559	326.46
	Sub-Total	**623**		**349.35**
6	Railway Traction	143	603	86.23
7	Common Pool	304		132.00
8	Outside State	53		5.06
9	**Total (1 to 8)**	**27818**		**14790.01**
10	AP	11221	418	4690.38
11	Add: PLEC, MMC Etc.			512.34*
	GRAND TOTAL	**39039**		**19992.73**

PLEC ₹180 crore; MMC ₹332.12 crore.

4.21 Rebate to consumers catered at higher voltage

While processing the ARR Petition of the erstwhile Punjab State Electricity Board (Board) for the year 2009-10, the Commission observed that voltage at which supply is to be given to different categories of consumers have been specified in the 'Conditions of Supply' since the last more than ten years and the Board was required to release all new connections/additional loads/demands at the voltage specified in the 'Conditions of Supply'. The Commission, therefore, found no logic in any rebate in tariffs to a consumer who is given supply at the specified voltage for that category and the Commission decided to discontinue all voltage rebates with effect from April 1, 2010, which were being offered previously by the erstwhile Board.

However, with the 'Cost of Supply' study (Methodology II) adopted by the Commission (refer para 5.2), it is observed that cost to serve at higher voltages is lesser than the cost to serve at lower voltages. Accordingly, the Commission decides to approve rebate of 25 paise/unit to consumers who are catered at 220/132 kV voltage, 20 paise/unit at 66/33 kV voltage and 15 paise/unit to DS, NRS, MS and AP/AP High Tech. categories at 11 kV voltage. **The Commission has assessed the impact of this voltage rebate at ₹103.63 crore on the basis of energy sales data supplied by PSPCL. The revenue from tariff on existing rates has accordingly been reduced to this extent.** The actual revenue impact will be adjusted at the time of True up.

4.22 Revenue Requirement for FY 2013-14

A summary of the Aggregate Revenue Requirement of PSPCL for FY 2013-14 as discussed in the preceding paragraphs is given in Table 4.33.

Table 4.33: Revenue Requirement for FY 2013-14

(₹ crore)

Sr. No.	Items of Expenses	FY 2013-14	
		Proposed by PSPCL	Approved by Commission
1	**2**	**3**	**4**
1	Cost of Fuel	4905.80	4440.20
2	Cost of power purchase	8680.57	7818.98
3	Employee Cost	4370.34	3797.85
4	R & M expenses	504.11	595.39
5	A & G expenses	119.60	136.89
6	Depreciation	814.45	813.20
7	Interest charges	2656.86	1767.18
8	Return on Equity	607.55	942.62
9	Provision for DSM Fund	39.49	0.00
10	Transmission and SLDC charges payable to PSTCL	890.84	1269.64
11	Royalty charges payable to GoP on power from RSD	0.00	10.50
12	**Total Revenue Requirement**	**23589.60**	**21592.45**
13	Less: Non Tariff Income	906.36	779.57
14	**Net Revenue Requirement**	**22683.24**	**20812.88**
15	Revenue from existing tariff	20570.91	19992.73
16	Less: On account of rebate to various consumer categories	--	103.63
17.	Net Revenue from Existing Tariff	20570.91	19889.10
18	**Surplus/ (Gap) for FY 2013-14**	**(-) 2112.33**	(-) 923.78
19	Cumulative Gap upto FY 2012-13	(-) 9258.26	(-) 1010.49
20	**Carrying cost on previous year gap**	**(-) 682.80**	0.00
21	**Total gap**	**(-) 12053.39**	**(-) 1934.27**
22	Adjustment of the Impact of Commission Orders dated 07.01.2013 and 28.03.2013 (Recovery)		(+) 151.77
23	**Total Net Gap (surplus) for FY 2013-14**		**(-) 1782.50**
24	Energy Sales (MU)	39039	

The cumulative gap (deficit) for FY 2013-14 is determined at ₹1782.50 crore. The Annual Revenue Requirement for FY 2013-14 is assessed at ₹21592.45 crore with energy sales of 39039 MU. The average cost of supply with this revenue requirement comes to 553.10 paise per unit (₹21592.45 crore/39039 MU). The combined average cost of supply works out to 577.75 paise per unit (₹22554.80 crore/39039 MUs) after taking into account the ARR of ₹21592.45 crore for FY 2013-14, approved consolidated gap of ₹1010.49 crore for FY 2012-13, relief of ₹103.63 crore on account of rebate to various categories of consumers and impact of ₹151.77 crore based on the Commission's Orders dated 07.01.2013 and dated 28.03.2013.

Chapter-5

Tariff Related Issues

Certain tariff related issues are raised by several consumers/consumer organisations in response to the public notice issued on ARR and Tariff petition of PSPCL for FY 2013-14 and during the course of public hearings held by the Commission regarding the ARR and Tariff determination for FY 2013-14. The Commission has examined these issues taking into account the public objections and responses of PSPCL. The issues are discussed below.

5.1 Two Part Tariff for Retail Supply

(i) Section 45 of the Electricity Act, 2003 provides the power to distribution licensee to recover the charges for the supply of electricity by it in accordance with tariffs fixed from time to time. As per Section 45 (2) of the Electricity Act, 2003 (Act):

The charges for electricity supplied by a distribution licensee shall be -

(a) fixed in accordance with the methods and the principles as may be specified by the concerned State Commission;

(b) published in such manner so as to give adequate publicity for such charges and prices.

Section 45 (3) of the Act states that the charges for electricity supplied by a distribution licensee may include a fixed charge in addition to the charge for the actual electricity supplied.

Moreover, the Tariff Policy, 2006 focuses on introduction of Two Part Tariff and Time of Day (ToD) tariffs as it would result in flattening the peak and implementing various energy conservation measures. The clause 8.4 (1) of Tariff Policy, 2006 defines the tariff components and its applicability as follows:

"Two-part tariffs featuring separate fixed and variable charges and Time differentiated tariff shall be introduced on priority for large consumers (say, consumers with demand exceeding 1 MW) within one year….."

In view of these provisions, the utility (PSPCL) was directed by the Commission to submit the Two Part Tariff proposal for implementation in the State.

(ii) With the ARR & Tariff petition for the year 2012-13, PSPCL had submitted Two Part Tariff proposal to the Commission. The assumptions for arriving at the proposal and the structure were also elaborated therein. Several consumers and consumer groups had raised specific objections to the Two Part Tariff proposal, which are reproduced below:

a) Existing Monthly Minimum Charges are adjusted against consumption and the fixed charges shall be in addition to variable tariff charges, which is not in the interest of consumers regularly facing scheduled power cuts.

b) The rate should be lower with higher consumption, whereas the proposal is otherwise against growth of industry.

c) The proposal does not differentiate between HT and EHT consumers regarding fixed and variable charges.

d) The demand charges should be on actual maximum demand and not on sanctioned contract demand.

e) Rate of fixed charges for LS consumers with higher demand are more.

iii) Owing to the above objections and divergent views of various stakeholders, PSPCL was directed by the Commission to come up with a simplified Two Part Tariff proposal for implementing the same w.e.f. financial year 2013-14.

iv) Since the approach adopted last year was widely opposed by the consumers, hence, in the current year, PSPCL has completely revised its approach and assumptions for the Two Part tariff proposal. The salient features of Two Part Tariff proposal of PSPCL are as under: -

a) Interlinking of the Two-Part tariff study with the Cost of Supply (CoS) Study:

PSPCL has got voltage-wise and category-wise ‘Cost of Supply’ study carried out and the report on the study has been submitted to the Commission. For designing the Two-Part tariff in the present study, the projected voltage-wise and category-wise loads for 2012-13, energy consumption for 2012-13 and revenue for 2012-13 have been taken from ‘Cost of Supply’ study report.

b) Revenue Neutrality:

While designing the Two-Part tariff, voltage-wise and category-wise revenue of the PSPCL has been kept in view and the overall revenue neutrality of PSPCL has also been kept in view.

c) **Analysis of past consumer data:**

In order to design the two part tariff and to estimate the monetary impact of two part tariff on different consumers and on PSPCL, billing data of sample consumers from each category has been analyzed. The impact of existing and proposed tariffs to check the revenue neutrality has been studied.. Thereafter, the proposed tariff rates were modified to ensure minimum impact on consumers as well as on PSPCL.

d) **Comparison of proposed two part tariff with other States:**

The impact of proposed two part tariff in Punjab on different consumer categories has been compared with same/similar consumer categories in other states like Delhi, Rajasthan, Haryana, Gujarat etc. and the proposed tariff rates were modified accordingly to ensure minimal disparity in annual electricity bills of the consumers.

e) **Demand Surcharge:**

Demand surcharge for exceeding the sanctioned contract demand is proposed to be enhanced to ₹1250/kVA instead of ₹750/kVA as currently applicable.

f) **Agriculture consumers and AP High Tech consumers:**

AP consumers and AP High Tech consumers have been proposed to be continued billed on currently applicable tariff.

g) **Golden Temple Amritsar & Durgiana Temple Amritsar:**

The tariff currently applicable to these consumers has been proposed to be continued.

h) **Basis of recovering fixed charges:**

Fixed charges have been proposed to be recovered on the basis of sanctioned load or contract demand as the case may be. Further, the fixed charges applicable has been proposed to be leviable on actual sanctioned load (without rounding off).

i) **Cold Stores, Ice Factories and Ice Candies:**

These consumers have been proposed to be billed on rates as applicable to General Industrial categories.

j) **Seasonal consumers:**

It has been proposed that there shall be no seasonal category and they shall be considered under General Industrial category.

k) Applicability of surcharge:

All applicable surcharges now being levied have been proposed to be continued, unless expressly mentioned in the current proposal.

l) Temporary supply:

Consumers availing temporary supply have been proposed to be continued to be billed on currently applicable tariff structure.

m) Surcharge on Continuous Process industry:

It has been proposed that Continuous Process industry will be charged 10 paise/unit on pro-rata basis as here-to-fore.

n) Non-linear load surcharge:

Non-linear load surcharge of 10 paise per unit has been proposed to be levied on non-linear load like Railway Traction on account of nature of load encountered in this category. A study is being conducted by PSPCL to identify other non-linear loads, whereafter, this surcharge shall be applicable on all such loads.

o) High Utilization Factor Charge:

All consumers (except DS, NRS, Street Lighting and AP/AP High Tech) having monthly utilization factor above 40% have been proposed to be levied an additional charge of 10 paise/unit on their consumption beyond 40% utilization factor.

p) PIU/Arc Furnace Surcharge:

PIU/Arc Furnace consumers have been proposed to be levied PIU/Arc Furnace surcharge @ 10 paise/unit in addition to other charges.

q) Discontinuation of MMC:

Monthly Minimum Charges (MMC) being levied currently have been proposed to be discontinued.

5.1.1 Various consumers/consumer organizations raised objections on the proposal of PSPCL for introduction of Two Part Tariff. The objections raised are briefly given below: -

(i) PSPCL should first come out with the statement of reasons and objectives for switching over from Single Part Tariff to Two Part Tariff and also share the methodology adopted for the study.

(ii) The experience of the other States which introduced Two Part Tariff should be kept in view while designing Two Part Tariff. The problems faced by these

States on the introduction of Two Part Tariff and the solutions thereto also need to be studied.

(iii) Principles for splitting the total cost into fixed cost and variable cost should have been highlighted in the proposal.

(iv) New SAP system of billing introduced by PSPCL has not stabilized yet. The introduction of Two Part Tariff may lead to more problems in these circumstances. Suggested for mock trial/parallel run of new billing system with the existing one for minimum six months. The problems faced during mock trial/ parallel run should be solved before introduction of Two Part Tariff.

(v) Two Part Tariff should be on the lines of Two Part Tariff prevailing earlier in the erstwhile Board. The purpose of Two Part Tariff was higher the consumption, lesser the rate.

(vi) Introduction of Two Part Tariff is not in a socialistic function as consumers with low consumption will suffer since they have to pay more per unit charges.

(vii) As a precursor to introduction of Two-part tariff, it should be ensured that there are no regular power cuts, which shall otherwise lead to increase in per unit cost.

(viii) There is only marginal reduction of energy charges which are quite negligible and have no relation to the proposed additional fixed charges vis-a-vis reduction in energy charges.

(ix) All categories of consumers are required to be covered in the Two Part Tariff proposal. Reasons for not proposing fixed charges for AP category are not indicated.

(x) The current tariff for General and PIU consumers is presently same but the energy charges for the PIU consumers have been kept higher by 15 paise for each voltage level in the proposed two part tariff compared with general consumers. Further, 10 paise/unit surcharge has also been proposed on Arc and Induction Furnace consumers and though not indicated but Arc and Induction Furnace industry may also be included in non linear category and attract 10 paise/unit surcharge additionally. These distortions will kill the industry. Therefore, the proposal needs critical review before implementation.

(xi) It is unjustified to impose 10 paise per unit surcharge on Arc and Induction furnace consumers or else they should be exempted from power cuts as allowed to continuous industry.

(xii) Levy of fixed charges on Sanctioned Contract Demand (SCD) will add costs to the extent of unutilized margin of SCD and put additional burden on the Industry. This fact was kept in view when two part tariff was implemented in 1989 when fixed charges were leviable on actual maximum demand recorded or 75% of Sanctioned Contract Demand. Keeping all this in view, fixed charges for the Industry should be applicable on either maximum demand recorded for that particular month or on 80% of SCD.

(xiii) Incentive should be available to consumers for higher utilization factor, say for more than 75%.

(xiv) With the introduction of Two Part Tariff, the Open Access consumers will be severely affected. PSPCL should simultaneously amend the Open Access Regulations. Fixed charges component will cover all fixed costs, as such, there is no justification of levy of Transmission and Wheeling charges from Open Access consumers.

5.1.2 PSPCL in its response, has stated that:

(i) The fixed charges have been proposed to be levied on the sanctioned contract demand of the consumer as the transmission/distribution system has to be provided to meet the sanctioned contract demand, though for few months his actual recorded demand is lower than the sanctioned contract demand. In case, fixed charges are charged on actual maximum demand recorded, the energy rate/unit shall have to be fixed higher than the proposed rate.

(ii) Due to fluctuating load of PIU/Arc Furnace, surcharge of 10 paise/unit has been levied for which spare capacity of Power Transformer and Distribution System has to be provided. Such loads also stress the windings of Power Transformer.

(iii) As per the characteristics of the Two Part Tariff, the consumer with higher utilization factor shall pay lower per unit charge.

(iv) Adequate publicity regarding introduction of Two Part Tariff has been given and public hearings were also held for getting the response of consumers.

(v) As there are no meters installed on agricultural consumers, Two Part Tariff has not been proposed for this category.

(vi) 10 paise/unit surcharge on continuous process industries has been proposed as no power cut is leviable on this category of consumers.

(vii) Power cuts are imposed only under force majeure conditions beyond the control of PSPCL.

5.1.3 The Commission notes that erstwhile Board had Two Part Tariff for LS & MS consumers upto the year 1989, under which demand charges were based on higher of actual recorded maximum demand or 75% of sanctioned contract demand or 100 kVA in case of LS consumers and connected load in case of MS consumers. From 1989 onwards, all MS consumers and LS consumers with load upto 1 MW were brought under Single Part Tariff. However, in 1994, Two Part Tariff was substituted with Single Part Tariff for all consumers. The main argument for reverting to Single Part Tariff was simplification in understanding and billing and avoidance of manipulation of actual maximum demand recorded by Electro-Mechanical (E/M) Meters.

5.1.4 The Commission observes that with the coming up of more accurate and sophisticated electronic metering equipment, there is hardly any possibility of manipulation of meter reading data, including maximum demand. However, in view of the complicating/divergent views expressed by various stakeholders, the Commission does not consider it appropriate to introduce Two Part Tariff during the year 2013-14 but would like to more surely prepare the ground for implementation from the next financial year.

The Commission, while mindful of Tariff Policy enjoining early introduction of Two Part Tariff, is nevertheless, of the considered view that Two Part Tariff should be introduced only after attending concerns of various stakeholders of the utility through public hearings and by critically analyzing the actual billing data, to determine the impact on consumers as well as revenue of utility. PSPCL is, therefore, directed to examine the issues raised by the consumers / consumer organizations, and conduct mock trial/ parallel run of the proposed Two Part Tariff system, at least in five selected Divisions of PSPCL for 6 months, and submit a detailed report along with a more refined proposal for introduction of Two Part Tariff, addressing the concerns of the consumers/ consumer organizations expressed during the processing of ARR for FY 2013-14 and also the observations made by PSPCL during the mock trial/ parallel run.

5.2 Cost of Supply

5.2.1 The 'Cost of Supply' is a systematic and judicious allocation of the total cost incurred by the distribution utility in serving various consumer categories. The costs are allocated to various consumer categories depending upon how they cause those costs to be incurred by the utility. Thus, the issue of 'Cost of Supply' is a fundamental one for determination of tariff. This is as per mandate of the Electricity Act, 2003. Section 61 of the Act lays down different factors to be kept in view by the Commission as the guiding factors for determination of tariff. Sub-section (d) of Section 61 of the Act provides that the consumers' interests are to be safeguarded while at the same time recovery of the cost of electricity in a reasonable manner is to be ensured. Further, Sub-section (g) of Section 61 of the Act provides that tariff should progressively reflect cost of supply of electricity and also cross subsidies are reduced in the manner specified by the Commission. Thus, from the Licensee's point of view, cost of supply of electricity is to be recovered and from consumers' point of view, tariffs are to progressively reflect cost of supply. It is, thus, clear that cost of supply is the ultimate goal towards which tariffs of different categories of consumers have to move over a period of time.

5.2.2 Para 5.5 of the National Electricity Policy, notified by Govt. of India on 12.2.2005, states as under: -

> *"5.5 <u>Recovery of cost of services & targeted subsidies</u>*
>
> *5.5.1 There is an urgent need for ensuring recovery of cost of service from consumers to make the power sector sustainable.*
>
> *5.5.2 A minimum level of support may be required to make the electricity affordable for consumers of very poor category. Consumers below poverty line who consume below a specified level, say 30 units per month, may receive special support in terms of tariff which are cross-subsidized. Tariffs for such designated group of consumers will be at least 50% of the average (overall) cost of supply. This provision will be further re-examined after five years.*
>
> *5.5.3 Over the last few decades cross-subsidies have increased to unsustainable levels. Cross-subsidies hide inefficiencies and losses in operations. There is urgent need to correct this imbalance without giving tariff shock to consumers. The existing cross-subsidies for other categories of consumers would need to be reduced progressively and gradually.*

5.5.4 The State Governments may give advance subsidy to the extent they consider appropriate in terms of section 65 of the Act, in which case necessary budget provision would be required to be made in advance so that the utility does not suffer financial problems that may affect its operations. Efforts would be made to ensure that the subsidies reach the targeted beneficiaries in the most transparent and efficient way."

5.2.3 In view of the provisions of the Electricity Act, 2003 and the National Electricity Policy, the Commission in its various Tariff Orders has been directing PSPCL to expedite the 'Cost of Supply' Study and submit its findings to the Commission at the earliest. PSPCL assigned this job to TERI, a consulting organization with headquarters at New Delhi. After extensive research & studying national and international practices, 'Cost of Supply' (CoS) for distribution of electricity has been worked out by the consultants.

The methodology initially developed by the consultants as Methodology-I was deliberated/discussed in detail by PSPCL with the Commission. During discussions, some modifications were suggested in the Methodology-I developed by the consultants. The CoS report, containing detailed explanation on the approach adopted, methodology developed, results obtained from two methodologies referred to as Methodology-I and Methodology-II, were made available on the website of PSPCL for offering comments/suggestions by the stakeholders.

5.2.4 Various consumers/consumer organizations commented as under: -

(i) Methodology-I adopted in the 'Cost of Supply' Study, based on factors of loading the transmission lines and distribution lines and in depth study, may be adopted for implementation.

(ii) The total sum of fixed and variable expenditures reflected in the study may be declared as the tariff for each category, reducing the tariff by 10% of subsidized categories and increasing the tariff by 10% of the subsidizing categories. Thereafter, steps may be taken to reduce the cross subsidy to the satisfying level of the consumers.

(iii) T&D losses taken in two methodologies differ, which is not understandable. Further, losses for 220 kV and 132 kV consumers have been taken as 6.6% against 2.5% assumed by the Commission in the Tariff Order. T&D losses for AP supply have been taken as 22%, whereas these should be more than 30% as it is well known that these consumers do not install capacitors, use high wattage incandescent lamps against CFLs permitted free with pump sets, use non 'ISI' motors and indulge in theft of power during paddy season.

(iv) Under Methodology-I, the final cost of supply for an industrial consumer at 11 kV works out as 454 paise/unit against 473 paise/unit for an industrial consumer at 66 kV, which is beyond comprehension.

(v) Study has established that cost of supply for AP supply is ₹5.56/unit under Methodology-I and ₹5.33/ unit under Methodology-II for the year 2012-13, whereas the tariff fixed is ₹4.18/unit. This lower tariff is forcing the Commission to cross subsidize the AP supply by fixing higher tariff for other consumer categories including industry.

(vi) It is evident that the cost of supply as worked out in the present form is not representing the ground realities and needs to be made realistic and fine tuned with more data collection on actual basis. Till that time, HT rebate to 220 kV and 66 kV industrial consumers be restored immediately and be paid retrospectively w.e.f. 01.04.2010.

5.2.5 In its response, PSPCL has stated that: -

(i) The CoS study is a unique study that requires segregation and allocation of costs incurred by the utility in making available the services to various categories of consumers. The cost accounting practice that is followed by the utilities requires some assumption for the segregation and allocation of the cost to various consumer categories. It should also be appreciated that this study is first of its kind for the State. The generation and transmission costs comprise predominant part of the total cost of PSPCL i.e. more than 80% of the total cost. This cost is further subdivided on the basis of demand and consumption and is not based on assumption. The balance cost is of the distribution. PSPCL has fair idea for the distribution of these costs to various heads. As such, CoS determined is based on sound and justified rationale.

(ii) There is no difference in the loss figures taken for the calculations of CoS for the two methodologies. The loss figures at various voltage levels, approved by the Hon'ble Commission for various years in the Tariff Orders, have been considered for the calculations in this study. Further, the loss figures for agriculture consumers approved by the Hon'ble Commission in its Tariff Orders of various years have been used for the calculations.

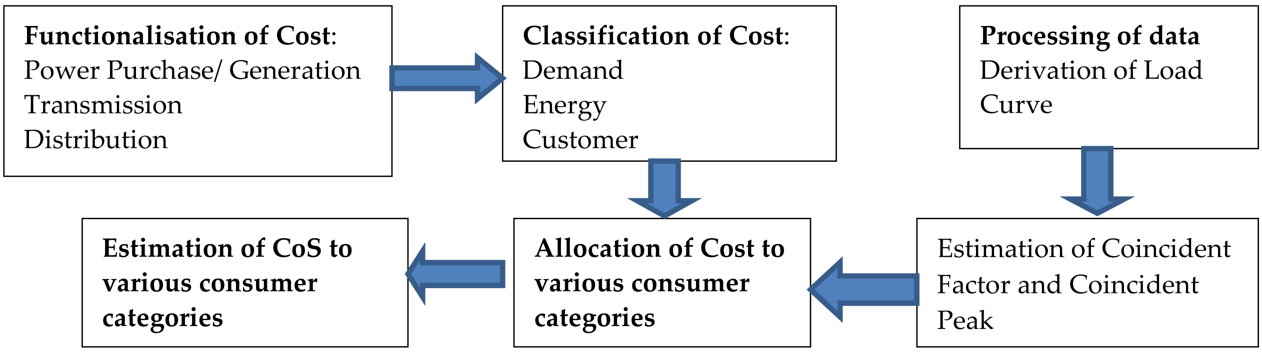
(iii) The contribution of industries at 11 kV in the peak load of the utility is approximately 12.68% and that of the industries at 66 kV is approximately 8.77%. At the same time, the overall sales to the industries at 11 kV are approximately 5062 MU while that of the industries at 66 kV is approximately 2400 MU. The peak load contribution of the industries at 11 kV is approximately double of the contribution of the industries at 66 kV. The sales to the industries at 11 kV are approximately double of the sales to industries at 66 kV. Thus, in Methdology-I, the overall cost of making services available to industries at 66 kV is higher than that of industries at 11 kV. Due to this fact brought out by an objector, Methodology-I has not been recommended by PSPCL.

5.2.6 To determine the cost of supply, the two methodologies named as Methodology-I and Methodology-II were studied to arrive at the Cost of supply. The main features of Methodology-I and Methodology-II are discussed below:

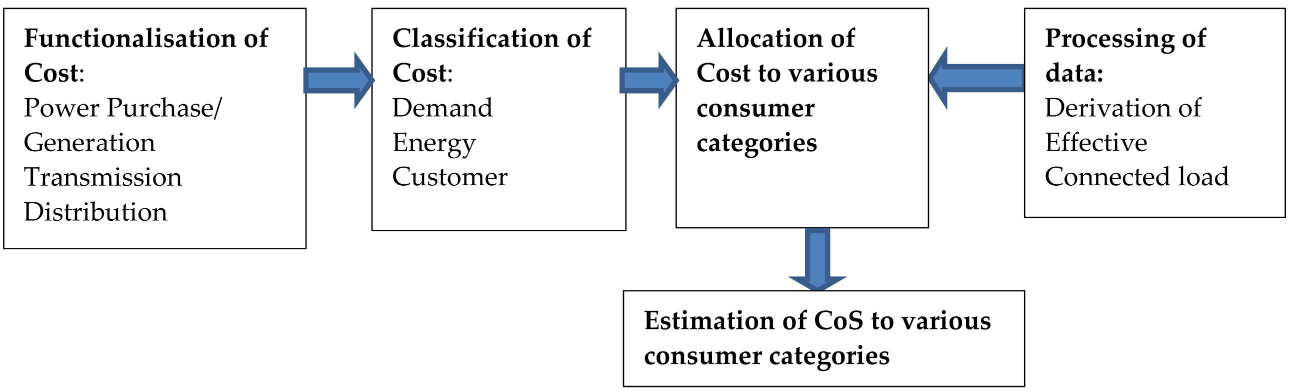
Methodology for the Study:

The basic features of 'Cost of Supply' study as per Methodology-I & Methodology-II are explained in the following figures:

Methodology–I:



Methodology–II:



5.2.7 In both the methodologies the functionalised cost of each function of generation (including power purchase), transmission and distribution have been classified with relation to their demand, energy and customer functions. While calculating the cost of supply with Methodology-I, demand related costs have been allocated to a consumer category as per its contribution to the system peak i.e. co-incident peak. Since the peak demand has to be met by capacity of generation, transmission and distribution, hence, the cost related to capacity creation has been termed as demand related cost under Methodology-I.

The Commission observed that at the time of coincident peak, the maximum demand of various categories of consumers at that point of time does not give correct maximum demand of that category. From the load data of PSPCL, it was observed that unrestricted demand was greater than the supply availability for most of the time during the year, which implied that there is a high level of load shedding. The peak demand of various categories is, therefore, not natural but controlled by various power regulatory measures. For example, industrial consumers are discouraged to use electricity during peak hours through levy of peak load exemption charges. Similarly, the agriculture consumers are supplied electricity in a shift of 8 hours during paddy season i.e. at any moment of time only one third of the agriculture consumers are served by PSPCL. Application of coincidence peak and computation of demand related costs on that basis, as adopted in Methodology-I, was therefore not considered appropriate. It was considered logical that the demand related costs to various consumer categories, at different voltages, should be based on effective connected load of the consumer category.

In simple words, it can be said that energy is supplied to a consumer category based on availability and not as per its demand. Similarly, the Transmission System is used by the respective category of consumers as per the energy supplied for that category and not as per its demand that is imposed by that category at any moment of time. Thus, the entire transmission cost has been treated as the energy related cost. It was, therefore, considered appropriate to classify the functional costs keeping in view the real operating conditions of the system.

5.2.8 The functionised costs were therefore classified into demand related, energy related and customer related in the two methodologies, as under: -

Cost Function	Cost Classifications	
	Methodology-I	Methodology-II
1) Power Purchase/ Generation	Demand Related Energy Related	Energy Related
2) Transmission	Demand Related	Energy Related
3) Distribution (Wire and Retail Supply business)	Demand Related Energy Related Customer Related	Demand Related Customer Related

5.2.9 The results obtained with Methodology-I for the years 2011-12 and 2012-13 are as under: -

Voltage of supply	Consumer Category	Cost of supply (Rs / kWh) for 2011-12	Cost of supply (Rs / kWh) for 2012-13
220 kV	Railway Traction	3.33	3.48
132 kV	Industrial	3.31	3.49
	Bulk	3.64	3.92
	Railway Traction	3.22	3.36
66 kV	Industrial	4.11	4.73
	Bulk	4.29	4.68
33 kV	Industrial	4.25	4.62
	Bulk	4.77	5.22
11 kV	Industrial	3.93	4.54
	Domestic	4.63	5.02
	Commercial (NRS)	4.15	4.27
	Bulk	4.43	4.60
LT	Industrial	6.01	6.38
	Domestic	5.64	5.74
	Agriculture	5.29	5.56
	Commercial (NRS)	5.85	6.00
	Bulk /Public Lighting	6.40	7.08

From above, it is observed that the cost of supply at 11 kV for industrial consumers is less than for the industrial consumer at 66 kV & 33 kV, which is not acceptable. Similarly, the same pattern is there in case of Bulk Supply and RailwayTraction categories.

The results for the years 2011-12 and 2012-13 as per Methodology-II are as under, which are logical and acceptable:

Voltage of Supply	Consumer Category	Cost of Supply (Rs / kWh) for 2011-12	Cost of Supply (Rs / kWh) for 2012-13
220 kV	Industry	3.69	3.93
	Railway Traction	3.68	3.93
132 kV	Industrial	3.73	3.97
	Bulk	3.68	3.92
	Railway Traction	3.70	3.95
66 kV	Industrial	4.41	4.82
	Common Pool	3.91	4.16
	Bulk	4.23	4.52
33 kV	Industrial	4.59	4.93
	Bulk	4.20	4.48
11 kV	Industry (LS)	4.56	5.13
	Domestic	4.59	4.90
	Commercial (NRS)	4.84	5.09
	Bulk	4.68	4.94
LT	Industry (MS)	5.70	6.17
	Industry (SP)	6.53	6.57
	Domestic (0-100)	5.27	5.52
	Domestic (101-300)	5.27	5.52
	Domestic (above 300)	5.27	5.52
	Agriculture	5.04	5.33
	Commercial (NRS)	5.65	5.92
	Public Lighting	5.23	5.62
	Bulk	4.85	5.21

Hence, the Commission decides to adopt Methodology-II for determination of cost of supply to various categories of consumers.

The indicative voltage-wise, category-wise cost of supply for the year 2013-14 on the basis of results obtained with Methodology II are as per Annexure-V.

5.2.10 It would be ideal to fix electricity tariff for all consumers on cost to serve basis. But, historically, there has been extensive cross subsidization in electricity sector. The tariff for consumers, who pay less than the cost to serve, will need to be hiked significantly to cover the gap between the tariff of subsidized consumers and cost to serve these consumers. As such, the Commission is raising tariff of subsidized consumers gradually to reduce such gap, and at the same time avoiding tariff shock to subsidized consumers and bringing the tariffs of various consumers within reasonable difference as compared to cost to serve these consumers.

5.2.11 **In order to move in the direction of cost of supply, the Commission decides to give rebate as mentioned under para 6.2.3 [Note (vii) under Table 6.1].**

5.3 Introduction of Time of Day (ToD) Tariff

5.3.1 Time of Day (ToD) tariff is a tariff structure in which different rates are applicable for use of electricity at different times of the day. There are certain times in a day when the demand for electricity is at its peak. During these times, the utility has to purchase power at a very high cost, much higher than the price paid by the consumers. Time of Day tariff is implemented to reduce consumption of electricity during peak hours. To achieve this objective, electricity is made expensive during peak hours so that consumers use less electricity during these hours. Electricity charges during off peak hours are also reduced as an incentive for people to use more electricity during the off peak hours.

5.3.2 Section 62 (3) of the Electricity Act 2003 lays down that:

"The Appropriate Commission shall not, while determining the tariff under this Act, show undue preference to any consumer of electricity but may differentiate according to the consumer's load factor, power factor, voltage, total consumption of electricity during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required"

5.3.3 The provision 5.4.9 of the National Electricity Policy also advocates the ToD tariff which says that:

"The Act requires all consumers to be metered within two years. The SERCs may obtain from the Distribution Licensees their metering plans, approve these, and monitor the same. The SERCs should encourage use of pre-paid meters. In the first instance, TOD meters for large consumers with a minimum load of one MVA are also to be encouraged. The SERCs should also put in place independent third-party meter testing arrangements."

5.3.4 The provision of the Tariff Policy (8.4 Definition of tariff components and their applicability) envisages explicitly the emphasis on the ToD Tariff. The provision says that:

"Two-part tariffs featuring separate fixed and variable charges and Time differentiated tariff shall be introduced on priority for large consumers (say, consumers with demand exceeding 1 MW) within one year. This would also help in flattening the peak and implementing various energy conservation measures"

5.3.5 In view of the above provisions, the Commission in its various Tariff Orders directed PSPCL to submit a proposal for the introduction of Time of Day Tariff in the State.

PSPCL in its submissions has recommended the introduction of Time of Day Tariff for the year 2013-14 for large supply industrial consumers only. PSPCL has proposed 06:00 to 18:00 Hrs as normal hours, 18:00 to 22:00 Hrs as peak period and 22:00 to 06:00 Hrs as off peak period. Off peak period for six months (October to March) only has been considered as the load curve shows a dip during these months in demand during night hours which is quite disturbing during winter period i.e. from October to March. There is surplus power during this period and PSPCL has proposed Time of Day Tariff to increase the demand during this period. PSPCL has assumed that with the introduction of off peak period tariff, there will be increase of 10 to 15% of average load during off peak period which shall be met with by purchase of cheaper power during these hours. In the remaining six months a definite trend of peak and off peak is not observed. PSPCL has proposed a rebate of ₹1/unit to consumers during off peak hours for six months of the year. On account of this rebate, PSPCL has projected a loss of ₹129 crore which gets reduced to ₹108 crore in case demand during off peak period increases by 10% as estimated by PSPCL. PSPCL has proposed to adjust/recover this loss from additional revenue proposed to be generated by increase in PLEC for which separate petition (no. 17 of 2013) has been filed with the Commission.

5.3.6 The consumers have welcomed the initiative of PSPCL for introduction of Time of Day Tariff. The consumers have desired that instead of Peak Load Exemption charges, ToD should be introduced, which will contain Normal Tariff, Peak Load Tariff and Non Peak Load Tariff.

5.3.7 The Commission notes that the Time of Day (ToD) Tariff which is widely accepted Demand Side Management measure has already been implemented in majority of the States. In some other States like Haryana and Himachal Pradesh, ToD tariffs have not been notified but Peak Load Exemption Charges (PLEC), which are a form of ToD tariffs have been notified where additional tariff during peak load hours is applicable. Such type of ToD Tariff also exists in Punjab. The Commission further notes that in the initial stages, ToD tariffs were notified for limited consumer categories, typically for HT industrial and thererafter progressively extended to bring other consumer categories in the fold of ToD tariffs.

5.3.8 Furthermore, the Electricity Act, 2003, National Electricity Policy and Tariff Policy lay emphasis on the implementation of ToD Tariff which helps the utility to flatten out its load curve and reduce peak power purchase price.

In the above circumstances, the Commission holds that there is sufficient justification for introduction of ToD Tariff for the Large Supply industry and the Act also allows charging differential tariff.

The Commission, therefore, approves the proposal of PSPCL for introduction of Time of Day (ToD) Tariff for six months (October to March) of the year, during off peak hours from 22:00 hrs to 06:00 hrs for Large Supply industrial category, and approves rebate of ₹1/unit on the normal tariff for this category. There will not be any change in the duration of peak load hours restrictions which will not be for more than 3 hours in the evening between 18:00 hours to 22:00 hours and will continue to be governed as per existing instructions.

The Commission also directs PSPCL to submit a detailed report about the financial and technical impact of introducing ToD Tariff by 01.03.2014.

5.4 Peak Load Exemption Charges

5.4.1 The Punjab State Power Corporation Limited filed petition (no. 17 of 2013) seeking revision of Peak Load Exemption Charges. In its submissions, PSPCL has submitted that Peak Load Restrictions are imposed on Large Supply industry due to inadequacy of the transmission system and distribution system and shortage of power to meet the peak hour load/demand. Due to high demand during peak load hours, the cost of power is high. PSPCL has submitted that PLEC is a commercial mechanism to restrict the load/demand during high demand peak period. PSPCL has further submitted that the rate of Peak Load Exemption Charges have not been revised since 1998, whereas the tariff rates have been revised almost every year. It has been prayed that since the present tariff has doubled since 1998, the peak load exemption charges may also be doubled.

5.4.2 Public Notice was issued inviting objections from the public/stakeholders by 22.3.2013.

In response to the Public Notice published in different newspapers on 9.3.2013, seven number objections have been received.

5.4.3. Public hearing was held on 25.3.2013 in the office of the Commission at Chandigarh. The issues highlighted during the public hearing and in the objections are summarized below: -

(i) The continuous process industry runs continuously for 24 hours and there is almost equal loading during peak as well as non peak period. As against this, the DS/NRS consumers use full load only during evening hours and are responsible for peak on the system. As such, the additional cost on account of costly power should be recovered from them.

(ii) It is incorrect that cost of spot purchase during peak hours is high, it is only marginally more than RTC/non peak power.

(iii) Agriculture consumers impose a load of about 2000 MW during evening peak load hours. PSPCL should reduce supply hours to 7 hours for each group of agriculture consumers and avoid this load during peak hours.

(iv) The peak load exemption charges should be recovered on the basis of units consumed instead of permitted load.

(v) With proposed increase in PLEC, the per unit cost will be more than ₹10/unit which will make the industrial products unviable.

(vi) There is no transmission and distribution constraint to the continuous process industries as their supply is through independent feeders. Congestion in grid is created by DS/NRS consumers as such PLEC should be charged from them. Peak Load Exemption Charges should be withdrawn during winter months when there is neither any constraint nor shortage of power.

(vii) The proposal is biased against consumers who are compelled to run the industry during peak hours and will benefit the industries running in single shift.

(viii) The peak load charges are over and above the tariff charges. When all charges including short term power purchase, are included every year in tariff, any further increase in power cost is not justified.

(ix) If increase in Peak Load Exemption Charges is allowed, it would tantamount to indirect cross subsidy imposed upon industrial consumers in addition to 20% of average cost of supply.

(x) With the introduction of ToD Tariff, substantial load of Arc/ Induction furnaces will shift from day to night hours which will result in avoiding power cut in day time and result in earning extra by selling surplus power at night time.

5.4.4 In its response, PSPCL has stated that: -

(i) The peak load exemption charges (PLEC) are levied on continuous process industry being the industry which is adversely hit in case of power failure. The chances of power failure during peak load are maximum as the system is running at full capacity during that period. In order to avoid such interruptions and smooth supply to the consumer, the PLEC charges are levied.

(ii) It is a misconception that PLEC charges are levied only to meet the higher cost of purchase of power. In fact, PLEC charges are levied to meet the cost of giving smooth supply to the continuous process industry by maintaining certain cushion in the transmission system during peak timings and to meet the cost to PSPCL to avoid grid failures occuring in Peak load timings.

(iii) The agriculture consumers are already being given supply for only 8/6 hours and as such the PLEC charges are to be borne by the industry who are being given supply for 24 hours.

(iv) The charges levied are demand based, thereby giving freedom to the industry to control the same to their requirement.

(v) The rise in Tariff is in line with the PSERC orders and the cost of power during peak load hours is a matter of record. However, the fact remains that PLEC charges were 98% of the tariff in 1998 and has eroded with time to 48% of the Tariff in 2012 and accordingly the increase in the same is totally justified to double the same.

(vi) The PLEC charges has been distributed over the year and as such the withdrawal of the same is not justified. Further, the PLEC charges are levied to meet the extra cost of maintaining cushion in the transmission system to ensure smooth supply to the industry particularly to continuous process industry to save them from huge cost of interruption whereas domestic and commercial consumers can bear such interruptions during peak load. Agriculture consumers are being given supply only for 8/6 hours and as such there is no justification for recovering any PLEC from them.

(vii) The rise in PLEC charges is infact targeted to recover additional cost to give smooth supply to the continuous process industry in the same proportion and the same industry should payback the same as otherwise the industrial consumers who are not using supply during PLEC period shall also pay extra without any benefit if the same is recovered through tariff adjustment.

5.4.5 The Commission finds sufficient reasons to restrict the load/demand during peak load hours to save the grid failure and peak load hour restrictions is one of the mechanisms to achieve the same. The Commission observes that the increase in Peak Load Exemption Charges affects maximum to the continuous process industry.

The general industry (other than continuous) can avoid the Peak Load Exemption Charges by not running during peak load period, whereas if a continuous process industry is not allowed to run during peak load hours, lot of material get wasted which might cost much more than the increased Peak Load Exemption Charges. Charging of Peak Load Exemption Charges from AP consumers is not justified as the supply is given only 6 to 8 hours per day as compared to 24 hours to other categories of consumers. The tariff for NRS consumers is already higher than Large Supply industrial consumers. Also, the Domestic Consumers consuming more than a specific limit are charged higher tariff.

The Commission further notes that the computation of ±20% of average cost of supply for the industrial consumers is after taking into account the peak load exemption charges. As such, no indirect cross subsidy is imposed.

5.4.6 The Commission further notes that Time of Day (ToD) Tariff has been approved in para 5.3 above, wherein a loss of ₹129.00 crore has been projected by PSPCL. PSPCL has further estimated that this loss gets reduced to ₹108 crore in case demand during off peak increases by 10%. The Commission observes that the benefit of ₹108 crore shall accrue to Large Supply industry only and the loss to PSPCL should be compensated by increasing the Peak Load Exemption Charges. The PSPCL has intimated an amount of ₹180 crore on account of PLEC during the year 2012-13. Therefore, an increase of 60% of the existing PLEC will cover the loss of ₹108 crore instead of 100% increase demanded by PSPCL.

Further, keeping in view the potential of shifting of Large Supply industrial load more than 10% from day to night hours, the Commission approves an increase of only 50% of the existing Peak Load Exemption Charges.

The Commission also directs PSPCL to submit a detailed report about the results obtained with the increased Peak Load Exemption Charges by 01.03.2014.

Chapter - 6

Determination of Tariff

6.1 Annual Revenue Requirement

The Commission has determined the ARR of PSPCL for FY 2013-14 at ₹21592.45 crore. True up of FY 2010-11 and FY 2011-12 has not been undertaken since PSPCL has not provided the Audited Annual Accounts for these financial years. The Review of FY 2012-13 indicates surplus of ₹645.67 crore, resulting in a consolidated gap (deficit) of ₹1010.49 crore ending FY 2012-13, after considering consolidated revenue gap (deficit) of ₹1656.16 crore upto FY 2011-12 as per Tariff Order FY 2012-13. The Commission has determined the gap (deficit) for FY 2013-14 at ₹820.15 crore and consolidated gap (deficit) of ₹1782.50 crore after considering gap (deficit) of ₹1010.49 crore ending FY 2012-13, impact (recovery) of ₹151.77 crore as per Orders of the Commission dated 07.01.2013 & 28.03.2013 and impact of ₹103.63 crore on account of rebate as per para 5.2 of this Tariff Order.

6.2 Determination of Retail Tariff

6.2.1 In determining tariff, the Commission is guided by the principles laid down in Section 61 of the Act as well as its own Regulations which provide the framework for working out the ARR of a Power Utility and tariff for different categories of consumers. The Commission has also kept in mind the relevant aspects of the National Electricity Policy, Tariff Policy, the norms adopted by it in earlier Tariff Orders and inputs received from consumers during the process of public hearings.

Income from tariff at existing rates taken into account for working out the percentage increase in tariff required to cover the gap, does not include income from sales to Common Pool consumers, Outside State sale and Peak Load Exemption Charges (PLEC).

6.2.3 To meet this revenue gap of ₹1782.50 crore for FY 2013-14, an increase of 9.06% is required over the existing tariff and MMC but excluding revenue from sales to Common Pool consumers, Outside State sale and PLEC. The combined average cost of supply with this increase works out to 577.75 paise per unit.

Keeping in view the fact that the supply to AP category is given on an average for 6 to 8 hours per day and that too during different time slots in a month as per availability of power, the Commission decides to increase the tariff for AP category by 7 paise/unit (increase of 1.67% over the existing tariff). The average increase for the remaining categories works out to 11.43% over the existing tariff, including MMC, to meet the balance revenue gap. The Commission decides to increase the tariff as given in Table 6.1 to recover the revenue gap of ₹1782.50 crore.

The Commission has decided to increase the Peak Load Exemption Charges in para 5.4 of this Order. However, the net income from PLEC during FY 2013-14 has been assumed to be at the same level as during FY 2012-13, since increase in income from PLEC as a result of revision in PLEC rates has been estimated to be offset against decrease in revenue as a result of introduction of ToD Tariff as decded by the Commission in para 5.3 of this Order. The existing and revised tariffs are indicated in Table 6.1.

Table 6.1: Existing and Revised Tariff for FY 2013-14

<table>
<tr><th rowspan="2">Sr. No.</th><th rowspan="2">Category of Consumers</th><th colspan="2">Existing Tariff</th><th colspan="2">Revised Tariff approved by the Commission</th></tr>
<tr><th>Energy Rate (paise/kWh)</th><th>MMC (₹)</th><th>Energy Rate (paise/kWh)</th><th>MMC (₹)</th></tr>
<tr><td colspan="6">A) PERMANENT SUPPLY</td></tr>
<tr><td>1</td><td colspan="5">Domestic</td></tr>
<tr><td>a)</td><td>Upto 100 units</td><td>409</td><td rowspan="3">Loads upto 100kW: ₹46/kW, Loads exceeding 100 kW: ₹41/kVA</td><td>456</td><td rowspan="3">Loads upto 100kW: ₹51/kW, Loads exceeding 100 kW: ₹46/kVA</td></tr>
<tr><td>b)</td><td>101 to 300 units</td><td>549</td><td>602</td></tr>
<tr><td>c)</td><td>Above 300 units</td><td>581</td><td>644</td></tr>
<tr><td>2</td><td colspan="5">Non-Residential Supply</td></tr>
<tr><td>a)</td><td>Upto 100 units</td><td rowspan="2">603</td><td rowspan="2">Loads upto 100 kW: ₹166/kW, Loads exceeding 100 kW: ₹149/kVA</td><td>645</td><td rowspan="2">Loads upto 100 kW: ₹185/kW, Loads exceeding 100 kW: ₹166/kVA</td></tr>
<tr><td>b)</td><td>Above 100 units</td><td>658</td></tr>
<tr><td>3</td><td>Public Lighting</td><td>603</td><td>As per 8 hrs/Day</td><td>658</td><td>As per 8 hrs/Day</td></tr>
<tr><td rowspan="2">4</td><td rowspan="2">Agricultural Pumpsets</td><td>i) Without GoP subsidy:418 paise/kWh or ₹339/BHP/ month</td><td rowspan="2">Not Applicable</td><td>i) Without GoP subsidy:425 paise/kWh or ₹331/BHP/ month</td><td rowspan="2">Not Applicable</td></tr>
<tr><td>ii) With GoP subsidy: NIL</td><td>ii) With GoP subsidy: NIL</td></tr>
<tr><td>5</td><td>AP High – Technology</td><td>418</td><td>Not Applicable</td><td>425</td><td>Not Applicable</td></tr>
<tr><td>6</td><td>Compost Plants/Solid Waste Management Plants for Municipalities/ Urban Local Bodies</td><td>418</td><td>Not Applicable</td><td>425</td><td>Not Applicable</td></tr>
</table>

Sr. No.	Category of Consumers	Existing Tariff		Revised Tariff approved by the Commission	
		Energy Rate (paise/kWh)	MMC (₹)	Energy Rate (paise/kWh)	MMC (₹)
7	**Industrial Consumers**				
a)	Small Power	510	137/kW	574	153/kW
b)	Medium Supply	561	182/kW	626	203/kW
c)	Large Supply				
i)	General Industry	561	163/kVA	633	182/kVA
ii)	PIU	561	429/kVA	633	478/kVA
iii)	Arc Furnace	561	429/kVA	633	478/kVA
8	**Bulk Supply (including MES)**				
a)	HT	559	268/kVA	629	299/kVA
b)	LT	587		657	
9	Railway Traction	603	275/kVA	658	306/kVA
B) SEASONAL INDUSTRY: COTTON GINNING, PRESSING AND BAILING PLANT, RICE SHELLERS / HULLER MILLS, KINNOW GRADING AND WAXING CENTRES, RICE BRAN STABILISATION UNITS (WITHOUT T.G.SETS) (SP, MS, LS)*					
a)	During Season				
	SP	510	502/kW	574	559/kW
	MS	561	502/kW	626	559/kW
	LS	561	452/kVA	633	504/kVA
b)	Off Season				
	SP	603	NA	679	NA
	MS	644	NA	719	NA
	LS	644	NA	727	NA
C) ICE FACTORY & ICE CANDIES AND COLD STORAGE					
a)	April to July				
	SP	510	683/kW	574	761/kW
	MS	561	683/kW	626	761/kW
	LS	561	615/kVA	633	685/kVA
b)	August to March Next Year				
	SP	510	137/kW	574	153/kW
	MS	561	137/kW	626	153/kW
	LS	561	122/kVA	633	136/kVA
D) GOLDEN TEMPLE, AMRITSAR AND DURGIANA TEMPLE, AMRITSAR					
a)	First 2000 units	Free	NA	Free	NA
b)	Beyond 2000 units	467	NA	520	NA
E) TEMPORARY SUPPLY					
i)	Domestic	995	₹843 or ₹168/kW whichever is higher	1109	₹939 or ₹187/kW whichever is higher
ii)	NRS	995	₹1687 or ₹423/kW, whichever is higher	1109	₹1880 or ₹471/kW, whichever is higher
iii)	Industrial (SP,MS & LS)	As per Tariff approved at A(7) above for permanent supply + 100%	₹676/kW of sanctioned load for SP and MS and ₹607/kVA for LS	As per Tariff approved at A(7) above for permanent supply + 100%	₹753/kW of sanctioned load for SP and MS and ₹676/kVA for LS

Sr. No.	Category of Consumers	Existing Tariff		Revised Tariff approved by the Commission	
		Energy Rate (paise/kWh)	MMC (₹)	Energy Rate (paise/kWh)	MMC (₹)
iv)	Wheat Threshers	As per Tariff approved at A(7) above for permanent supply + 100%	₹676/kW of sanctioned load for SP and MS and ₹607/kVA for LS	As per Tariff approved at A(7) above for permanent supply + 100%	₹753/kW of sanctioned load for SP and MS and ₹676/kVA for LS
v)	Fairs, Exhibition & Mela Congregations	Bulk Supply tariff as at A(8) + 50%	₹6752 per service	Bulk Supply tariff as at A(8) + 50%	₹7524 per service
vi)	**Touring Cinemas**				
a)	Lights and Fans	995	For (a) and (b), ₹1687 or ₹423/kW of sanctioned load, whichever is higher	1109	For (a) and (b), ₹1880 or ₹471/kW of sanctioned load, whichever is higher
b)	Motive Load	Rate for Industrial permanent supply as at A(7) + 100%		Rate for Industrial permanent supply as at A(7) + 100%	

**Seasonal period for cotton ginning, pressing and bailing plant, kinnow grading and waxing centres, rice bran stabilization units (without T.G. set) shall be from1st September to 31st May next year and for rice shellers /huller mills shall be from1st October to 30th June next year.*

Notes:

(i) SC and Non SC BPL Domestic consumers with connected load upto 1000 watts will be given 200 units of free power per month in view of GoP subsidy;

(ii) AP consumers and consumers mentioned in (i) above will not be charged service charges and meter rentals in view of Government Subsidy;

(iii) All other charges including rentals and deposits as per Schedule of General Charges, Supply Code, General Conditions of Tariff and Schedule of Tariff approved by the Commission will continue to be charged at the existing rates till these are revised by the Commission;

(iv) Operating conditions of MMC will continue to be as specified in the relevant Schedule of Tariff. Rates of MMC in ₹/kVA shall be charged on the Contract Demand of the consumers. However, Cooperative Group Housing Societies/ Employers availing single point supply under PSERC (Single Point Supply to Cooperative Group Housing Societies/Employers) Regulations will be levied monthly minimum charges as applicable to Domestic Supply consumers with load exceeding 100 kW i.e. ₹46 per kVA.

(v) Consumers obtaining one point supply for providing electricity to ultimate users in the Co-operative Group Housing Societies / Residential Colonies/ Commercial Complexes/Shopping Malls/Industrial Estates etc. will be eligible for rebate as specified in the Conditions of Supply approved by the Commission, in addition to other voltage rebates as may be applicable;

(vi) Levy of 10 paise/unit on prorata basis, on continuous process industries, shall continue as here-to-fore.

(vii) Rebate of 25 paise/unit to all consumers getting supply at 220/132 kV, 20 paise/unit to all consumers getting supply at 66/33 kV and 15 paise/unit to DS, NRS, AP High–Technology, Compost Plants/Solid Waste Management Plants for Municipalities/ Urban Local Bodies and MS category consumers getting supply at 11 kV shall be allowed.

(viii) The billing for Rice Sheller industry shall be carried out as per Commission's order dated 23.10.2012 in Petition no. 66 of 2011.

6.3 Effect of revised tariff on cross subsidy

6.3.1 The Commission in its Tariff Regulations has defined cross subsidy for a consumer category as the difference between the average realisation per unit from that category and the combined average cost of supply, expressed in percentage terms. The total quantum of cross subsidy generated and utilised in the system as worked out for energy sales for FY 2013-14 at existing tariff is depicted in Table 6.2.

Table 6.2: Aggregate quantum of cross subsidy for Energy Sales of FY 2013-14 at Existing Tariff (Combined average cost of supply =532.09 paise/unit)

S. No.	Consumer Category	Energy Sales (MU)	Existing Tariff (paise/ unit)	Revenue with Existing Tariff (₹ crore)	PLEC + MMC etc. (₹ crore)	Non-Tariff Income (₹ crore)	Total Revenue (₹ crore) (5+6+7)	Expected Revenue with Average cost of supply (₹ crore)	Cross Subsidy generated(+) /Utilised(-) (8-9)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1	Domestic								
a)	Upto 100 Units	5563	409	2275.32	67.33	111.24	2453.89	2960.09	-506.20
b)	101-300 Units	3197	549	1755.01	38.69	63.92	1857.62	1700.96	156.66
c)	Above 300 Units	1692	581	983.13	20.48	33.84	1037.44	900.37	137.08
	Total	**10452**		**5013.46**	**126.49**	**209.00**	**5348.95**	**5561.41**	
2	NRS								
a)	0-100 units	1155	603	696.47	13.98	23.10	733.54	614.56	118.97
b)	Above 100 Units	2063	603	1243.99	24.97	41.25	1310.21	1097.70	212.50
	Total	**3218**		**1940.45**	**34.86**	**59.44**	**2034.76**	**1729.65**	
3	Public Lighting	143	603	86.23	1.73	2.86	90.82	76.09	14.73
4	**Industrial**								
a)	Small Power	972	510	495.72	11.76	19.44	526.92	517.19	9.73
b)	Medium Supply	1953	561	1095.63	23.64	39.05	1158.32	1039.17	119.15
c)	Large Supply	9957	561	5585.88	300.50	199.10	6085.48	5298.03	787.45
	Total	**12882**		**7177.23**	**335.90**	**257.59**	**7770.72**	**6854.40**	
5	**Bulk Supply**								
a)	HT	584	559	326.46	7.07	11.68	345.20	310.74	34.46
b)	LT	39	587	22.89	0.47	0.78	24.14	20.75	3.39
	Total	**623**		**349.35**	**7.54**	**12.46**	**369.35**	**331.49**	
6	Railway Traction	143	603	86.23	1.73	2.86	90.82	76.09	14.73
7	Common Pool	304	434	132.00	0.00	6.08	138.08	161.76	-23.68
8	Outside State	53	95	5.06	0.00	0.00	5.06	28.20	-23.14
9	AP	11221	418	4690.38	0.00	224.38	4914.75	5970.59	-1055.84
10	**Total**	**39039**		**19480.39**	**512.34**	**779.57**	**20772.30**	**20772.30**	1608.86 -1608.86

6.3.2 The position of cross subsidy levels in the system for energy sales of FY 2013-14 with revised tariffs (as approved in para 6.2) is indicated in Table 6.3.

6.3.3 Category-wise MMC income has been computed by apportioning the same in the ratio of energy sale to different categories, except AP, Common Pool and Outside State sale. Non-tariff income has been apportioned in the ratio of energy sale to different categories, except Outside State sale, while PLEC has been loaded to the LS category only.

Table 6.3: Aggregate quantum of cross subsidy for Energy Sales of FY 2013-14 at Revised Tariff (Combined average cost of supply = 577.75 paise/unit)

Sr.No	Consumer Category	Energy Sales (MU)	Revised Tariff (paise/unit)	Revenue with Revised Tariff (₹ crore)	PLEC + MMC etc. (₹ crore)	Non-Tariff Income (₹ crore)	Total Revenue (₹ crore) (5+6+7)	Expected Revenue with Average cost (₹ crore)	Cross Subsidy generated (+)/ Utilised(-) (8-9)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1	Domestic								
a)	Upto 100 Units	5563	456	2536.79	75.02	111.24	2723.05	3214.10	-491.05
b)	101-300 Units	3197	602	1924.44	43.11	63.92	2031.47	1846.92	184.55
c)	Above 300 Units	1692	644	1089.73	22.82	33.84	1146.39	977.63	168.76
	Total	**10452**		**5550.96**	**140.95**	**209.00**	**5900.91**	**6038.64**	
2	NRS								
a)	0-100 units	1155	645	744.98	15.58	23.10	783.65	667.30	116.35
b)	Above 100 Units	2063	658	1357.45	27.82	41.25	1426.53	1191.90	234.63
	Total	**3218**		**2102.43**	**43.40**	**64.35**	**2210.10**	**1859.20**	
3	Public Lighting	143	658	94.09	1.93	2.86	98.88	82.62	16.26
4	**Industrial**								
a)	Small Power	972	574	557.93	13.11	19.44	590.47	561.57	28.90
b)	Medium Supply	1953	626	1222.58	26.34	39.05	1287.97	1128.35	159.62
c)	Large Supply	9957	633	6302.78	314.28	199.10	6816.16	5752.66	1063.50
	Total	**12882**		**8083.29**	**353.72**	**257.59**	**8694.60**	**7442.58**	
5	**Bulk Supply**								
a)	HT	584	629	367.34	7.88	11.68	386.89	337.41	49.48
b)	LT	39	657	25.62	0.53	0.78	26.93	22.53	4.40
	Total	**623**		**392.96**	**8.40**	**12.46**	**413.82**	**359.94**	
6	Railway Traction	143	658	94.09	1.93	2.86	98.88	82.62	16.26
7	Common Pool	304	434	132.00	0.00	6.08	138.08	175.64	-37.56
8	Outside State	53	95	5.06	0.00	0.00	5.06	30.62	-25.56
9	AP	11221	425	4768.93	0.00	224.38	4993.30	6482.93	-1489.63
10	**Total**	**39039**		**21223.80**	**550.33**	**779.57**	**22553.70**	**22554.78**	**2042.72** **-2043.80**

The cross subsidy likely to be generated at the revised level of tariff comes to ₹2042.72 crore against which ₹2043.80 crore cross subsidy is required, leaving a deficit of ₹1.08 crore.

6.3.4 Taking into account the quantum of cross subsidy in each consumer category determined for sales of FY 2013-14 as per existing tariffs brought out in Table 6.2 and as per revised tariffs brought out in Table 6.3, the gross quantum of cross subsidy from each category for FY 2013-14 at existing tariff and revised tariff is given in Table 6.4.

Table 6-4: Aggregate quantum of Cross Subsidy

Comparision with Average Cost of supply 532.09 paise/unit (Existing Tariff) and Average cost of Supply 577.75 paise/unit (Revised Tariff)

Sr. No.	Consumer Category	Quantum of Cross Subsidy in absolute terms			
		Existing Tariff		Revised Tariff	
		Energy Sales (MU)	Cross Subsidy (₹ crore)	Energy Sales (MU)	Cross Subsidy (₹ crore)
1	**2**	**3**	**4**	**5**	**6**
1	Domestic				
a)	Upto 100 Units	5563.13	-506.20	5563.13	-491.05
b)	101-300 Units	3196.74	156.66	3196.74	184.55
c)	Above 300 Units	1692.13	137.08	1692.13	168.76
	Total	**10452**		**10452**	
2	NRS				
a)	0-100 units	1155	118.97	1155	116.35
b)	Above 100 Units	2063	212.50	2063	234.63
		3218		**3218**	
3	Public Lighting	143	14.73	143	16.26
4	**Industrial**				
a)	Small Power	972	9.73	972	28.90
b)	Medium Supply	1953	119.15	1953	159.62
c)	Large Supply	9957	787.45	9957	1063.50
	Total	**12882**		**12882**	
5	**Bulk Supply**				
a)	HT	584	34.46	584	49.48
b)	LT	39	3.39	39	4.40
	Total	**623**		**623**	
6	Railway Traction	143	14.73	143	16.26
7	Common Pool	304	-23.68	304	-37.56
8	Outside State	53	-23.14	53	-25.56
9	AP	11221	-1055.84	11221	-1489.63
10	**Total**	**39039**	**1608.86**	**39039**	2042.72
			-1608.86		-2043.80

6.3.5 Further, the cross subsidy levels based on the energy sales determined for FY 2013-14 at existing and revised tariffs, in percentage terms, are brought out in Table 6.5.

Table 6.5: Cross Subsidy Levels

Sr. No.	Consumer Category	Existing Tariff				Revised Tariff			
		Combined Average Cost of Supply 532.09 paise/Unit				Combined Average Cost of Supply 577.75 paise/Unit			
		Energy Sales (MU)	Total Revenue (₹ crore)	Realisation per unit (Paise per unit)	Cross Subsidy Levels (%)	Energy Sales (MU)	Total Revenue (₹ crore)	Realisation per unit (Paise per unit)	Cross Subsidy Levels (%)
1	**2**	**3**			**4**	**5**			**6**
1	Domestic								
a)	Upto 100 Units	5563	2453.89	441.1	-17.10%	5563	2723.05	489.48	-15.27%
b)	101-300 Units	3197	1857.62	581.1	9.21%	3197	2031.47	635.48	10.00%
c)	Above 300 Units	1692	1037.44	613.1	15.22%	1692	1146.39	677.48	17.27%
	Total	**10452**	**5348.95**			**10452**	**5900.91**		
2	NRS								
a)	0-100 units	1155	733.54	635.1	19.36%	1155	783.65	678.48	17.44%
b)	Above 100 Units	2063	1310.21	635.1	19.36%	2063	1426.53	691.48	19.69%
		3218	**2043.75**			**3218**	**2210.18**		
3	Public Lighting	143	90.82	635.1	19.36%	143	98.88	691.48	19.69%
4	**Industrial**								
a)	Small Power	972	526.92	542.1	1.88%	972	590.47	607.48	5.15%
b)	Medium Supply	1953	1158.32	593.1	11.47%	1953	1287.97	659.48	14.15%
c)	Large Supply	9957	6085.48	611.18	14.86%	9957	6816.16	684.56	18.49%
	Total	**12882**	**7770.72**			**12882**	**8694.60**		
5	**Bulk Supply**								
a)	HT	584	345.20	591.1	11.09%	584	386.89	662.48	14.67%
b)	LT	39	24.14	619.1	16.35%	39	26.93	690.48	19.52%
	Total	**623**	**369.35**			**623**	**413.82**		
6	Railway Traction	143	90.82	635.1	19.36%	143	98.88	691.48	19.69%
7	Common Pool	304	138.08			304	138.08		
8	Outside State	53	5.06			53	5.06		
9	AP	11221	4914.75	438	-17.68%	11221	4993.30	445	-22.97%
10	**Total**	**39039**	**20772.30**	**532.09**		**39039**	**22553.70**	**577.72**	

6.4 GoP Subsidies

6.4.1 After determining the ARR and tariff for FY 2013-14, the Commission in its D.O. letter No. 13004/05/D(M&F) dated 26th March, 2013 (Annexure X), solicited the views of GoP regarding its intention to extend subsidy to any consumer or class of consumers under Section 65 of the Act. The said letter indicated the implications if GoP continued its present policy of subsidizing AP consumers, SC DS consumers and Non-SC BPL DS consumers as under:

- **AP Consumption:** In its ARR for FY 2013-14, PSPCL has projected AP consumption of 12029 MUs against which the Commission has determined the same to be 11221 MUs in para 4.1.3 of this Tariff Order. The revenue from AP consumption of 11221 MUs @ 425 paise/unit (which translates into ₹331/ BHP/Month) works out to ₹4768.93 crore.
- **Meter Rentals and Service Charges:** In addition, subsidy of ₹9.20 crore on account of meter rentals and service charges in respect of AP consumers is also payable by the GoP for FY 2013-14. Accordingly, total AP subsidy of ₹4778.13 (4768.93 + 9.20) crore will be payable by GoP in respect of AP consumers for FY 2013-14.
- **Scheduled Caste Domestic Supply (SC DS) consumers:** PSPCL in the ARR of FY 2013-14 has claimed subsidy of ₹710.51 crore inclusive of meter rentals and service charges of ₹18.51 crore. In the ARR of FY 2013-14, PSPCL has stated that it has claimed subsidy taking into account the existing tariff rates. The Commission, therefore, considers it appropriate to allow increase in subsidy claimed by the utility in proportion to the hike in tariff ordered by the Commission in this Tariff Order. Accordingly, the Commission determines subsidy of ₹790.02 crore inclusive of meter rentals and service charges of ₹18.51 crore for FY 2013-14.
- **Non-SC Below Poverty Line (BPL) DS consumers**: PSPCL has claimed subsidy of ₹35.38 crore inclusive of meter rentals and service charges of ₹1.50 crore on this account for FY 2013-14. In the ARR of FY 2013-14, PSPCL has stated that it has claimed subsidy taking into account the existing tariff rates. The Commission, therefore, considers it appropriate to allow increase in subsidy claimed by the utility in proportion to the hike in tariff ordered by the Commission in this Tariff Order. Accordingly, the Commission determines subsidy of ₹39.27 crore inclusive of meter rentals and service charges of ₹1.50 crore for FY 2013-14.

On the above basis, subsidy payable by GoP during FY 2013-14 is detailed in Table 6.6.

Table: 6.6 Subsidy payable by Govt. of Punjab to PSPCL for FY 2013-14

(₹ crore)

Subsidy payable by the GoP	**AP +Meter rentals and service charges**	**SC DS + Meter rentals and service charges**	**Non-SC DS BPL + Meter rentals & service charges**	**Total**
FY 2013-14				
a) Subsidy payable for AP consumption of 11221 MUs @ 425 paise/unit and SC DS and Non-SC BPL DS consumers at the revised tariff.	4768.93 (+) 9.20 4778.13	771.51 (+)18.51 790.02	37.77 (+)1.50 39.27	
Total subsidy payable by GoP for FY 2013-14	4778.13	790.02	39.27	**5607.42**

Thus, total requirement of subsidy for FY 2013-14 works out to ₹5607.42 (4778.13 + 790.02 + 39.27) crore.

The subsidy of ₹5607.42 crore is required to be paid in advance in 12 monthly instalments @ ₹467.28 crore per month from April 2013 to September 2013 and @₹467.29 crore per month from October 2013 to March 2014.

6.4.2 Balance subsidy of previous years:

a) For the year 2012-13 (Review), the Commission determines total subsidy of ₹5471.78 crore inclusive of interest on delayed payment of subsidy of ₹133.58 crore. This amount of interest also includes interest levied on the unpaid amount of subsidy of ₹273.88 crore for FY 2011-12 for the year 2012-13. Against this, GoP has paid an amount of ₹5059.39 crore during the year. Thus, the balance subsidy and interest payable by GoP for the year 2012-13 works out to ₹412.39 crore.

b) For the year 2011-12, an amount of ₹304.66 crore is also outstanding. This is inclusive of interest of ₹30.78 crore worked out @11.24% being the weighted average rate of interest on the loan portfolio of the utility for FY 2012-13.

GoP is advised to make payment of the unpaid subsidy of ₹304.66 crore for FY 2011-12 and ₹412.39 crore for FY 2012-13 immediately.

Further, any change in the Fuel Cost from the level approved by the Commission is to be passed on to the consumers as FCA. Punjab State Electricity Regulatory Commission (Conduct of Business) Regulations, 2005 stipulate the procedure in Appendix-7, according to which any change in fuel cost would be passed on to the consumers on quarterly basis. The subsidy payable by GoP on account of levy of

Fuel Cost Adjustment Surcharge, if any, will be in addition to the amount worked out above.

6.4.3 Change in subsidy for FY 2010-11, FY 2011-12 and FY 2012-13, if any, will be re-determined at the time of true up of FY 2010-11, 2011-12 and FY 2012-13 when Audited Annual Accounts for these years are made available by PSPCL along with next ARR.

6.4.4 GoP in its letter no.11/24/2013-PE2/671 dated 04.04.2013 (Annexure-XI) has conveyed approval for the payment of subsidy during the current year. Keeping this decision of GoP in view, the Commission has incorporated the same in the tariff structure in Table 6.1.

Besides, the Commission has also determined an amount of ₹697.02 crore payable by GoP to PSPCL upto FY 2013-14 as discussed in para 4.13.12 of this Tariff Order.

6.5 Renewable Energy

6.5.1 Background

The Act, under Section 86 (1) (e) mandates the Commission to promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licensee. The National Electricity Policy and Tariff Policy formulated under the Act further provide that the share of electricity from non-conventional sources as specified by State Electricity Regulatory Commissions (SERCs) need to be progressively increased and such procurement by Distribution Licensees for future requirements shall be done, as far as possible, through competitive bidding process under section 63 of the Act.

In order to develop and promote new and renewable sources of energy (NRSE) based technologies, GoP notifies the NRSE Policy from time to time. Presently, NRSE Policy 2012 is in vogue.

6.5.2 Tariff for Purchase of Electricity from Renewable Sources of Energy

The Commission has separately determined the generic levellised tariff for purchase of electricity from the various types of renewable energy power projects to be commissioned during the year 2013-14 in accordance with the Central Electricity Regulatory Commission (Terms & Conditions for Tariff determination from

Renewable Energy Sources) Regulations, 2012 with State specific modifications adopted by the Commission in its Order dated 19.07.2012 in petition no. 35 of 2012 (suo motu). The tariff payable to the existing renewable energy generating stations during FY 2013-14 shall be as per the Terms & Conditions of their respective Power Purchase Agreements (PPAs).

6.5.3 **Renewable Purchase Obligation (RPO)**

The Commission notified the Punjab State Electricity Regulatory Commission (Renewable Purchase Obligation and its compliance) Regulations, 2011 (RPO Regulations) on 3.6.2011, wherein Renewable Purchase Obligation (RPO) for the years 2011-12 to 2014-15, both Non-Solar & Solar, was specified for compliance by the Obligated Entities. As per the Regulations, the RPO can be complied with by the Obligated Entity i.e. PSPCL by purchasing electricity from renewable sources of energy or alternatively Renewable Energy Certificates (RECs) from the Power Exchange(s) or a combination of both. However, in case the Obligated Entity fails to comply with the obligation to purchase the required percentage of electricity from renewable sources of energy or the RECs, it is liable for proceedings under section 142 of the Act.

In order to ensure that the RPO so specified by the Commission in the aforementioned Regulations is realistically achievable, it was finalized after consultative discussion with Punjab Energy Development Agency (PEDA) and PSPCL on the renewable energy capacity likely to be added/installed in the State and committed to PSPCL. While specifying the RPO, the Commission was mindful of the fact that the State of Punjab is not sufficiently endowed with various renewable energy resources except biomass, which is not fully available for power generation as the same is also used by other Industrial/Commercial establishments such as brick-kilns, paper/pulp industry, textile mills etc. Accordingly, the RPO was specified by the Commission at an achievable level.

6.5.4 **RPO for FY 2013-14**

The RPO specified by the Commission for FY 2013-14 is 3.37% (Non-Solar) and 0.13% (Solar) i.e.3.5% (overall). Pursuant to review meeting held on 20.03.2013, PEDA in consultation with PSPCL has furnished Source/Project wise details in respect of capacity (MW) & generation (MU) for the renewable energy power projects vide memo. no. 8714 dated 02.04.2013. As per the said information, the renewable energy capacity available to PSPCL as on 31.03.2013, in addition to short term purchases from such sources, and projected to be added during FY 2013-14 for meeting the RPO is as under:

Table 6.7: Existing Renewable Energy Capacity and Projections for FY 2013-14

	Biomass (MW)	Non-fossil fuel Co-generation (MW)	Small Hydro (MW)	Solar (MW)	Waste to Energy (MW)	Total (MW)
1	**2**	**3**	**4**	**5**	**6**	**7**
Upto 31.3.2013	56.50	147.45	130.70	10.75	1	**346.40**
Projections for FY 2013-14	54	8	31.05	40	0	**133.05**

The Commission also notes that the generation/purchase from renewable energy power projects and RPO during FY 2013-14 has been projected to be 1254.89 MU [1194.99 MU (Non-Solar) and 59.90 MU (Solar)] and 1590.40 MU [1531.33 MU (Non-Solar) and 59.07 MU (Solar)] respectively. During the meeting, PSPCL was advised to meet the shortfall by arranging additional power from renewable energy projects so as to comply with the RPO for FY 2013-14.

The Commission, therefore, directs PSPCL to comply with the RPO specified in the RPO Regulations for FY 2013-14.

6.5.5 **Pooled Cost of Purchase of Electricity of PSPCL**

The Central Electricity Regulatory Commission (Terms and Conditions for recognition and issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations, 2010 provide for determination of 'Pooled Cost of Purchase' of electricity, for the purpose of eligibility for a generating company engaged in generation of electricity from renewable sources of energy to apply for registration for issuance of and dealing in renewable energy certificates. The ibid CERC Regulations, under Regulation-5 for 'Eligibility and Registration for Certificates', define the 'Pooled Cost of Purchase' as hereunder:

'Pooled Cost of Purchase' means the weighted average pooled price at which the distribution licensee has purchased the electricity including cost of self generation, if any, in the previous year from all the energy suppliers long-term and short-term, but excluding those based on renewable energy sources, as the case may be.'

As per the ibid CERC Regulations, a generating company engaged in generation of electricity from renewable sources of energy, on fulfilling the conditions specified there-under, one of them being to sell the electricity generated to the distribution licensee (PSPCL) of the area in which it is located, at a price not exceeding the pooled cost of purchase of the distribution licensee, shall be eligible to apply for registration for issuance of and dealing in Renewable Energy Certificates.

Accordingly, the Commission has determined the 'Pooled Cost of Purchase' as ₹3.59 per kWh. This 'Pooled Cost of Purchase', based on the data for FY 2012-13, will be applicable during FY 2013-14.

6.6 Separate Tariff for each Function

6.6.1 In compliance to the directions of the Hon'ble Appellate Tribunal for Electricity, the Commission, in its previous Tariff Orders has been determining separate tariffs for generation, transmission and distribution by segregating the ARR of the erstwhile Board. Now, the transmission function has already been segregated and entrusted upon PSTCL, one of the successor entities of the erstwhile Board, for which separate Tariff Order for FY 2013-14 has been issued by the Commission. In this Order, the Commission is determining separate tariffs for generation and distribution functions which have been entrusted to PSPCL, the other successor entity of the erstwhile Board. The segregation of the ARR for FY 2013-14 of PSPCL into generation and distribution functions has been carried out based on the information furnished by PSPCL in its letter dated 30.03.2011 and the audited accounts of FY 2009-10 of the erstwhile Board, since the audited accounts for FY 2010-11 and FY 2011-12 are not provided by PSPCL.

6.6.2 The allocation under each head (generation and distribution) is detailed at Annexure-VI and RoE is bifurcated proportionately on the value of fixed assets of each function. In addition, the consolidated gap & carrying cost of gaps upto FY 2012-13, impact on account of rebate to consumers and impact of Commission's Orders dated 07.01.2013 & 28.03.2013, has been computed in proportion to the revenue requirement (in Table 6.8) of each function.

6.6.3 The segregated ARR on the above basis is given in Table 6.8. The generation function has also been further divided into thermal and hydel taking into account the fact that the Regulations for determining the tariff for these are different.

Table 6.8: Segregation of ARR for FY 2013-14

(₹ crore)

Sr.No	Item of expense	Generation			Distribution	Total
		Hydel	Thermal	Total		
1	2	3	4	5	6	7
1	Cost of fuel	0.00	4440.20	4440.20	0.00	4440.20
2	Cost of Power purchase	0.00	0.00	0.00	7818.98	7818.98
3	Employee cost	196.35	549.55	745.90	3051.95	3797.85
4	R&M expenses	142.24	279.83	422.07	173.38	595.39
5	A&G expenses	8.10	10.54	18.64	118.25	136.89
6	Depreciation	160.28	262.91	423.19	390.01	813.20
7	Interest charges	728.96	428.01	1156.97	610.21	1767.18
8	Return on Equity	310.12	294.66	604.78	337.93	942.62
9	Royality charges payable to GoP on power from RSD	10.50	0.00	10.50	0.00	10.50
10	Transmission charges payable to PSTCL	0.00	0.00	0.00	1269.64	1269.64
11	**Total revenue requirement**	**1556.55**	**6265.70**	**7822.25**	**13770.35**	**21592.45**
12	Add: Consolidated Gap upto FY 2012-13	72.84	293.22	366.07	644.42	1010.49
13	Add: Carrying Cost of Revenue Gaps	0.00	0.00	0.00	0.00	0.00
14	Add: impact on account of rebate to consumers	0.00	0.00	0.00	103.63	103.63
15	Add: Impact of Commissions order dated 07.01.2013 & 28.03.2013 (Recovery)	-10.94	-44.04	-54.98	-96.79	-151.77
16	**Combined impact of items at S. No. 12 to 15 above (12+13+14+15)**	61.90	249.18	311.08	651.27	962.35
17	**Gross revenue requirement (11+16)**	**1618.45**	**6514.88**	**8133.33**	**14421.62**	**22554.95**

6.7 Generation Tariff

6.7.1 PSERC Tariff Regulations specify that the generation tariff will have the same components as laid down in the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations 2004 as amended from time to time. CERC by its notification dated 19th January, 2009 issued the Tariff Regulations for generation and transmission projects for the period 2009-14 by repealing earlier Tariff Regulations, 2004.

6.7.2 As per CERC Regulations, generation tariff comprises of:

(i) Annual Fixed Charges (AFC) which include interest, depreciation, return on equity, O&M expenses, interest on working capital and cost of secondary fuel and;

(ii) Energy (variable) charges for recovery of primary fuel cost.

These charges are recoverable on the basis of norms for thermal plants and hydel plants and are specific for each power plant.

6.7.3 In the case of thermal plants, full AFC is payable on achievement of normative plant availability of 85%, whereas in the case of hydel stations, full AFC is payable on achievement of plant availability of 90%.

6.7.4 The Commission has assessed the plant wise AFC for FY 2013-14 on the basis of data provided by PSPCL, except cost of fuel (for which actuals as computed in Table 4.17 are taken) as reproduced at Annexure-VII whereas proportion of generation cost under each head is given in Annexure-VIII. Accordingly, the total revenue requirement for each plant is computed and indicated in Annexure-IX. The plant wise AFC approved for FY 2013-14 is given in Table 6.9.

Table 6.9 - Annual Fixed Charges - Generation for FY 2013-14

S.No	Plant	Annual Capacity Charges (₹ crore)	Net Generation (MU)	Fixed Charges (Paise/unit)
1	2	3	4	5
A	**Thermal Plants**	**2165.17**		
1	GNDTP	379.50	2739	138.56
2	GGSSTP	742.52	9026	82.26
3	GHTP	1043.14	7067	147.61
B	**Hydel Plants**	**1618.57**		
1	Shanan	29.85	538	55.48
2	UBDC	62.80	343	183.10
3	RSD	1091.78	1489	733.23
4	Mukerian	122.23	1195	102.29
5	Anandpur Sahib	68.35	703	97.23
6	Micro Hydel	3.05	9	339.17
7	Bhakhra Left Bank Bhakhra Right Bank	87.37		*
8	Beas & extn.	153.13		*

** AFC for hydel plants at Sr.No (B) 7 & 8 are determined by BBMB.*

Accordingly, the total AFC recoverable in the case of thermal and hydel plants are:

i) Thermal - ₹2165.17 crore

ii) Hydel - ₹1618.57 crore

6.7.5 The AFC for both thermal and hydel plants will be payable on achievement of target availability as discussed in para 6.7.3.

6.7.6 **Variable (energy) charges for Thermal Plants**

The variable (energy) charges for a thermal plant are the primary fuel cost to be paid to the generators and are computed as cost per unit of ex-bus energy (energy sent out). As per approved ARR for FY 2013-14, the total fuel cost, excluding the cost of secondary fuel oil, for all the three thermal plants is ₹4349.69 crore. These costs have been worked out plant wise and the variable charges per unit of energy for each plant are given in Table 6.10.

Table 6.10: Variable (Energy) Charges for FY 2013-14

Sr. No.	Particulars	GNDTP	GGSSTP	GHTP
1	**2**	**3**	**4**	**5**
1	Primary Fuel (Coal) cost (₹ crore)*	703.42	2005.14	1641.13
2	Net Generation (MU)	2739	9026	7067
3	Variable charge per unit energy generated (paise/kWh)	256.82	222.15	232.22

** The plant wise fuel cost has been taken as approved by the Commission in para 4.7.3 of Chapter 4.*

6.8 Total charges for Generating Plants

The total charges (fixed and variable) for generating plants as determined by the Commission are given in Table 6.11.

Table 6.11: Total energy charges for FY 2013-14

Sr. No.	Plant	Fixed Charges (Paise/unit)	Variable Charges (Paise/unit)	Total Charges (Paise/unit)
1	**2**	**3**	**4**	**5 = (3+4)**
A	**Thermal Plants**			
1	GNDTP	138.56	256.82	395.38
2	GGSSTP	82.26	222.15	304.41
3	GHTP	147.61	232.22	379.83
B	**Hydel Plants**			
1	Shanan	55.48	-	55.48
2	UBDC	183.10	-	183.10
3	RSD	733.23	-	733.23
4	Mukerian	102.29	-	102.29
5	Anandpur Sahib	97.23	-	97.23
6	Micro Hydel	339.17	-	339.17

6.9 Distribution / Wheeling Charges

The gross revenue requirement for distribution for FY 2013-14 as per Table 6.8 is ₹5333.00 crore (excluding the power purchase cost and transmission charges). As per Tariff Regulations of the Commission, the distribution capacity for working out the wheeling charges shall be the sum of power imported at each interface point of exchange of power at electrical boundary of distribution licensee and generation from captive plants and cogeneration plants (to the extent fed into the distribution system) and plants injecting electricity generation from renewable sources of energy located in the area of such licensee. PSPCL intimated the total distribution capacity for working out the wheeling charges for FY 2013-14 as 13405.35 MW. The Commission has, however, worked out the total distribution capacity of PSPCL for FY 2013-14 as 11585.54 MW (net of transformation losses and auxiliary consumption).

Accordingly, the Commission determines wheeling charges as ₹383596/ MW/Month.

6.10 Open Access Charges

6.10.1 As per the Open Access Regulations notified by the Commission, the wheeling charges for FY 2013-14 are ₹383596/MW/Month.

6.10.2 The energy requirement at the distribution periphery as per Table 4.5 of this Tariff Order for FY 2013-14 is 44800 MU. On this basis, the wheeling charges for use of the distribution network are determined as 119 paise per unit.

As per clause 25(5) of PSERC (Open Access) Regulations, 2011 (amended on 4th May, 2012), short- term Open Access customers availing supply at 220 kV, 132 kV, 66 kV, 33 kV or 11 kV, in addition to transmission charges determined separately in Tariff Order for PSTCL for FY 2013-14, shall also be liable to pay wheeling charges (i.e. of 119 paise / unit) determined by the Commission as per Tariff Order applicable for the year.

Transmission and Wheeling charges for wheeling of NRSE power for consumption within the State shall be levied @ 2% of the energy injected into the State Grid, irrespective of distance. In case of wheeling of NRSE Power outside the State, full transmission and wheeling charges shall be leviable.

For Long-term and Medium-term OA customers availing supply at 220 kV, 132 kV, 66 kV, 33 kV or 11 kV these charges shall be ₹383596/MW/Month of the contracted capacity.

6.10.3 As per clause 30(2) of PSERC (Open Access) Regulations, 2011, the Open Access customers shall bear Transmission & Distribution losses as under:

(i)	OA customers at 132/220 kV	2.5%
(ii)	OA customers at 66/33 kV	15% of distribution losses (15.08%), which works out to 2.26%, in addition to Transmission Loss of 2.5%.

(iii)	OA customers at 11 kV	40% of distribution losses (15.08%), which works out to 6.03%, in addition to Transmission Loss of 2.5%.

6.10.5 As per clause 26(2) of PSERC (Open Access) Regulations, 2011, the cross subsidy surcharge (paise / unit) for various categories of consumers, for FY 2013-14, shall be as under:

Large supply	-	107
Domestic supply	-	100
Non-Residential supply	-	114
Bulk supply	-	85
Railway traction	-	114

6.10.6 In addition, other charges such as additional surcharge, operation charges, UI charges, reactive energy charges, shall be levied as per the Open Access Regulations / Tariff Regulations notified by the Commission.

6.11 Payment Security Mechanism for Transmission Charges of PSTCL

PSTCL, in para 18.1.1 of its ARR for FY 2013-14, has requested the Commission to continue the payment Security Mechanism as approved in the last Tariff Order. The Commission has detailed the payment Security Mechanism for payment of Transmission Charges by PSPCL to PSTCL in para 6.13 of the Tariff Order for PSPCL for FY 2012-13.

Accordingly, the Commission reiterates its direction to PSPCL to make back to back arrangements with PSTCL for payment of Inter-State Transmission Charges to PSTCL as per approved procedure of CERC.

The Commission, further, reiterates its direction to PSPCL to provide an irrevocable and revolving LC for Inter-State Transmission Charges to facilitate timely payment of such charges to PSTCL.

6.12 Date of Effect

The Commission notes that the ARR of PSPCL for FY 2013-14 covers the complete financial year. The recovery of tariff, therefore, has to be such that the total revenue requirement of PSPCL for FY 2013-14 is recovered in this period.

The Commission, therefore, decides to make the revised tariffs applicable from April 01, 2013 and the tariff structure determined above shall remain operative till March 31, 2014.

This Order is signed and issued by the Punjab State Electricity Regulatory Commission on this day, the 10th day of April, 2013.

Date: April 10, 2013

Place: CHANDIGARH

Sd/-	Sd/-	Sd/-
(GURINDER JIT SINGH) MEMBER	(VIRINDER SINGH) MEMBER	(ROMILA DUBEY) CHAIRPERSON

Certified

Sd/-

Secretary

Punjab State Electricity Regulatory Commission, Chandigarh.

ANNEXURE-I

List of Objectors

Objection No.	Name & address of the Objector
1	Shri Joginder Kumar, President, The Ludhiana Electroplaters Association, E-312, Focal Point, Ludhiana-141010
2	Shri Jaswant Singh Birdi, President, Cycle Trade Union (Regd.), Kharbanda Complex, Gill Road, Miller Ganj, Ludhiana-141003
3	General Secretary, The Wholesale Cycle Dealers Association (Regd.), Regd. Office: Gill Road, Miller Ganj, Ludhiana-141003
4	Shri Amar Singh, Authorized Representative, All India Steel Rerollers Association, Regional Office (North), Bhadia Road, Near Bhodey Kanda, Mandi Gobindgarh.
5	Shri Amar Singh, Authorized Representative, Mandi Gobindgarh Induction Furnace Association, C/o M/s Gain Castings Ltd., New Grain Market, Mandi Gobindgarh
6	Shri R.K.Saxena, Chief Electrical Distribution Engineer, Northern Railway, Headquarters Office, Baroda House, New Delhi.
7	Shri Harinder Puri, Secretary, Steel Furnace Association of India (Punjab Chapter), C/o Upper India Steel Mfg. & Engg. Co. Ltd., Dhandari Industrial Focal Point, Ludhiana-141010
8	Shri Dalip Sharma, Regional Director, PHD Chamber of Commerce and Industry, PHD House, Sector 31A, Chandigarh-160031.
9	Er H.S.Khurmi, Dy.C.E. (Retd.), Partner Power Engineer Associates, Office: 19707, St. No. 10-A, Ajit Road, Bathinda-151001
10	Director, Hansco Iron & Steels Pvt. Ltd., Regd.office: Jalalpur Chowk, Amloh Road, Mandi Gobindgarh-147301
11	Shri Rakesh Kumar Aggarwal, Executive Director, JITF Urban Infrastructure Ltd., Jindal ITF Centre, 28, Shivaji Marg, New Delhi-110015
12	Sh.Surinder Nath Karnail, Siel Chemical Complex, Regd.office: 5th Floor, Kirti Mahal 19, Rajendra Place, New Delhi-110125
13	Shri Harinder Puri, Secretary, Steel Furnace Association of India (Punjab Chapter) C/o Upper India Steel Mfg. & Engg. Co. Ltd., Dhandari Industrial Focal Point, Ludhiana-141010
14	Shri Ritesh Kumar Singh, Sr.Executive, Indus Towers Ltd., 3rd Floor, DLF IT Park, Chandigarh-160101
15	Shri Avtar Singh, General Secretary, Chamber of Industrial & Commercial Undertakings, E-648-A, Phase-V, Focal Point, Ludhiana-141010
16	Shri Inderjit Singh Navyug, Sr.Vice President, United Cycle & Parts Manufacturers Association, Regd.office: Near Campa Cola Chowk, Gill Road, Ludhiana-141003.
17	Shri Mehar Singh Theri, Acting President, Shri Kuldip Singh Grewal Advisor, Bharti Kissan Union Ekta (Sidhupur), Punjab
18	Shri Angad Singh, Col (Retd), Gen Secretary, Consumer Protection and Awareness Council (Regd.), K.No.831, Phase 3B-1 (Sector 60), S.A.S.Nagar, Mohali
19	Er. Sanjeev Sood, General Secretary, PSEB Engineers' Association, 45, Ranjit Bagh, Near Modi Mandir, Passey Road, Patiala.
20	Shri Pardeep Kumar Aggarwal, President Engineering, C/o M/s SEL Manufacturing Company Limited, 274, Dhandari Khurd, G.T.Road, Ludhiana.
21	Shri R.L. Mahajan, President, Technocrats Forum, 197-G, B.R.S. Nagar, Ludhiana – 141001

22	Shri Vinod Thapar, Chairman, Knitwear Club (Regd.), IInd Floor, Sutlej Tower, Atam Marg (Cemetery Road), Civil Lines, Ludhiana-141001
23	Sh. Arvind Rai Sr. Vice President, Northern India Chamber of Commerce & Industry, H.O.: 20-8, Textile Colony, Ludhiana – 141003
24	Shri Badish Jindal, National President, Federation of Associations of Small Industries of India (FASII), Punjab Trade Centre Complex, Miller Ganj, Ludhiana.
25	Shri K.K. Garg President, Induction Furnace Association of North India (Regd.) Room No. 212, 2nd Floor, Savitri Complex, G. T. Road, Ludhiana-141003
26	Shri K.K. Garg President, Induction Furnace Association of North India (Regd.) Room No. 212, 2nd Floor, Savitri Complex, G. T. Road, Ludhiana-141003
27	Shri Sandeep Jain, Partener, Ludhiana Steel Rolling Mills, G.T. Road, Dhandari Kalan Opp. Dhandari Rly. Station, Ludhiana -141 010
28	Gurmeet Singh Kular, Presedent, United Cycle & Parts Manufacturers Association, Regd. Office: Near Campa Cola Chowk, Gill Road, Ludhiana – 141003
29	Sh. Jaswant Singh Birdi, President, Cycle Trade Union (Regd.), Kharbanda Complex, Gill Road, Miller Ganj, Ludhiana-141003.
30	Shri Vijay Talwar, State Vice President, Laghu Udyog Bharti (Punjab Chapter) 1051, Dada Colony,Industrial Area, Jalandhar – 144004.
31	Shri Harinder Puri, Secretary, Steel Furnace Association of India (Punjab Chapter) C/o Upper India Steel Mfg. & Engg. Co. Ltd., Dhandari Industrial Focal Point, Ludhiana-141010
32	Shri Joginder Kumar, President, The Ludhiana Electroplaters Association, E-312, Focal Point Ludhiana-141010
33	Sh. Amar Singh Authorized Representative, All India Steel Rerollers Association, Regional Office (North) Bhadia Road, Near Bhodey Kanda, Mandi Gobindgarh-147301
34	Sh. Amar Singh Authorized Representative, Mandi Gobindgarh Induction Furnace Association C/o M/s Gian Casting Ltd.,New Grain Market, Mandi Gobindgarh
35	Er. H.N. Singhal, President (Corp. HR & Admn.) Nahar Industrial Enterprises Ltd., Focal Point, Ludhiana-141010
36	Sh. Dalip Sharma Regional Director, PHD Chamber of Commerce and Industry, PHD House, Sector 31-A, Chandigarh-160031
37	Shri Indrajit Singh Navyug, Sr. Vice President, united Cycle & Parts Manufacturer's Association, Near Campa Cola Chowk, Gill Road, Ludhiana-141003.
38	Shri Bhagwan Bansal, President, Punjab Cotton Factories & Ginner's Association, Shop No.109, New Grain Market, Muktsar-152026 (Pb.)
39	Sh. Pishora Singh, President, Bharti Kisan Union Ekta (Sidhupur), Near Bus Stand, Gharuan, Distt. Mohali, Punjab-140413
40	Siel Chemical Complex, Regd. Office: 5th Floor, Kirti Mahal 19, Rajendra Place, New Delhi-110125
41	Hansco Iron & Steel Pvt. Ltd., Regd. Office: Jalalpur Chowk, Amloh Road, Mandi Gobindgarh-147301
42	Shri Rajesh K. Mediratta, Director (Business Development), Indian Energy Exchange Ltd., 1St Floor, Malkani Chamber, Nehru Road, Vile Parle (E), Mumbai-400099

43	Sh. R. L. Mahajan, Er.in.Chief/Retd., President, Technocrats Forum, 197-G, BRS Nagar, Ludhiana-141001,
44	Shri Vijay Talwar, State Vice President cum Co-Chairman**,** National Power Committee, Laghu Udyog Bharti, (Punjab Chapter), 1051, Dada Colony, Industrial Area, Jalandhar – 144004.
45	Power Engineers Associates, Office: 19707, St. No. 10-A, Ajit Road, Bathinda-151001.
46	Government of Punjab (Department of Power)

Annexure-II

Summary of issues raised by Objectors, response of PSPCL and views of the Commission

Objection No. 1: Ludhiana Electroplaters Association

Issue No. 1: Provisional Balance Sheet of Accounts

PSPCL's opening balance sheet is provisional & PSPCL is yet to finalize its provisional accounts for the FY 2010-11 & FY 2011-12.

Reply of PSPCL

PSPCL is formed pursuant to the implementation of Punjab Power Sector Reforms Transfer Scheme by the Government of Punjab. The said transfer scheme was provisional and has been finalised only on 24.12.2012 vide notification issued by Government of Punjab. As a consequence, opening balance sheet of PSPCL is also provisional to that extent. PSPCL shall now finalise the accounts for the FY 2010-11 & FY 2011-12 after giving effect to the final transfer scheme as has been notified by the Government of Punjab.

View of the Commission

The Commission agrees with the reply of PSPCL.

Issue No. 2: Projected Revenue Gap

No specific proposal to bridge the projected gap of ₹1205.39 crore. Moreover, the PSPCL has requested for appropriate Tariff increase/changes to meet the revenue gap proposed in the ARR & Tariff Petition for the year 2013-14 & demanded for an increase of 58.59% in the tariff rates.

Reply of PSPCL

Total gap as per the ARR & Tariff Petition for the year 2013-14 is ₹12053.39 crore instead of ₹1205.39 crore as submitted by the objector. It is further submitted that the past experience has shown that the revenue gap is finally determined by the Hon'ble Commission by applying its own yardsticks/norms and it gets changed from what is projected by the PSPCL in the ARR & Tariff Petition. As all the norms/yardsticks to be applied by the Hon'ble Commission for determining ARR for the FY 2013-14 are not known to the PSPCL; the Hon'ble Commission may determine the gap and fix the tariff according to the details furnished by PSPCL in the ARR & Tariff Petition already filed.

View of the Commission

The Commission processes the ARR as per its notified Regulations and accordingly revises the tariff for various categories of consumers to recover the revenue gap determined on prudent check of the expenses.

Issue No. 3: Hypothesis

PSPCL is depending on hypothesis, which is uncalled for/undesirable against the ethics.

Reply of PSPCL

All assumptions and projections are based on standard accounting practices and taking into consideration past trends and other factors affecting various determinants of Annual Revenue Requirement. Further estimations & projections are in accordance with principles for determination of tariff as laid down in various clauses of the Punjab State Electricity Regulatory Commission (Terms & Condition for Determination of Tariff) Regulations, 2005 as amended from time to time.

View of the Commission

The Commission agrees with the reply of the PSPCL.

Issue No. 4: High Claims of the PSPCL

The proposed 58.59% increase in tariff has been opposed in view of the PSPCL claims regarding reduction in T&D loss, curtailment of expenditure, decrease in financial loss and curbing misuse of free power. The objector has further stated that PSPCL can't be in profit irrespective of tariff level and also asked for actual Balance sheets.

Reply of PSPCL

All the parameters/targets of T&D losses, expenses & profit/return of the corporation are determined in accordance with the PSERC Regulations for determination of tariff and as approved by the Hon'ble Commission. Provisional financial statements for the FY 2010-11 & Provisional Balance Sheet and Profit & Loss Account for FY 2011-12 have already been submitted along with the ARR & tariff petition. Actual/final financial statements have not yet been prepared because of the reasons explained in reply to issue-1 above.

View of the Commission

The Commission processes the ARR as per its notified Regulations and accordingly revises the tariff for various categories of consumers to recover the revenue gap determined on prudent check of the expenses. The Commission agrees with the reply of PSPCL regarding actual Balance sheets.

Issue No. 5: No increase in Tariff and MMC.

The power tariff and monthly minimum charges should not be increased at all. The increase, if any should not be with retrospective effect, but it should be on prospective effect.

Reply of PSPCL

The Annual Revenue Requirement and Gap has been calculated in accordance with the Punjab State Electricity Regulatory Commission (Terms & Condition for Determination of Tariff) Regulations, 2005 as amended from time to time.

View of the Commission

Increase/decrease in tariff will depend upon determination of the ARR in accordance with the PSERC Tariff Regulations.

Objection No. 2: Cycle Trade Union

Issue No. 1: Wrong & Excessive Demand figures

The figures submitted in the ARR & Tariff Petition for the year 2013-14 are false, wrong, unrealistic, uncertified & excessive.

Reply of PSPCL

The basis of projection of various figures & determinants of Annual Revenue Requirement is provided in the ARR & tariff petition for the FY 2013-14. The Annual Revenue Requirement and Gap has been calculated in accordance with the PSERC (Terms & Condition for Determination of Tariff) Regulations, 2005 as amended from time to time.

View of the Commission

Gap will be determined by the Commission in accordance with Tariff Regulations after allowing all the justified costs.

Issue No. 2: Improper Public Notice

The public notice does not indicate the proposed tariff for the FY 2013-14.

Reply of PSPCL

PSPCL has not proposed any tariff to recover the revenue gap in the ARR & Tariff Petition as past experience has shown that the revenue gap is finally determined by the Hon'ble Commission by applying its own yardsticks/norms and it gets changed from what is projected by the PSPCL in the ARR & Tariff Petition. As all the norms/yardsticks to be applied by the Hon'ble Commission for determining ARR for the FY 2013-14 are not known to the PSPCL; the Hon'ble Commission may determine the gap and fix the tariff according to the details furnished by PSPCL in the ARR & Tariff Petition already filed.

View of the Commission

The Commission processes the ARR as per its notified Regulations and accordingly revises the tariff for various categories of consumers to recover the gap determined on prudent check of the expenses.

Issue No. 3: Un-audited Balance Sheet

Non submission of audited Balance Sheet is a default under Companies Act, 1956. There should be no increase in tariff or MMC.

Reply of PSPCL

The statutory requirements of the Companies Act, 1956 has been complied with and there is no default on the part of PSPCL. The non submission of audited Balance Sheet with the Registrar of Companies (RoC) as required by the Companies Act, 1956 is to be considered in view of the fact that the accounts of PSPCL for the FY 2010-11 & FY 2011-12 are provisional as the Corporation is formed pursuant to the implementation of Punjab Power Sector Reforms Transfer Scheme by the Government of Punjab. The said transfer scheme was provisional and has been finalised only on 24.12.2012 vide notification issued by Government of Punjab. As a consequence, opening balance sheet of PSPCL is also provisional to that extent. PSPCL shall now finalise the accounts for the FY

2010-11 & FY 2011-12 after giving effect to the final transfer scheme as has been notified by the Government of Punjab.

View of the Commission

The Commission agrees with the reply of PSPCL.

Objection No. 3: Wholesale Cycle Dealers Association (Regd.)

Issue: No increase in Tariff

Increase in tariff has been objected as increase in electricity rates will create problems for industrialists and assemblers. Trade is already facing recession and industry of Punjab has gone outside the State. With the increase in tariff of electricity, industry will ruin.

Reply of PSPCL

Keeping in view the inflationary trend due to increase in rates of various items such as coal, freight, salary of employees, material cost, purchase of power cost etc. and as per Punjab State Electricity Regulatory Commission (Terms & Condition for Determination of Tariff) Regulations, 2005 as amended from time to time, PSPCL has filed ARR and Tariff Petition on the basis of which Hon'ble PSERC has to determine the Tariff for the year 2013-14. Further PSPCL understands its responsibility of providing electricity to the consumers at reasonable rates and at the same time, PSPCL is also required to recover the cost of providing power from the consumers through Tariff.

View of the Commission

The Commission processes the ARR as per its notified Regulations and accordingly revises the tariff for various categories of consumers to recover the gap determined on prudent check of the expenses.

Objection No. 4: All India Steel Re-Rollers Association, Mandi Gobindgarh

&

Objection No. 5: Mandi Gobindgarh Induction Furnace Association.

Issue No. 1: Cost of Supply

i. Stakeholders not associated in the study while establishing methodology for cost of supply and cross subsidy.
ii. The parameters selected to find out cost of supply are based on figures which are difficult to understand.
iii. Methodology-I is acceptable although determining cost of supply on the basis of load curve, class of load etc. is too complex.
iv. In the Methodology-II, allocation of cost has been changed to connected load and demand factor which is not indicating accurate consumption. Moreover demand factor is irrelevant in shortage scenario. Hence the Methodology-II has distorted the level of satisfaction from Methodology-I.
v. For every commercial organization, it is the “BREAK EVEN POINT OF SALE” for different category of service which is of paramount importance. The establishment of ”BREAK EVEN POINT” through costing of supply to EHT, HT and LT categories on the pattern of sale shall be more realistic and satisfying.
vi. Due to power shortages, PSPCL is charging PLEC. This charge requires review on introduction of the cost of supply on voltage-wise tariff as the full expenditure of the PSPCL stood recovered.
vii. Methodology-I is acceptable and study may be taken up to introduce the billing system by giving information of generation, transmission and distribution costs by the utility.

Reply of PSPCL

i) For working out cost of supply, PSPCL gave contract to an established firm (M/s TERI) who had wide experience and conducted similar studies for a number of Electricity Undertakings in India. M/s TERI had submitted the report of the study for cost of supply after collecting/ analyzing the data collected from various sections of PSPCL. The study relates to voltage-wise, category-wise cost of supply only indicating the prevailing cross subsidization with respect to the existing tariff. M/s TERI has not given its recommendations relating to requirement of cross subsidization. The comments/objections of various stakeholders/consumers had been invited for obtaining their views/participation for the finalization of the said report. Thus, the views expressed by the objector are not in order.
ii) For working out cost of supply, M/s TERI an established consultant has analyzed all the expenditure figures relating to Generation, Transmission & Distribution from the Audited

Accounts of the Corporation. Thus, there should be no objection to the financial data adopted by the consultant for working out cost of supply. The views of the objector are of general nature only.

iii) The objector on one hand, while commenting upon chart of Methodology-I says that estimation of coincident peak load factor are affecting cost of supply and it is too complex to determine. On the other hand it is accepting Methodology-I for working out cost of supply. M/s TERI itself has accepted that peak demand as worked out for Methodology-I is not natural but controlled by adopting power regulation measures. Accordingly, the objection of the objector is not in order.

iv) Adoption of coincident peak demand for determining the demand related costs to various categories of consumers was not correct. The PSPCL intends to adopt Methodology-II of the report due to the following reasons:-

   i) From the load data it was observed that the unrestricted demand of the PSPCL was greater than the supply availability for most of the time during the year resulting in high level of load shedding. The peak demand of various categories is not natural but controlled by various power regulation measures. Application of Coincidence Peak (CP) and computation of demand related costs on that basis, as adopted in Methodology-I, would therefore, not represent the true picture of loading of the various categories.

   ii) While adopting Methodology-I, the cost of supply, for industry, at 11 kV is less than the cost of supply at 66 kV and 33 kV, which is not logically correct. Similar pattern is there for Bulk Supply and Traction categories.

   At the time, coincident peak is determined; the maximum demand of various categories of consumers at that point of time does not give correct maximum demand of that category. For this reason, the system as per Methodology-II was considered more appropriate. The views of the objector advocating Methodology-I are perhaps based only on the end of results of cost of supply, hence these cannot be accepted.

v. The objector suggests adopting only the sale of energy (consumption) to EHT, HT & LT consumers for dividing costs relating to demand related cost, energy related cost and consumer related cost.

   In fact, energy related cost has already been distributed as per consumption of different category of consumers. The demand related cost has been distributed as per demand share of various categories of consumers put on the system and is in order. The customer related cost had earlier been distributed as per no. of consumers of various categories. But after finding this distribution of cost system too much discriminating, the cost was merged in the energy related cost for its proper distribution, based on consumption of different categories. Thus, the method adopted in Methodology-II goes nearly as per views expressed by the objector.

vi. When shortage of power is there, to meet with the system peak demand, the costly power is purchased to supply the consumers to run industry during the peak load hours also. Levy of PLEC is justified and cannot be withdrawn with adoption of Cost of Supply as purchase of power during peak load hours is much costly compared to purchase of power on long term basis to meet with shortage of power.

View of the Commission

The Commission agrees with the reply of PSPCL.

Issue No. 2: Minimum Monthly Charges

i. As all charges stand recovered in cost of supply under Methodology-I so MMC have no commercial grounds to impose.

ii. MMC is charged to recover the cost of maintenance and up keep of the infrastructure created by the PSPCL for release of the connection and is loaded on the Tariff. There is no separate account rendered by PSPCL in the Tariff application. Hence creating the additional revenue through MMC is not justified.

iii. As the consumer has also created the infrastructure to use the power and is constrained to use due to power cuts and in addition made to pay MMC. Thus either MMC may not be charged or the Industrial Consumers be suitably compensated for the scheduled power cuts.

iv. The justification for variation of MMC for various categories of consumers has not been given in the ARR.

v. As the scenario of power cut is likely to persist causing loss to industrial consumers so MMC is required to be withdrawn.

Reply of PSPCL

i. The cost relate to the fixed charges incurred for the infrastructure in respect of Generation, Transmission & Distribution which are fixed in nature & are recoverable from the consumer whether the consumer use or not use the electricity. Therefore, there is very strong ground to recover these charges because the electrical system provided to the consumer for supplying electricity has a fixed cost. Thus these charges are recoverable as mentioned in ARR.

ii. The MMC is not additional revenue recoverable from the consumer rather it is the fixed charges recoverable from the consumer for which the infrastructure in respect of electrical system is provided.

iii. The consumer is free to create or shrink his infrastructure to use power according to his load requirement. If any additional infrastructure is not required by the consumer the same can be reduced by way of reduction of its load. Whereas the PSPCL has to install its infrastructure for Generation, Transmission & Distribution according to the demand on the system which cannot be reduced as the growth in demand on power system is enhancing every year as mentioned in ARR.

iv. The MMC charges varying from ₹41 per kVA to domestic consumer to ₹429 per kVA mentioned by the petitioner has full justification because ₹41 per kVA is imposed to the domestic consumer who has a petty load of few kW at LT Supply whereas ₹429 per kVA are charged to the induction Furnace consumers who have a load of several kW at 11kV & above i.e. high tension voltage level for which infrastructure provided by the utility costs too high.

v. The scenario of the power cut with the industrial consumers is a system constraint of the PSPCL which is not related with the capital cost of the infrastructure provided to the consumer for supply of electricity.

vi. Therefore, from the foregoing para (i) to (v) above it is clear that the MMC mentioned in ARR recoverable from the consumer and are fully justified.

View of the Commission

The Commission agrees with the reply of PSPCL.

Issue No. 3: T&D Losses

The projected T&D loss of 16.5% has been accepted and appreciated.

Reply of PSPCL

PSPCL has noted the appreciation of the objector and also ensures that similar performance will be continued in the future.

View of the Commission

The objection and the response are noted. Refer para 4.2 of the Tariff Order.

Issue No. 4: Agriculture Consumption

Approach for projecting AP consumption is reasonable & same may be accepted and made standard approach till 100% metering of AP category is completed.

Reply of PSPCL

PSPCL has noted the appreciation of the objector and further submits that methodology for projecting energy consumption is based on the past trend & experiences so that projection is realistic & achievable. Future projection of energy requirement shall also be based on the same principle.

View of the Commission

Refer para 4.1.3 of the Tariff Order.

Issue No. 5: Energy Meters Installation Directive

PSPCL has not complied with the provision of the Act to install meters. The comparison of capital expenditure and annual cost of reading in case of AMR system of reading viz. a viz. conventional method of reading meters has not been provided. It is requested to issue purposeful directive for 100% metering by 31 March, 2014.

Reply of PSPCL

PSPCL is finding it difficult to install energy meters on all its T/W consumers and to maintain the same and recording the consumption of all AP consumers due to financial aspect, staff shortage aspect and other administrative reasons. With the coming of AMR system, these problems shall be eliminated to a greater extent. Only after AMR system is actually installed, its corporative costing effect etc. shall be made known to the Stake holder.

View of the Commission
The Electricity Act, 2003 provides for metering of all electric connections and accordingly, the Commission has directed PSPCL to ensure that the provisions of the Act are complied with. Refer Directive No.5 at Annexure-IV of this Tariff Order.

Issue No. 6: Energy Balance
The projected sale growth is more than the estimated power availability resulting in costly power purchase & power cuts. So power purchase increase may be allowed to keep the status of one day power cut a week.
Reply of PSPCL
PSPCL has entered into Power Purchase Agreements to procure additional power and improve the power availability. Supply from these power plants and additional power from Central Generating Stations is expected to meet the demand to large extent. Further, power procurement under short term purchase is carried out by PSPCL after taking into consideration of no power cuts on industry. However, some times PSPCL has to impose power regulatory measures on Industry in case of failure of monsoon, outage of generating units and constraints in transmission system in inter-regional/intra state flow of power.
View of the Commission
Commission has already approved short term Power Purchase of 2578 MU for meeting the unrestricted demand of PSPCL for the FY 2013-14. Refer para 4.8 of this Tariff Order.

Issue No. 7: Power Purchase
Power purchase is planned mainly to meet the periodic requirement of AP consumers during Kharif seasons and enough power is not purchased to cover power cuts to industrial consumers. It has been suggested that power purchase should be planned to reduce the power cuts to industrial consumers.
Reply of PSPCL
Considering the social responsibility of PSPCL to supply power to all consumer categories, it is not possible to discriminate between the consumer categories. Hence, although PSPCL agrees that in Kharif season power supply to agriculture consumers is increased, these consumers cannot be denied this facility as Punjab is a mainly agricultural State and the agriculture sector is the backbone of the economy. Denying power to agriculture consumers during their peak requirement is bound to adversely impact the economic condition of the State as a whole. PSPCL is making every effort to increase power availability in the State in order to reduce the power cuts currently being imposed on the different consumer categories as a result of power shortage. The additional capacity expected during the coming years will improve the position to a large extent.
Further power procurement is planned after considering no power cuts but sometimes PSPCL is forced to regulate power for the reasons beyond its control.
View of the Commission
Refer to Commission’s view on Issue No.6 above.

Issue No. 8: Interest and Finance Charges.
The interest and finance charges are increasing. 90% of working capital requirement is locked up due to non release of subsidy by the Govt. of Punjab, burdening the metered consumers. So appropriate steps be taken to reduce the interest and finance charges and heavy surcharge be recovered either from the consumers enjoin free power or from Govt. of Punjab.
Reply of PSPCL
Several parts of the network and other infrastructure of PSPCL is ageing and in poor condition. In order to ensure that the infrastructure of the utility is in a good condition, it is necessary that capital works are carried out on a continuous basis. Over the last few years, PSPCL has increased its capital expenditure to improve its infrastructure. Moreover, as a result of electrification initiatives, several lac of consumers have been added on to the network of PSPCL. This has also led to need for expansion of generation facilities and also the network infrastructure. Hence PSPCL was forced to make capital investments in order to meet the increased demand. This is the main reason for the increased borrowings of PSPCL and as a consequence, there is increase in the interest and finance charges. However, it is to be noted that PSPCL has provided its capital investment plans to the Commission on a regular basis with its ARR & tariff petition and has sought its due approval. Even in the current tariff petition a detailed capital investment plan is provided and the interest costs relating the same are to be provided.

It is prayed that the Hon'ble Commission may approve the interest & finance charges as claimed by PSPCL.
PSPCL has requested from time to time for timely release of subsidy due from Govt. of Punjab (GoP) and has also requested for interest on delayed payment of subsidy by the Government of Punjab.
It is submitted that the interest on delayed payment may kindly be approved. Further, PSPCL would like to request the Hon'ble Commission to appraise this position to the GoP on subsidy issues so as to ensure the financial viability of PSPCL as well as to protect consumer's interest.

View of the Commission

The capital investment Plan submitted by the utility is examined by the Commission on the basis of actual capital expenditure in the previous years. The Commission approves the investment plan of the utility as also its loan requirement as discussed in para 4.13 of this Tariff Order. Interest is allowed to PSPCL on approved borrowings in line with PSERC Regulations. Subsidy on account of free supply of power is being paid by and large by the Government of Punjab. Interest on delayed payment of subsidy is also being paid by the GoP.

Issue No. 9: Carrying Cost of the Gaps

The carrying cost of the gap of the revenue is increasing year after year. The total burden of the carrying cost of the gap may be disallowed as this cost should be borne by the owner of PSPCL.

Reply of PSPCL

The carrying cost has been claimed as per tariff regulations. Regulations allow carrying cost on Revenue gaps and is a common practice being followed in all states across the country. It is prayed to the Commission to allow the carrying cost of gaps as claimed by PSPCL.

View of the Commission

Carrying Cost, if any, is allowed on the Revenue Gap determined by the Commission as per Regulations.

Issue No. 10: Aggregate Revenue Requirement

The revenue gap is increasing year after year depicting poor financial health of the PSPCL. The state government may be asked to pay all the dues and take up financial restructuring of the utility.

Reply of PSPCL

The increase in gap is because of many reasons beyond the control of PSPCL such as huge disallowances made by the Hon'ble Commission, approval of expenses on normative basis rather than actual basis, untimely payment of subsidy amount by GoP etc. PSPCL agrees with the view of objector that increase in gap shows deterioration in the financial viability of the Utility.
The PSPCL is making every effort to recover dues outstanding against government and the matter is being regularly taken up by PSPCL.

View of the Commission

The Commission processes the ARR according to the notified Regulations, determines the cumulative revenue gap based on prudent check of the expenses and accordingly revises the tariff for various categories of consumers, to recover the same. PSPCL through directives has been advised to improve its performance, reduce costs and recover dues outstanding against Government connections and others.

Issue No. 11: Ratio of Equity to Loan

The Ratio of Equity to loan is in the reducing trend year after year and remedial measures need to be taken up to reverse this trend.

Reply of PSPCL

PSPCL has been availing loans to meet the requirements of planned capital expenditure for infrastructure development & improvement/up-gradation of existing plants and equipment. It is necessary to meet the growing demand and for providing better services. This has resulted in decrease in ratio of equity to loan.

View of the Commission

The position has been explained by PSPCL in its reply above.

Issue No. 12: Tariff and Cost of Supply

Methodology-I for determining cost of supply may be adopted to establish the Tariff for the FY 2013-14.

Reply of PSPCL

The reply of PSPCL to Issue No. 1 may be referred.

View of the Commission
Refer to Commission's view on Issue No.1 above.

Objection No. 6: Northern Railway

Issue No. 1: Cost of Supply to Railway Traction
The need for reasonable tariff to railways has been stressed and recommendations for the same from various authorities have been quoted. Ministry of Power, Govt. of India had written to SEBs that Railway Traction Tariff should not prove to be costlier than diesel traction and also not higher than HT Industrial Tariff. As per tariff policy issued by Ministry of Power, SERCs are required to determine tariff within plus minus 20% of the average cost of supply so railway traction tariff should be linked to cost of supply.
Reply of PSPCL
PSPCL submits that ARR & Tariff Petition is submitted in accordance with the Punjab State Electricity Regulatory Commission (Terms & Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time and tariff is determined by the Hon'ble Commission.
View of the Commission
As per Tariff Policy, the Railway Traction Tariff is fixed within ± 20% of the average cost of supply.

Issue No. 2: High rate of Energy
PSPCL purchase cheaper power in power trading/energy exchange and sell the same to consumers, particularly to Railways, at higher prices, which is undesirable.
Reply of PSPCL
PSPCL submits that power purchase cost is one of the determinants of Annual Revenue Requirement and tariff is determined considering over all power purchase cost from various sources and after inclusion of other costs as per the PSERC regulations for determination of tariff and as approved by the Hon'ble Commission.
View of the Commission
The Commission agrees with the reply of PSPCL.

Issue No. 3: Higher Tariff of Railway
Energy charges of ₹6.03/unit for Railway Traction against ₹3.91/unit of projected cost of power purchase are not justified. Along with fuel cost adjustment charges @ 14 paise /unit, the average rate of ₹6.14/unit in Punjab is highest in the Northern Region.
Reply of PSPCL
PSPCL submits that power purchase cost is one of the determinants of Annual Revenue Requirement and tariff is determined considering over all power purchase cost from various sources and after inclusion of other costs as per the PSERC regulations for determination of tariff and as approved by the Hon'ble Commission.
View of the Commission
The Commission agrees with the reply of PSPCL.

Issue No. 4: Cost of Supply and Cross Subsidy
As per voltage-wise cost of supply study got carried out by PSPCL from TERI, the cross subsidy as per Methodology-I is 73-79 % whereas as per Methodology-II it is 53-54 %. In tariff order for 2012-13, the Commission had shown cross subsidy for Railway Traction at 19.96 % which needs clarifications. So the issue of cross subsidy may be reconsidered and Railway Traction Tariff be suitably reduced.
Reply of PSPCL
PSPCL has got conducted study for Voltage-wise Category-wise Cost of Supply from M/s TERI and the same is under discussion with various consumers/stake holders. In case we refer to National Tariff Policy of 2006, the average cost of supply based on the study conducted by M/s TERI, the same works out to be ₹5.02/ unit for the year 2011-12 and ₹5.20/unit for the year 2012-13. Further there are no power restrictions and continuity of supply to Railway is ensured through independent feeders. However, the issue regarding the study report on category-wise cost of supply is under the consideration of the Commission and the tariff for all the consumer categories including the Railway shall be worked out by Hon'ble Commission.

View of the Commission

The cross subsidy as per Tariff Policy is to be worked out on average Cost of Supply, which was 19.96% in 2012-13. The cross subsidy with respect to Cost of Supply to any category will be different than that calculated on the basis of average Cost of Supply.

Issue No. 5: T&D Losses

No target for reduction of T&D losses has been proposed. Commission may approve loss target below 15.90 % which was the target for distribution losses in Tariff Order 2012-13.

Reply of PSPCL

PSPCL has projected T&D loss of 17% & 16.50% for the FY 2012-13 & FY 2013-14 respectively. Considering the huge geographical spread of a utility of the size of PSPCL it is submitted that at the existing levels, reduction in losses becomes very difficult and a reduction of even 0.5% would require huge capital expenditure, which would be disproportionate to the target achieved. Accordingly a reduction of 0.5% has been proposed. It is prayed that the Commission may approve the proposed loss reduction targets.

View of the Commission

Refer para 3.3 and 4.2 of Tariff Order. The Commission is fully concerned to contain T&D losses and had given suitable directives in this regard. Implementation of the directives is being closely monitored by the Commission.

Issue No. 6: Additional Charges for Maximum Demand in Excess of the Contracted Demand.

Maximum demand some time temporarily exceeds the Contract Demand due to power failure, public agitations and accidents etc. which are beyond the control of railway. So no penalty for exceeding maximum demand in such cases be charged or else a cushion of at least 10% may be permitted over and above the sanctioned Contract Demand.

Reply of PSPCL

It is submitted here that the issue has already been decided by the Hon'ble Commission vide Order Dt. 19-1-2011 on Petition No.7 of 2007, in which the Commission has decided as under:

> *"There is force in the contention of Northern Railways that there should be no occasion to levy load surcharge in the circumstances where maximum contract demand of traction sub-station is exceeded on account of failure of electric supply attributable to PSPCL. However, it would not be reasonable to expect PSPCL to consider such waivers in any other circumstance which is beyond its control. In the circumstances, the Commission decides that PSPCL will consider waiving load violation surcharges only in case of the former eventuality. In that case, the consumer (Railways) will submit a comprehensive proposal to PSPCL claiming waiver of the load violation surcharge and PSPCL will decide the claim within a period of 25 days and adjust the same in the next bill of the consumer."*

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 7: Incentive for High Power Factor

The incentive to Large Supply Consumers is admissible for attaining power factor more than 0.9 where as in case of railways it is 0.95 which is discriminatory. Railway load is inductive in nature so railways have to spent substantial amount on providing capacitor bank which help in increasing grid stability and also compensate low power factor of other loads. So rebate @ 0.5 % for every 0.01 increase in power factor above 0.9 be allowed as in Haryana.

Reply of PSPCL

The threshold for allowing incentives to PIUs, Arc furnaces and Railway traction has been fixed as 0.95 where as it is 0.90 for others. This is as per General conditions of tariff approved by the Hon'ble Commission. As per the order of the Commission dated 19.01.2011 Para 5 *"The distinction has been kept since the basic characteristics of this category ensures a higher power factor (pf)".*

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 8: Revenue Gap

No tariff schedule or proposal to bridge the projected gap is submitted. It is further stated that tariff of Railways should not be hiked.

Reply of PSPCL

The past experience has shown that the revenue gap is finally determined by the Hon'ble Commission by applying its own yardsticks/norms and it gets changed from what is projected by the PSPCL in the ARR & Tariff Petition. As all the norms/yardsticks to be applied by the Hon'ble Commission for determining ARR for the FY 2013-14 are not known to the PSPCL; the Hon'ble Commission may determine the gap and fix the tariff according to the details furnished by PSPCL in the ARR & Tariff Petition already filed.

View of the Commission

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

Issue No. 9: Metering of Simultaneous Maximum Demand

Railways have to pay load violation charges on exceeding the sanctioned contract demand on individual supply point basis. It is essential to have simultaneous maximum demand of all metering points while computing maximum demand charges.

Reply of PSPCL

Metering and billing of Railway is carried out at each supply points separately and provision at each supply point is made to serve contract demand at that supply point. PSPCL network is not robust enough to supply entire load of the consumer from any supply point. However, the Hon'ble Commission vide its order Dt. 19.01.2011 has desired to separately go into the matter and decide the same after hearing both the Railways and PSPCL.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 10: Incentive for Timely Payment

Some incentive for timely payment may be considered for Railways as being adopted now a day to encourage the consumer for making timely payments.

Reply of PSPCL

Timely payment is mandatory to every category of consumers.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 11: Special Consideration adopted by RSERC, KSEB etc.

The objector has cited instances of special consideration adopted by RSERC & KSEB towards newly electrified sections.

Reply of PSPCL

It is submitted that the Hon'ble Commission in the matter of re-determination of Tariff for the year 2008-09 (Petition No. 5 of 2008) has ruled as under:

"8. Rebate on newly electrified routes

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

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

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 12: Implementation of MYT Frame Works

As per Tariff Policy, MYT regime is to be adopted from April 1, 2006 & review after 3 years in FY 2009-10. The Commission may direct PSPCL to take necessary steps in this direction without any further delay.

Reply of PSPCL

After finalization of MYT Regulations by the Hon'ble Commission, PSPCL would submit the MYT Petition in accordance with MYT Regulations.

View of the Commission
MYT Regulations are under consideration of the Commission and MYT regime shall be implemented after issue of MYT Regulations.

Issue No. 13: Levy of Load Violation Charges
Sometimes in case of failure of incoming supply , Railway have to extend the feed of adjacent/TSS being fed by PSEB /other DISCOMs in the feeding zone of failed TSS and have to pay load violation charges for exceeding the sanctioned contract demand for the circumstances which are beyond the control of the Railways. Under such circumstances, no load violation charges should be levied for that period.
Reply of PSPCL
PSPCL ensures that the cases of failure of TSS supplying power to railway traction are minimized. However in case there are still any such cases of failure, the same are restored at the earliest. As regards feeding of power by the railways to adjacent TSS which lies in neighboring States, PSPCL would like to submit that in such cases PSPCL has to bear the brunt of the increased demand from the Railways. The load of PSPCL consumers in other categories is required to be shed or additional costly power is purchased by PSPCL to meet the increased load requirement of the Railways which is ultimately fed into the network of the neighboring States. As such, demand of the objector for not levying load violation charges is not reasonable.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 14: Payment of ACD/Security (Consumption)
The security deposit should be acceptable in the form of bank guarantee as against cash currently being accepted by the PSPCL.
Reply of PSPCL
This matter is not under the purview of PSPCL but comes under the jurisdiction of the PSERC.
View of the Commission
All the consumers without exception are required to deposit Security Consumption earlier named ACD as per PSERC (Electricity Supply Code & Related Matters) Regulations, 2007.

Issue No. 15: Two Part Tariff
PSPCL has proposed Two Part Tariff, the proposed tariff will be highest for the non-traction utility services. The proposed tariff by PSPCL is very high as compared to other utilities of neighbouring States. Moreover adjacent state to Punjab/Haryana is charging single part tariff from Railway which is much lower than the proposed tariff of PSPCL. Any increase in non-traction tariff will have cascading effect on freight/fares.
Reply of PSPCL
In the Two-Part Tariff proposal, the existing tariff has been divided into fixed and variable components. The effective average tariff of railway traction would almost remain at the existing level. The two-part tariff proposal has been designed on a revenue neutral approach for PSPCL.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 16: Miscellaneous
i. Since there is single point metering for all the non traction connections & distribution losses on this network is railway's liability so a rebate of 15% may be given to Railways.
ii. Consolidated single bill should be issued incorporating the consumption of all the connections.
iii. Time bound schedule may be formulated for release of new connections/enhancement of load and revision of contract demand for railways.
iv. Charges for meter testing should not be levied as Railways have their own Electrical Inspector and approval is taken before charging the installations. Meter charges are paid to PSPCL at the time of release of connection/enhancement of the load.
v. Requested to keep the single part tariff for Railway Non-Traction power supply as in 2012-13 & at the same rate.

Reply of PSPCL
i. PSPCL submits that undertaking the O & M of distribution network, metering and billing of consumers in its premises represent a common set of activities for any Bulk Supply

consumer. No specific rebate is allowed to any Bulk Supply consumer for undertaking such activities under the tariff schedule approved by the Commission.

ii. Supply to bulk supply electric connections of Railways is through different supply points having its distinct account number for the purpose of meter reading and billing and as such issuance of consolidated bill is not feasible.

iii. The Electricity Supply Code and Related Matters Regulations, 2007 prescribe the maximum limit for release of connections and enhancement of load etc. PSPCL is making all efforts to comply with the requirements of the regulation.

iv. PSPCL submits that various charges including meter testing charges are levied as per General Conditions of Tariff and Schedule of General Charges etc. approved by the Hon'ble Commission.

v. The ARR & Tariff Petition has been submitted in accordance with the Punjab State Electricity Regulatory Commission (Terms & Condition for Determination of Tariff) Regulations, 2005 as amended from time to time along with the proposal for the two part tariff and tariff is determined by the Hon'ble Commission.

View of the Commission

Commission agrees with the reply of PSPCL. Refer para 5.1 & 5.2 of this Tariff Order also.

Objection No. 7: Steel Furnace Association of India, (Punjab Chapter)

Issue No. 1: Submission of Accounts

Board is regularly filing its revised revenue requirement based on actual Balance Sheet figures without excluding the portion of expenditure disallowed by the Commission based on certain provisions of the Act while passing Tariff Order. Therefore, the Board should be directed to file a separate Income & Expenditure Account along with Balance Sheet based on costs as approved by the Commission from year to year so that a clear picture may emerge and a comparison may be drawn between the actual expenditure and approved expenditure of the Board.

Reply of PSPCL

PSPCL has filed the ARR & Tariff Petition in accordance with the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time. As far as the Annual Accounts are concerned, it is submitted that the same have not been audited. However, the same shall be submitted to the Hon'ble Commission as and when the audit exercise is completed. The un-audited annual accounts have been provided by PSPCL along with the current ARR & Tariff Petition.

View of the Commission

Refer Commission's view on Issue No.10 of Objection No.4&5.

Issue No. 2: Excess expenditure

The objector has been contesting the expenditure claimed by PSPCL in its ARR in terms of interest cost, depreciation and return on investment on excess allocation of expenditure to power segment on account of RSD project, un-disbursed subsidy from State Govt. & revenue deficit of PSEB. However while estimating the revenue requirement for the year 2010-11 (true-up) and 2011-12 (true-up based on revised estimates) and FY 2012-13, PSPCL considered the PSERC approved norms as per PSERC tariff orders of the related year and accordingly the revenue requirement has been reworked.

Reply of PSPCL

PSPCL cannot comment as no specific observation about the ARR Petition has been submitted by the objector in the above para. However, PSPCL has submitted the ARR Petition for FY 2013-14 in accordance with the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time and the data in the formats as stipulated by the Commission.

View of the Commission

Refer Commission's view on Issue No.10 of Objection No.4&5.

Issue No. 3: Capping of Agriculture Consumption

Increase in supply to subsidized categories will lead to serious financial crisis for the PSPCL and ultimately seriously affects the interest of industrial consumers in the State. Therefore, the agriculture consumption that can be subsidized should be capped.

Reply of PSPCL

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

It is further added that the projections of sale to various categories of consumers has been based on assumptions and is likely to vary from the actual consumption. Assumptions have been applied for sale projections of all categories of consumers and not particularly to the agricultural consumers only.

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

View of the Commission

It does not appear practicable to limit the quantum of free supply to agricultural pump sets to certain level and after which high rates would become applicable. This may be possible only if 100% AP consumers are metered and energy is charged as per metered consumption. This is not the case at present.

Issue No. 4: Utilization of capital funds for revenue purposes

It should be ensured that no more funds raised for capital purpose are diverted toward meeting revenue requirement of the PSPCL. Commission may ensure that such expenses are not claimed in the ARR of the PSPCL. A detailed investigation in this regard is required to work out the exact amount of diversion of funds to be disallowed for ARR purpose to safeguard the interest of the consumers.

Reply of PSPCL

The amount disallowed by the Hon'ble Commission on account of diversion of fund every year has affected financial viability of the utility. PSPCL requests the Hon'ble Commission to allow interest on outstanding loans.

View of the Commission

The Commission disallows the interest cost on the capital funds diverted for revenue purposes, Refer para 3.14.12 and 4.13.12 of this Tariff Order.

Issue No. 5: T&D losses

The higher achievement in T&D losses has been appreciated.

Reply of PSPCL

PSPCL has noted the appreciation of the objector and would strive to continue to improve its performance over time.

View of the Commission

Refer para 3.3 & 4.2 of this Tariff Order.

Issue No. 6: Specific comments on ARR of FY 2010-11

The comparison of the head-wise expenses claimed by PSPCL for FY 2010-11 on actual basis with the approved expenses for the same period shows that PSPCL has not adhered to the Regulations framed for tariff determination purpose and has claimed expenses on actual basis and not on the norms prescribed/followed by the Commission for approving expenses for various heads. The objector has noted specifically as under:

i. In case of employee cost, the Regulations provide for increase in cost with increase in WPI, however, PSPCL claimed the same based on actual.

ii. In case of return on equity, the commission approved 14% return on equity as per PSERC Regulations. However, the Board claimed higher return on equity (23% grossed up) based on CERC norms, which was not accepted by the Commission in the last tariff order also.

iii. Similarly, the interest charges, among other reasons, PSPCL has reiterated its inability to fund unapproved expenses forcing short term loans causing higher interest cost.

iv. Regarding prior period expenses of ₹368.98 crore, the ARR under consideration can accommodate expenses related to the benefits passed on to the consumers in the relevant year only. Therefore, the prior period expenses, which have not contributed in any way towards the electricity supplied to the consumers in the year under consideration cannot be a part of the ARR

v. The non tariff income, which PSPCL collected in FY 2010-11 is ₹69 crore more than approved by the Commission. If this is also considered than there is no net revenue deficit for the aforesaid year.

Reply of PSPCL

As per the tariff determination exercise, in accordance with the "Terms and Conditions of Tariff Regulations, 2005", PSPCL is required to submit the details of the actual costs incurred by it in the last year, revised estimates for the current year and projections for the ensuing year. The projections and revised estimates are to be prepared based on the applicable regulations whereas the actuals for the last year are to be claimed as per annual accounts.

i. PSPCL has claimed employee cost as per actuals in accordance with the above stated principle.
ii. In case of RoE only 14% RoE is allowed by the regulations whereas PSPCL has claimed 23%.
iii. PSPCL is forced to take short term borrowings from market to meet its day-to-day expenses. It is prayed that the same is not under the control of the PSPCL and the Commission is requested to allow genuine costs incurred by the PSPCL so as to ensure minimal short term borrowing in the subsequent years.
iv. PSPCL would like to submit that Prior Period items are defined as those items which arise on account of correction of error in accounts of prior periods, shortages or excess provision made in previous years. As per the books of accounts for 2010-11, there is a net expense under this category of ₹368.98 crore. PSPCL requests the Commission to allow actual prior period expenses of ₹368.98 crore.
v. It is submitted that non tariff income is deducted from the Total Revenue Requirement to arrive at Net Revenue Requirement.

View of the Commission

The expenses are allowed on the basis of notified Regulations by the Commission. Expenses are examined during the true up exercise after receipt of Audited Annual Account. The accounts of FY 2010-11 shall be examined after submission of Audited Accounts.

Issue No.7: Detailed comments on ARR of FY 2011-12 (Revised Estimates)

For FY 2011-12, Board has upwardly revised revenue requirement by ₹1874.42 crore and that the explanation for incurring expenses more than approved are that such expenses are beyond control of Board and on actual basis with no reference to the regulations of tariff determination and/or the directive given in the Tariff Order 2011-12. The comparison of the approved and claimed expenses for FY 2011-12 reveals that only power purchase expenses of ₹174.09 crore and fuel expenses of ₹105.42 crore could be justified subject to the verification by the Honorable Commission and that there is under-realization of non-tariff income of ₹24.7 crore, which may also be considered.

Detailed analyses of the fuel expenses claimed for own generation needs to be examined.

Reply of PSPCL

ARR & Tariff Petition is submitted in accordance with the the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005' as amended from time to time and the data has also been put in the formats as stipulated by the Commission. Further PSPCL has provided detailed justification of expenses incurred under various heads.

It is also submitted that PSPCL has submitted all the performance parameters (plant availability (%), Plant Load Factors (PLF), Auxiliary consumption) in respect of own generating plants in the ARR & Tariff Petition in the specified formats and fuel cost has been calculated on the basis of these parameters.

View of the Commission

Expenses under various heads are allowed by Commission in line with notified Regulations and after prudence check. For Fuel Cost refer para 4.7.3 of this Tariff Order.

Issue No.8: Interest on Short Term Loans

The Board admitted to raise short term loans to meet the revenue shortfall arising out of non receipt of subsidy from the Government, disapproval of certain expenses like employee cost, R&M cost, A&G expenses by the Commission in the past Tariff Orders. Interest on such loans should be met through internal accrual & interest on the subsidy due but not received should be recovered from the Government. Interest on working capital as per PSERC regulations should be allowed.

Reply of PSPCL

The working capital loans are availed by PSPCL to meet the gap between Revenue expenditure and Revenue receipts and to meet any shortfall due to adjustment against the subsidy by GoP. The allowing of interest on WCL is the prerogative of the PSERC.

View of the Commission

The interest on Working Capital Loans is allowed as per the notified Regulations. The Commission also disallows interest on capital funds diverted for the purpose of revenue. Refer para 3.14.11 and 4.13.11 of this Tariff Order.

Issue No. 9: Higher Capital Expenditure

The capital expenditure planned is on higher side in comparison to past experience of PSPCL & realistic assessment should be made.

Reply of PSPCL

The investment projections are made keeping in view the requirement and fund availability. The projections for 2012-13 & 2013-14 of ₹1860 crore and ₹2200 crore respectively have been made on realistic basis.

View of the Commission

The Commission examines the capital expenditure plan of utility in the light of actual expenditure incurred in previous years and allows capital expenditure accordingly. Refer para 3.14.2 and 4.13.2 of this Tariff Order.

Issue No. 10: Interest on Diversion of Funds

Interest costs claimed by PSPCL are much exaggerated and that the same should not be accepted without segregating them in to admissible and non-admissible for ARR determination purpose.

Reply of PSPCL

Interest charges in the ARR are claimed on the basis of outstanding loans at the beginning of the year and considering the funds requirement to meet with the plan expenditure and working capital.

View of the Commission

Interest is allowed to PSPCL on approved borrowings in line with PSERC Regulations. Refer para 3.14 and 4.13 of this Tariff Order.

Issue No. 11: High Employee cost

The employee cost is high. Increase in expenses asked by PSPCL should not be entertained and employee cost should be capped at approved level, however, if the same is to be increased it should be increased to cover the increase in terminal benefits and WPI.

Reply of PSPCL

PSPCL submits that the employee cost is a parameter which cannot be controlled to a great extent by PSPCL. However PSPCL is making constant efforts to reduce the burden of employee cost.

View of the Commission

The Commission approves employee expenses as per notified Regulations. Refer para 3.10 and 4.9 of this Tariff Order.

Issue No.12: Repair and Maintenance expenses

The R&M expenses should be charged on prudent basis and if actual works out to be less than approved then actual should be considered and only reasonable expenses subject to the prudent check should be allowed.

Reply of PSPCL

PSPCL has undertaken proactive repair & maintenance of assets of generation and distribution function. It is submitted that upkeep of the generation, transmission and distribution equipment is pre-requisite to reasonable availability, reliability and quality of supply & consumer service. PSPCL has claimed 9% year over year increase in R&M expenses which is reasonable considering the position of the assets and load/utilization factor of the same. It is further submitted that any reduction in expenses towards maintenance may have a bearing on the performance of the system. The Hon'ble Commission may kindly allow the R&M expenses claimed in the ARR & Tariff Petition.

View of the Commission

The Commission approves the R&M expenses as per Regulations and after prudent check. Refer para 3.11 & 4.10 of this Tariff Order.

Issue No.13: Return on Equity

i. PSPCL has claimed higher rate of return on equity at 15.5% (pre-tax) to be grossed up to 23.48% as provided in the CERC regulations and that the return on equity should be approved at the rate 15.5%.
ii. PSPCL has also claimed higher return on equity based on re-allocation of assets between PSPCL and PSTCL. Honorable Commission should look into the matter and find out as how increase in equity by ₹3463.82 crore reflects in reduction of loan with corresponding amount and how consumer will be benefited with this increase in equity. No increase on equity should be allowed and return on equity be capped to the existing level.

Reply of PSPCL

i. The reply has already been given in Issue No.6 (ii) which may be referred to.
ii. The assets have been reallocated between PSPCL & PSTCL on the basis of FRP notified by GoP on 24.12.2012.This reallocation has changed the position of assets as well as liability of PSPCL. Reallocation of any assets shall have corresponding reallocation of liability.

View of the Commission

The Commission allows RoE in line with notified Regulations. Refer para 3.16 and 4.17 of this Tariff Order.

Issue No.14: High ARR

PSPCL has claimed high increase in the annual revenue requirement to the tune of almost ₹16039 crore (revenue short fall for FY 2010-11, FY 2011-12, FY 2012-13 and FY 2013-14) which cannot be accepted as genuine revenue requirements to serve the electricity consumers of the State.

Reply of PSPCL

PSPCL has submitted the ARR & Tariff Petition in accordance with the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time. Further detailed justification of various constituents of Annual Revenue Requirement has been provided in the petition. In view of the above it is prayed that the Hon'ble Commission may approve the proposed ARR.

View of the Commission

Refer views of the Commission on Issue No.10 of Objection No.4 & 5.

Issue No.15: Cross Subsidy

The cross subsidy is very high and the industry's viability in the state has been becoming untenable. It would not be prudent to allow the cross subsidy to grow per unit unabatedly and the cross subsidy per unit charged from industrial consumers be brought down.

Reply of PSPCL

It is submitted that Clause 8.3 of Tariff Policy states as under:

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

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

As given in the Tariff Policy, there has to be reduction in cross-subsidy but gradually, keeping the interest of Utility in view.

However as regards the element of cross subsidy, the same has come down progressively over the years. Hence in light of the same it is requested that while determining the tariff in conjunction with the cross subsidy factor, the Hon'ble Commission has also to keep in mind the interests of PSPCL.

View of the Commission

The National Tariff Policy & PSERC Tariff Regulations is kept in view while finalizing the tariff. The tariff of all categories, except AP, is now within ± 20% of average cost of supply.

Issue No.16: Industrial Tariff as per Category wise Cost of Supply

In light of the category wise cost of supply the Hon'ble Commission may reduce the cross subsidy burden on LS consumers and fix the tariff based on category wise cost of supply. Tariff of the LS consumers may be rationalized and tariff for subsidized class may be increased.

Reply of PSPCL

Category-wise cost of supply has already been worked out by M/s TERI and is now in the public domain for its comments /views. PSERC has already taken steps to reduce the level of Cross Subsidy

View of the Commission
Refer para 5.2 of this Tariff Order.

Issue No.17: High wheeling charges on Open Access consumers
The wheeling charges on open access in Punjab are highest in the country but the formula is not followed in any of the states in the country.
Reply of PSPCL
Matter is already under consideration in PSERC in Petition No. 33 of 2012 U/c 46 of PSERC (T&C for intra-State Open Access) Regulations, 2011 for modifying or amending the regulation 25 (5) of PSERC (T&C for Intra State Open Access) Regulations, 2011 filed by M/s Induction Furnace Association of North India Ludhiana. PSPCL was earlier losing revenue due to less wheeling charges as under:-

Open Access Consumer Connected Voltage	Wheeling charges (paise/unit)		Loss to PSPCL (paise/unit)
	PSPCL Consumers	Charges paid by Open Access Consumers before 07.05.2012	
220 & 132 kV	124	NIL	124
66 KV & 33 kV	124	17.4	106.6
11 kV	124	34.8	89.2

In case there would not have been any compensation the same would have been loaded on other consumers, so other consumers as such have to suffer due to privileges given to Open Access consumers.
It is also intimated that for the FY 2011-12, Hon'ble PSERC has assessed the ARR at ₹17912.65 crore against sale of 35676 MUs. PSERC has compensated PSPCL to the extent of ₹16591.12 crore by revision of tariff and ₹1325.76 crore has been made as Regulatory Assets to be compensated in subsequent years. Commission has further assessed that out the total revenue during 2011-12, the LS consumers (All OA consumers belong to this category) will consume 9607 MUs of Power and generate ₹5182.11 crore. The tariff for LS consumers is 495 paise unit. Commission has further segregated the ARR for distribution wing as ₹11178.47 crore and has determined the wheeling charges as ₹5,08,888 per MW per month which comes out to be 116 paise/unit (before revision of tariff).
In the background of above PSPCL on the direction of Hon'ble PSERC has increased the wheeling charges w.e.f. 07.05.12 to avoid any adverse impact on consumers of PSPCL.
View of the Commission
The wheeling charges are determined as per Open Access Regulations notified by the Commission.

Issue No.18: High Cross Subsidy Surcharge on Open Access consumers
While quoting cross subsidy surcharge on open access consumers applicable in various states it has been demanded that cross subsidy surcharge should be reduced in the State in line with rest of the country to help industry survive in the State.
Reply of PSPCL
Matter is already under consideration in Punjab and Haryana High Court Chandigarh in Petition No. 17650/2011 filed by M/s Steel Furnace Association Ltd. V/S State of Punjab, PSPCL and PSTCL.
It is intimated that due to Open Access, the Industry consumption is likely to reduce which will hit the revenue and distribution losses of PSPCL adversely. In order to prevent financial collapse of PSPCL, appropriate safeguards e.g. cross subsidy surcharge and additional surcharge as provided in the Act on Open Access consumers are imposed. It was decided by the State Commission to frame the new PSERC Regulations, 2011 for Open Access. In respect the Cross Subsidy Surcharge, the Regulatory Commission considered the matter and accepted the claim of the State utility that Cross Subsidy Surcharge should be increased to the level as required under Section 42 (2), namely to meet the current level of cross subsidy in the system and the loss that would be caused to PSPCL on account of consumers taking supply through Open Access.
The formula finally accepted by the Regulatory Commission and incorporated in Regulation 26 of the Punjab State Electricity Regulatory Commission (Terms and Conditions for Intra-State Open Access) Regulations, 2011. PSPCL is calculating cross-subsidy surcharges every year as per formula recommended by PSERC. In case the cross subsidy is reduced, the burden will increase on the smaller consumers as they will have to compensate for the loss of subsidy by increasing tariff.

View of the Commission

Cross subsidy surcharge is being levied by PSPCL as per Regulations framed by the Commission after observing the due procedure.

Issue No.19: Maintenance charges payable to Punjab Government for RSD

PSPCL has claimed 3% of revenue collected from the sale of RSD power to be deposited into Government treasury for maintenance of RSD. It has been further stated that RSD is already overcapitalized and the consumers of the State are bearing the brunt of the over capitalization of RSD. In such case, putting extra burden on consumers is not justified and must be avoided.

Reply of PSPCL

Deposit of 3% of revenue collected from the sale of RSD power is as per the decision of standing committee of the Ranjit Sagar Dam Construction Board taken in its 46th meeting on 19.02.2009.

View of the Commission

The Commission agrees with the reply of PSPCL. The issue has been discussed at length in para 3.18 and 4.15 of Tariff Order for FY 2011-12.

Issue No.20: Power factor Surcharge/ Incentive for Open Access Consumption

PSPCL gives power factor incentive on the recorded PSPCL energy only based on the average power factor worked on total (PSPCL +Open Access) energy consumption. Power factor incentive is not given on the energy consumed through open access. Hon'ble Commission may examine the issue and pass on the accrued benefit of Power Factor improvement to the open access energy consumption on the pattern of PSPCL consumption.

Reply of PSPCL

PSPCL submits that in case a consumer is not able to maintain the requisite limit of power factor and he is also purchasing power from outside state under open access, the surcharge levied on the consumer is limited to the energy purchased from PSPCL and not on his entire consumption, as would be an obvious corollary of the proposition of the objector. Furthermore, claiming benefit of power factor incentive even for energy not purchased from PSPCL is like claiming benefits under power factor incentive mechanism even though a person is not a consumer of PSPCL. In a hypothetical scenario, if we accept the proposition of the objector, in case a consumer does not purchase any power from PSPCL but meets his entire requirement through open access and at the same time he maintains a power factor of 0.99 he will become entitled to incentive from PSPCL although he has not purchased even a single unit from PSPCL. This would not be justified. Accordingly it is prayed that the Hon'ble Commission should not accept the proposal of the objector.

View of the Commission

The Commission agrees with the reply of PSPCL.

Objection No. 8: PHD Chamber of Commerce

Issue No. 1: Cumulative gap & carrying cost

The projected ARR & abnormal cumulative gap indicates that PSPCL is not controlling its expenditure, which is financed through loans. Previous losses can't be considered in this petition & also expenditure denied by the Commission should not have been included in ARR.

Reply of PSPCL

PSPCL has filed the ARR & Tariff Petition in accordance with the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time. The revenue Gap & carrying cost is arrived at as per above Regulations. It is further stated that PSPCL has been making consistent efforts to contain its expenditure and the ARR reflects the expenditure essentially required for providing the services of supply of electricity. In view of the above submission it is requested that the Hon'ble Commission may kindly allow the expenditures incurred/projected by PSPCL and accordingly approve the recovery of revenue gap and carrying cost there on.

View of the Commission

Refer to Commission's view on Issue No. 10 of Objection No. 4 & 5.

Issue No. 2: Cross subsidy

The tariff of the subsidized class of consumers including agriculture sector and other subsidized domestic consumers should be increased suitably to bring their tariff in the range of 20% of combined average cost of supply as per National Tariff Policy (NTP).

Reply of PSPCL

PSPCL would like to submit that Clause-8.3 of Tariff Policy states as under:

> *"8.3 Tariff design: Linkage of tariffs to cost of service*
> *2.For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the SERC would notify roadmap within six months with a target that latest by the end of year 2010-2011 tariffs are within ± 20 % of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy.…"*

As given in the Tariff Policy, there has to be reduction in cross-subsidy, but gradually, keeping the interest of Utility in view.

PSPCL requests the Hon'ble Commission to keep the interests and financial viability of the Utility in view while addressing the concern of objector.

View of the Commission

Commission fixes tariff of various categories of consumers keeping in view of the provisions of National Tariff Policy & PSERC Tariff Regulations. Also refer Commission's view on Issue No.15 of Objection No.7.

Issue No. 3: Capping of Agriculture Consumption

Increase in supply to subsidized categories will lead to serious financial crisis for PSPCL and ultimately seriously affects the interest of industrial consumers in the State. Therefore, the agriculture consumption that can be subsidized should be capped.

Reply of PSPCL

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

The projection of sale to various categories of consumers has been based on assumptions and is likely to vary from the actual consumption. Assumptions have been applied for sale projections of all categories of consumers and not particularly to the agricultural consumers only. However, PSPCL submits that the Hon'ble Commission may consider the suggestions keeping into account the aforementioned issues and other ground realities.

View of the Commission

Refer Commission's view on Issue No. 3 of Objection No.7.

Issue No. 4: T&D Losses

While appreciating the higher achievement in T&D losses as against the target set by the Commission, it has been proposed that T&D losses of 17% for 2012-13 & 16.5% for 2013-14 may be approved.

Reply of PSPCL

PSPCL has noted the appreciation of the objector and would strive to continue to improve its performance over time.

View of the Commission

Refer para 3.3 & 4.2 of this Tariff Order.

Issue No. 5: Specific comments on ARR of FY 2011-12

The comparison of the head-wise expenses as claimed by the PSPCL against that approved by the Commission shows that the expenses have not been claimed in accordance with the tariff regulations and hence expenses as mentioned below, do not need to be revisited as no additional facts have been submitted by PSPCL.

i. In employee cost, regulations provide for increase as per WPI whereas PSPCL has claimed the same on actual basis.
ii. In case of RoE, only 14% RoE is allowed by the regulations whereas PSPCL has claimed 23%.
iii. Regarding Interests and Finance charges, the objector has objected to borrowing of short term loans.
iv. The prior period expenses should not be allowed by the Commission.

Reply of PSPCL

As per the tariff determination exercise, in accordance with the "Terms and Conditions of Tariff Regulations, 2005", PSPCL is required to submit the details of the actual costs incurred by it in the last year, revised estimates for the current year and projections for the ensuing year. The projections and revised estimates are to be prepared based on the applicable regulations whereas the actual for the last year are to be claimed as per annual accounts.

i. PSPCL has claimed employee cost as per actual in accordance with the above stated principle.
ii. PSPCL would like to submit that the Hon'ble Commission has been referring to the CERC Tariff Regulations while approving many of the normative parameters. For the purpose of allowing returns to utilities, the CERC in its Tariff Regulations for the period 2009-14 has approved a base rate of 15.50% (pre-tax) to be grossed up with the tax rate applicable to the utility.
iii. PSPCL is forced to take short term borrowings from market to meet its day-today expenses. It is prayed that the same is not under the control of the PSPCL and the Commission is requested to allow genuine costs incurred by the PSPCL so as to ensure minimal short term borrowing in the subsequent years.
iv. PSPCL would like to submit that Prior Period items are defined as those items which arise on account of correction of error in accounts of prior periods, shortages or excess provision made in previous years. As per the books of accounts for 2011-12, there is a net expense under this category of ₹255.59 crore. PSPCL requests the Commission to allow actual prior period expenses of ₹255.59 crore.

View of the Commission

The expenses are allowed by the Commission on the basis of notified Regulations and after a prudent check. Also, True up for FY 2010-11 & FY 2011-12 shall be carried out after receipt of Audited Annual Accounts.

Issue No. 6: High ARR

PSPCL has upwardly revised its estimates for the year 2012-13 resulting in an overall increase in the aggregate revenue requirement by ₹4845.90 crore as against the approved level. Since the reasons cited for increase in such expenses are not satisfactory, the same should not be allowed by the Commission.

Reply of PSPCL

As per the tariff determination exercise, in accordance with the "Terms and Conditions of Tariff Regulations, 2005", PSPCL is required to submit the details of the actual costs incurred by it in the last year, revised estimates for the current year and projections for the ensuing year. The projections and revised estimates are to be prepared based on the applicable regulations whereas the actual for the last year are to be claimed as per annual accounts.

View of the Commission

Refer to Commission's view on Issue No. 10 of Objection No. 4 & 5.

Issue No.7: High cost of power purchase

PSPCL purchased 1040.09 MU more than approved by the Commission due to lower productivity levels. The power purchase cost (gross power) is very high @ ₹3.75/unit against ₹3.28/unit approved by the Commission in its Tariff order for FY 2012-13 and the same may be looked into and only that part of the power purchase cost be allowed which is reasonable and justified.

Reply of PSPCL

The power purchase from central generating stations is done based on the rates determined by the CERC. In the last tariff order the Commission had approved the power purchase rate based on certain assumptions. However the actual rates as approved by the CERC were higher as compared to the rates assumed by the Commission in the last tariff order. Hence the increase in average power purchase cost is not on account of PSPCL but on account of increase in the rates of all the sources of power for PSPCL (except own generation) which is not in the control of PSPCL.

View of the Commission

Refer para 4.8 of this Tariff Order.

Issue No.8: Interest on Short Term Loans

The Board admitted to raise short term loans to meet the revenue shortfall arising out of non receipt of subsidy from the Government, disapproval of certain expenses like employee cost, R&M cost, A&G

expenses by the Commission in the past Tariff Orders. Interest on such loans should be met through internal accrual & interest on the subsidy due but not received should be recovered from the Government. Interest on working capital as per PSERC regulations should be allowed.

Reply of PSPCL

PSPCL had to take loan to replace re-called GoP loans and adjustment of subsidy towards RBI bonds issued under tripartite agreement between CPSUs, GoI & Govt. of Punjab. Further, in regard to interest on the bridge loan taken by PSPCL to fund the delay in subsidy payment by GoP, the Hon'ble Commission may direct GoP accordingly. For reasons explained above, PSPCL has to face cash deficit and has no alternative but to meet the cash deficit through short-term borrowings. PSPCL thus, prays to the Hon'ble Commission to allow the interest on the above bridging loans.

View of the Commission

Refer to Commission's view on Issue No. 8 of Objection No.7.

Issue No.9: Loan requirement for capital expenditure

The capital expenditure planned is on higher side in comparison to past experience of the Board.

Reply of PSPCL

PSPCL has planned significant capital works on various schemes of Generation, Distribution and Transmission functions and the details of the same is provided in the Tariff Petition. The Capital Expenditure plan has been made on the basis of detailed analysis of requirements of system improvement and infrastructure expansion and it is prayed that the Hon'ble Commission may approve the same and allow interest cost on the same so as to ensure power availability to all the consumers in the state.

View of the Commission

Refer to Commission's view on Issue No.8 of Objection No. 4 & 5.

Issue No.10: Interest on diversion of funds

Interest costs claimed by PSPCL are much exaggerated and the exercise carried out by the Commission for determining the extent of diversion of funds should be carried out this year as well and the interest cost claimed by PSPCL should be evaluated on prudent basis.

Reply of PSPCL

Interest charges in the ARR are claimed on the basis of outstanding loans at the beginning of the year and considering the funds requirement to meet with the plan expenditure and working capital.

View of the Commission

The Commission disallows interest on diverted capital funds. Refer para 3.14.12 and 4.13.12 of this Tariff Order.

Issue No.11: High Employee cost for 2013-14

The employee cost has been continuously increasing and PSPCL has not cited any new reasons for the same which were already not detailed out in previous tariff petitions. The employee costs should be capped at the approved levels and should be increased to cover the increase in terminal benefits and WPI only.

Reply of PSPCL

The employee cost is a parameter which cannot be controlled to a great extent by PSPCL. However PSPCL is making constant efforts to reduce the burden of employee cost in its ARR. PSPCL has been consistent in its efforts in containing the employee cost and appropriate yardstick with a time bound targets is essential to reduce such costs. Disallowance of the same on the basis of normative parameter without considering its impact on the viability would result in deterioration of financial position of PSPCL. It is submitted that Hon'ble Commission may consider the detailed justification of employee cost as provided in the Tariff Petition and allow the employee cost as claimed.

View of the Commission

The Commission approves employee expenses as per notified Regulations. Refer to para 3.10 and 4.9 of this Tariff Order.

Issue No.12: Return on Equity

The regulations allow for RoE to be claimed at the rate of 14% whereas the PSPCL has claimed higher RoE at 15.5% grossed up to 23.48% as per CERC regulations. Since this was not accepted by the PSERC in the last tariff order, it has been contended that the same should also be rejected this time.

Reply of PSPCL

As already detailed out in the ARR Petition, the rates are determined based on CERC norms. Considering that the PSPCL is facing immense cash crunch due to untimely subsidy payments from the GoP and huge disallowances against actual expenses being incurred by it. In order to achieve the desired operational and financial outcomes/efficiencies that the Hon'ble Commission has directed the PSPCL to achieve, it is essential for the PSPCL to make necessary investments in the Generation as well as the Distribution business on a year on year basis. In light of the same the PSPCL prays to the Hon'ble Commission to reconsider its approach on allowing Return on Equity to the PSPCL and approve the same as proposed.

View of the Commission

Refer to Commission's view on Issue No.13 of Objection No. 7.

Issue No.13: Cross Subsidy given by LS consumers

The tariff of the subsidized class of consumers including agriculture sector and selected domestic subsidized categories (who are receiving subsidy) should be increased in such a way so as to reach below 20% of combined average cost of supply in the current tariff order as per NTP.

Reply of PSPCL

It is submitted that It is submitted that Clause 8.3 of Tariff Policy states as under:

> *"8.3* ***Tariff design: Linkage of tariffs to cost of service.***
> *For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the SERC would notify roadmap within six months with a target that latest by the end of year 2010-2011 tariffs are within ± 20 % of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy...."*

As given in the Tariff Policy, there has to be reduction in cross-subsidy but gradually, keeping the interest of Utility in view. However as regards the element of cross subsidy, the same has come down progressively over the years. Hence in light of the same, it is requested that while determining the tariff in conjunction with the cross subsidy factor, the Hon'ble Commission has also to keep in view the interests of PSPCL.

View of the Commission

Refer Commission's view on Issue No.15 of Objection No.7.

Issue No.14: Power factor Surcharge/ Incentive for Open Access Consumption

This incentive in respect of power purchased through open access should also be passed on to the consumers. Further, the incentive rate of 0.25% is very less as compared to the gain of 1.00% increase in revenue of PSPCL for improvement of power factor by every step of 0.01. The minimum power factor thresh hold limit for PIUs should also be kept at 0.90.

Reply of PSPCL

PSPCL submits that in case a consumer is not able to maintain the requisite limit of power factor and he is also purchasing power from outside state under open access, the surcharge levied on the consumer is limited to the energy purchased from PSPCL and not on his entire consumption, as would be an obvious corollary of the proposition of the objector. Furthermore, claiming benefit of power factor incentive even for energy not purchased from PSPCL is like claiming benefits under power factor incentive mechanism even though a person is not a consumer of PSPCL. In a hypothetical scenario, if we accept the proposition of the objector, in case a consumer does not purchase any power from PSPCL but meets his entire requirement through open access and at the same time he maintains a power factor of 0.99 he will become entitled to incentive from PSPCL although he has not purchased even a single unit from PSPCL. This would not be justified. Accordingly it is prayed that the Hon'ble Commission should not accept the proposal of the objector.

View of the Commission

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

Objection No. 9: Power Engineers Associates

Issue No. 1: Suggestions to reduce the tariff of electricity

Following steps to reduce tariff have been suggested:

i. Strenuous measures to check theft are required.
ii. Naked ACSR conductor of LT lines to be replaced with ABC insulated conductors.
iii. LT lines to be laid with underground cables.
iv. Introduction of Time of Day Tariff.

Reply of PSPCL

i. to iii. PSPCL is consistently making efforts to improve electrical infrastructure & strengthen the system and suggestions given would be appropriately considered.

iv. The issue regarding implementation of Time of Day tariff is under active consideration of the PSPCL.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 2: Standard of Performance

Standard of Performance should also be laid down for clearing the documents for issue of final NOC of colonies/commercial complexes.

Reply of PSPCL

It is submitted that laying down of "Standard of Performance" for clearing the documents of final NOC of colonies/commercial complexes is the prerogative of the Hon'ble Commission.

Views of the Commission

PSPCL may take suitable action to mitigate the hardship of developers.

Objection No.10: Hansco Iron & Steels Pvt. Ltd

Issue No. 1: High increase in Revenue Requirement

There has been abnormal increase in ARR which requires careful consideration of the Commission and undue tariff increase should not be allowed.

Reply of PSPCL

PSPCL has filed the ARR & Tariff Petition in accordance with the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005",as amended from time to time. The ARR, revenue Gap & carrying cost is arrived at as per above regulations.

PSPCL has been making consistent efforts to contain its expenditure and the submitted ARR reflects the expenditure essentially required for providing the services of supply of electricity.

In view of the above submission, it is requested that the Hon'ble Commission may kindly allow the expenditures incurred/projected by PSPCL and accordingly approve the recovery of revenue gap and carrying cost there on.

View of the Commission

Refer Commission's view on Issue No.10 of Objection No. 4 & 5.

Issue No. 2: Projected Increase in Tariff

High revenue requirement along with gap of previous years and carrying cost would require tariff increase of 77.97% to 80.76%. PSPCL has inflated the figures of ARR to cover up its inefficiencies and same is required to be looked into by the Commission.

Reply of PSPCL

The reply has already been given in Issue No.1 which may be referred to.

View of the Commission

Refer Commission's view on Issue No.10 of Objection No. 4 & 5.

Issue No. 3: National Tariff Policy

National Tariff Policy requires that the rates for subsidized categories should not be less than 80% of average cost of supply. However in TO for 2012-13, AP tariff was fixed at 13 paise per unit lower than the average cost of supply which was transferred to industry. NTP should be followed. Further, 70% of yearly requirement of power is consumed during first half of the year whereas subsidy is provided by GoP in 12 equated installments. This puts additional burden on PSPCL to raise heavy working capital. GoP may be directed to release subsidy amount commensurate with the consumption cycle of PSPCL.

Reply of PSPCL

It is submitted that Clause 8.3 of Tariff Policy states as under:

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

As given in the Tariff Policy, there has to be reduction in cross-subsidy but gradually, keeping the interest of Utility in view.

However as regards the element of cross subsidy, the same has come down progressively over the years. Hence in light of the same it is requested that while determining the tariff in conjunction with the cross subsidy factor, the Hon'ble Commission has also to keep in view the interests of PSPCL.

It is further submitted that regarding direction to GoP for payment of subsidy amount commensurate with the consumption cycle of PSPCL, the Hon'ble Commission may consider the suggestion and decide appropriately.

View of the Commission

Refer Commission's view on Issue No.15 of Objection No.7.

Issue No. 4: Cross Subsidy

Electricity Act, 2003 & National Tariff Policy requires the cross subsidy to be reduced and eliminated over a period of time specified by the Commission. Further following specific points have been raised:

i. Roadmap to eliminate cross subsidy must be drawn.
ii. Cross subsidy to AP consumers and domestic category requires to be reduced.
iii. There should be limit on agricultural consumption which is provided at subsidized rate and since higher consumption gets loaded on subsidizing category in True Up exercise, additional costly power purchase should be subsidized by GoP.
iv. The benefit of subsidized rate up to 100 units in domestic category is being availed by all the consumers irrespective of paying capacity. The slab system for domestic consumers may be abolished and one flat rate be fixed.
v. T&D losses for high voltage consumer is low but are burdened with average T&D loss.

Reply of PSPCL

i & ii The reply regarding cross subsidizing of other categories and reduction of the same has already been given in Issue No.3 which may please be referred to.
iii. In regard to limiting the consumption of agricultural consumers, it is submitted that in the present circumstances for un-metered AP Tubewells, it may not be possible to ascertain the level of consumption by each of the agricultural consumer over and above the approved quantum. The proposed mechanism would be easier to implement for metered AP consumers. Moreover, the billing and collection infrastructure may require further enhancements as currently the entire collection against the agricultural consumption is recovered in the form of subsidy from the Government.
iv. Subsidy to domestic consumers up to 100 units is as per the policy of GoP.
v. Voltage-wise & Category-wise cost of supply report stands submitted to PSERC and is under consideration of the Hon'ble Commission.

View of the Commission

The Commission agrees with the reply of PSPCL regarding issues (i) to (iv). For Issue No. (v), refer Para 5.2 of this Tariff Order.

Issue No. 5: Agricultural Consumption

A comparison of AP consumption vis-à-vis that approved by the Hon'ble Commission for the period 2006-07 to 2012-13 reveals that the consumption of AP consumers have been increasing exceptionally year by year. AP consumption is required to be restricted and additional consumption should be charged at normal tariff rate.

Reply of PSPCL

The reply has already been given in Issue No.4 which may be referred to.

View of the Commission

Refer Para 3.2.2 and 4.1.3 of this Tariff Order.

Issue No.6: Interest Cost

PSPCL has been increasing the burden of loans every year which has resulted in high interest cost. PSPCL should be asked to freeze the loans and seek prior approval of Commission for any additional loan. The burden of interest due to non payment of subsidy by government should not be charged from the consumers.

Reply of PSPCL

It is submitted that working capital loans are availed by PSPCL to meet the gap between Revenue expenditure and Revenue receipts. The allowing of interest on Working Capital Loans is the prerogative of the PSERC.

View of the Commission

Refer to Commission's view on Issue No. 8 of Objection No. 7.

Issue No.7: Employee Expenses

Employee cost of PSPCL has been higher than the approved by the Hon'ble Commission and PSPCL has not been able to contain employee cost. The employee cost per unit is increasing every year. Any increase in employee cost should be allowed as per tariff regulations on the basis of Wholesale Price Index.

Reply of PSPCL

The employee cost is a parameter which cannot be controlled to a great extent by PSPCL. However PSPCL is making strenuous efforts to reduce the burden of employee cost in its ARR. PSPCL has been consistent in its efforts in containing the employee cost and appropriate yardstick with a time bound targets is essential to reduce such costs. Disallowance of the same on the basis of normative parameter without considering it's impact on the viability would result in deterioration of financial position/health of PSPCL. It is submitted that Hon'ble Commission may consider the detailed justification of employee cost as provided in the Tariff Petition and allow the employee cost as claimed.

View of the Commission

Refer to Commission's view on Issue No.11 of Objection No.7.

Issue No.8: Power Purchase

i. The power purchase proposed by PSPCL is higher than that approved by Commission & further the cost of purchase in comparison of quantum is much higher.
ii. The PSERC has specified slabs – both for quantity and rate under which only PSPCL is to purchase power but directive is not honored. PSPCL should not purchase power at higher rate without permission of PSERC.
iii. Unscheduled power purchase is being done during paddy season or during peak load for meeting unexpected consumption of agricultural sector hence such cost of unscheduled purchase should be loaded to concerned sector & not to industrial sector.

Reply of PSPCL

The power purchase is made from central generating stations & its payment is based on the rates determined by the CERC. In the last tariff order the Commission had approved the power purchase rate based on certain assumptions. However the actual rates as approved by the CERC were higher as compared to the rates assumed by the Commission in the last tariff order. Hence the increase in average power purchase cost is not on account of PSPCL but due to increase in the rates of all the sources of power for PSPCL (except own generation) which is not in the control of PSPCL.

It is further submitted that considering the social responsibility of PSPCL to supply power to all consumer categories, it is not possible to discriminate between the consumer categories. Hence, although PSPCL agrees that in Kharif season power supply to agriculture consumers is increased, these consumers cannot be denied this facility as Punjab is a mainly agricultural State and the agriculture sector is the backbone of the economy. Denying power to agriculture consumers during their peak requirement is bound to adversely impact the economic condition of the State as a whole. However, PSPCL is making every effort to increase power availability in the State in order to reduce the dependence on unscheduled power purchase which is currently required as a result of power shortage. The additional capacity expected during the coming years will improve the position to a large extent when the demand of all consumers may be met from scheduled power.

View of the Commission

Commission agrees with the reply of PSPCL. Also refer para 4.8 of this Tariff Order.

Issue No.9: T&D Losses

PSPCL has failed to reduce T&D losses to the desired level and Regulations are required to be made to ensure compliance of the norms fixed by the Commission. Inefficiency of PSPCL in controlling theft, pilferages etc. should not be loaded on honest consumers.

Reply of PSPCL

PSPCL has projected T&D losses of 17% & 16.50% for the FY 2012-13 & FY 2013-14 respectively. Considering the huge geographical spread of a utility & size of PSPCL, it is submitted that at the existing levels, reduction in losses becomes very difficult and a reduction of even 0.5% would require huge capital expenditure, which would be disproportionate to the target achieved. Accordingly a reduction of 0.5% has been proposed. It is prayed to the Commission to approve the proposed loss reduction targets.

It is further submitted that PSPCL is consistently working towards curtailing theft, pilferages etc. The losses on this account has been brought down over the period of time which is reflective in low T&D loss but all efforts will be made to minimize loss towards theft, pilferage etc.

View of the Commission

Refer para 3.3 & 4.2 of this Tariff Order.

Issue No.10: kVAh Tariff

kVAh based tariff is pending since long and same should be implemented at earliest.

Reply of PSPCL

PSPCL has already conducted study on kVAh based tariff & actively under consideration of PSPCL.

View of the Commission

Refer directive No. 7 at Annexure-IV.

Issue No.11: Peak load exemption charges

Peak load exemption charges are exorbitant. Further there is no justification in levying PLEC during winter months when demand falls and the Commission may review the desirability to impose Peak load exemption charges during winter months.

Reply of PSPCL

Restrictions on power supply during peak hours are necessary to operate the system within permissible parameters and to avoid cascade trippings. Providing any exemption/relaxation to normal rules/guidelines/rates to be followed by is the prerogative of the Commission. It is requested that the Hon'ble Commission may kindly consider the ground realities and constraints faced by PSPCL before deciding on the issue.

View of the Commission

Refer para 5.4 of this Tariff Order.

Issue No.12: Cost of supply/HT Rebate

Cost of Supply study is based on lot of assumptions and sample feeders taken are quite inadequate. The assumptions taken are such that HT/EHT consumers have been loaded with unjustified costs and a consumer at 220 kV has been equated with LT domestic consumers . Cross subsidy figures for 132 kV and 33 kV look very unconvincing. PSPCL may be asked to record and compile the data for minimum 10% of feeders for each category and work out the cost of supply on such data minimizing the assumptions. Further it is felt that 132 kV and 33 kV be clubbed with 220 kV and 66 kV respectively so that figure does not look absurd. HT rebate to 220 kV and 66 kV consumers be restored immediately and pay it retrospectively w. e. f. 01.04.2010.

Reply of PSPCL

It is correct that 166 feeders of various categories of consumers were selected for working out coincident maximum demand of the system and various categories of consumers, as per methodology-I. From the loading data it was observed that unrestricted demand of various categories of consumers was greater than the supply availability for most of the time during the year. Due to load shedding as a result of power deficit, it was observed by PSPCL that peak demand of various categories is not natural but controlled by adopting various power regulation measures. Due to this reason it was concluded that application of coincident peak demand and working out of demand related cost as per methodology-I, will not be representing true picture of loading of PSPCL. So methodology-II was followed whereby maximum demand of various categories of consumers was worked out on the basis of total sanctioned load and their demand factor, which was more realistic and hence was adopted for working out cost of supply.

For working out cost of supply as no standard methodology is available for booking cost to various categories of consumers, the officers of PSPCL in consultation and discussions with the consultant firm (TERI) adopted realistic approach whereby the costs were booked to various categories of consumers as per ratio of their consumption of electricity, as this data was most dependable. It is incorrect that HT/EHT consumers have been loaded with unjustified costs rather these consumers had the inherent advantage of low transmission losses which attributes to lower cost of supply to these consumers. Nowhere, consumers of 220 kV have been equated with LT domestic consumers. It needs elucidation by the objector for proper reply by the corporation. The objection raised by the objector is not clear. Cross subsidy worked out is as per cost of supply and tariff applicable to various categories of consumers. The PSPCL shall prefer to go as per methodology-II for cost of supply as given in the report.

As per methodology-II adopted by PSPCL the transmission losses have been adopted as per provision existing in the tariff order for the year 2011-12 and the same have been taken as 2.5% for 132/220 kV. As per methodology-II adopted, voltage-wise average losses have been taken into account, as losses of different categories of consumers at various voltage levels have not been worked out by the corporation.

The cost of supply as per methodology-II is more realistic and dependable and the same should be accepted by the objector.

View of the Commission

Refer para 5.2 of this Tariff Order.

Issue No.13: Power Factor Incentive

Power factor incentive should be rationalized and should be equal for General Industry Consumer & PIU. The Power factor incentive is not commensurate with the benefits accruing to PSPCL.

Reply of PSPCL

The threshold for allowing incentives to PIUs, Arc furnaces and Railway traction has been fixed as 0.95 where as it is 0.90 for others. This is as per General conditions of tariff approved by the Hon'ble Commission and any amendment to the same comes under the preview of the Hon'ble Commission. As per the order of the Commission dated 19.01.2011 Para 5 "The distinction has been kept since the basic characteristics of this category ensures a higher power factor (pf)".

View of the Commission

The Commission agrees with the reply of PSPCL.

Issue No. 14: Return on Equity

The Tariff Regulations allow for RoE to be claimed at the rate of 14% whereas the PSPCL has claimed higher RoE at 15.5% grossed up to 23.48% as per CERC regulations. Since this was not accepted by the PSERC in the last tariff order, so the same should also be rejected this time. Also, increase in equity as a result of FRP approved by GoP should not be considered for RoE since revaluation of dead assets is neither a cash flow nor will improve the financial performance of licensee.

Reply of PSPCL

PSPCL would like to submit that the Hon'ble Commission has been referring to the CERC Tariff Regulations while approving many of the normative parameters. For the purpose of allowing returns to utilities, the CERC in its Tariff Regulations for the period 2009-14 has approved a base rate of 15.50% (pre-tax) to be grossed up with the tax rate applicable to the utility.

Further considering that the PSPCL is facing immense cash crunch due to huge disallowances against actual expenses being incurred by it. In order to achieve the desired operational and financial outcomes/efficiencies that the Hon'ble Commission has directed the PSPCL to achieve, it is essential for the PSPCL to make necessary investments in the Generation as well as the Distribution business on a year on year basis. In light of the same, PSPCL prays to the Hon'ble Commission to reconsider its approach on allowing Return on Equity to the PSPCL and approve the same as proposed.

It also submitted that the assets have been reallocated between PSPCL & PSTCL on the basis of FRP notified by GoP on 24.12.2012. This reallocation has changed the position of assets as well as liability of PSPCL. Reallocation of any assets shall have corresponding reallocation of liability. Hence the Hon'ble Commission may consider and allow RoE as proposed.

View of the Commission

Refer to Commission's view on Issue No. 13 of Objection No.7.

Issue No. 15: Investment Plan

Expenditure towards APDRP schemes and release of tubewell connections should be recovered from consumers of particular category & not be loaded on other categories of consumers. Expenditure on R&M of plants should reflect corresponding benefit in form of additional generation and expenditure on R&M of Transmission & Distribution should be related to corresponding reduction in T&D losses and improvement in quality of supply.

Reply of PSPCL

It is submitted that considering the social responsibility of PSPCL to supply power to all consumer categories, the investment plans are made keeping in view the requirement of all categories of consumers & it is not possible to discriminate between the consumer categories.

PSPCL further submits that it has undertaken proactive repair & maintenance of assets of generation and distribution function. It is submitted that upkeep of the generation, transmission and distribution equipment is prerequisite to reasonable availability, reliability and quality of supply & consumer service. PSPCL has claimed 9% year over year increase in R&M expenses which is reasonable considering the position of the assets and load/utilization factor of the same. In view of the above submission, the Hon'ble Commission may kindly allow the R&M expenses claimed in the ARR & Tariff Petition.

View of the Commission

Refer Commission's view on Issue No.8 of Objection No.4 & 5 wherein issue of investment plan has been discussed and Issue No. 12 of Objection No.7 where in R&M issue has been discussed.

Issue No.16: Power Procurement through Open Access

Open Access power is viable and very important for LS industrial consumers. PSPCL need to review its working and attitude towards LS consumers who have to compete with industries from neighboring states where rate of power are less and other incentives are also available. Therefore, Open Access should be encouraged.

Reply of PSPCL

Due to Open Access, the Industry consumption is reduced which affects the revenue and distribution losses of PSPCL adversely. Open access has been allowed by the Hon'ble Commission in view of the requirement of the industry. While PSPCL accepts the same but reiterates that Cross Subsidy surcharge is required to be maintained to the level as required under Section 42 (2), namely to meet the current level of cross subsidy in the system and the loss that would be caused to PSPCL on account of consumers taking supply through Open Access. In case the cross subsidy is reduced, the burden will increase on the smaller consumers as they will have to compensate for the loss of subsidy by increasing tariff.

Views of the Commission

OA Regulations have been framed and notified by the Commission keeping in view the provision of Model Regulations framed by the Forum of Regulators.

Objection No. 11: JITF Urban Infrastructure Ltd

Issue No. 1: Supply at concessional rate/separate category

The company is engaged in Municipal Solid Waste Management business and has requested for supply of electricity at agricultural/concessional rate for their projects in Punjab and has also asked for creation of a separate category in the Tariff Order as per the recommendations of Inter-Ministerial Task Force constituted by GoI on the directive of Hon'ble Supreme Court.

Reply of PSPCL

It is submitted that deciding on the rates and creation of a separate category is the prerogative of the Hon'ble Commission.

View of the Commission

The Commission has already directed the Licensee to create a new category titled as 'Compost Plants/Solid Waste Management Plants' for Municipalities/Urban Local Bodies. The Commission has also determined the Tariff for this category in this Tariff Order.

Objection No. 12: Siel Chemical Complex

Issue No. 1: General comments on ARR

There has been abnormal increase in projected ARR and revenue gap which seems to be artificially escalated to get very hefty tariff escalations and consumers should not be burdened with undue tariff increase.

Reply of PSPCL

PSPCL has filed the ARR & Tariff Petition in accordance with the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005, as amended from time to time. The revenue Gap & carrying cost is arrived at as per above regulations. It is further stated that PSPCL has been making consistent efforts to curtail its expenditure and the submitted ARR reflects the expenditure essentially required for providing the services of supply of electricity. In view of the above submission it is requested that the Hon'ble Commission may kindly allow the expenditures incurred/projected by PSPCL and accordingly approve the recovery of revenue gap.

View of the Commission

Refer Commission's view on Issue No.10 of Objection No.4 & 5.

Issue No. 2: Cross Subsidy

National Tariff Policy requires that the rates for subsidized categories should not be less than 80% of average cost of supply. However in TO for 2012-13, AP tariff was fixed at 13 paise per unit lower than the average cost of supply which was transferred to industry. NTP should be followed. Further, 70% of yearly requirement of power is consumed during first half of the year whereas subsidy is provided by GoP in 12 equated installments. This puts additional burden on PSPCL to raise heavy working capital. GoP may be directed to release subsidy amount commensurate with the consumption cycle of PSPCL.

Reply of PSPCL

It is submitted that Clause 8.3 of Tariff Policy states as under:

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

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

As given in the Tariff Policy, there has to be reduction in cross-subsidy but gradually, keeping the interest of Utility in view.

However as regards the element of cross subsidy, the same has come down progressively over the years. Hence in light of the same it is requested that while determining the tariff in conjunction with the cross subsidy factor, the Hon'ble Commission has also to keep in view the interests of PSPCL.

View of the Commission

Tariff is determined as per the National Tariff Policy and Tariff Regulations framed by the Commission. Refer Commission's view on Issue No.15 of Objection No.7.

Issue No. 3: AP Consumption

PSPCL should take steps to increase efficiency of tubewells which will result in reduced AP consumption and corresponding additional energy availability.

Reply of PSPCL

PSPCL has already initiated action in this regard. Mandatory use of minimum BEE 4 star labeled pump sets for all new tubewell connections was made compulsory vide circular No. 43/2011 dated 03.11.2012 of PSPCL. Efforts are being made to implement the same.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 4: Non-Compliance of Regulations

PSPCL has not adhered to the Regulations framed for tariff determination purpose and has claimed expenses on actual basis and not on the norms prescribed/followed by the Commission for approving expenses for various heads. The suggestions given are not considered by PSPCL.

Reply of PSPCL

As per the tariff determination exercise, in accordance with the "The Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005", PSPCL is required to submit the details of the actual costs incurred by it in the last year, revised estimates for the current year and projections for the ensuing year. The projections and revised estimates are to be prepared based on the applicable regulations whereas the actuals for the last year are to be claimed as per annual accounts. It is further submitted that PSPCL has been complying with the various directives of the Hon'ble Commission in the tariff orders and has also been considering/implementing the suggestions of consumers as far as possible.

View of the Commission

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

Issue No. 5: Tariff based on Cost of Supply
The T&D losses on account of EHT consumers are low, however average T&D losses is applied to determine tariff of all consumers. The cost of supply based tariff be implemented and incase of delay, voltage rebate be introduced.
Reply of PSPCL
The report on Cost of Supply has been submitted for consideration of the Hon'ble Commission. Presently tariff of various categories of consumers is within the limit of 20% of average cost of supply as prescribed by the National Tariff Policy hence voltage rebate is not justified. However, deciding on the rates is the prerogative of the Hon'ble Commission and it is submitted that the Hon'ble Commission may keep the interest of PSPCL in view while deciding on the issue.
View of the Commission
Refer para 5.2 of this Tariff Order.

Issue No. 6: Cross Subsidy
i. Electricity Act, 2003 & National Tariff Policy provides for gradual reduction in cross subsidy but cross subsidy burden on consumers has been increasing. There should be road map for gradual reduction of cross subsidy.
ii. AP consumers and lowest slab of domestic category consumers are being cross subsidized and has not been reduced.
iii. There should be limit on consumption for the categories which are being subsidized and additional consumption should be charged at normal tariff or government should pay for it.
iv. Slab system for domestic categories should be abolished and one flat rate be fixed.
v. Tariff should be based on cost of supply to consumers category-wise and voltage-wise. Cross subsidy should be reduced / eliminated over a period of time.

Reply of PSPCL
i. Same as reply to Issue No. 2 above.
ii. Same as reply to Issue No. 2 above.
iii. Deciding on the subsidy is the prerogative of Govt. of Punjab and tariff is to be determined by the Hon'ble Commission.
iv. Creation or deletion of category is the prerogative of the Hon'ble Commission.
v. Cost of supply report has been submitted for the consideration of the Hon'ble Commission. As regards reduction in cross subsidy the reply is same as that for point No. (iii) above.

View of the Commission
i. Commission agrees with the reply of PSPCL.
ii. Efforts are being made to gradually reduce cross subsidy as per PSERC Tariff Regulations.
iii. Commission agrees with the reply of PSPCL.
iv. The provision of slab system is to take care of small consumers.
v. Refer para 5.2 of this Tariff Order.

Issue No. 7: Agricultural Consumption
i. AP consumption has been increasing at very high rate which is incomprehensible.
ii. There is some flaw in arriving at AP consumption or T&D losses have been adjusted as AP consumption is un-metered.
iii. There should be limit on consumption for the categories which are being subsidized and additional consumption should be charged at normal tariff.

Reply of PSPCL
i. AP consumers are provided connection through separate feeders which are metered. Actual AP consumption has been arrived at in accordance with the reading of metered AP feeders.
ii. Reply same as para (i) above.
iii. Reply same as to Issue No. 6(iii) above.

View of the Commission
For issues at (i) & (ii), Commission agrees with the reply of PSPCL. Refer Directive No. 5 at Annexure IV of this Tariff Order. For issue at (iii), refer to the reply to issue no. 6(ii) above.

Issue No. 8: Interest Cost
Increasing total loans & working capital loans without caring for financial burden shows gross financial indiscipline in PSPCL. The loan should be freezed and PSPCL should be required to seek prior approval for any additional loan and same should be sanctioned after studying its payback benefits.

Reply of PSPCL
PSPCL has submitted detailed capital expenditure plan for generation, distribution and transmission functions along with funding requirement for the approval of the Hon'ble Commission.
View of the Commission
Interest is allowed to PSPCL on approved borrowings in line with PSERC Regulations. Refer para 3.14 and 4.13 of this Tariff Order. Also refer to Commission's view on Issue No.8 of Objection No.7.

Issue No. 9: Reallocation of Ranjit Sagar Dam Cost
The issue of shifting overvalued asset of RSD to PSPCL is required to be reopened and new committee be constituted with consumer's representatives in it.
Reply of PSPCL
Deciding on the matter is the prerogative of the Hon'ble Commission. However, PSPCL would like to submit that Hon'ble Commission may keep the interest of PSPCL in view while deciding on the issue.
View of the Commission
The allocation of the assets have been made by GoP vide notification dated 24.12.2012.

Issue No. 10: Power purchase from external sources
The power purchase proposed by PSPCL, approved by Hon'ble Commission and actuals for the period 2005-06 to 2012-13 shows that:

i. There has been huge increase in power purchase and costly power purchase is required to be restricted.
ii. PSPCL should be directed to contain the quantity and rate of power purchase within the approved limits by the Commission.
iii. Cost of unscheduled power purchase which is being done basically to meet the requirement of agriculture sector should be recovered from the AP consumers and cost of such power should not be loaded to other categories.

Reply of PSPCL

i. It is submitted that PSPCL purchases power to meet the required demand and limiting the purchase would result in unscheduled power cuts. Further rate of power purchase from Central Generating Stations are being determined by CERC. As regards short-term/unscheduled power purchase, it is submitted that PSPCL makes all effort to procure cheapest available power but the same is market determined and PSPCL has no control over it.
ii. Same reply as to para (i) above.
iii. PSPCL does not procure power category-wise, hence determination of extra cost associated with supply to AP consumers cannot be determined. However, it is submitted that the burden of cross subsidising other categories has been brought within the limit of 20% of average cost of supply as prescribed by the National Tariff Policy.

View of the Commission
Refer para 4.8 of this Tariff Order.

Issue No. 11: T&D losses
The high T&D losses are severely affecting the financial health of PSPCL and it should be ensured that T&D losses are reduced. The agriculture supply is the main contributor of T&D loss and burden of the same should not be loaded on EHT consumers.
Reply of PSPCL
PSPCL is making all efforts to contain T&D losses and accordingly T&D losses has been brought down substantially. However, PSPCL shall continue its efforts for further reduction in losses. As regards AP consumers being main contributor of T&D losses and burden of the same being borne by other categories, it is submitted that presently tariff of various categories are within 20% of average cost of supply which is as per the limits prescribed by the National Tariff Policy. Hence burden of cross subsidizing agriculture category has substantially reduced.
View of the Commission
Commission agrees with reply of PSPCL as far as reduction in T&D losses is concerned.

Issue No. 12: Employee expenses
The employee cost is very high and unjustified. Increase in employee cost should be on WPI & any additional expenditure on this account should be met by PSPCL by way of internal efficiency.

Reply of PSPCL

The employee cost is a parameter which cannot be controlled to a great extent by PSPCL. However PSPCL is making constant efforts to reduce the burden of employee cost.

View of the Commission

The Commission approves employee expenses as per notified Regulations. Refer para 3.10 and 4.9 of this Tariff Order.

Issue No. 13: Peak load exemption charges

Peak Load Exemption charges are on higher side and agriculture load contributes to great extent during peak hours hence PLEC should be imposed on agriculture consumers at par with industry. There is no justification to levy PLEC during winter months.

Reply of PSPCL

Imposition of peak load exemption charges is required to meet the high cost of power procurement during peak hours. However, deciding on the imposition of PLEC to agriculture consumption is the prerogative of the Hon'ble Commission.

View of the Commission

Levy of PLEC on AP is not justified as the supply is given in shifts & that too depending on availability.

Issue No. 14: Transit loss of coal

The transit losses claimed by PSPCL are quite high and CERC norms of 0.8% loss of coal should be applicable for PSPCL.

Reply of PSPCL

The internal control system and procedure for monitoring the quantity & quality of coal is already in place and is functioning effectively. This has resulted in reduction of transit losses and improvement in quality of coal. However PSPCL will continue its effort to further improve the efficiency level. It is submitted that Hon'ble Commission may kindly keep the practical feasibility and interest of PSPCL in view while deciding on the submission of the objector.

View of the Commission

The issue of Transit loss has been considered by the Commission in detail, in its Tariff order for FY 2012-13 and keeping in view the past conditions, the Commission decided to adopt the actual figure of transit loss subject to maximum of 1.5 % for FY 2012-13 and 1% for FY 2013-14 onwards.

Issue No. 15: Power factor Incentive

i. Undue preference to General Industry vis-à-vis PIU is unfair and it should be uniform. Moreover there should be equal sharing of benefit between consumer & PSPCL.
ii. PF incentive should also be given on OA power.

Reply of PSPCL

i. The threshold for allowing incentives to PIUs, Arc furnaces and Railway traction has been fixed as 0.95 where as it is 0.90 for others. This is as per General conditions of Tariff approved by the Hon'ble Commission and any amendment to the same comes under the preview of the Hon'ble Commission. As per the order of the Commission dated 19.01.2011 Para 5 "The distinction has been kept since the basic characteristics of this category ensures a higher power factor (pf)".
ii. PSPCL submits that in case a consumer is not able to maintain the requisite limit of power factor and he is also purchasing power from outside state under open access, the surcharge levied on the consumer is limited to the energy purchased from PSPCL and not on his entire consumption, as would be an obvious corollary of the proposition of the objector. Furthermore, claiming benefit of power factor incentive even for energy not purchased from PSPCL is like claiming benefits under power factor incentive mechanism even though a person is not a consumer of PSPCL. In a hypothetical scenario, if we accept the proposition of the objector, in case a consumer does not purchase any power from PSPCL but meets his entire requirement through open access and at the same time he maintains a power factor of 0.99 he will become entitled to incentive from PSPCL although he has not purchased even a single unit from PSPCL. This would not be justified. Accordingly it is prayed that the Hon'ble Commission should not accept the proposal of the objector.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 16: Cost of Supply/HT Rebate

i. The study is based on lot of assumptions and sample feeders taken are quite inadequate.
ii. HT/EHT consumers have been loaded with unjustified costs and made to share big burden of the ARR.
iii. The T&D losses for 220 kV and 132 kV consumers have been taken as 6.6% against 2.5% assumed by the commission in the tariff order. Lower T&D losses for agriculture have been assumed.
iv. Final cost of supply for an 11 kV industrial consumer works out as 454 paise against 473 paise for an industrial consumer at 66 kV is beyond imagination.
v. It will be therefore more appropriate to ask PSPCL to record and compile the data for minimum 30% of feeders for each category and work out the cost of supply on such data minimizing the assumptions.
vi. Further it is felt that 132 kV and 33 kV be clubbed with 220 kV and 66 kV respectively so that figures do not look absurd.
vii. It is evident that the cost of supply as worked out in the present form is not representing the ground realities and needs to be made realistic and fine-tuned with more data collection on actual basis. Till that time, HT rebate to 220 kV and 66 kV industrial consumers may be restored immediately and pay it retrospectively w.e.f. 01.04.2010.

Reply of PSPCL

i. There are approximately 6000 feeders with the utility. These feeders may be providing services to a dedicated category of consumer, or to a group of consumer categories. For example most of the commercial establishments are being supplied electricity through the feeders supplying electricity to domestic category consumers also. Thus for the calculation of contribution of each category of consumers in the peak demand of the utility, predominant feeders for various consumer categories were identified. After studying the load contribution from various categories of consumers on these 6000 feeders, it was found that there were approximately 3600 feeders that can be classified as predominant feeder of a particular consumer category. The rest are mixed feeder with varying degree of load contribution from various consumer categories. Subsequently, hourly load data were collected from the identified sample feeders which are approximately 200 feeders. The filtering and cleaning of data is a standard process to ensure that the data being used are free from any discrepancies and deficiencies. It is a standard practice followed in all statistical study. The filtering of data resulted in the final selection of 166 feeders.
ii. The CoS study is a unique study that requires bifurcation and allocation of costs incurred by the utility in making available the services to various category of consumers. The cost accounting practice that is followed by the utilities requires some assumption for the bifurcation and allocation of the cost to various consumer categories. It should also be appreciated that this study is first of its kind for the state. The Generation and transmission cost comprises predominant part of the total cost of PSPCL i.e. more than 80% of the total cost. This cost is further subdivided on the basis of demand and consumption and is not based on assumption. The balance cost is of the distribution. PSPCL has fair idea for the distribution of these costs to various heads. As such CoS determined is based on sound, justified rational.
iii. There is no difference in the loss figures taken for the calculation of CoS for the two methodologies. The loss figures at various voltage levels, approved by the Honorable Commission for various years in the tariff Orders, have been considered for the calculations in this study. The loss figure approved by the Commission for 220 kV and 132 kV consumers in its tariff orders for various years have been considered for the study. Further, the loss figures for agriculture consumers approved by the Hon'ble Commission in its tariff orders for various years have used for the calculation. The cross subsidy figure has been calculated using the following formulae:

   Cross subsidy = (CoS per unit at that voltage level for individual consumer categories) – (approved tariff at that voltage level for that category of consumers).
iv. The contribution of 11 kV industries in the peak load of the utility is approximately 12.68% and that of the 66 kV industries is approximately 8.77%. At the same time the overall sales to the 11 kV industries is approximately 5062 MU while that of the 66 kV industries is approximately 2400 MU. The peak load contribution of the 11 kV industries is approximately double of the contribution from 66 kV industries. The sales of the 11 kV industries are approximately double of the sale of 66 kV industries. Thus in the Methodology-I the overall cost of making service available to 66 kV industries is higher than that of 11 kV industries. Due to this fact, the

Methodology No-I is not recommended by PSPCL.

v. The CoS study has been the first of its kind in the state of Punjab. Utility is sure that with time the process of collection of data would be further developed to increase the accuracy of the data captured and to decrease the time required for the collection of the data. However, the number of feeders from which data needs to be captured to represent the total population with high level of confidence is decided based on the statistical formulae.

vi. The objection raised by the objector is not clear.

vii. The Cost of Supply report has been submitted to the Hon'ble Commission. Approval of the same is the prerogative of the Hon'ble Commission.

View of the Commission

Refer para 5.2 of this Tariff Order.

Issue No. 17: Return on Equity

i. PSPCL has claimed higher rate of return on equity as provided in the CERC regulations but the return on equity should be approved at the rate 15.5%.

ii. PSPCL has also claimed higher return on equity 1411.50 crore based on revaluation of assets which has resulted in equity of ₹6081.43 crore for PSPCL against approved equity of ₹2617.61 crore. No increase on equity should be allowed and return on equity be capped to the existing level.

Reply of PSPCL

i. PSPCL would like to submit that the Hon'ble Commission has been referring to the CERC Tariff Regulations while approving many of the normative parameters. For the purpose of allowing returns to utilities, the CERC in its Tariff Regulations for the period 2009-14 has approved a base rate of 15.50% (pre-tax) to be grossed up with the tax rate applicable to the utility.

ii. It is submitted that the assets has been reallocated between PSPCL & PSTCL on the basis of FRP notified by GoP on 24.12.2012. This reallocation has changed the position of assets as well as liability of PSPCL. Reallocation of any assets shall have corresponding reallocation of liability as well change in the value of liability.

View of the Commission

Refer to Commission's view on Issue No. 13 of Objection No. 7.

Issue No. 18: Investment Plan

The cost of new tubewell connections should be paid by the agriculture consumers and burden of such cost should not be loaded to other categories. Also, expenditure on R&M and T&D system should reflect corresponding benefit in the form of additional generation and reduction in T&D losses.

Reply of PSPCL

The investment plan is made keeping in view the overall requirement of electrification and supply of continuous and reliable power to all categories of consumers. Further, detailed investment plan for generation, distribution and transmission function is submitted for approval of the Hon'ble Commission.

As regards to expenditure on R&M, PSPCL submits that it has undertaken proactive capital expenditure plan towards generation and distribution function in view of the present capacity of the assets and the system requirement. It is submitted that upkeep of the generation, transmission and distribution equipment is prerequisite to reasonable availability, reliability and quality of supply & consumer service.

Investment towards these functions is essential considering the position of the assets and load/utilization factor of the same. It is further submitted that any reduction in expenses towards maintenance may have a bearing on the performance of the system. In view of the above submission, the Hon'ble Commission may kindly approve the investment plan as proposed in the ARR & Tariff Petition.

View of the Commission

Refer to Commission's view on Issue No.15 of Objection No.10.

Issue No. 19: Power procurement through Open Access

The wheeling charges on open access in Punjab are very high in comparison to other states and OA wheeling charges should cover only wire business expenses. Further, there is no justification for levying scheduling and operation charges. It is requested that relief be allowed to open access consumers.

Reply of PSPCL

Matter is already under consideration of PSERC in Petition filed by M/s Induction Furnace Association of North India Ludhiana. In case there would not have been any compensation the same would have been loaded on other consumers, so these other consumers as such have to suffer due to privileges given to Open Access consumers. PSPCL on the direction of Hon'ble PSERC has increased the wheeling charges w.e.f. 07.05.12 to avoid any adverse impact on consumers of PSPCL.

View of the Commission

The charges are levied as per OA Regulations framed by the Commission after observing due procedure.

Objection No. 13: Steel Furnace Association of India (Punjab Chapter)

Issue No. 1: Voltage-wise Category-wise Cost of Supply

The first method provide more reliable information regarding the share of each consumer in peak load as it is based on actual data available with SLDC. This is in contrast with the second method where the effective connected load is based on estimates of PSPCL, which is based on experiences of the PSPCL experts and thus carries a reasonable chance of human errors while making such estimates.

The existing scenario of restricted peak demand has been cited as a limitation in adopting Methodology-I. However, even after capacity addition, some sort of restrictions will continue & it will be appropriate to factor in the same in the study. The determination of cost of supply can be reviewed in future if situation warrant. The other states have accordingly approved Methodology-I for the determination of CoS.

Reply of PSPCL

PSPCL has submitted to the Honorable Commission the report of the study on CoS. It is the prerogative of the Commission to approve the methodology, for the determination of CoS, best suited for the state under the existing scenario.

View of the Commission

Refer para 5.2 of this Tariff Order.

Objection No. 14: Indus Towers Ltd.

Issue No. 1: Rationalisation of Tariff for Telecom Towers

Commission may take the voltage wise cost of supply as an input for determination of tariff and has requested that consumers with flat load profile and high power factor requiring electricity on a continuous basis be considered separately & the Two Part Tariff should be implemented in consideration of cost of supply & load profile of consumers.

Reply of PSPCL

Cost of Supply Report has been submitted for the consideration of the Hon'ble Commission. Determination of tariff and creation of separate category is the prerogative of the Hon'ble Commission.

View of the Commission

Refer para 5.1, 5.2 & 5.3 of this Tariff Order.

Issue No. 2: Introduction of sub-category for telecom towers

Quoting sub-categorization of commercial consumers by various states, it has been submitted that Commission may consider classifying telecom towers under a separate sub-category within existing commercial category with suitable relaxation in applicable tariff.

Reply of PSPCL

The changes in the category and relaxation in tariff is the prerogative of the Hon'ble Commission. However, it is requested that while deciding on the re-categorization and relaxation in tariff as requested by the objector, the Hon'ble Commission has also to keep in view the interests of PSPCL.

View of the Commission

The Commission does not agree with the suggestion of the objector.

Issue No. 3: Consolidated billing and roll out of AMR systems

Consolidated billing & AMR system for large consumers with multiple connections should be implemented.

Reply of PSPCL

PSPCL would like to submit that the telecom towers of any particular company are spread over the

entire state and fall under different sub-divisions. Accordingly the day-to-day operations relating to the different towers are handled by different officials. Each subdivision undertakes the meter reading, billing and bill dispatch for telecom towers falling under its jurisdiction. Also the meter reading and billing dates of all the telecom towers are different. In light of all the above practical problems, at this point of time it is not possible to provide consolidated billing for all the telecom towers belonging to Indus Towers in the state of Punjab.
As far as roll out of AMR is considered, PSPCL is undertaking AMR implementation for high end HT consumers on a priority. In due course of time the same shall be extended to other consumers.

View of the Commission

Commission agrees with the reply of PSPCL.

Objection No. 15: Chamber of Industrial & Commercial Undertakings

Issue No. 1: Cost of Coal

Cost of coal can be reduced by limiting the transit loss to 0.5% and stringent check on quality of coal. Thermal stations should be operated at optimal load and thermal efficiency can be increased by fine tuning the entire auxiliary equipment.

Reply of PSPCL

The internal control system and procedure for monitoring the quantity & quality of coal is already in place and is functioning effectively. This has resulted in reduction of transit losses and improvement in quality of coal. However PSPCL will continue its effort to further improve the efficiency level.
It is further submitted that PSPCL makes all effort to operate the thermal stations at optimal load and timely maintenance and overhauling of the plants and equipments are done to maintain operational efficiency.

View of the Commission

Commission has capped the transit loss keeping in view the past status and possible improvements in this regard.

Issue No. 2: Cost of power purchase

i. The power at extra high cost is procured for subsidized agricultural sector for paddy growing and is passed on to industrial consumers. Punjab Govt. shall go for alternative crops and must decrease the area under paddy.
ii. The power purchase from external sources is increasing which is escalating the input cost. PSPCL should make efforts to arrange more power from cheaper sources.
iii. Timely completion of thermal station projects should be ensured.

Reply of PSPCL

i. The issue lies in the domain of Punjab Government.
ii. The cost of power from the long term contract is not depending upon the season because it is on annual basis only. There is variation in the prices of power purchase through power exchange which depends on market but power purchase is minimal. The short-term power on advance reservation basis is procured during summer season only. During 2012-13, PSPCL has purchased short term power at an average cost of ₹3.88 unit. PSPCL has already called tenders for short term purchase during 2013-14 and the prices are less than of the previous year as such it is not correct that PSPCL is purchasing @ ₹7 or 8 per unit.
   The issue of alternative crops lies with the Punjab Govt. The power allocation from the central pool is by the Govt. of India. The PSPCL is already making all out efforts to get maximum power from the unallocated share from the central sector purchase. However this is at the discretion of the Ministry of Power, Govt. of India to allocate the unallocated power.
iii. PSPCL is making all out efforts for timely completion of Thermal Projects coming up in the state.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 3: Interest Charges & Subsidy

i. The finances of the PSPCL are totally in mess. The loan amount & interest amount on loans is increasing every year.
ii. PSPCL has not given its financial turnaround plan.
iii. The gap left un-plugged is ₹12053.39 crore even after increasing the tariff.
iv. Similarly the subsidy bill is increasing every year. There is shortfall in re-imbursement of

subsidy by the Govt. of ₹229.48 crore in 2011-12 & ₹3343.53 crore in 2012-13. It will further lead to increase in debt and expenses due to interest.

v. Interest repayment shall be worked out through loan bailout by the Govt. or through asset selling (spare land/ buildings etc) and shall not be passed on to the customers.
vi. Scheduled caste/weaker section subsidy shall also be given in cash by the Govt. instead of providing the free electricity as it will lead to saving in use of energy.
vii. The impact of the interest due to loans and the subsidy shall be worked out clearly and shall be paid by the Punjab Govt. and no part of it be passed on to other category of customers through cross subsidy.
viii. Exact cost of the subsidy to all categories shall be worked out with actual rate of unit purchased for the purpose instead of the average cost of energy as during the paddy period cost of power is much higher & such difference have impact on the Tariff.
ix. Equity to Loan ratio is decreasing day by day as equity is constant and the loan is increasing. Payback to equity is much less as compared, so efforts shall be made to increase the equity.

Reply of PSPCL

i. Outstanding balance of loans of PSPCL at the end of each financial year in question shown in objection raised has been revised as per notification issued by Govt. of Punjab; detail given below:

Financial year	Outstanding balance of loans submitted earlier in ARR (₹ in crore)	Revised outstanding balance of loans after issuance of GoP notification FRP (₹ in crore)
2010-11	16898.18	17429.24
2011-12	17857.01	18738.48
2012-13	19165.02	19918.49
2013-14 (projected)	20575.76	21329.23

To fund the capital expenditure fixed in the Annual Plan of Corporation for respective years, additional loans are raised resulting in increase in loans.

However, during 2010-11, additional working capital loans have been raised to meet with the gap in cash flows.

The interest and financial charges have also been revised as under:-

Financial year	Interest cost of loans submitted earlier in ARR (₹ in crore)	Revised interest cost including Finance Charges after issuance of GoP notification FRP (₹ in crore)
2010-11	1674.03	1696.59
2011-12	2163.33	2174.58
2012-13	2587.24	2618.18
2013-14 (projected)	2656.86	2689.26

The interest cost has been increased due to increase in loans. Further, long terms loan are availed with three year interest reset clause. Due to high inflation rate, the rate of interest has been reset on higher side in recent past; thereby increasing the interest cost of long term loans availed. Moreover, for the year 2013-14 interest has been worked out at present rate of interest on long term loans. It is reiterated that the loans have been availed on very competitive rates.

ii. PSPCL has filed the ARR & Tariff Petition in accordance with The Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time along with the prescribed formats. All the information required as per the above regulations has been provided.
iii. No reply is sought.
iv. The figure of subsidy indicated in the para are as per ARR for the year 2011-12 to 2013-14 which is subject to true-up, review and determination by PSERC. There is no shortfall in reimbursement of subsidy by GoP for the year 2011-12 & 2012-13.
v. Financial assistance by Government to improve the cash flow position of PSPCL is to be decided by the GoP.
vi. Deciding on the subsidy is the prerogative of GoP.

vii. Interest claimed in ARR relates to loans taken for capital works undertaken and working capital and therefore has been proposed to be recovered through tariff. Further, subsidy burden is not passed on to the consumers of other categories through cross subsidy.
viii. PSPCL purchases power to meet the requirement of consumers across all categories and not category-wise. Further, subsidy is being paid by GoP and other categories are not burdened with the same.
ix. Infusion of fresh equity is the prerogative of GoP.

View of the Commission

The Commission agrees that the financial condition of PSPCL needs to be improved. Financial Restructuring Plan has been put in place by GoP. The Commission has been issuing directives to streamline the working of the utility.

Issue No. 4: Employee Cost

Although number of employees has been reduced but the employee cost is still very high.

Reply of PSPCL

The employee cost is a parameter which cannot be controlled to a great extent by PSPCL. However PSPCL is making constant efforts to reduce the burden of employee cost.

View of the Commission

The number of employees has reduced however the Commission has observed that employee cost is still high. Therefore, the Commission allows employee cost as per Regulations. Refer para 3.10 and 4.9 of this Tariff Order.

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

i. T&D loss reduction should be much more.
ii. Detail of number of 11 kV feeders up to 31.12.2012 and number of feeders where accounting has been done, and feeder wise T&D losses should be submitted.
iii. Reasons/basis of the projected growth of agriculture consumption of 5% in 2013-14 has not been given.
iv. As per MoP guide lines under APDRP, AT&C losses are required to be brought below 15% limit with annual sustained improvement.

Reply of PSPCL

i. PSPCL shall continue its effort to reduce T&D losses.
ii. PSPCL has submitted the ARR & Tariff Petition in accordance with The Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time and all the information required as per the above regulation has been submitted.
iii. The Hon'ble Commission in Tariff Order for the FY 2012-13 has approved growth in Agricultural consumption for the FY 2012-13 by 5% over the sales for the FY 2011-12. Same basis has been applied to project the agricultural consumption for the FY 2013-14.
iv. GoI/MoP launched R-APDRP (Part-B) scheme for strengthening of sub-transmission and distribution system of urban India to reduce AT&C losses in towns with population 30,000 or more and having AT&C losses more than 15%. As per provisions in the scheme, 50% loan is convertible into grant if the utilities maintain AT&C losses up to or below 15% on a sustainable basis.
PSPCL has already adopted this scheme and guidelines are being followed in true spirits. As per guidelines, 47 numbers cities/towns of Punjab are eligible under this scheme. Open tenders were invited by PSPCL to implement this scheme. Price bids of eligible firms stand opened & work orders are also likely to be issued shortly. Benefits shall start accruing to PSPCL after implementation of the scheme.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 6: Defaulting Amount

Defaulting amount belonging to Govt. Departments needs to be recovered without further delay.

Reply of PSPCL

PSPCL has fully functional billing and collection department and is operating as per laid down policies for recovery of dues. All out efforts are being made to recover the dues.

View of the Commission
The Commission has issued directive in the Tariff Order for FY 2011-12 onwards in this regard and is monitoring the implementation of the directives through review meetings.

Issue No. 7: Free Power to employees
Consumers should not be burdened with the cost of free supply to the employees.
Reply of PSPCL
Free supply to the employees is as per the HR policy of PSPCL and is part of benefits being given to the employees.
View of the Commission
The matter is an internal administrative matter relating to the Personnel Policies of the Utility.

Issue No. 8: Theft
Controlling of theft is most effective way to reduce load on feeders and reduction in T&D losses.
Reply of PSPCL
The internal control system and procedure for monitoring sale and billing is already in place and is functioning effectively. This has resulted in reduction of theft and losses. However PSPCL will continue its effort to further improve the efficiency level & reduce theft.
View of the Commission
PSPCL should be more vigilant in detecting theft of electricity.

Issue No. 9: Increase in Tariff
There should not be any tariff increase.
Reply of PSPCL
PSPCL has submitted the ARR & Tariff Petition in accordance with the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005'as amended from time to time. Hon'ble Commission may kindly allow appropriate increase in tariff so as to enable recovery of the ARR as proposed.
View of the Commission
Refer to Commission view on Issue No.10 of Objection No.4 & 5.

Objection No. 16: United Cycle & Parts Manufacturers Association

Issue No. 1: Increase in tariff
The proposal for increase in Tariff should not be approved.
Reply of PSPCL
PSPCL submits that keeping in view the inflationary trend due to increase in rates of various items such as coal, freight, salary of employees, material cost, purchase of power cost etc. and as per Punjab State Electricity Regulatory Commission (Terms & Condition for Determination of Tariff) Regulations, 2005 as amended from time to time, PSPCL has filed ARR and Tariff Petition on the basis of which Hon'ble PSERC has to determine the Tariff for the year 2013-14. Further PSPCL understands its responsibility of providing electricity to the consumers at reasonable rates and at the same time, PSPCL is also required to recover the cost of providing power from the consumers through Tariff.
View of the Commission
Refer to Commission view on Issue No.10 of Objection No.4 & 5.

Objection No. 17: Bharti Kisan Union Ekta (Sidhupur) Punjab

Issue No. 1: Supply of power
The hours of Power Supply to tubewells may be fixed in two semesters, one from June to November & second from December to May so that farmers can plan crops accordingly.
Reply of PSPCL
The proposal of the objector shall be considered appropriately based on availability of electricity and other factors effecting supply of power.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 2: Meters
Meters should be installed on agricultural feeders.
Reply of PSPCL
It is submitted that PSPCL has already installed meters on agricultural feeders.
View of the Commission
Refer directive No.5 at Annexure-IV of this Tariff Order.

Issue No. 3: Power in daytime
Efforts should be made to supply power to tube well in day time. It will help conserve water and power.
Reply of PSPCL
The proposal of the objector shall be considered appropriately based on availability of electricity and other factors effecting supply of power.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 4: HRC fuses
To protect the transformers from damage, standard HRC fuses be used.
Reply of PSPCL
PSPCL is making all effort to protect the transformers from damage and using best quality of material. However, the proposal of the objector shall be considered appropriately.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 5: Motors
Star rated motors are not available in the market & price is also very high so, ISI marked standard motors be allowed to be used by farmers.
Reply of PSPCL
The proposal of the objector shall be considered appropriately.
View of the Commission
PSPCL should ascertain the market position and the objector may be informed accordingly.

Issue No. 6: Meter testing
The system of testing and calibration of meters be made transparent & independent.
Reply of PSPCL
Meter testing laboratories have been established at various locations across the state and testing is being done transparently and independently.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 7: Tariff
The per capita income of Punjab is less than Chandigarh & Haryana, so rates of power should also be less than Chandigarh & Haryana.
Reply of PSPCL
Deciding the tariff is the prerogative of the Hon'ble Commission.
View of the Commission
Refer view of the Commission on Issue No.2 of Objection No.2.

Issue No. 8: Slab System
The slab system of billing is complicated. Simple method may be adopted and subsidies to domestic, agricultural, SC, and BPL etc. be given lump some.
Reply of PSPCL
Deciding on the slabs for various categories & manner of recovery of subsidy is the prerogative of Hon'ble Commission.
View of the Commission
The existing slab system is not complicated. Grant of subsidies to various categories of consumers is the prerogative of the State Govt.

Issue No. 9: Grievance redressal
Independent tribunal like consumer courts may be constituted for speedy redressal of grievances and justice be given to consumers.
Reply of PSPCL
PSPCL has grievance redressal mechanism in place and the same is functioning effectively. However, establishment of independent grievance redressal forums is the prerogative of the Hon'ble Commission.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 10: Theft
"Carrot & Stick Policy" may be adopted by PSPCL towards staff in case of theft of power.
Reply of PSPCL
The internal control system and procedure for monitoring sale and billing is already in place and is functioning effectively. This has resulted in reduction of theft and losses. However, PSPCL will continue its effort to further improve the efficiency level & reduce theft.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 11: Test reports
Only agriculture consumers are required to submit test reports to be issued by the electrical contractors. It is discriminatory and should be stopped.
Reply of PSPCL
PSPCL does not discriminate among various categories of consumers and laid down standard operating procedures are being followed with regard to operational matters.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 12: Minimum charges
The present system of charging minimum bill on connected load be stopped. Bill on actual consumption may be charged.
Reply of PSPCL
The system/infrastructure & electricity requirements are decided based on the assessment of connected demand. Fixed/minimum charges are levied to recover fixed expenses of PSPCL towards system/infrastructure for supply of electricity. Therefore fixed charges are required to be recovered on the basis of connected demand. Calculation of fixed charges on the actual demand instead of connected demand of all consumers would result in lesser recovery of fixed expenses.
View of the Commission
Bill is charged as per actual consumption. Minimum charges are payable only when the consumption is below the minimum charges.

Issue No. 13: Farmer friendly policy
A simpler and farmer friendly policy should be adopted for seasonal demand of farmers for Cane-crushing & thrashing etc.
Reply of PSPCL
PSPCL makes all effort to provide services to the full satisfaction of the consumers.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 14: Power supply
Uninterrupted domestic power supply from 5AM to 9 AM & then 5 PM to 9 PM should be ensured.
Reply of PSPCL
PSPCL has been providing reliable and continuous power to its consumers except for scheduled power cuts which is decided based on demand and availability of power.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 15: Theft
Special squads may be constituted for checking of power theft by govt. officers, PSPCL officers and staff residences & religious places etc.
Reply of PSPCL
Reply to reply to Issue No.10 above.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 16: Maintenance of transformers & lines
Periodical & preventive maintenance of transformers & lines should be done on regular basis.
Reply of PSPCL
PSPCL undertakes proactive and planned maintenance work of all the generation, distribution & transmission assets so as to ensure continuous power to its consumers.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 17: Penalty for non-payment of bill
Penalty for non-payment of bill by due date is very high & not justifiable by any law. It should be lowered and may be levied on per month basis and the connection should not be disconnected during this period.
Reply of PSPCL
Various fees and charges are as per Schedule of General Charges approved by the Hon'ble Commission and deciding the same is the prerogative of the Hon'ble Commission.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 18: Change of name
In case of change of name by farmers, security & test report is required and the same is not justified in any manner.
Reply of PSPCL
The laid down standard operating procedures are being followed with regard to operational matters.
View of the Commission
Commission agrees with the reply of PSPCL.

Objection No. 18: Consumer Protection and Awareness Council (Regd.)

Issue No. 1: Power Generation
Power generation is inadequate which has resulted in additional power purchase from market at higher rate. Additional power plants should be installed and old power plants should be modernized.
Reply of PSPCL
PSPCL has been making efforts to maximise generation from own plants and the PLF of the plants have been consistent. PSPCL has undertaken timely and planned overhauling and maintenance exercise to ensure rated generation from these plants. It is further submitted that additional power plants are coming up in Punjab and with commissioning of these plants, power availability position will improve.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 2: Additional Power Plants
There has been delay in construction of the new power plants coming up in Punjab & additional cost due to delay should be recovered from companies constructing the plants.
Reply of PSPCL
The progress of work of new plants is being monitored and all efforts are being made to maintain the construction schedule and commission the projects at earliest.
View of the Commission
PSPCL should monitor the progress at regular interval.

Issue No. 3: Transmission & Distribution Losses
Reduction in T&D losses is appreciable but there is scope for further reduction.

Reply of PSPCL
PSPCL has noted the appreciation of the objector and also ensures that similar performance will be continued in the future.
View of the Commission
Refer para 3.3. & 4.2 of this Tariff Order.

Issue No. 4: Subsidy
Free power to agriculture sector and weaker sections of the society should be stopped/reduced. However, the subsidy, if any, should be paid through bank to the consumers directly.
Reply of PSPCL
Power to the agriculture & weaker section is not given free. The power is being supplied at the rates determined by the Hon'ble Commission and recovered from the GoP. Subsidy to consumers of agriculture & weaker section is as per the policy of the GoP and it is the prerogative of the Govt. to decide on the same.
View of the Commission
Subsidy is a policy matter that pertains to GoP.

Issue No. 5: Accounting of Electricity power
Sale of power should be audited internally by PSPCL and externally by an independent agency to check theft and reduce line losses.
Reply of PSPCL
The internal control system and procedure for monitoring sale and billing is already in place and is functioning effectively. This has resulted in reduction of theft and losses. However PSPCL will continue its effort to further improve the efficiency level.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 6: Power saving
Two Part Tariff will encourage more consumption which is against slogan of power saving.
Reply of PSPCL
PSPCL has always promoted judicious use of power and Two Part Tariff is only a tariff structure to recover fixed and variable cost in proportion to use of the same by the consumers.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No.7: Poor maintenance of HT lines
The transmission lines are not maintained properly & system must be upgraded.
Reply of PSPCL
PSPCL is undertaking regular and scheduled maintenance of its transmission & distribution network and has been making capital expenditure to further strengthen and improve the efficiency of the system.
View of the Commission
The Commission agrees with the reply of PSPCL.

Issue No.8: Renewable energy
There is need to have more power plants of renewable energy.
Reply of PSPCL
PSPCL has been making all efforts to increase the share of renewable energy in the total power procurement.
View of the Commission
The Commission agrees with the reply of PSPCL.

Issue No. 9: Two Part Tariff
With the introduction of Two Part Tariff, the consumers will be burdened with additional charges and has submitted the following:

i. Existing system of MMC should be continued and fixed charges are not in the interest of consumers.
ii. There is no differentiation between HT & EHT consumer.
iii. The demand charges should be on actual demand and not on sanctioned demand.

iv. Rates of fixed charges for LT consumers with higher demand are more.
v. The burden of subsidy is indirectly on the consumers.
vi. Two Part Tariff will cause additional burden on the consumers.
vii. Tariff Order for FY 2012-13 is within 20% of the average cost of supply and is as per tariff policy.
viii. Increase in demand surcharge will meet the cost of infrastructure.
ix. The subsidy to agriculture and other sections should be stopped.
x. Golden Temple Amritsar and Durgiana Mandir Amritsar should be billed for their actual consumption.
xi. Two Part Tariff will increase the tariff and burden on consumers hence it is opposed.
xii. MMC should be continued instead of fixed charges.
xiii. Bills should be of better quality and should provide useful information on rates etc.

Reply of PSPCL

i. Two Part Tariff proposal has been made on revenue neutral basis for PSPCL and over all electricity charges for consumers will not have much variation. Fixed charges are meant to recover fixed expenses and two part tariff cannot be implemented without fixed charges.
ii. The proposal has been made in view of overall consumption and revenue pattern and to keep the tariff of all categories revenue neutral as far as possible. However determination of tariff is prerogative of the Hon'ble Commission.
iii. It is submitted that system/infrastructure & electricity requirements are decided based on the assessment of sanctioned demand. Demand charges are levied to recover fixed expenses of PSPCL towards system/infra structure for supply of electricity. Therefore demand charges are required to be recovered on the basis of sanctioned demand. Calculation of demand charges on the actual demand instead of sanctioned demand of all consumers would result in lesser recovery of fixed expenses.
iv. Fixed charges & variable charges for various slabs have been proposed on revenue neutral basis for PSPCL and over all electricity charges for consumers will not have much variation.
v. Deciding on the subsidy to various consumer categories is the prerogative of the GoP.
vi. Reply same as para (i) above.
vii. No reply is being sought.
viii. Fixed charges, variable charges and other charges & surcharges are fixed in order to recover the overall fixed and variable expenses.
ix. Reply same as para (v) above.
x. It is as per the commercial policy of PSPCL; however determination of tariff is the prerogative of Hon'ble Commission.
xi. Reply same as Para (i) above.
xii. Reply same as Para (i) above.
xiii. PSPCL is working towards improving the quality of bills.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 10: Recovery of outstanding dues

Huge amount is outstanding towards electricity bills from administration and other individuals but PSPCL is not taking any action for recovery of the same.

Reply of PSPCL

PSPCL has fully functional billing and collection department and is operating as per laid down policies for recovery of dues. It is further submitted that no discrimination is done among consumers in this regard.

View of the Commission

Refer to Commission's view on Issue No. 6 of Objection No.15.

Issue No. 11: Theft

PSPCL should take measures to eradicate theft.

Reply of PSPCL

The internal control system and procedure for monitoring sale and billing is already in place and is functioning effectively. This has resulted in reduction of theft and losses. However PSPCL will continue its effort to further improve the efficiency level & reduce theft.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 12: Meters

Meters should be installed for all consumers.

Reply of PSPCL

All the consumers are billed except agricultural consumers. Agriculture consumers are connected from separate feeders and assessment of agriculture consumption is made on the basis of reading of the sample meters. Billing and collection infrastructure would require further enhancements if individual agricultural consumers are to be metered and billed as currently the entire collection against the agricultural consumption is recovered in the form of Tariff compensation from the Government.

View of the Commission

Refer Directive No.5 at Annexure-IV of this Tariff Order.

Objection No. 19: PSEB Engineers' Association

Issue No. 1: Provisional True-up of FY 2010-11 & 2011-12

True-up exercise may be taken up on the basis of Govt. of Punjab notified figures & particularly the equity.

Reply of PSPCL

It is submitted that PSPCL has submitted the ARR & Tariff Petition praying that true-up be done for the FY 2010-11 & FY 2011-12. Hon'ble Commission may kindly consider the submission.

View of the Commission

The true up of FY 2010-11 and FY 2011-12 will be done after receipt of Audited Accounts in line with the PSERC Regulations.

Issue No. 2: True-up for FY 2010-11

i. T&D Loss are lower than the target fixed. An incentive may be allowed on the energy saving.
ii. Adjustment of ₹520.07 crore subsidy against loan is against the Electricity Act, 2003.
iii. RoE is required to be worked out on the now notified equity base of ₹6081.43 crore.

Reply of PSPCL

i. Hon'ble Commission may consider the suggestion of the objector and approve incentive on the savings of energy due to reduction in T&D losses.
ii. The GoP loan amount to ₹520.07 crore was outstanding as on 31.03.2010. GoP by its letter dated 21.04.2010 adjusted the amount against subsidy. In the tariff order 2011-12, PSERC allowed interest payable on bridge loan taken to replace GoP loans.
iii. PSPCL submits that Hon'ble Commission may kindly approve the RoE on revised equity base of ₹6081.43 crore as suggested by the objector.

View of the Commission

i. Commission will consider during true up of 2010-11.
ii. Issue of adjustment of loan against subsidy is mutual to the utility and GoP.
iii. Refer to Commissions' view on Issue No. 13 of Objection No.7.

Issue No. 3: Provisional True-up for FY 2011-12

i. T&D loss figure is lower than the target even though the AP consumption factor is on lower side. Incentive should be worked out on the basis of energy saved.
ii. PSPCL has been taking loan to meet the gap between expenditure and income/revenue. In 2011-12, net loan availed was ₹958 crore while the interest paid was ₹2180 crore. The overall net loan was therefore negative ₹1222 crore.

Reply of PSPCL

i. The Hon'ble Commission may consider the suggestion of the objector and approve incentive on the savings of energy due to reduction in T&D losses.
ii. Interest is paid to the lenders on opening balance as well as new addition in loans during the year. So, calculating interest rate only on the amount of net increase does not seem to be correct.

View of the Commission

i. Refer para 3.3 and 4.2 of this Tariff Order wherein the issue of T&D losses have been discussed.
ii. Commission agrees with the reply of PSPCL.

Issue No. 4: Subsidy
Adjustment of ₹981.93 crore subsidy against RBI bonds is against the Electricity Act, 2003.
Reply of PSPCL
GoP has adjusted the amount of ₹981.93 crore relating to RBI Bonds in FY 2011-12 against subsidy. However, as per GoP notification dated 24.12.2012, liability for RBI Bonds has been vested in the opening balance sheet as on 16.04.2010 of PSPCL. PSERC has treated this amount as bridge loan in tariff order of FY 2012-13.
View of the Commission
The issue of subsidy is mutual to the utility and GoP.

Issue No. 5: Fuel Cost
The report by CPRI on fuel audit study of PSPCL thermal stations was issued in Aug-2012. The major recommendation is to restrict the difference in GCV of received coal versus bunkered coal within 150 kcal/kg. Specific recommendations have also been given for improvement of SHR. The CPRI report gives the GCV drop at Ropar to be in the range of 933.7 to 988.1 kcal/ kWh and for GHTP, the range is 712.6 to 836.6 kcal/ kg for the years 2009-10 to 2011-12. CPRI has made a significant observation "the decrease in GCV of bunkered coal could be due to over valuation of receipt of coal".

i. PSPCL may give the data /details / results of implementation of CPRI report, which has been accepted by the Commission, for each thermal station.
ii. The subject of coal quality testing is of critical importance to the PSPCL. In case of Panem coal, the PSPCL is adequately safeguarded by the condition that the coal quality as measured/ tested at receiving end would be counted for purpose of payment. PSPCL may give details of safeguards/ precautions taken to ensure the quality of coal is correctly determined at the power plant end.
iii. However, in case of CIL supply, the contract/ practice is for joint sampling/testing at the loading end for which PSPCL has engaged a testing agency. However, it is well known and acknowledged that due to extreme law and order problems and working methods adopted by CIL companies, the correct sampling/ testing of coal at the loading (coal mine) end cannot be carried out correctly. The GCV values which are dictated by the coal companies of CIL are adopted and incorporated in the testing results while the private agency engaged by PSPCL is not in a position to check this mal-practice. A very safe assessment of CIL coal supplies is that the GCV is over invoiced to the extent of 800 to 1000 kilo cal. /kg.

   The earlier practice in the 1990's was to have joint sampling /testing at the power plant end by CIL and PSEB personnel may be taken up with the forum of Regulators for adopting the earlier system of joint sampling and testing at the receiving (power plant) end. This will ensure that the correct GCV of coal as received is being recorded.

   PSPCL may be directed to give data of GCV values for CIL supply as measured at power plant end by PSPCL as compared to the invoiced value based on testing at the sending end.
iv. PSPCL needs to give high priority to implementing the directions given by this Commission in its order of 8.10.2012 in which the specific recommendations of CPRI report were accepted/ endorsed. In particular, PSPCL may give the present progress and action taken to implement the following directives:
   i. Independent third party validation of washeries.
   ii. Audit of Panem mine by FRI Dhanbad and CAG.

Reply of PSPCL
The plant-wise reply is furnished as under:-
<u>GNDTP Bathinda</u>
The drop in GCV of receipt coal vis-à-vis that of bunkered coal as depicted by CPRI has occurred due to evaluating the two GCVs at unequal conditions i.e. GCV of receipt coal on equilibrated basis and GCV of bunkered coal on 'as fired basis'.
GNDTP receives coal from various coal companies such as PANEM, Monnet, CCL etc. which has around 4-5% surface moisture in mix of all types of coal. Accordingly, due to presence of 4-5% surface moisture, the GCV of the coal on 'As Fired basis' shall be lower than GCV of received coal on equilibrated conditions. Each one percent increase in moisture content in coal sample leads to 145 Kcal/Kg reduction in GCV as acknowledged by CPRI in its fuel audit report. As such, around 4-5% surface moisture in the bunkered coal have resulted into reduction in GCV by about 580-725 Kcal/Kg apart from stack losses.

From above it is clear that mismatch is not due to actual reduction but it is because of comparison by CPRI in two different conditions of coal sample which shall obviously lead to different results. CPRI has also acknowledged PSPCL observation and corrected its stance as per fuel audit report.

Item No. 5 (i)

GNDTP is in process of implementation of various recommendations and most of the recommendations have already been implemented. However for some of the recommendations, review petition has been filed before the PSERC which is under consideration by the PSERC.

Item No. 5 (ii)

i) Coal quality is being measured strictly as per relevant IS and Fuel Supply Agreement. Coal GCV is determined through high accuracy "Bomb Calorimeter" of M/s Parr USA which is amongst the most accurate calorimeters available in the market. Another 'Bomb Calorimeter' is under the procurement process.

ii) A committee of 7 no. officers (4 No. ASEs/Sr Xen and 3 No. from Chemical Wing) has already been functioning at the plant for random checking/ monitoring the process of Coal Sampling/ Analysis.

Item No. 5 (iii)

The latest Fuel Supply Agreement (applicable w.e.f.4/2009) was finalized at the level of Coal and Power Ministries, Govt. of India and is applicable to all power utilities. The clause in the FSA regarding joint sampling/testing of Coal at loading end, instead of unloading end is binding on all the utilities including PSPCL who are signatory to the FSA.

The quality of received coal is being monitored as per FSA entered with CIL.

Further, it is added that the coal received is generally of washery grade which is analyzed on the basis of ash percentage and not on GCV and accordingly, loading end GCV of such coal is not available in most of the cases.

Item No. 5 (iv)

These directives are under review with the Hon'ble PSERC vide petition No. 66/ 2012.

GGSSTP, Roopnagar

Item No. 5: Fuel Cost 2012-13 and 2013-14

The drop in GCV of receipt coal vis-à-vis that of bunkered coal as depicted by CPRI has occurred due to evaluating the two GCVs at unequal conditions i.e. GCV of receipt coal on equilibrated basis and GCV of bunkered coal on fired basis i.e. with surface moisture.

GGSSTP receives coal from various coal companies such as Panem, Monnet, BCCL, SECL & CCL etc. which has around 4-5% surface moisture in mix of all types of coal. Accordingly, due to presence of 4-5% surface moisture, the GCV of this coal on 'As Fired basis' shall be lower than GCV on 'on receipt basis'. Each one percent increase in moisture content in coal sample lead to 145 kcal/kg reduction in GCV as acknowledged by CPRI in its fuel audit report . As such, around 4-5 % surface moisture in the bunkered coal have resulted into reduction in the GCV on fired basis by about 580-725 kcal/kg apart from stack losses.

From above it is clear that mismatch is not due to actual reduction but it is because of comparison by CPRI in two different conditions of coal sample which shall obviously lead to different results. CPRI has also acknowledged PSPCL observation and corrected its stance as per page 176 of fuel audit report.

Item No. 5 (i)

GGSSTP is in process of implementation of various recommendations and most of the recommendations have already been implemented. However for some of the recommendations, review petition No.66 has been filed before the PSERC which is under consideration by the PSERC.

Item No. 5 (ii)

i. An eight member committee comprising of 7 no. ASEs/Sr.XENs, Chief Chemist and Dy. Chief Chemist headed by Dy. CE./Operation has already been constituted and is functioning to supervise quality of rakes being received at GGSSTP.

ii. Coal quality is being measured strictly as per relevant IS and Fuel Supply Agreement. Coal GCV is determined through "Bomb Calorimeter" of M/s Parr USA which is amongst the most accurate calorimeters available in the market.

Item No. 5 (iii)

The latest Fuel Supply Agreement (applicable w.e.f. 4/2009) was finalized at the level of coal and Power Ministries, Govt. of India and is applicable to all power utilities. The clause in the FSA regarding joint sampling/testing of Coal at loading end, instead of unloading end is binding on all the utilities including PSPCL who are signatory to the FSA.

The quality of received coal is being monitored as per FSA entered with CIL. Further, it is added that the coal received is generally of washery grade which is analyzed on the basis of ash percentage and not on GCV and accordingly, loading end GCV of such coal is not available in most of the cases.

Item No. 5 (iv)

These directives are under review with the PSERC vide petition filed with PSERC.

Lehra Mohabbat

Item No.5: Fuel Cost 2012-13 and 2013-14

The drop in GCV of receipt coal vis-à-vis that of bunkered coal as depicted by CPRI has occurred due to evaluating the two GCVs at unequal conditions i.e. GCV of receipt coal on equilibrated basis and GCV of bunkered coal on fired basis i.e. with surface moisture.

GHTP receives coal from various coal companies such as Panem, Monnet, BCCL, SECL & CCL etc. which has around 4-5% surface moisture in mix of all types of coal. Accordingly, due to presence of 4-5% surface moisture, the GCV of this coal on 'As Fired basis' shall be lower than GCV on 'on receipt basis'. Each one percent increase in moisture content in coal sample leads to 145 kcal/kg reduction in GCV as acknowledge by CPRI in its fuel audit report. As such, around 4-5 % surface moisture in the bunkered coal have resulted into reduction in the GCV on fired basis by about 580-725 kcal/kg apart from stack losses.

From above it is clear that mismatch is not due to actual reduction but it is because of comparison by CPRI in two different conditions of coal sample which shall obviously lead to different results. CPRI has also acknowledged PSPCL observation and correct its stance as per fuel audit report.

Item No. 5 (i)

GHTP is in process of implementation of various recommendations and most of the recommendations have already been implemented. However for some of the recommendations, review petition has been filed before the PSERC which is under consideration by the PSERC.

Item No. 5 (ii)

i. An eight member committee comprising of six No. ASEs/Sr.XENs, Chief Chemist and Dy. Chief Chemist headed by Dy. CE./Operation has already been constituted and is functioning to supervise quality of rakes being received at GHTP.
ii. Coal quality is being measured strictly as per relevant IS and Fuel Supply Agreement Coal GCV is determined through "Bomb Calorimeter" of M/s Parr USA which is amongst the most accurate calorimeters available in the market.

Item No. 5 (iii)

The latest Fuel Supply Agreement (applicable w.e.f. 4/2009) was finalized at the level of Coal and Power Ministries, Govt. of India and is applicable to all power utilities. The clause in the FSA regarding joint sampling/testing of Coal at loading end, instead of unloading end is binding on all the utilities including PSPCL who are signatory to the FSA.

The quality of received coal is being monitored as per FSA entered with CIL. Further, it is added that the coal received is generally of washery grade which is analyzed on the basis of ash percentage and not on GCV and accordingly, loading end GCV of such coal is not available in most of the cases.

Item No. 5 (iv)

These directives are under review with the PSERC vide petition filed with PSERC.

View of the Commission

The Commission appreciates the anxiety of the objector in the implementation of the report of CPRI. The Commission has directed PSPCL to implement various recommendations of CPRI in its order dated 8.10.2012 and again in its order dated 27.2.2013 in Review Petition No. 66 of 2012 filed by PSPCL.

The Commission has adopted the calorific value of coal from November, 2012 onwards worked out on the basis of GCV of receipted coal, by allowing deduction of 150 cal/kg from the GCV of receipted coal, as intimated by PSPCL for the months of November 2012, December 2012, January 2013, for GNDTP, GGSSTP and GHTP.

Issue No. 6: Power Purchase

Power availability from new sources is required to be reassessed on the basis of updated/revised commissioning schedules.

Reply of PSPCL

At the time of preparation of ARR petition, the commissioning of new upcoming plants have been considered based upon the data available with the concerned nodal office of PSPCL along with data available at CEA website. Energy availability has been worked out accordingly for these plants. There is always a possibility of some change in actual commissioning dates from those considered in ARR petition and this data can only be firmed up after actual commissioning of new plants.

View of the Commission

Refer Commission's order dated 8.10.2012 in petition no. 42 of 2012 and order dated 27.2.2013 in petition no.66/2012.

Issue No. 7: Energy Balance

Energy purchased under open access has not been considered in the energy balance.

Reply of PSPCL

The statement of energy balance is required to be prepared to show the details of energy required to be procured by the distribution utility to meet its obligation of supplying power to the consumers in its area of operation and sources/availability of the required power. The T&D losses are included in the balance to reach at the energy requirement of PSPCL. Regarding Open Access users, they are required to pump energy after taking into account the T&D Losses & hence the T&D Losses cannot be accounted to affect the T&D losses of PSPCL.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 8: Power Purchase Cost

The estimated energy rate of IPPs at Talwandi Sabo, Rajpura and Goindwal should be reassessed on the following basis:

i. Instead of taking the levelised rate, the first year's competitive bid rate should be adopted.
ii. It is certain that the new plants would have to take coal from costlier sources and/ or imported sources. Depending upon the source of supply, the energy rate can be expected to increase by about 50 paise per unit or more over and above the bid rate. PSPCL may obtain the fuel arrangement details and rates from the concerned IPPs for estimating the energy rate to be applied for the purpose of ARR.
iii. The energy rate for Malana-II would not be 269 paise per unit and instead, the provisional rate decided by the Commission may be adopted.
iv. PSPCL charges may be based on the revised calculations of PSPCL incorporating the increased ROE for 2013-14 as well as the impact of increased RoE of the previous years also. As against the PSTCL charge of ₹830.04 crore (page 191), the updated figure as per PSTCL revised ARR is ₹1728.64 crore for FY 2013-14.

Reply of PSPCL

i.& ii.) The energy rates of IPPs at Talwandi Saboo, Rajpura and Goindwal Sahib have been considered as per estimated first year tariff for domestic coal. It has been inadvertently mentioned at page 99 of vol-I of tariff petition that levelised rates have been considered for these three plants. In the detailed format of power purchase for FY 2013-14 given at page 190 of Vol.-I of tariff petition, following estimated first year energy rates have been considered:-

Plant Name	Variable charges (paise/unit)	Fixed charges (paise/unit)	Total charges (paise/unit)
Talwandi Saboo TPS	181	135	316
Goindwal Sahib TPS	188	164	352
Rajpura TPS	177	122	299

For these three plants, fixed charges have been calculated based upon energy generated at 50% PLF. Variable charges have been calculated based upon the estimated energy scheduled during FY 2013-14.

iii. For Malana-II plant, the provisional tariff of ₹3.58/unit has been awarded by Hon'ble PSERC on 17.1.2013. It is requested that this provisional tariff may be considered by the Hon'ble PSERC in the ARR petition.

iv. PSPCL has claimed transmission charges based on applicable transmission charges and actual transmission charges shall be decided by the Hon'ble Commission based on the approved ARR of PSTCL for FY 2013-14.

View of the Commission

(i), (ii) & (iii): Refer para 4.8.5 (e) of this Tariff Order.
(iv): Refer para 4.17 of this Tariff Order.

Issue No. 9: Capital expenditure

The objector has stated as follows:

i. Actual utilization of capital expenditure funds indicated for FY 2012-13 and proposed action plan for utilization of funds for FY 2013-14 for various projects be provided.

ii. Details of actual expenditure incurred in 2012-13 and proposed expenditure to be incurred for 2013-14 may be provided.

iii. PSPCL is not taking up the 1320 MW Mukerian thermal plant with seriousness and the Commission may direct PSPCL to give a detailed road map and time frame for execution of Mukerian thermal project along with the year wise capital expenditures to be incurred.

iv. PSPCL has proposed capital expenditure of ₹200 crore for 2012-13 and ₹300 crore for FY 2013-14 for the transmission and associated works to be executed. This expenditure appears to be grossly inadequate as explained below:

Transco had proposed to add power transformers capacity to the extent of 3960 MVA in 2012-13 and 3180 MVA in 2013-14. Since the majority of these transformers will be of the 220/66kV category. It would require corresponding augmentation of the 66kV transmission and substation system of Powercom. Considering the quantum of power transformers to be added by Transco, the proposed capital expenditure of ₹300 crore for 2013-14 by Powercom appears to be inadequate for augmenting/strengthening the 66kV system to the extent required.

There are 264 over loaded 66kv substations in PSPCL and to de-load the same, new and additional 66 kV augmentation works would be required.

Accordingly, PSPCL may give the list of transmission and associated substation projects of 66 kV for transmitting the power that would become available from Transco through the commissioning of 3960 MVA capacity in 2012-13 and 3180 MVA capacity in 2013-14.

For coordinating the augmentation of Powercom, 66 kV works with the augmentation works of Transco, it is suggested that monthly coordination meetings must be held at the level of Directors.

Reply of PSPCL

i & ii) The details of actual utilization of capital funds and proposed funds is as under:-

Sr. No.	Project	Actual utilization of funds (₹ in lac)
1.	Shahpurkandi	1571.00
2.	Mukerian-2	3974.59
3.	GNDTP & GNDTP R&M	8781.09
4.	Ropar	1030.76
5.	Lehra Stage-I	0.0659
6,	Lehra Stage-II	516.69
7.	Mukerian TPP	0.00

iii. 1320 MW (2x660MW) Thermal Power Station near Hazipur, Mukerian (Punjab):

The revised scope of work for appointment of Project Consultant for 1320 MW Thermal Power Project is under approval of competent authority. The work regarding preparation of specifications for the appointment of Project consultant for the Thermal Power Project and pre-bid qualification criteria shall be finalized thereafter. The Consultant for the project shall obtain various clearances and carry out various studies for setting up of Plant in the State Sector. For this tenders shall be invited and selection of the consultant shall be made through competitive bidding.

iv. The expenditure of ₹200 crore for 2012-13 and ₹300 crore for 2013-14 for transmission works has been provided after due consideration as the existing 66kV substations in many cases are to be realigned and will be connected to new 220kV substations and accordingly the requirement of new 66kV lines will be lesser. As far as coordination between PSPCL and PSTCL is concerned, a coordination committee has already been framed. Subsequently after considering regarding the level of coordination committee the decision has already been taken and a coordination committee having CE/TS & CE/Planning of both PSTCL and PSPCL is being constituted which shall meet every month for coordination of transmission works. The list of work shall accordingly be finalized by the co-ordination committee only.

View of the Commission

The capital investment Plan submitted by the utility is examined by the Commission on the basis of actual capital expenditure in the previous years. The Commission approves the investment plan of the utility as also its loan requirement as discussed in para 4.13.2 of this Tariff Order

Issue No. 10: Capital Expenditure Plan for Distribution

i. PSPCL has indicated ₹150 crore for shifting of meters which implies that only about 4 lac meters would be shifted whereas the requirement is to shift 17 lac meters in Non-APDRP areas. Funds should be allocated for shifting out meters from consumers premises with target of 17 lac meters during FY 2013-14

ii. Projected expenditure of ₹470 crore against APDRP-2 implies that only Part A would be implemented & very little funds would be left for part B. Initiative should be taken by PSPCL to utilize funds allocated towards implementation of Part-A & Part-B of APDRP. This would reduce T&D losses to a level below 15%.

iii. No detail of expenditure for power factor improvement has been provided.

Reply of PSPCL

It is submitted as below:

i. 17.20 lac balance Energy meters are required to be shifted out of consumer premises to meet with the target of reducing of T&D losses. Out of these, 5 lac meters will be shifted departmentally and balance meter will be shifted on turn-key basis by calling tender. The tenders will be floated shortly. The 18 No. schemes amounting to ₹829 crore have already been prepared and submitted to REC for sanction of loan. ₹150 crore have already been provided in the Annual Plan which will be revised subsequently to meet with the expenditure.

ii. In Annual Plan for the year 2012-13, ₹460 crore for Part-B and ₹180 crore for Part-A are provided. The work of shifting of meters outside consumer premises in 15 No. towns and LT shunt capacitors on Distribution Transformers is under progress under Part-B. For carrying out the works of remaining 27 No. towns and balance work of 15 towns, tenders have been floated to carry out the work on turnkey basis. The tenders have been opened and already in process. The work is likely to be allotted by March 31, 2013.

iii. No reply

View of the Commission

Refer to Commission’s view on Issue No. 9 of Objection No.7.

Issue No. 11: Employee cost

Rising employee cost is a matter of concern. It has been further stated that functional re-organization of rural and city models in the distribution sector is required to be implemented in a time bound manner. The re-organisation of Patiala & Nabha on functional lines demonstrated that employee strength can be reduced but PSPCL has not taken up the initiative to roll out the system in the state.

Reply of PSPCL

PSPCL is making all efforts to judiciously utilize its manpower and reduce employee cost. Several initiatives have been taken in this regard. However, suggestion of the objector is appreciated and same shall be considered appropriately.

View of the Commission

Refer to Commission’s view on Issue No. 11 of Objection No. 7. Commission has also issued Directive No.8 (Annexure-IV) in this Tariff Order advising utility to expedite functional restructuring.

Issue No. 12: Interest

PSPCL is claiming to have taken loans to meet working capital requirements but actually overall net loan of PSPCL is negative.

Reply of PSPCL

Interest is paid to the lenders on opening balance as well as new addition in loans during the year. So, the contention of the objector for calculating interest rate only on the amount of net increase does not seem to be correct.

View of the Commission

Interest on outstanding loans is approved by the Commission in line with notified Regulations. Refer para no. 3.14 and 4.13 of this Tariff Order.

Issue No.13: Non-payment by GoP

Non payment of dues as per Tariff Order constitutes a non-compliance of Commission order by Govt. of Punjab. Further, PSPCL is required to give following details regarding SLP filed by GoP before Hon'ble Supreme Court.

i. Date of filing of SLP.
ii. Date of admitting the SLP.
iii. Whether the Supreme Court has issued any stay orders.

Reply of PSPCL

The issue regarding non-payment of interest on diverted capital funds by Govt. of Punjab have already been considered by the Commission vide Petition no. 8/12 filed by Sh. Gurnek Singh Brar and the abstract of the order of the Commission is re-produced below:-

> *" The Commission has also taken cognizance of the fact that State of Punjab has filed 2nd Appeal under Section 125 of the Electricity Act, 2003 challenging the Judgment dated 25.02.2011 in Appeal no.63 of 2008 and common judgment dated 11.01.2012 in Appeal Nos. 45 of 2010 and 6 of 2011 of the Hon'ble APTEL. The GoP has also filed copies of undertaking given by the Advocate of the Govt. in Appeals before Hon'ble Supreme Court indicting that Appeals have been taken on record vide Diary no. 6288 of 2012 and Diary no. 16240 of 2012 of the Registry of the Hon'ble Supreme Court and that Appeals are pending before the Hon'ble Supreme Court.*
>
> *The Commission is of the considered view that no directions need be issued to Govt. of Punjab before the issue is finally decided by the Hon'ble Supreme Court of India and attains finality. Accordingly, the Commission considers that there is no ground whatsoever in the petition/complaint for this Commission to initiate any proceedings at this stage under Section 142 of the Electricity Act, 2003.''*

Accordingly, the status-quo exists.

View of the Commission

The Commission's observations on this issue are discussed in petition no. 8/12. The extract of these observations is incorporated in the utility's reply above.

Issue No.14: Subsidy

i. There is huge shortfall in the subsidy payment on part of Govt. of Punjab.
ii. PSPCL may give details of adjustment of RoE against subsidy for 2012-13.Govt. of Punjab had raised the issue that return on equity should be paid.

Reply of PSPCL

i. For FY 2012-13, subsidy payable by GoP to PSPCL is ₹5784.95 crore and PSPCL has to pay ₹2021.45 crore of electricity duty and ₹87.95 crore on account of RBI Bonds i.e. total of ₹2109.39 crore are payable by PSPCL to GoP for FY 2012-13. Up to 12.02.13, GoP has paid ₹3250 crore to PSPCL and PSPCL has paid ₹500 crore to GoP. So, the balance amount payable by GoP to PSPCL remains ₹925.56 crore for FY 2012-13.
ii. PSPCL has not received any communication from GoP till now in this regard.

View of the Commission

Against a subsidy of ₹5784.95 crore payable by GoP, ₹3250 crore cash subsidy has been paid upto 15.03.2013. Interest on delayed payment of subsidy has been charged by the Commission in this Tariff Order as well in previous orders.

Issue No.15: Replacement of Electro-Mechanical Meters

Due to acute shortage of meters, PSPCL should give priority to meeting the requirement of releasing new connections and for meeting key exceptions such as defective/burnt meters and only thereafter electro-mechanical meters be replaced.

Reply of PSPCL

PSPCL is making all efforts to release the pending/new connections at earliest and to meet the requirement of replacing defective/burnt meters. It is further added that new supplies of meters have already been received and the backlog of new connections up to January 2013 has already been cleared and key exceptions with respect to replacement of meters is being taken for clearing as per their age analysis. The key exceptions at the end of cycle 5 shall be cleared ending 31.03.2013

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No.16: Two Part Tariff

i. Two part tariff proposal would impact/affect all the categories of consumers and so it should have been widely publicized and circulated.
ii. The rationale of revenue neutrality as claimed is not for each category & needs to be elaborated.
iii. There should be one common rate of fixed charges for a particular category.

Reply of PSPCL

It is submitted as follows:

i. For every tariff revision the procedure being followed by Hon'ble PSERC is to hear Industry and public views and carry out changes if the same becomes necessary. The same procedure is being followed now for Two Part Tariff. However, for better publicity advertisements may be continued by Hon'ble Commission.
ii. The proposal of Two Part tariff has been designed as revenue neutral for every category of consumers. The % age increase in the energy rate in NRS category is higher due to less connected load of this category, compared to DS category. With higher connected load in DS category the fixed charges recovery gets increased, thereby energy rate per unit gets reduced as the proposal is revenue neutral for each category of consumers.
iii. As per characteristic of Two Part tariff, the higher consumption of any category of consumer than the level at which Two Part tariff is designed, will reduce per unit energy rate payable by the consumer. Incase energy consumption gets reduced than the designed level of utilization factor, energy rate per unit shall get increased.
Regarding fixing of one common rate of fixed charges, it is submitted that the rate of fixed charges is usually fixed keeping in view the paying capacity of the consumers, as in two part tariff consumer shall have to pay fixed charges in addition to energy charges based on monthly consumption of the consumer.

View of the Commission

Refer para 5.1 of this Tariff Order.

Objection No. 20: M/s SEL Manufacturing Company Limited

Issue No. 1: Cross subsidy impact

Cross subsidy should be within $\pm$20% of the average cost of supply for different consumer categories as per National Tariff Policy, 2006. PSPCL has taken example of MS Industry to calculate the difference of %age cost of supply to existing power tariff and calculated the fixed rate and variable rate of energy. In the proposed tariff of large supply, PIU and Arc furnace, fixed charges are same i.e. ₹120/kVA for 11/66/132/220 kV consumers for above 1MW category. Fixed charges of above voltage-wise category consumers represent demand side cost and should be in ascending order. There should be appropriate and logical differentiation in fixed charges of various categories and accordingly, the variable charge should be calculated for different categories.

Reply of PSPCL

It is correct that fixed charges (₹120/kVA) are the same for 11 kV, 66 kV & 132/220 kV consumers for above one MW category. It should also be noted that energy rate payable per unit is in the descending order with the same rate of fixed charges. For general industry the energy rate/unit is 493, 485, 410 P/U respectively for 11 kV, 33/66 kV and 132/220 kV consumers. Similarly for intensive industry the same has been proposed as 508 paise/unit, 500 paise/unit and 425 paise/unit for 11 kV, 33/66 kV and 132/220 kV consumers. In case the fixed charges rate is fixed in the ascending order as proposed by the representative, the energy rate shall come up in the descending order, to make the proposal revenue neutral. The cross subsidy has been proposed keeping in view the cost of supply and not on the basis of two part tariff proposed for the industry.

View of the Commission

Refer Para 5.1 of this Tariff Order.

Issue No. 2: Demand Surcharge

Demand Surcharge proposed to increase from ₹750/kVA to ₹1250/kVA. Two Part tariff is complete enough to control the sanctioned demand as it cost more to the consumer if he over declare the demand. There should be relaxation up to 5% of the demand for which no penalty should be imposed. For any increase beyond 5%, a penalty of maximum up to 2 times may be levied on the increased demand/energy proportionately.

Reply of PSPCL

The rate of demand surcharge @ ₹750/kVA existing at present considered to be sufficient during earlier discussion held with the consultant and the Commission. Increase of demand surcharge from ₹750/kVA to ₹1250/kVA may be revised by the Commission. In case rate of demand surcharge is kept at ₹750/kVA then there is no justification to allow cushion up to 5% in the demand actually recorded before levying of demand surcharge.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 3: Basis of recovery of fixed charges.

PSPCL propose to recover fixed charges based on sanctioned demand. Fixed charges should be on the basis of Maximum Demand Indicator. However, any minimum limit may be considered by Hon'ble commission like 75% of the maximum demand or actual maximum demand whichever is higher as the basis of fixed charges.

Reply of PSPCL

In the two part tariff proposed, the fixed charges have been proposed to be levied on the sanctioned Contract Demand (C.D) of the consumer as the transmission/distribution system has to be provided for the consumer to meet his sanctioned C.D though for few months his actual demand recorded is lower than his sanctioned C.D. Further, with the existing metering system, downloading of data related to actual maximum demand during the month will be time consuming. Further in case fixed charges are proposed on the actual maximum demand recorded, the energy rate /unit shall have to be fixed other than the existing rate. For achieving revenue neutrality in the two part tariff proposal, the fixed charges rate on sanctioned C.D is in order.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 4: Surcharge/Incentive with Two Part Tariff

PSPCL proposes to continue all surcharge currently levied.

Prevailing surcharge/incentive should be reviewed along with Two Part Tariff. These surcharges attribute to the part of revenue as well as contribute to system efficiency like below:-

i. (a) Voltage rebate on higher voltage should also be implemented which was discontinued.

i. (b) Voltage Surcharge is not a part of tariff but unit cost increase by 7% (45 paise/unit). Sometime it is not possible for a consumer to opt for a high voltage due to reasons not in control of the consumer therefore such consumers should be exempted from the surcharge.

i. (c) Surcharge should be reduced to 1 or 2% in case if it is required as Cost of Supply to PSPCL is same.

ii. Peak Load Exemption charges should be based on meter reading of Peak load period. Consumer should not be charged which he has not used or could not use due to any reason like of process breakdown or Feeder trip or the reasons beyond the control of consumer.

iii. Rebate on power factor should be increased from present 2.5% to 6% on above 98% power factor as it has a large contribution in controlling the demand on PSPCL system. The increase in power factor rebate shall motivate the consumer to maintain higher power factor level.

Reply of PSPCL

i. (a) When cost of supply has been worked out voltage-wise, there is no justification to allow higher voltage rebate.

i. (b) For sanctioning of different loads/demands, voltage of supply has been prescribed in the existing tariff order. In case a consumer use supply at lower voltage than the higher voltage norms, the levy of voltage surcharge is quite in order.

i. (c) As cost of supply has been worked out voltage wise, levy of surcharge need not to be lowered for consumers wanting to get supply at lower voltage than the prescribed norms.

ii. With the coming of ToD tariff, the charges for the supply used during load hours shall be less on actual consumption recorded during this period.

iii. With the coming of kVAh tariff, the power factor surcharge or rebate shall automatically be taken care of in the rate of kVAh consumption. The proposal is also under consideration. Further certain loads are like resistive loads and higher power factor is always there. There is no justification to give higher rebate than the existing rate.

View of the Commission
Commission agrees to the reply of PSPCL.

Issue No. 5: Temporary Supply
Temporary supply should also be charged as per two part structure applicable to that category with suitable multiplying factor not more than 1.5.
Reply of PSPCL
Though in two part tariff, rate of temporary supply has not been prescribed, but the same increase in %age rate shall be adopted, while fixing rate of temporary supply.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 6: Surcharge on continuous process:
There should not be any surcharge on continuous process. As cost of independent feeder is borne by consumer and the average power cost of all the consumers is inclusive of all charges including power purchased during peak Load Hours and continuous processes. Demand charges may be differential to create different category in all voltage categories, for continuous process industries. "The tariff is designed on average cost of supply" therefore 10% surcharge should be withdrawn on continuous process.
Reply of PSPCL
As there is no power cut on large load supply to continuous process industry throughout the year so levy of 10 p/u surcharge is in order.
View of the Commission
Commission agrees to the reply of PSPCL.

Issue No. 7: Non Linear Load surcharge
In case of Two Part Tariff, there is no justification for this surcharge. If demand is more as compared to consumption, the load factor will be less and consumers are supposed to pay higher charges in terms of average cost. The interest of licensee is covered in the two part tariff. Therefore, there is no need to impose any surcharge on nonlinear load.
Reply of PSPCL
The load of certain industries is nonlinear. Just in Railways - the load is fluctuating in nature and being single phase causes unbalancing of demand on the system for which extra capacity of transmission system has to be provided. Study shall be carried out to identify such load for load surcharge.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 8: PIU/Arc furnace surcharge
Two Part tariff is based on average cost of supply, category wise cost of supply and cross subsidy. Power Intensive Units/Arc furnaces are consuming power as per their sanctioned load and demand of their process. Therefore these consumers should not be penalized by imposing surcharge. Instead of this there should be load factor rebate. System utilization will improve if load factor will be high.
Reply of PSPCL
Due to kick load of PIU/Arc Furnace, this surcharge of 10P/U has been levied for which spare capacity of power transformer and distribution system has to be provided. Such loads also stress the windings of power transformer as well.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 9: Surcharge/Incentive applicable with Two part Tariff
In the state of Madhya Pradesh various surcharge/incentives are applicable with Two Part Tariff on industrial consumer which may be followed in Punjab. Power Factor of PSPCL will improve & demand of consumers will reduce. Reduction in demand is directly linked with reduction in demand charges if the fixed charges will be based on actual maximum demand. The problem of over declaring of demand by consumer will completely stop as it will cost more to the consumer. Hence it is requested not to keep demand surcharge of ₹1250/kVA as proposed.
Impact of various surcharges on unit cost to consumer.

i. Various type of Surcharge: - 7% if demand increases from 2500 kVA on 11 kV supply.

The impact of 7% surcharge is about 45 paise per unit more over 13% electricity duty is also charged on it, where as for PSPCL increase in Power Cost to that consumer is almost nil. Therefore 7% surcharge is not justified and ED should not be on levied on any surcharge.

ii. High Utilization Charge- 10 P/unit.

iii. Continuous Process Surcharge: - 10P/Unit.

Reply of PSPCL

It is the prerogative of the Hon'ble Commission to decide the issue.

View of the Commission

Refer para 5.1 of this Tariff Order.

Objection No.21: Technocrats Forum

Issue No. 1: AP consumption

The AP consumption projected in the ARR is estimated. Consumption needs to be estimated area wise and then aggregated to arrive at the total consumption.

Reply of PSPCL

The Hon'ble Commission in the tariff order for the FY 2012-13 has approved growth in agricultural consumption for the FY 2012-13 by 5% over the sales for the FY 2011-12. Same basis has been applied to project the agricultural consumption for the FY 2013-14.

View of the Commission

Refer para 3.2.2 and 4.1.3 of this Tariff Order.

Issue No. 2: Subsidy to Agriculture consumers

The error in estimation of projected agricultural consumption will have huge impact on revenue and subsidy. The quantum of power purchased will also change and require purchase of short-term/unscheduled power. Extra cost of power should be claimed as subsidy from government.

Reply of PSPCL

Estimation of energy sales and revenue is based on past experience and trend. Difference in estimated figure and actual figure for a particular period is adjusted in true-up exercise. It is further submitted that PSPCL procures power to meet the requirement of all the categories of consumers. Category-wise cost of power purchase cannot be determined.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 3: Reduction of cross subsidy

Tariff applied to AP supply has been significantly lower than the cost of supply. Cross subsidy should be gradually reduced.

Reply of PSPCL

PSPCL would like to submit that Clause-8.3 of Tariff Policy states as under:

> *"**8.3 Tariff design: Linkage of tariffs to cost of service***
> *2.For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the SERC would notify roadmap within six months with a target that latest by the end of year 2010-2011 tariffs are within ± 20 % of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy.…"*

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

View of the Commission

Refer Commission's view on Issue No.15 of Objection No.7.

Issue No. 4: T&D Losses

The objector has appreciated the reduction of T&D losses achieved by PSPCL but it should be compared with other progressive states.

Reply of PSPCL

PSPCL submits that it shall continue its efforts to reduce T&D losses further.

View of the Commission

Refer para 3.3 & 4.2 of this Tariff Order.

Issue No. 5: Capital Expenditure
Funds requirement for capital works to be done in 2013-14 is required to be considered in view of actual expenditure incurred in the preceding year and cost of capital should be allowed accordingly.
Reply of PSPCL
PSPCL has submitted the details of actual capital expenditure during the FY 2011-12, estimated expenditure for the FY 2012-13 and projected expenses for FY 2013-14. It is further submitted that details of capital works to be undertaken has been provided in the petition for consideration and approval of the Hon'ble Commission.
View of the Commission
Refer to Commission's view on Issue No. 8 of Objection No. 4 & 5.

Issue No. 6: Revenue Gap
The revenue gap for previous years should not be allowed and should be treated as liability of Government.
Reply of PSPCL
The revenue gap has accumulated due to allowance of expenditure on normative basis by the Hon'ble Commission. The expenditure as reflected in the ARR of FY 2010-11, FY 2011-12 & FY 2012-13 are actual expenditure incurred by PSPCL for supplying electricity to the consumers. It is submitted that the Hon'ble Commission may kindly approve the revenue gap for previous years as well as the ARR proposed for the FY 2013-14 and allow recovery of the same through tariff mechanism.
View of the Commission
The Commission processes the ARR according to the notified Regulations, determines the cumulative revenue gap based on a prudent check of the expenses and accordingly revises the Tariff for various categories of consumers.

Issue No. 7: Tariff Hike
The tariff hike should be allowed to recover the gap for the FY 2013-14 based on the increase in the cost of inputs.
Reply of PSPCL
Same reply as to Issue No.6 above.
View of the Commission
Refer to Commission's view on Issue No. 2 of Objection No. 2

Objection No. 22: Knitwear Club (Regd.), Ludhiana

Issue No. 1: Cost of Coal
Cost of a major input source of producing energy can be reduced about 10% by restraining the transit losses to less than 0.5%, stringent quality checks during purchase of coal for increasing the calorific value & operate the thermal stations at optimal loads and increasing the thermal efficiency by fine tuning the entire auxiliary equipment.
Reply of PSPCL
The internal control system and procedure for monitoring the quantity & quality of coal is already in place and is functioning effectively. This has resulted in reduction of transit losses and improvement in quality of coal. However PSPCL will continue its efforts to further improve the efficiency level. It is further submitted that PSPCL is making all out efforts to operate the thermal stations at optimal load and timely maintenance and overhauling of the plants and equipments are done to maintain operational efficiency.
View of the Commission
Refer of the Commission's view Issue No.14 Objection No.12.

Issue No. 2: Cost of Power Purchase
i. In the year 2012-13, the total cost of power purchase has been revealed to be ₹8680.57 crore for 21259.09 MU of energy i.e. average fuel cost of ₹4.08 per unit.
ii. Normally the cost of power is around ₹2.50 to 3.01 per unit, but in peak season it is raised to ₹7.00 to 8.00 per unit. This extra high cost energy is basically purchased for subsidized agriculture sector but it is passed on to industrial customers. The extra cost of energy shall not be passed on to industrial customers.
iii. PSPCL should make efforts to purchase power from central pool or other internal sources rather than from external sources.

iv. PSPCL should complete the ongoing projects of the thermal stations in time.

Reply of PSPCL

i. No specific reply has been sought.
ii. The cost of power from the long term contract is not depending upon the season because it is on annual basis only. There is variation in the prices of power purchase through power exchange which depends on the market but power purchase is minimal. The short-term power on advance reservation basis is procured during summer season only. During 2012-13, PSPCL has purchased short term power at an average cost of ₹3.88 per unit. PSPCL has already called tenders for short term purchase during 2013-14 and the prices are less than that of the previous year as such it is not correct that PSPCL is purchasing power @ ₹7 or 8 per unit. The issue of alternative crops lies with the Punjab Govt.
iii. The power allocation from the central pool is made by the Govt. of India. The PSPCL is already making all out efforts to get maximum power from the unallocated share from the central sector purchase. However this is at the discretion of the Ministry of Power, Govt. of India to allocate the unallocated power.
iv. PSPCL is making all out efforts for timely completion of Thermal Projects coming up in the state.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 3: Interest charges & Subsidy

i. The financial position of PSPCL is critical as the loans & interest are increasing every year. Even then the gap left un-plugged is ₹12053.39 crore after increasing the tariff.
ii. Similarly the subsidy bill is increasing. There is shortfall in re-imbursement of subsidy by the Govt. of ₹229.48 crore in 2011-12 & ₹3343.53 crore in 2012-13. It will further lead to increase the debt and expenses of interest.
iii. There is enough land with PSPCL which can be sold or can be a source of income by constructing multi-story buildings or compact power substations to repay the interest.
iv. Exact cost of the subsidy to all categories shall be worked out with actual rate of unit purchased for the purpose instead of the average cost energy as during the period of paddy the cost is much higher and such difference has impact on the tariff.

Reply of PSPCL

i. Outstanding balance of loans of PSPCL at the end of each financial year has been revised as per notification issued by Govt. of Punjab; details are given below:

Financial year	Outstanding balance of loans submitted earlier in ARR (₹ in crore)	Revised outstanding balance after issuance of GoP notification (₹ in crore)
2010-11	16898.18	17429.24
2011-12	17857.01	18738.48
2012-13	19165.02	19918.49
2013-14 (projected)	20575.76	21329.23

To fund the capital expenditure fixed in the Annual Plan of Corporation for respective years, additional loans are raised resulting in increase in loans. However, during 2010-11, additional working capital loans have been raised to meet with the gap in cash flows. It is further submitted that, Interest and financial charges have also been revised as under:-

Financial year	Interest cost of loans submitted earlier in ARR (₹ in crore)	Revised interest cost and finance charges after issuance of GoP notification (₹ in crore)
2010-11	1674.03	1696.59
2011-12	2163.33	2174.58
2012-13	2587.24	2618.18
2013-14 (projected)	2656.86	2689.26

The interest cost has been increased due to increase in loans. Further, long term loans are availed with three year interest reset clause. Due to high inflation rate, the rate of interest has been reset on higher side in recent past; thereby increasing the interest cost of long term loans availed. Moreover, for the year 2013-14 interest has been worked out at present rate of interest on long term loans. It is reiterated that the loans have been availed on very competitive rates.

ii. The figure of subsidy indicated in the para are as per ARR for the year 2011-12 to 2013-14 which is subject to true-up, review and determination by PSERC. There is no shortfall in reimbursement of subsidy by GoP for the year 2011-12 & 2012-13.

iii. All the assets of PSPCL are being utilized judiciously for the business of supplying electricity.

iv. PSPCL purchases power to meet the requirement of consumers across all categories and not category-wise. Further, subsidy is being paid by GoP and other categories are not burdened with the same.

View of the Commission

i. Refer to Commission's view on Issue No. 12 of Objection No. 19.

ii. Subsidy is paid by GoP as per installments fixed in the Tariff Order. Interest on delayed payment of subsidy is also charged.

Issue No. 4: Employees Cost

The employees cost is increasing in-spite of the various retirements. The employee cost for 2013-14 is ₹364.19 crore per month against ₹337.44 crore per month in 2012-13. Total yearly cost is ₹4370.34 crore but the revenue is ₹20,000 crore that is 18.53% of the total revenue, which is quite high.

Reply of PSPCL

The employee cost is a parameter which cannot be controlled to a great extent by PSPCL. However PSPCL is making constant efforts to reduce the burden of employee cost.

View of the Commission

Refer to Commission's view on Issue No. 11 of Objection No. 7.

Issue No. 5: Free Power to Employees

PSPCL provides free supply to its officials, it should be dispensed with. If at all, the PSPCL wants to give free supply to the employees then the revenue which would have otherwise been collected, may be added to the main revenue of the PSPCL and the consumers are not forced to bear the burden of tariff increase.

Reply of PSPCL

Free supply of electricity to the employees is as per the HR policy of PSPCL and is part of benefits being given to the employees.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 6: Theft

Controlling of theft of energy is most effective way to reduce load on feeders and reduction in T& D losses. PSPCL has not provided the details of the theft penalty imposed /realized and number of FIRs registered/ convictions obtained etc.

Reply of PSPCL

The internal control system and procedure for monitoring sale and billing is already in place and is functioning effectively. This has resulted in reduction of theft and losses. However PSPCL will continue its efforts to further improve the efficiency level & reduce theft.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 7: Energy Audit and T&D Loses

T & D loss reduction shown by PSPCL seems fine but the comparison is required to be made with the leading states. The T&D loss reduction should be much more. As per guidelines under APDRP, AT&C losses are required to be brought to below 15% limit. The major components, which are affecting the proposed tariff hike for the year 2013-14, are interests on loans, subsidy, and costly power purchase and to certain extent the employees cost. These factors should be controlled and therefore the Hon'ble commission should not allow the PSPCL to increase the tariff.

Reply of PSPCL

It is submitted that PSPCL shall continue its efforts to reduce T&D losses. GoI/MoP launched R-APDRP (Part-B) scheme for strengthening of sub-transmission and distribution system of urban India to reduce AT&C losses in towns with population of 30000 or more and having AT&C losses more than 15%. As per provisions in the scheme, 50% loan is convertible into grant if the utilities maintain AT&C

losses up to or below 15% on a sustainable basis. PSPCL has already adopted this scheme and guidelines are being followed in true spirits. As per guidelines, 47 number cities/towns of Punjab are eligible under this scheme. Open tenders were invited by PSPCL to implement this scheme. Price bids of eligible firms stand opened & Work Orders are also likely to be issued shortly. Benefits shall start accruing to PSPCL after implementation of the scheme.
PSPCL has submitted the ARR & Tariff Petition in accordance with The Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005' as amended from time to time. Hon'ble Commission may kindly allow appropriate increase in tariff so as to enable recovery of the ARR as proposed.
View of the Commission
Refer to Commission's view on Issue No. 2 of Objection No. 2

Objection No. 23: Northern India Chamber of Commerce & Industry

Issue No. 1: Transmission losses
The transmission losses should be saved.
Reply of PSPCL
PSPCL has been making consistent effort to reduce and contain transmission losses. T&D losses have been brought below the target given by the Hon'ble Commission. However, PSPCL will continue to work towards reduction of transmission losses in future.
View of the Commission
Refer para 3.3 & 4.2 of this Tariff Order.

Issue No. 2: Theft of electricity
The theft of electricity may be checked.
Reply of PSPCL
The internal control system and procedure for monitoring sale and billing is already in place and is functioning effectively. This has resulted in reduction of theft and losses. However PSPCL will continue its effort to further improve the efficiency level & reduce theft.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 3: Reduction of subsidy
The rural subsidy should be stopped or reduced.
Reply of PSPCL
PSPCL is not supplying electricity free to consumers. Agricultural consumers, SC DS consumers and non SC, BPL domestic consumers are being subsidized by the GoP. Deciding on the subsidy is the prerogative of GoP.
View of the Commission
Subsidy is a policy matter of GoP.

Objection No. 24: Federation of Associations of Small Industries of India (FASII)

Issue No. 1: Loan & Interest
PSPCL is moving towards bankruptcy as the ratio of loan and equity has dropped from 2.14% in 2010-11 to estimated 1.61% in 2013-14. The loan and accumulated losses has increased over the years. The interest payment has increased from ₹1674 crore in 2010-11 to ₹2163 crore by 2011-12 which is estimated to be around ₹2600 crore by 2012-13. The calculation of Interest @14.75% seems unjustified when the multinational companies are getting the loans below 5% from international banks.
Reply of PSPCL
With increase in capital investment, loan component is bound to increase. Increase in loan has resulted in corresponding increase in assets as all loans except working capital loans are taken to fund capital expenditure plans and not revenue expenses. Therefore it is incorrect that PSPCL is moving towards bankruptcy.
However, disallowance of expenses on normative basis by the Hon'ble Commission has forced PSPCL to take short-term/working capital loan. It is therefore prayed that expenses as projected may kindly be approved to reduce the burden of loan on PSPCL.
It is further submitted that loans are taken at most competitive rates available.

View of the Commission

The Commission allows expenses including interest after a prudent check and in line with the notified Regulations. As per amended Regulations, interest is calculated by applying an interest rate of SBAR or actual interest on loan, whichever is less.

Issue No. 2: Delay in Subsidies by Government

The State Government is not paying its due subsidy amount on time which is an add-on burden of Interest to the PSPCL. Till 2012-13, there was a balance amount of ₹229 crore from the government for the year 2011-12 and as per ARR even by the end of September 2012, an amount of ₹1596 crore was due to be recovered from the Government

Reply of PSPCL

The figure of subsidy indicated in the para are as per ARR for the year 2011-12 to 2013-14 which is subject to true-up, review and determination by PSERC. There is no shortfall in reimbursement of subsidy by GoP for the year 2011-12 & 2012-13.

View of the Commission

Interest on any delay in payment of subsidy is charged to GoP.

Issue No. 3: Increase in power supply ratio of Industry Vs Agro

In last three years, the increase in supply of power to the industry sector is just below 8% as in the year 2011-12 it was 11700 MU which enhanced to estimated 12632 MU by 2012-13, whereas during the same year, there is an increase of 12% power supply to the agriculture sector from 10255 MU to 11456MU. There is a need to maintain the parity if there is a constraint of resources.

Reply of PSPCL

PSPCL is making all efforts to supply power to all categories of consumers. It is further submitted that with commissioning of upcoming power plants, power availability will improve and PSPCL shall be able to meet the demand-supply gap.

View of the Commission

The Commission has allowed AP sale of 10687 MU against projected figure 11456 MU by the PSPCL.

Issue No. 4: Cross subsidy

The cross subsidy is required to be reduced.

Reply of PSPCL

It is submitted that Clause 8.3 of Tariff Policy states as under:

> *"8.3 Tariff design: Linkage of tariffs to cost of service*
> *For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the SERC would notify roadmap within six months with a target that latest by the end of year 2010-2011 tariffs are within ± 20 % of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy...."* As given in the Tariff Policy, there has to be gradual reduction in cross-subsidy, keeping the interest of Utility in view.

However as regards the element of cross subsidy, the same has come down progressively over the years. Hence in light of the same it is requested that while determining the tariff in conjunction with the cross subsidy factor, the Hon'ble Commission has also to keep in mind the interests of PSPCL.

View of the Commission

Refer Commission's view on Issue No.15 of Objection No.7.

Issue No. 5: Strict adherence of the orders of PSERC by PSPCL is required

PSPCL has not controlled its expenses in accordance with the tariff orders.

Reply of PSPCL

PSPCL adheres to all the directives of the Hon'ble Commission. It is submitted that PSPCL has filed the ARR & Tariff Petition in accordance with The Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005, as amended from time to time. The revenue gap & carrying cost is arrived at as per above regulations.

It is further submitted that PSPCL has been making consistent efforts to curtail its expenditure and the submitted ARR reflects the expenditure essentially required for providing the services of supply of electricity. In view of the above submission, it is requested that the Hon'ble Commission may kindly allow the expenditures incurred/projected by PSPCL.

View of the Commission

Refer Commission's view on Issue No. 2 of objection No. 2

Issue No. 6: Metering of Agriculture Load
PSPCL has not been able to meter more than 20% of AP loads.
Reply of PSPCL
It is submitted that metering individual AP consumers would require further enhancements in the billing and collection infrastructure as currently the entire collection against the agricultural consumption is recovered in the form of subsidy from the Government.
It is however submitted that agriculture supply is provided through separate feeders which are metered and electricity supplied to AP consumers are accounted.
View of the Commission
Refer Directive No. 5 at Annexure IV of this Tariff Order.

Issue No. 7: Minimum Charges
Minimum charges are not justified in power deficit situation.
Reply of PSPCL
Minimum charges are levied for recovery of fixed expenses incurred by PSPCL towards maintenance of infrastructure related to generation, distribution & transmission system.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 8: Octroi & other Charges
After the calculation of actual cost, it is illegal to charge such additional charges and the state government should be prayed for abolishing such charges.
Reply of PSPCL
Levy of Octroi is decided by Govt. of Punjab and all charges levied by PSPCL is as per Schedule of General Charges approved by the Hon'ble Commission.
View of the Commission
The issue pertains to State Govt.

Issue No. 9: Additional sources of income.
PSPCL should approach for additional sources of income by commercial utilization of infrastructure and properties.
Reply of PSPCL
PSPCL has been judiciously utilizing its infrastructure and properties.
View of the Commission
PSPCL should consider the suggestion of the Objector.

Issue No. 10: Employee cost
Even after modernization, the employee cost of PSPCL is increasing and needs to be curtailed.
Reply of PSPCL
The employee cost is a parameter which cannot be controlled to a great extent by PSPCL. However PSPCL is making constant efforts to reduce the burden of employee cost.
View of the Commission
Refer to Commission's view on Issue No.11 of Objection No. 7.

Issue No. 11: Generation
PSPCL should increase its generation.
Reply of PSPCL
PSPCL is making all efforts to optimize utilization of the plants and increase generation.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 12: Theft of used scrap/ Mismanagement of meters and other instruments.
PSPCL should control theft of the used scrap of cables and other materials.
Reply of PSPCL
The internal control system and procedure for monitoring storage & account of sale of scrap of cables and other materials is already in place and is functioning effectively. However PSPCL will continue its effort to further improve the security & control mechanism.
View of the Commission
PSPCL should be more vigilant.

Issue No. 13 Two Part Tariff
The Two Part Tariff proposal should not be accepted till PSPCL is in a position of surplus power.
Reply of PSPCL
Two Part Tariff proposal has been submitted for the consideration and appropriate decision of the Hon'ble Commission.
View of the Commission
Refer para 5.1 of this Tariff Order.

Objection No. 25: Induction Furnace Association of North India (Regd.)

Issue No. 1: Two Part Tariff
For levy of fixed charges, minimum 95% availability limit must be specified & if the availability of power at the metering point is less than the 95%, then the fixed charges for that month be reduced proportionately.
Reply of PSPCL
It is incorrect that fixed charges have been proposed to recover full burden of the fixed charges from the consumers, rather these have been proposed in rational way keeping in view the sanctioned load/contract demand, the purpose of use of electricity and capacity to pay by various categories of consumers. The fixed charges proposed shall not be recovering full burden of fixed charges coming on the Corporation. In view of this position, it will not be justified to fix percentage of time for which the system would be made available to the consumers. Except force majeure reasons beyond the control of the corporation, the supply is made available round the clock to the consumers. In such circumstances when the corporation is faced to restrict supply for a couple of days to the industry, it will consider to give appropriate relief in the fixed charges to that category of consumers affected with such as eventuality.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 2: Fixed Charges
There is wide variation of fixed charges in every category depending on the sanctioned load/contract demand which has no justification. The fixed charges be worked out on the basis of charges for serving the fixed costs of assets being used for the category of consumers and should not have such wide variation.
Reply of PSPCL
As explained in reply against issue no. 1 above, the rate of fixed charges for small domestic and industrial consumers have been proposed less, keeping in view the purpose of use of electricity and capacity to pay by such consumers. The Corporation cannot turn its back to its responsibility to serve judiciously to weaker sections of society, due to socio economic disparities in the state. A small domestic consumer using electricity only for lighting purposes cannot be burdened to recover full fixed charges even though electricity reaches his premises through network of transmission & distribution system laid by the Corporation.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 3: Revenue Neutrality
The proposal is designed so that it is revenue neutral for PSPCL. If the aim of introducing Two Part Tariff is to keep the billing amount same then the present system should be continued. Industry is being loaded with all the imaginable costs and surcharges whether it is the proposed Cost of Supply or Two Part Tariff.
Reply of PSPCL
No doubt the proposal of Two Part Tariff is designed as revenue neutral to the corporation yet due to its characteristic feature, consumers consuming bulk power (high utilization factor) shall be paying less per unit cost of electricity compared to consumers having low utilization factor. Two Part tariff does not distinguish between industry and DS/NRS consumers. Any category of consumer having high utilization factor shall be a bit gainer so far as cost per unit of electricity is concerned.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 4: Reduced Railway Traction Tariff

The rate proposed for Railway Traction is even less than the rate of PIU units whereas earlier the rate for Railway Traction was higher by about 42 paise per unit.

Reply of PSPCL

The Railways are getting supply at 132 kV and 220 kV only and cost of supply is comparatively less. It is incorrect that Railway Traction Tariff is proposed to be reduced by 195 paise/u. The proposed tariff for railways is ₹120 kVA of sanctioned contract demand plus ₹4.08 paise/unit for energy consumption. Overall rate comes to ₹4.71/4.74 paise per unit for 220 kV/132 kV supply. In addition, railway shall be charged peak load exemption charges as no peak load or power cut restrictions apply to this public utility service.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 5: Differentiation in tariff of PIU & General Industry

The current tariff for General and PIU consumers is same but higher energy charges & surcharge have been proposed for PIU consumers. As steel industry is already passing through critical phase, these distortions will kill the industry. Therefore the proposal needs critical review before implementation.

Reply of PSPCL

In the Two Part Tariff as proposed, the higher per unit energy rate for PIU compared to general industrial consumers is due to higher sanctioned contract demand of general industry compared to power intensive units. For example, total sanctioned contract demand of General Industry up to 1 MVA contract demand for the year 2012-13 is 17,88,392 kVA whereas for PI industry up to 1 MVA, contract demand for the same period is 86,722 kVA only. Similar is the case for industry getting supply at higher voltage levels. As the exercise is revenue neutral, so this difference in energy rate per unit is inherent in two part tariff. Surcharge of 10 paise/unit for PIU has been proposed keeping in view the high fluctuating nature of load necessitating higher generation and transmission system capacity to meet its demand compared to general industry consumers.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 6: Burden on Subsidizing Category

The total revenue recovered through CoS tariff (yet under approval) and proposed two part tariff are revenue neutral but LS and PIU categories are still subsidizing categories to the extent of +20%. The subsidized categories which were earlier only two have now been increased to 5 putting additional burden on the subsidizing categories. Cross subsidization should be reduced progressively so that industry survives in Punjab.

Reply of PSPCL

The total cost of supply for the year 2012-13 comes to be ₹18971.90 crore whereas the total revenue from revised tariff comes to ₹18970.08 crore which includes PLEC and non tariff income also, which is almost the same. So far as cross subsidization is concerned, even the Electricity Act-2003 allows continuing cross subsidizing of the lower strata of electricity consumers of the country, though it intends to reduce its impact slowly. State Electricity Regulatory Commission is continuing its tirade to reduce the effect of cross subsidization and in every tariff revision exercise, this principal has been upheld. With two part tariff being introduced now, such disparity shall continue for a few years more, but its effect shall be getting reduced every year till every category of consumers shall be in a position to pay as per cost of supply attributable to that category. As a relief to the industry, the monthly minimum charges have not been proposed in the two part tariff and the rate of fixed charges is much lower compared to the MMC as applicable in single part tariff.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 7: Demand Surcharge

Fixed charges for the industry should be applicable on either maximum demand recorded for that particular month or on 80% of CD instead of full CD.

Reply of PSPCL

Levy of fixed charges on the sanctioned contract demand are justified. As explained by the association, an industrial consumer get higher contract demand sanctioned to avoid levy of penal rate of demand surcharge but at the same time the corporation provides its generation and transmission capacity commensurate to the sanctioned contract demand of its consumers. By putting lesser demand on the system by a consumer, the corporation is not a gainer as fixed charges of the corporation are not reduced with reduced demand of the consumer. In case the fixed charges are to be reduced, the energy charges shall have to be increased appropriately to make the exercise revenue neutral.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 8: Incentive for High Utilization Factor

With Punjab going to be surplus power state shortly and there is no justification in imposing High Utilization Factor Charge which will discourage higher end users. Rather, there should be provision of 10 paise per unit rebate so as to give incentive for higher consumption.

Reply of PSPCL

In the two part tariff proposed, there is no levy of high utilization factor charge. 10 paise/unit on PIU is due to fluctuating maximum demand of furnace industry which stresses the transmission system and spare capacity has to be provided to meet such peak demands. Rather with higher utilization factor the industry is gainful, as the cost per unit of electricity reduces, as per inherent characteristic of two part tariff.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 9: Surcharge on Arc and Induction Furnaces

With the proposed surcharge of 10 paise per unit on Arc and Induction furnaces, these have been equated with continuous process industry. However while there is no power cut on continuous process industry, Arc/Induction furnaces are the first victim of the shortage of PSPCL. Further, the 10 paise surcharge on continuous process industry is leviable on the load which is allowed to be run during peak hours whereas we are not allowed any load during peak hours. Therefore it is clearly unjustified to impose 10 paise per unit surcharge on Arc and Induction furnace consumers or else they should be exempted from power cuts.

Reply of PSPCL

The character of load of continuous process industry and power intensive industry is not similar. As explained above, 10 paise/unit surcharge has been proposed due to fluctuating demand of power intensive units. Continuous process industry using supply during peak load hours is charged Peak Load Exemption Charges also in addition to normal tariff as applicable. Only due to unforeseen circumstances beyond the control of the corporation, Power Intensive units are sometimes restricted to utilize load for a certain period of time whereas such a restriction to continuous process industry shall prove disastrous resulting in high losses and process freeze of such units. Continuous process industry is already paying 10 paise /unit in addition to normal tariff and paying PLEC also to use power during peak load hours as well.

View of the Commission

Refer para 5.1 of this Tariff Order.

Objection No. 26: Induction Furnace Association of North India (Regd.)

Issue No. 1: Improper Study of COS

The study is based on lot of assumptions and sample feeders taken are quite inadequate.

Reply of PSPCL

It is correct that 166 feeders of various categories of consumers were selected for working out coincident maximum demand of the system and various categories of consumers, as per methodology-I. From the loading data it was observed that unrestricted demand of various categories of consumers was greater than the supply availability for most of the time during the year. Due to load shedding as a result of power deficit, it was observed by PSPCL that peak demand of various categories is not natural but controlled by adopting various power regulation measures. Due to this reason it was concluded that application of coincident peak demand and working out of demand related cost as per methodology-I, will not be representing true picture of loading of PSPCL. So methodology-II was followed whereby maximum demand of various categories of consumers was worked out on the basis of total sanctioned load and their demand factor, which was more realistic and hence was adopted for working out Cost of Supply.

View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 2: Unjustified cost to EHT/HT consumers.
In the absence of data, various assumptions have been made and HT/EHT consumers have been loaded with unjustified costs and made to share big burden of the ARR.
Reply of PSPCL
For working out cost of supply as no standard methodology is available for booking cost to various categories of consumers, the officers of PSPCL in consultation and discussions with the consultant firm (TERI) adopted realistic approach whereby the costs were booked to various categories of consumers as per ratio of their consumption of electricity, as this data was most dependable. It is incorrect that HT/EHT consumers have been loaded with unjustified costs rather these consumers had the inherent advantage of low transmission losses which attributes to lower cost of supply to these consumers.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 3: Wrong T&D losses figures
T&D losses taken in two methodologies differ & losses for 220 kV and 132 kV consumers have been taken as 6.6% against 2.5% assumed by the Commission in the tariff order. T&D losses for agriculture have been taken as 22% whereas these should be more than 30%.
Reply of PSPCL
As per methodology-II adopted by PSPCL, the transmission losses have been adopted as per provision existing in the tariff order for the year 2011-12 and the same have been taken as 2.5% for 132/220 kV. As per methodology-II adopted, voltage-wise average losses have been taken into account, as losses of different categories of consumers at various voltage levels have not been worked out by the corporation.
View of the Commission
Refer para 5.2 of this Tariff Order.

Issue No. 4
A consumer at 220 kV has been equated with 400 V LT domestic consumer.
Reply of PSPCL
Nowhere, consumers of 220 kV have been equated with 400 volt LT domestic consumers. It needs elucidation by the Association for proper reply by the Corporation.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 5
Cross subsidy for 132 kV and 33 kV look very unconvincing compared with other voltage levels.
Reply of PSPCL
The objection raised by the Association is not clear. Cross subsidy worked out is as per cost of supply and tariff applicable to various categories of consumers. The PSPCL shall prefer to go as per methodology-II for cost of supply as given in the report.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 6
The final Cost of Supply for an 11 kV industrial consumer works out as 454 paise against 473 paise for an industrial consumer at 66 kV is beyond imagination.
Reply of PSPCL
As per methodology-I, there was lot of differentiation of Cost of Supply between various categories of consumers due to following coincident demand of the system for booking of costs which was not realistic, so methodology-II was adopted which represents true picture of Cost of Supply.
View of the Commission
Refer para 5.2 of this Tariff Order.

Issue No. 7
TERI has just evaluated the CoS as per different methodologies but has not recommended as to which methodology should be adopted by PSPCL.
Reply of PSPCL
TERI itself agreed with the views of PSPCL that procedure followed for booking of costs as per methodology-I shall not give true picture of cost of supply. Hence methodology-II was adopted.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 8: Clubbing of Consumers Categories
Consumers at 132 kV and 33 kV may be clubbed with 220 kV and 66 kV respectively.
Reply of PSPCL
The Cost of Supply has been worked out category wise and voltage wise. As booking of costs mainly depends upon the consumption level of various categories of consumers at different voltage levels, such minor differentiation shall always be there.
View of the Commission
The results will be more accurate without clubbing.

Issue No. 9: Increase in sample study
Minimum 30% of feeders for each category may be taken for study and Cost of Supply on such data may be worked out to minimise the assumptions.
Reply of PSPCL
It will not be correct to suggest that PSPCL should record and compile data of 30% of feeders of each category. Due to load shedding, true maximum demand of various categories shall remain elusive. The method adopted as per methodology-II is more realistic and dependable.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 10: Cost of Supply for Agriculture
Study has established that Cost of Supply for agriculture is much higher than its tariff. Agriculture consumers are being cross subsidized by other consumer categories including industry. In fact the GoP is being facilitated through such lower tariff by Commission to lower its subsidy amount. High electricity duty on consumption is also giving revenue to GoP towards subsidy of Agriculture. This trend needs to be reversed by Commission by fixing tariffs as near to cost of supply as possible and progressively reducing level of cross subsidies.
Reply of PSPCL
The Cost of Supply for agriculture has also been worked out as per actual consumption level and demand of this category being put on the system and no preference has been given to this category. State Government is providing subsidy to Agriculture Sector on the basis of actual cost of supply. The PSERC has already taken steps to reduce the level of cross subsidy and in every tariff revision this effect is apparent and is in line with the provisions of the Electricity Act, 2003.
View of the Commission
Tariff is being fixed as per guidelines of Tariff Policy and PSERC Tariff Regulations.

Issue No. 11: Restoration of HT rebate
The cost of supply as worked out in the present form is not representing the ground realities and needs to be made realistic and fine tuned with more data collection on actual basis. Till that time, HT rebate to 220 kV and 66 kV industrial consumers be restored immediately and pay it retrospectively w.e.f. 1.4.2010.
Reply of PSPCL
The Cost of Supply as per methodology-II is more realistic and dependable and the same should be accepted by the Association.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 12: Charges on Open Access
Till Cost of Supply is fine turned and implemented, Wheeling Charges and Cross Subsidy on Open Access may be reduced so that industry survives in Punjab.

Reply of PSPCL

Reduction of Wheeling Charges and Cross Subsidy on Open Access customers is the prerogative of the Hon'ble Commission.

View of the Commission

Charges are levied as per Regulations framed and notified by the Commission after observing due procedure.

Objection No. 27: **Ludhiana Steel Rolling Mills**

Issue No.1: Two Part Tariff

While opposing introduction of Two Part Tariff it has been emphasized that:

i. There should be maximum chargeable rate per kWh under Two Part Tariff as was there in l99l-92.
ii. The demand charges should be on the MDI & not on the contract demand.
iii. Also provision should be there for scheduled Power Cuts / Shut down by PSPCL whereby the Two Part Tariff should be calculated on the basis of number of days the power was supplied.

Reply of PSPCL

i. In regard to maximum chargeable rate per kWh, it is submitted that PSPCL has proposed the Two Part Tariff based on the revenue neutral model and same is under consideration of the Hon'ble Commission. Deciding on the rates is the prerogative of the Hon'ble Commission. However it is prayed that impact of the rates on the recovery of ARR may kindly be considered before deciding on the suggestion.
ii. It is further submitted that system/infrastructure & electricity requirements are decided based on the assessment of contract demand. Demand charges are levied to recover fixed expenses of PSPCL towards system/infrastructure for supply of electricity. Therefore demand charges are required to be recovered on the basis of contract demand. Calculation of demand charges on the MDI instead of contract demand of all consumers would result in lesser recovery of fixed expenses.
iii. PSPCL is making all efforts to restrict unscheduled power cuts/shut down. The issue of scheduled as well as unscheduled power cuts will get resolved to great extent after commissioning of upcoming power plants. However, it is submitted that the Two Part Tariff proposal is based on revenue neutral model as discussed above, hence consumers will not be impacted adversely on account of this.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 2: Cost of Supply & Cross Subsidy

i. PSPCL has determined the Cost of Supply for the year 2012-13 and therefore, the tariff should be within this cost plus reasonable profit margin without any cross subsidies.
ii. As per the Cost of Supply determined, the tariff should also be in-line for different voltage levels. Presently the tariff for supply at 220-440 Volts is lower than the Tariff at 11 kV and the tariff is same for 11 kV & 66 kV supply.

Reply of PSPCL

It is submitted that Clause 8.3 of Tariff Policy states as under:

> *"8.3 Tariff design: Linkage of tariffs to cost of service*
>
> *For achieving the objective that the tariff progressively reflects the cost of supply of electricity, the SERC would notify roadmap within six months with a target that latest by the end of year 2010-2011 tariffs are within ± 20 % of the average cost of supply. The road map would also have intermediate milestones, based on the approach of a gradual reduction in cross subsidy...."* As given in the Tariff Policy, there has to be reduction in cross-subsidy but gradually, keeping the interest of Utility in view.

However as regards the element of cross subsidy, the same has come down progressively over the years. Hence in light of the same it is requested that while determining the tariff in conjunction with the cross subsidy factor, the Hon'ble Commission has also to keep in view the interests of PSPCL.

It is further submitted that Cost of Supply report is submitted for consideration of the Hon'ble Commission and determination of tariff at different voltage levels is the prerogative of the Hon'ble Commission.

View of the Commission

Refer para 5.2 of this Tariff Order.

Objection No.28: United Cycle & Parts Manufacturers Association

Issue No.1: Reduction of staff
PSPCL should minimize upper staff limit which is in extra.
Reply of PSPCL
PSPCL has been making efforts to reduce its manpower cost by freezing new recruitments except staff which is essentially required for providing uninterrupted electric supply. Staff strength has gone down significantly over the period of time.
View of the Commission
Both PSPCL and PSTCL have been directed to take early action on PwC report. Refer to Directive No.8 at Annexure-IV of this Tariff Order.

Issue No. 2: Free supply to Agricultural consumers.
Free supply to agricultural consumers should be stopped.
Reply of PSPCL
Supply of electricity to agricultural consumers is not free and the same is being subsidized by the GoP. Deciding on the subsidy is the prerogative of GoP.
View of the Commission
The Commission agrees with the reply of PSPCL.

Issue No. 3: Free supply to SC & DS consumers
Free supply to scheduled caste DS consumers, non SC BPL DS Consumers should be stopped
Reply of PSPCL
Supply of electricity to SC DS consumers, non SC BPL DS Consumers are not free and the same is being subsidized by the GoP. Deciding on the subsidy is the prerogative of GoP.
View of the Commission
The Commission agrees with the reply of PSPCL.

Objection No. 29: Cycle Trade Union

Issue No. 1: Introduction of fixed charges in Two Part Tariff
While abolition of MMC is welcomed, introduction of fixed charges & variable charges is objected and it is not in the interest of the consumers.
Reply of PSPCL
PSPCL has submitted the proposal of Two Part Tariff for the consideration of Hon'ble Commission and deciding the same is prerogative of the Hon'ble Commission.
View of the Commission
Refer para 5.1 of this Tariff Order.

Objection No. 30: Laghu Udyog Bharti, (Punjab Chapter)

Issue No.1: Cross subsidy
Cross subsidy on small Power (SP) Category consumers should not be levied.
Reply of PSPCL
Cross subsidy has been reduced over the period of time and presently it is within the limit of $\pm$ 20% of average cost of supply as prescribed by the National Tariff Policy. However deciding on the quantum of cross subsidy to different categories is the prerogative of the Hon'ble Commission.
View of the Commission
The tariff of various consumers category is determined by the Commission keeping in view the guidelines of the National Tariff Policy and PSERC Tariff Regulations.

Issue No. 2: Audit of Accounts
Special Audit of PSPCL accounts through institution of Chartered Accountants should be ordered. PSPCL should be directed to re-arrange the reading dates so that same should fall from 1st April 2013 to 31st March 2014 for proper accounting of electricity sale in Financial Year.
Reply of PSPCL
PSPCL has the internal audit & control system and procedure for monitoring sale, billing and ensuring accounting as per the accepted accounting principles and applicable Accounting Standards. Further, the accounts are subject to audit by the firm of Chartered Accountant appointed by CAG of India. Therefore special audit of the accounts is not required.

View of the Commission
Audit of Accounts of PSPCL is done by chartered accountant appointed by CAG of India. Supplementary audit is also done by the office of Principal AG(Audit) Punjab. As such there is no need for special audit.

Issue No. 3: Low Cost Generation
Benefit of low cost Hydel Generation should be given to weaker section i.e. domestic/NRS consumers having sanctioned load upto 2 kW & to Small Power & AP Category consumers. High cost electricity should only be burdened on Large & Bulk supply consumers.
Reply of PSPCL
PSPCL procures power as per the requirement of all the categories of the consumers and tariff is determined based on the average cost of supply. It is further submitted that deciding on the issue of giving benefit to any particular section of consumers is the prerogative of the Hon'ble Commission. The Hon'ble Commission may kindly keep the interest of PSPCL in view while deciding on the issue.
View of the Commission
The tariff is fixed by the Commission on the basis of average cost of supply.

Issue No. 4: Details of various charges
PSPCL should be directed to given true picture of amounts recovered from consumers under the provision of General Condition of Tariff, Schedule of Tariff, Schedule of General Charges & for the works done on deposit estimate. This will reduce the proposed tariff.
Reply of PSPCL
It is submitted that PSPCL has filed the ARR & Tariff Petition in accordance with the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time. All the information required as per the above regulation is provided to the Hon'ble Commission.
View of the Commission
The Commission determines the Tariff in accordance with the provisions of the Tariff Regulations.

Issue No. 5: Contract Demand for MS Load
MS category industrial consumers should also be allowed to install any quantum of load provided their Contract Demand remains within Sanction Contract Demand as has been allowed to Large Supply consumers.
Reply of PSPCL
To give facility to install any quantum of load provided their contract demand remains within sanction load does not fall in the current exercise of ARR.
View of the Commission
Suggestion will be examined separately after Utility provide requisite infrastructure.

Issue No. 6: Cost of supply
The Cost of Supply calculated for Small Industrial Power & Medium Industrial Power is on very higher side. Since LT lines are erected on free government land so cost of land for LT lines should be considered accordingly.
Reply of PSPCL
Cost of Supply report has already been submitted to the Hon'ble Commission for approval. Deciding on the same is the prerogative of the Hon'ble Commission.
View of the Commission
Refer para 5.2 of this Tariff Order.

Issue No. 7: High Voltage Supply System
Small Power & Medium Power consumers should be allowed to convert their supply Voltage to 11 kV against specified voltage of 400 Volt & they should be given voltage rebate 15%. This will reduce T&D losses besides saving from theft of electricity.
Reply of PSPCL
Deciding on the rebate is the prerogative of the Hon'ble Commission. The Hon'ble Commission may kindly keep the interest of PSPCL in view while deciding on the issue.
View of the Commission
Refer para 5.2 of this Tariff Order.

Issue No. 8: Subsidy
Domestic consumers using more than 300 units are not weaker section. They should not be allowed concession of 1st hundred units.
Reply of PSPCL
Subsidy to the domestic category is provided by the GoP and reducing the subsidy to any particular section of consumer is a policy matter and is to be decided by GoP. The tariff for the domestic consumers is determined by the Hon'ble PSERC keeping in view the socio-economic aspects.
View of the Commission
The Commission does not agree with the suggestion.

Issue No. 9: Category/Classification
PSPCL has wrongly classified certain units having motive load more than 100 kW under NRS category which results in more use of electricity during Peak Load / weekly off days. These units should be classified under Industrial Tariff.
Reply of PSPCL
The internal control system and procedure for monitoring categorization, sale and billing is already in place and is functioning effectively. Decision on categorization is done as per the laid down operational parameters.
View of the Commission
The objector may furnish specific cases so that PSPCL may examine the issue.

Issue No. 10: Street light Metering
Street light consumers should only be given metered supply to avoid wastage.
Reply of PSPCL
The contention is not correct as no street lights are in general switched on during day time and the objection seems to be inspired from the instances where the street lights is switched on in day time for maintenance of street light.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 11: Metering
The Sales Regulations & Tariff Orders issued by Commission provides that all tube well connections will be released on Meter Supply. As per section 55 of Electricity Act, 2003, consumer is to install meter at his own cost or to deposit the cost of meter as security. There will be no financial burden on PSPCL for providing meters on all tubewell connections or Flat rate should be enhanced.
Reply of PSPCL
All the consumers are billed except agricultural consumers. Agriculture consumers are connected from separate feeders and assessment of agriculture consumption is made on the basis of reading of the feeder meters. Billing and collection infrastructure would require further enhancements if individual agricultural consumers are to be metered and billed as currently the entire collection against the agricultural consumption is recovered in the form of subsidy from the Government.
View of the Commission
Refer Directive No.5 at Annexure IV of this Tariff Order.

Issue No. 12: Surplus land
PSPCL should be directed to declare surplus lands & land encroached. No Return on equity should be given on the amount equal to surplus / encroached land. Electric connection is permissible only to owners or lawful occupiers but PSPCL has released connections to encroacher of PSPCL land.
Reply of PSPCL
PSPCL has been utilizing its assets judiciously. It is further submitted that the internal control system/legal & enforcement system and procedure for monitoring the assets is already in place and is functioning effectively.
View of the Commission
The Commission allows RoE on the amount of equity invested in creation of assets including land of the utility in compliance of PSERC Tariff Regulations.

Issue No. 13: Vehicles
PSPCL has taken almost all the vehicles on rent. Thus unused vehicles, unused assets should be disposed off & funds should be utilized to reduce interest burden.

Reply of PSPCL
PSPCL has been utilizing its assets judiciously. It is further submitted that the internal control system, cost control department and procedure for monitoring the assets is already in place and is functioning effectively.
View of the Commission
The Commission agrees with the reply of PSPCL. However, the Commission advises the utility to put all its assets to maximum utilization.

Issue No. 14: Vacant quarters
That vacant residence quarters & kothis should be allotted to officers / officials so that house rent payment is saved. PSPCL should be directed to disclose figures of vacant quarters / kothis.
Reply of PSPCL
Same reply as to issue no. 13 above.
View of the Commission
Refer to Commission's view on Issue No.13 above.

Issue No. 15: Accounting of income
There is provision for capacitor surcharge & surcharge on un-standard fitting on AP consumers but no income is shown. AP consumers should be put on kVA tariff for true income of revenue. This will reduce T&D losses & substations /feeders will be saved from overloading & PSPCL will recover true income against power sold. This will compel AP consumers to install capacitors.
Reply of PSPCL
PSPCL has the internal audit & control system and procedure for monitoring sale, billing and ensuring accounting as per the accepted accounting principles and applicable Accounting Standards.
View of the Commission
The AP connections are not metered so there is no scope for introduction of kVAh tariff at this stage.

Issue No. 16: ToD Tariff
ToD (Time of Day) Tariff is mandate of the Law & same should be introduced without further loss of time. PSPCL can purchase cheaper electricity during off-Peak Hours & same can be sold in state accordingly at cheap rates. Industry can switch over to night load to save their cost. This will reduce peak demand & PSPCL will also be benefited by using their infrastructure & manpower which remain idle during off peak hours.
Reply of PSPCL
The proposal for introduction of ToD Tariff stands submitted to the PSERC. Deciding on the same is the prerogative of the Hon'ble Commission.
View of the Commission
Refer para 5.3 of this Tariff Order.

Issue No. 17: Demand Charges
Demand charges calculated for SP/MS consumers are absolutely wrong. This needs prudent check by the Hon'ble commission to safeguard the interest of consumers.
Reply of PSPCL
Various charges are calculated based on approved schedule of charges and parameters. However, prudence check is the prerogative of the Hon'ble Commission.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 18: Monthly Minimum Charges (MMC)
Consumers who want to surrender connection for the period more than six months, they should be encouraged by exempting MMC. This saved electricity can be supplied to other consumers those are in need & facing power cut. This will also save high rate purchase & PSPCL will save high power purchase cost.
Reply of PSPCL
MMC is required to meet the expenses of PSPCL towards maintenance of infrastructure & system irrespective of actual consumption. It is also submitted that if the electricity is not utilized by any category of consumer then it is passed on to the other class of consumer automatically.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 19: Load Audit
Consumers having load more than 500 kW should be encouraged to get their load audited by offering incentive to these consumers.
Reply of PSPCL
It is submitted that same is the prerogative of the Hon'ble Commission.
View of the Commission
GoI has made it compulsory for Designated Consumers declared under Energy Conservation Act 2001 to carry out energy audit and PEDA is the Designated Authority in the State. Suggestion of the objector has been noted.

Issue No. 20: Dispute settlement
PSPCL should be directed to put all decisions of Dispute Settlement Committees on their web site for general knowledge of Public. This will reduce court cases.
Reply of PSPCL
Workings of dispute settlement committees are transparent and the consumers are well aware of it.
View of the Commission
The decisions of CGRF and Ombudsman are placed on the website. There are five zonal DSCs, 21 Circle level DSCs and 103 Division level DSCs in the State of Punjab with the more than 2000 cases filed before Dispute Settlement Committees every year. Placing all such orders on the website would not only be voluminous job but also require large infrastructure for handling.

Issue No. 21: Grievance Redressal Forum
Forum for Redressal of Grievance should be directed to hold one meeting every month in every zone. This will increase confidence of consumers & will reduce court cases.
Reply of PSPCL
It is submitted that same is the prerogative of the Hon'ble Commission.
View of the Commission
Regulation 3(ii) of PSERC (Forum & Ombudsman) Regulations provides for holding of sittings of the Forum at Ludhiana, Amritsar, Bathinda subject to availability of work.

Issue No. 22: Legal Expenses
There should be a cap on legal expenses of PSPCL. Excess legal expenses should be disallowed.
Reply of PSPCL
It is submitted that PSPCL makes all the expenses judiciously.
View of the Commission
These expenses form part of A&G expenses which are being allowed on normative basis in accordance with the Regulations.

Issue No. 23: Connection to Industrial Consumers
PSPCL should be directed to give connections to Industrial Consumers from Industrial Category-II feeders. This will avoid discrimination.
Reply of PSPCL
The connections are provided as per laid down procedure and parameters. PSPCL is not discriminating amongst various categories of consumers.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 24: Categorization
That small-in-house casting furnaces (Induction) of Load less than 500 kW should be considered under general category because these are essentially required to run their other Industry.
Reply of PSPCL
The internal control system and procedure for monitoring categorization, sale and billing is already in place and is functioning effectively. Decision on categorization is done as per the laid down operational parameters.
View of the Commission
The petition in this regard is under the consideration of the Commission.

Issue No. 25: Disclosure of income

Income from theft & UUE should be disclosed correctly by Powercom. PSPCL should also disclose the number of cases detected, number of cases pending in courts & number of cases who deposited money as demanded.

Reply of PSPCL

PSPCL has the internal audit & control system and procedure for monitoring sale, billing and ensuring accounting as per the accepted accounting principles and applicable Accounting Standards. It is further submitted that PSPCL has filed the ARR & Tariff Petition in accordance with the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time. All the information required as per the above regulation is provided to the Hon'ble Commission.

View of the Commission

In addition to the information supplied by the utility in the ARR, the Commission obtains all the information from the utility which is considered necessary for determination of Tariff.

Issue No. 26: Generation expenses

Generation expenses need prudent check by Hon'ble Commission.

Reply of PSPCL

It is submitted that prudence check is the prerogative of the Hon'ble Commission.

View of the Commission

Adequate prudent check is applied by the Commission before approval of costs of the utility.

Issue No. 27: Disclosure of Income

Income from Fuel cost surcharge, voltage surcharge has not been shown in ARR.

Reply of PSPCL

PSPCL has the internal audit & control system and procedure for monitoring sale, billing and ensuring accounting as per the accepted accounting principles and applicable Accounting Standards and all income of PSPCL is included in the ARR.

View of the Commission

Refer to Commission's views on issue no. 25 above.

Issue No. 28: Expenses

Expenses already disapproved by Commission during review should not be allowed now.

Reply of PSPCL

PSPCL has reflected the expenses actually incurred by it for providing the service of supply of electricity to its consumers. Further, justification for various expenses has also been provided in the ARR. It is submitted that the Hon'ble Commission may kindly consider the submission and allow the expenses as submitted.

View of the Commission

The Commission allows all the costs after prudent check in accordance with the PSERC Tariff Regulations.

Issue No. 29: Interest

Interest and finance charges shown seem to be wrong. This needs prudent check by Hon'ble Commission.

Reply of PSPCL

Interest expenses as claimed in the ARR are actual expenses/projections based on realistic estimates. However, prudence check is the prerogative of the Hon'ble Commission.

View of the Commission

Refer to Commission's view on Issue no. 28 above.

Issue No. 30: Power purchase cost

Power purchase cost should not be allowed more than allowed by Commission.

Reply of PSPCL

PSPCL purchases power as per the demand of the consumers and cost is not under the control of PSPCL. Rates of power from Central Generating Stations are decided by the Hon'ble CERC and short-term power is market determined. However, PSPCL makes all efforts to judiciously purchase power so as to reduce the cost. In view of the above submission, the Hon'ble Commission may kindly approve the purchase cost as proposed.

View of the Commission

Refer to Commission's view on Issue No. 28 above.

Issue No. 31: Employee cost

Employee cost should be allowed only as per regulations approved by Commission.

Reply of PSPCL

PSPCL submits that the employee cost is a parameter which cannot be controlled to a great extent by PSPCL. However PSPCL is making constant efforts to reduce the burden of employee cost. The Hon'ble Commission may kindly approve the employee cost as proposed in the ARR & Tariff Petition.

View of the Commission

Refer to Commission's view on Issue No. 28 above.

Issue No. 32: Depreciation

Depreciation should be allowed on Fixed Assets minus assets not in use minus assets made out of consumer cost.

Reply of PSPCL

Depreciation is calculated in accordance with the provisions contained in the Companies Act, 1956.

View of the Commission

Refer to Commission's view on Issue No. 28 above.

Issue No. 33: Investment plan

Investment Plan should be according to the amount spent in previous years.

Reply of PSPCL

PSPCL has provided details of capital expenditure incurred during previous year and function wise details of proposed capital expenditure along with justification of the same. The Hon'ble Commission may kindly approve the investment plan as proposed.

View of the Commission

Refer to Commission's view on Issue No. 28 above.

Issue No. 34: Accounting of income

Subsidies, Subventions, Grants & other free receipts should be either taken as income or it should be reduced from expenses.

Reply of PSPCL

PSPCL has the internal audit & control system and procedure for monitoring revenue & receipts and ensuring accounting as per the accepted accounting principles and applicable Accounting Standards.

View of the Commission

Refer to Commission's view on Issue No. 28 above.

Issue No. 35: Diversion of fund

No interest should be allowed on diversification of funds by PSPCL.

Reply of PSPCL

The amount disallowed by the Hon'ble Commission on account of diversion of fund every year has affected financial viability of the utility. PSPCL requests the Hon'ble Commission to allow interest on outstanding loans.

View of the Commission

Refer to Commission's view on Issue No. 28 above.

Issue No. 36: Interest on delayed payment

Interest on delayed payment subsidy should be charged @ 10% as is charged from other consumers as late payment surcharge.

Reply of PSPCL

Deciding on the same is the prerogative of the Hon'ble commission.

View of the Commission

Refer to Commission's view on Issue No. 28 above.

Issue No. 37: Disclosure of income

Income from cross subsidy, wheeling charges & other income from Open Access consumers should be taken into account as income of PSPCL.

Reply of PSPCL

PSPCL has the internal audit & control system and procedure for monitoring revenue & receipts and ensuring accounting as per the accepted accounting principles and applicable Accounting Standards.

View of the Commission

All receipts of the utility are taken into account as per PSERC Tariff Regulations.

Issue No. 38: Income

Income from excess payments received than actual expenses for releasing connections should be added in income.

Reply of PSPCL

Same reply as to Issue no. 37 above.

View of the Commission

Refer to Commission's view on Issue No. 37 above.

Issue No. 39: Expenses

Employee cost, R&M Expenses, A&G Expenses should be allowed as per Regulations framed by Commission. PSPCL is giving free power to their employees as perks. But supply to employees is also sale of electricity. This sale should be included in domestic tariff sales & may be added in employee cost. This will reduce T&D losses reflected in ARR.

Reply of PSPCL

PSPCL has filed the ARR & Tariff Petition in accordance with The Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time.

Further, it is submitted that PSPCL has the internal audit & control system and procedure for monitoring sale, revenue, costs and ensuring accounting as per the accepted accounting principles and applicable Accounting Standards. Proper booking of free electricity is being done as per accounting instructions.

View of the Commission

Refer to Commission's view on Issue No. 28 above.

Issue No. 40: Multi Year Tariff

Multi Year Tariff is mandate of Law. Same should be implemented. Revenue from different categories is to be reflected separately. Seasonal Industry & Temporary Tariff are big source of higher income. PSPCL should be directed to disclose income from consumers of these Tariffs.

Reply of PSPCL

Deciding on Multi Year Tariff and disclosure requirements is the prerogative of the Hon'ble Commission.

View of the Commission

Commission is in process of finalizing the MYT Regulations.

Issue No. 41: Petitions on Websites

All the petitions made by PSPCL to Commission should be placed on website of PSPCL for transparent working.

Reply of PSPCL

All the petitions made by PSPCL is appropriately displayed/published as per the direction of the Hon'ble Commission.

View of the Commission

All orders of the Commission are put on the Commission's website.

Issue No. 42: Supply of electricity

Commission may fix higher rates during Peak Hours but supply should be available to all the consumers including essential services during Peak Hours.

Reply of PSPCL

Deciding on the rates is the prerogative of the Hon'ble Commission. However, PSPCL makes all effort to supply electricity to all consumers continuously.

View of the Commission

Due to system constraints, some regulatory measures cannot be ruled out.

Objection No. 31: Steel Furnace Association of India, Ludhiana

Issue No. 1: Two Part Tariff

The concept paper contains two methodologies. The PSPCL has used the cost of supply for Two Part Tariff as determined by Methodology-II, which is not correct.

The first methodology allocated cost on the basis of share of various consumer categories at different voltages in the peak demand. In second method, the distribution cost is linked with the effective connected demand based on PSPCL assessment of likely utilization of the connected load.

Both the methodologies supplied two different figures for the category-wise cost of supply for different voltage levels. In this regard, we have following observations.

i. The first method provides more reliable information regarding the share of each consumer on peak load as it is based on actual data available with SLDC. This is in contrast with the second method where the effective connected load is based on estimates of PSPCL, which is further based on experiences of PSPCL experts and thus carries a reasonable chance of human errors while making such estimates.

ii. The other reason for not using the first method given is that in future, there may not be restrictions and demand side management may be different from present. In such situation, the contribution of each consumer in peak system may not be the same or may not give accurate estimates. In this regard, we would like to state that:

    i. In spite of this limitation, other States Electricity Boards are using this formula.
    ii. There is high probability that in future also, demand side management would be required and some sort of restrictions would continue to be there.
    iii. The alternate method of estimating effective connected load is based on PSPCL estimates, which could always be subjective and may be prune to human error of judgment. Thus, it should be avoided.
    iv. The process of determination category wise cost of supply can be reviewed in the future. Therefore, the first method should be preferred upon the second one on the basis of aforesaid arguments.

Till the cost of supply is not correctly finalized and adopted by the Commission, it would not be correct to use the voltage wise cost of supply as proposed by PSPCL. Implementation of Two Part Tariff in haste, based on wrongly calculated figures of cost of supply would not be correct and should be avoided till correct cost of supply is adopted.

Reply of PSPCL

In methodology-I the peak demands of various categories of consumers cannot be relied upon as coincident peak of the system was observed in July when all the tube wells were working during paddy season. Further, the time of peak was 9.30 PM when maximum demand of DS, NRS, Bulk supply observed at that time cannot be relied upon as all the load of the consumers of one category was either not coming whereas full load of other category was coming. Methodology-II is more reliable as it takes into account total sanctioned load of each category and working out maximum demand, utilizing demand factor of that category. In methodology-I, the Cost of Supply of consumers getting supply at 66 kV was coming higher than 11 kV consumers. There were other distortions as well so methodology-II was followed by PSPCL. Further, PSPCL has submitted to the Hon'ble Commission the report of the study on CoS. It is the prerogative of the Commission to approve the methodology, for the determination of Cos, best suited for the state under the existing scenario.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 2: Fixed charges based on Contract Demand.

The fixed charges should not be based on contract demand. It should be levied on either the actual maximum recorded demand or 80% of the contract demand, whichever is higher.

Reply of PSPCL

Same reply as to Issue No. 1 above.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 3: High Utilization Factor charges.

As per Two Part Tariff proposal, all consumers (except DS, NRS, Street lighting and AP) having monthly utilization factor of above 40% will be levied additional charges of 10 paise/unit. It is not correct as it aimed at punishing those industrial consumers who maintained a high utilization factor (say 90%). In fact such consumers are encouraged in other States by giving incentives for maintaining high utilization factor, which helps in improved loading of the generator and transmission system. Therefore, the high utilization charges as proposed by PSPCL should not be accepted and replaced with suitable load factor incentive.

Reply of PSPCL

As the proposal of Two Part Tariff is revenue neutral, so high utilization factor charge has been proposed and further it will apply to consumption recorded beyond 40% Utilization Factor.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 4: Unjustified Proposed Tariff Structure for Arc Furnace.

As per Two Part Tariff proposal, Arc Furnace consumers will be levied PIU/Arc Furnace surcharge @ 10 paise/unit in addition to other charges. Also for the Arc Furnace, energy charges are proposed at 500 paise /kWh, which is 15 paise more than general industry (485 paise /kWh) at the same voltage level (33/66 kV). It is discrimination against the Arc Furnace industry. If the industry is to be charged with 10 paise extra as PIU/Arc Furnace surcharge then there is no justification to charge higher energy charges (15 paise) than general industry. It is submitted to the Commission that discrimination against Arc Furnace Industry must be removed.

Reply of PSPCL

Arc Furnace surcharge of 10 paise per unit has been proposed due to kick load phenomena in Arc Furnace loads. For this reason extra power T/F capacity has to be kept reserved to meet with such demands. Such type of loads also put stress on T/F windings and other electrical equipments.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 5: Time of Day (ToD) Tariff

It is submitted that ToD based tariff should be introduced which will be great help in improving overall efficiency of the system.

Reply of PSPCL

Proposal relating to Time of Day Tariff has also been submitted to the Commission and the same is expected to be finalized along with Two Part Tariff proposal.

View of the Commission

Refer para 5.3 of this Tariff Order.

Objection No. 32: Ludhiana Electroplaters Association

Issue No. 1: Two Part Tariff

The Two Part Tariff system on all categories in the State of Punjab has been opposed as the fixed charges shall be additional burden on industry.

Reply of PSPCL

PSPCL submits that the Two Part Tariff proposal has been made on revenue neutral basis for PSPCL and over all electric charges for consumers will not have much variation. Fixed charges are meant to recover fixed expenses and Two Part Tariff cannot be implemented without fixed charges. Hon'ble Commission may kindly keep the interest of PSPCL in view while deciding on the suggestion of the objector.

View of the Commission

Refer para 5.1 of this Tariff Order.

Objection No. 33 & 34: All India Steel Rerollers Association and Mandi Gobindgarh Induction Furnace Association

Issue No. 1: Revenue Neutralization

i. The methodology adopted by The Energy and Resources Institute is complicated to be understood by the consumers. Hence the introduction of the Two Part Tariff may be dropped on this count.
ii. Two Part tariff is being introduced with the plea that consumers will improve their utilization factor leading to efficient planning by the utility. The planning and improving the efficiency of the DISCOM is their internal matter and introduction of "Two Part Tariff" will not improve their

efficiency rather will burden the consumers with more complicated approach of tariff understanding and increasing the fixed liability.

Reply of PSPCL

i. So far as revenue neutralization is concerned, in Two Part Tariff also the proposal submitted maintains the principle of revenue neutralization.

ii. With the improvement of utilization factor by the consumer, the average cost of energy payable by the consumer per unit shall get reduced. This is the characteristics of Two Part tariff. Thus there will be no extra burden on the consumer. However, in case utilization factor drops down to the neutralization level, the average rate of energy payable by the consumer shall be bit higher. As the rate of fixed charges is kept low compared to the monthly minimum charges payable under Single Part Tariff existing at present, the liability on the consumer gets reduced.

View of the Commission

Refer para 5.1 and 5.2 of this Tariff Order.

Issue No. 2: Act, Regulations and Policy Scope

i. There is no mention in the proposal as to the methods and principles specified by the State Commission as per the Section 45 of the Act. There are no Regulation available giving details of the allocation of the fixed and variable charges. It is also observed that the fixed charges are proposed without establishing any principle or referring to the Regulations. Hence the DISCOM may not be allowed till principles are laid down and approved.

ii. That the Section 62 of the Electricity Act, 2003 specifically refers that while determining the tariff under the Act, Hon'ble Commission will not show undue preference to any consumer of electricity. It observed that the proposal had kept Agriculture Consumers out from the scope of the “Two Part Tariff" without elaborating any reasons to do so, which is undue preference and may not be accepted on introduction of the "Two Part Tariff".

iii. That the Clause 8.3 (I) of National Tariff Policy, 2006 has been referred as the main ground for the introduction of the "Two Part Tariff". The policy has also directed to introduce the "Time Differential Tariff" and to encourage metering and billing based on metered tariff. The policy needs to be introduced in full spirit of the Clause 8.4 in one attempt. Therefore may not be adopted till it is a comprehensive proposal.

Reply of PSPCL

i. In the details of Cost of Supply and Two Part Tariff, adequate publicity has been given and Commission is holding public meetings for getting response from the consumers.
The fixed charges payable by the consumer shall be on the basis of sanctioned load/contract demand as applicable to various categories of consumers. Through fixed charges the liability coming on the Corporation relating to interest, depreciation, operation and maintenance and establishment cost is proposed to be recovered.

ii. No un-due preference has been shown to any consumer category while working out cost of supply or Two Part Tariff as proposed. For Agricultural consumers, there is no preference in working out Cost of Supply. However, Two Part Tariff has not been proposed for AP category as meters have not been provided on all agricultural consumers for measuring energy consumption for every agricultural consumer.

iii. The Corporation has also proposed Time Differential Tariff along with Cost of Supply and Two Part Tariff proposal and the same is likely to be finalized and discussed with public representatives by the Hon’ble Commission.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 3: Draw Backs of Two Part Tariff

i. The Methodology -I and II proposed is complicated and the assumptions are not within the satisfactory level of acceptance by the consumers. It is not transparent as is 'Single Part Tariff'.

ii. It is wrong to say that it is in the interest of the consumer rather it is in the interest of the DISCOM. The consumer is liable to pay fixed charges while facing the scheduled power cuts.

iii. That declaration of the load is primarily keeping in view the planning on the part of the consumer. The supporting infrastructure is created by the DISCOM at cost of the consumer and with the provision to use the same for other consumers as well. In addition, the MMC is charged for its maintenance. The actual consumption is the main criteria to recover tariff.

There is no effect on the finances of the DISCOM for declaration of load as desired by the consumer.

iv. That the MMC in the 'Single Part Tariff' is ensuring the minimum recovery. The quantum is much higher in the proposed 'Two Part Tariff'. Hence purpose of its introduction is defeated.

v. It is correct that higher the consumption, effective rate will reduce but the risk of fixed charges, off sets this benefit. Further, low end consumers will be crushed under the load of the fixed charges.

Reply of PSPCL

i. Methodology-I and Methodology-II adopted for working out cost of supply is not complicated. However, PSPCL has recommended methodology-II for cost of supply, as it gives better end results of cost of supply for various categories of consumers. Public meetings are being held by the Commission to discuss the same for acceptance by the consumers.

ii. As already stated above, the proposal of Two Part Tariff is revenue neutral. Rather rate of fixed charges has been kept low to provide adequate relief to consumers having lower sanctioned load/demand.

iii. The levy of MMC has been proposed to be discontinued in the Two Part Tariff proposal. The infrastructure relating to transmission and distribution system is laid down to meet with the sanctioned load/demand of the consumer. As such fixed charges are based on sanctioned load/demand of the consumer. The proposal is revenue neutral.

iv. It is incorrect to say that in Two Part Tariff the quantum is much higher with levy of fixed charges. Rather rate of fixed charges is lower than the rate of MMC in the Single Part Tariff existing at present.

v. Even with levy of fixed charges but with higher consumption level, the average rate payable per unit of energy consumed gets reduced in Two Part Tariff. In this way Two Part Tariff is beneficial to consumers having higher consumption level.

View of the Commission

Refer para 5.1 and 5.2 of this Tariff Order.

Issue No. 4: Comparison

i. On one hand, it has explained that with higher consumption, the tariff goes down, but it has been proposed that above 40% utilization, will attract additional charges of 10 paise per unit.

ii. That basically the introduction of "Two Part Tariff' is benefiting the DISCOM as fixed charges shall be available even if the DISCOM does not supply the power.

iii. Availing of the Open Access is already prohibitive due to its increase in the total supply cost. The availing of Open Access will be against the payment of fixed charges of the 'Two Part Tariff'. Hence availing of Open Access is almost barred.

Reply of PSPCL

i. High utilization factor charge beyond 40% has been proposed to keep the proposal revenue neutral.

ii. As proposal of Two Part Tariff is revenue neutral, it is correct to say that it shall be benefiting the Corporation.

iii. In Two part tariff, availing of Open Access power is not barred and it is at the option of the consumer to go in for open access power.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 5: Objections on Merits of Implementation Approach

i. ‘Two Part Tariff' is proposed without generating the consensus amongst the consumers thus the proposal has not achieved the satisfying level for acceptance by the consumers.

ii. 'Two Part Tariff' is based on the study without taking the consumers in to confidence and is based on the various factors derived through complex studies and the data. It is difficult to understand by the consumer. The study of 'Cost of Supply' is yet to be properly analyzed by the Hon'ble Commission; this study cannot be treated as the base for proposal to introduce the 'Two Part Tariff’.

iii. The study has allocated the fixed and variable charges based on the consumption pattern, but do not highlight the Break Even Point of the quantum of sale to recover full fixed charges. If the sale by DISCOM is crossing the Break Even Point through single tariff based on the total fixed and variable charges then there is no need to introduce the 'Two Part Tariff'. Thus, it is advisable to adherence to 'Single Part Tariff' as it is a simple approach and understood by all stakeholders.

iv. The revenue through 'Single Part Tariff' has been proposed to be recovered by levying fixed charges of ₹60 per kW and energy charges @ ₹5.12 per kWh while the consumer is being forced to achieve full utilization factor to take benefit of low tariff rate. The consumers will be liable to pay the fixed charges even against power cuts and low utilization factor in the scenario power shortage. The 'Single Part Tariff' is proper, satisfying and with no ambiguity to recover the desired revenue. Hence, introduction of complicated 'Two Part Tariff' is not advisable and deserved to be rejected.

v. It will be appropriate and in accordance to the National Policy that 'Time Differential Tariff' and payment through metered supply are allowed at the time of introduction of 'Two Part Tariff'.

vi. All categories of consumers including agriculture consumers are required to be covered under the 'Two Part Tariff'.

vii. The parameter of sanctioned load or contract demand is the figure to plan the infrastructure of power supply and cannot be treated as the base for the measurement of the consumption. Hence, the tariff may not be based on this parameter.

viii. That introduction of the tariff based on the study of 'Cost of Supply' whether it will be 'Single Part Tariff' or 'Two Part Tariff'. There is full recovery of the required revenue. The introduction of the surcharges is against the commercial principles and against the interest of the consumers.

ix. That the introduction of surcharge for continuous process industries, PIU and Arc Furnaces of 10 Paise per unit is being charged in addition to full recovery of the Annual Revenue Requirement through tariff proposed by methodology-I. There is no justification given in the proposal for continuing the surcharge. The ground of introduction of 'Two Part Tariff' that the higher consumption will reduce the tariff is defeated by introduction of surcharge.

x. That the withdrawing of MMC and replacing with fixed charge is putting the consumer in adverse situation. The advantage of MMC is adjustment against the consumption during cycle period, while the fixed charges are in addition to the tariff based on consumption. Hence the introduction of the 'Two Part Tariff' is against commercial norms and interest of the consumers.

Reply of PSPCL

i. The Commission is holding public meetings to know views of various stake holders and to build up consensus.

ii. The study relating to Cost of Supply and Two Part Tariff by the consultants is detailed one and nothing has been kept hidden, now it is in public domain to analyze the same for which public meetings are being held by the Hon'ble Commission.

iii. As fixed charges are based on sanctioned load/contract demand these are expected to cover fixed charges payable by the corporation. The Two Part Tariff is being introduced keeping in view section 45 of Electricity Act, 2003.

iv. Fixed charges are based on sanctioned load/contact demand as corporation lays down transmission/distribution system accordingly. It is correct with low utilization factor consumer shall be paying average energy rate a bit higher than cost of supply and this is as per characteristic of Two Part Tariff.

v. Time differential tariff is also being proposed along with Two Part Tariff and the same is expected to be finalized by the Hon'ble PSERC.

vi. As there are no meters installed on agricultural consumers, the actual cost of supply shall be getting recovered through Govt. subsidy as being followed at present, even after introduction of Two Part Tariff.

vii. The transmission distribution system is provided as per sanctioned load/contact demand hence in Two Part Tariff fixed charges are leviable on the same.

viii. The introduction of surcharge is only to keep the proposal revenue neutral in the Two Part Tariff.

ix. 10 paise per unit surcharge on continuous process industries has been proposed as no power cut is leviable on this category of consumers.

x. As rate of fixed charges is low compared to rate of MMC, the consumer is rather in a beneficial position with higher consumption of course.

View of the Commission

Refer para 5.1 & 5.3 of this Tariff Order.

Issue No. 6: Basis of Fixed Charges

i. That the proposal is not highlighting the formula for imposing the fixed charges for various categories of the consumers.
ii. That the fixed charges are not proposed for the Agriculture Consumers. The ground for disparity is not highlighted.
iii. That it seems the fixed charges are being imposed taking the paying capacity of the category of the consumers. The approach is disputed from the roots.

Reply of PSPCL

i. It is correct that rate of fixed charges is different for different category of consumers, but the rate of energy charges also varies accordingly so as to keep the proposal revenue neutral.
ii. As there are no meters installed on agricultural consumers, Two Part Tariff has not been proposed for this category.
iii. This point has been explained (i) above.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 7: Prerequisites for Introduction of Two Part Tariff

i. That the scenario of 'No Scheduled Power Cuts' is the first need for introduction of Two Part Tariff.
ii. That the components of fixed and variable expenditures as per the 'Study of Cost of Supply' may be determined. The tariff for each category established. Thereafter the 'Break Even Point' of the sale at the determined tariff should be established.
iii. That the recovery of the fixed charges to be based on the kWh consumption till the total sale of the DISCOM is above 'Break Even Point'. In case the quantum of sale is below 'Break Even Point' the short fall quantum may be divided against per unit consumption equally on all the categories of the consumers.
iv. That the introduction of the 'Time Differential Tariff' and incentive to metering tariff needs to be considered at the time of introduction of 'Two Part Tariff'
v. That in the interest of justice and equality the provision is to be added to compensate the consumer against scheduled power cuts due to shortage of power and may be treated as deficiency of service.

Reply of PSPCL

i. Power cuts are imposed only under force-majeure conditions beyond the control of the Corporation.
ii. Various components of fixed and variable charges are given in the Cost of Supply study which may be referred to.
iii. Fixed charges have been proposed on sanctioned load/demand and not on kWh consumption. Every consumer shall be billed on the basis of sanctioned load and kWh consumption and shortfall if any from Break Even Point cannot be known.
iv. Time Differential Tariff is also being considered along with Two Part Tariff by the Commission.
v. As already explained power cuts are imposed only under force majeure conditions as such no compensation is given unless a category of consumers are denied power for few weeks due to shortage of power.

View of the Commission

Refer para 5.1, 5.2 & 5.3 of this Tariff Order.

Issue No. 8: Suggestions for Implementing Cost of Supply

i. The methodology-I adopted in the Cost of Supply study is based on factors of loading the transmission lines and distribution lines and the in depth study has been carried and considered to be the first step to be adopted towards implementation of the Cost of Supply as per the Electricity Act, 2003.
ii. The total sum of the fixed and variable expenditure reflected in the study may be declared as the tariff for the each category while reducing the tariff by 10% of subsidized categories of consumers and increasing the tariff by 10% on the Cost of Supply of the subsiding categories of consumers. Thereafter the steps may be taken to reduce the cross-subsidy to the satisfying level of the consumers.
iii. That in case the actual sale of the DISCOM remains below the 'Break Even Point' the short fall may be brought forwarded in the next year and to be recovered from the consumers.
iv. That the tariff is to be based on the actual kWh units consumed by the consumer.

Reply of PSPCL

i. No specific reply has been sought by the objector.

ii. It is the prerogative of the Hon'ble Commission to reduce the cross-subsidy to the satisfying level of the consumers.

(iii-iv) Reply is as per issue no 7(iii).

View of the Commission

Refer para 5.2 of this Tariff Order.

Objection No. 35: Nahar Industrial Enterprises Ltd.

Issue No. 1: Fixed Charges in Two Part Tariff

For levy of fixed charges, minimum 95% availability limit must be specified & if the availability of power at the metering point is less than the 95%, than the fixed charges for that month be reduced proportionately.

Reply of PSPCL

At the time of agreement for supply of electricity as is entered into, supply is being given round the clock to the consumers except under force majeure circumstances beyond the control of the Corporation. Only due to acute shortage of power, industrial category is sometime denied power for a couple of days.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 2: Wheeling Charges for OA Consumers

It is evident that fixed charges of Two Part tariff cover all the fixed cost of the Transmission and Distribution Licensees except the power purchase cost which is the energy charge. Therefore, there should be no wheeling charges for the PSPCL consumers availing Open Access up to sanctioned Contract Demand on the transmission and distribution system of the Licensees.

Reply of PSPCL

As per provisions of the Act, wheeling charges are recoverable from consumers going in for Open Access as power is purchased from outside through the Transmission network of the Corporation.

View of the Commission

Refer para 5.1 of this Tariff Order and OA Regulations.

Issue No. 3: Revenue Neutrality

If the aim of the proposal is revenue neutrality for PSPCL then present system should be continued. In fact the PSPCL is not giving any relief to industry which is being loaded with all the imaginable costs and surcharges.

Reply of PSPCL

As per provisions of EA, 2003, consumer is to pay fixed charges in addition to energy consumption charges. As such Two Part Tariff proposal has been prepared as per directions of the Commission and submitted for finalization.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 4: Lower Railway Traction Tariff

The reason for drastic reduction in energy charges for Railway Traction vis-a-vis PIU units are not understood. This relief must have resulted in marginal increase in the tariff of industry.

Reply of PSPCL

Cost of Supply to Railway Traction is low as Railways is getting supply at 132 kV and 220 kV only. Further its demand on the system is very low as Railway Traction is not fully saturated in the State. However PLEC charges shall be chargeable from Railways as no power cut or peak load restrictions are applicable to this category.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 5: Distorted Energy Charges

The energy charges for 220/132 kV and 66/33 kV LS category consumers have been grossly distorted by linking it to Cost of Supply which is already biased against LS consumers. Whereas line losses for 66 kV are 36 times and for 11 kV, these are 400 times compared with 220 kV consumers and cost to serve for 66 kV consumers is much less than 11 kV consumers, yet the fixed charges for all voltage levels have been kept same and energy charges fixed does not reflect the conceivable difference. Thus the difference in energy charges for 66 kV level are less by 5 and 8 paise only for General and PIU consumers respectively on 11 kV level but the difference is 83 paise for 220 kV and 11 kV levels. Ideally the difference should have been around 40-45 paise for each level.

Reply of PSPCL

The cost of supply for EHT and HT consumers has been correctly worked out as per methodology-II and there is no distortion. Cost of EHT supply is lower than HT consumers and this is the correct proposition.

View of the Commission

Refer para 5.1 and 5.2 of this Tariff Order.

Issue No. 6: Increase in Cross Subsidy

The total revenue recovered through CoS Tariff (yet under approval) and proposed Two Part Tariff are revenue neutral but there is wide difference in category-wise revenue. The subsidized categories which were earlier only two have now been increase to 5 putting additional burden on the subsidizing categories. We earnestly request that the cross subsidization should be reduced progressively so that industry survives in Punjab.

Reply of PSPCL

The difference in energy charges of different categories is due to higher or lower sanctioned contract demand of these categories as fixed charges are recovered on sanctioned contract demand and the proposal is revenue neutral. As more number of categories have been created for working out cost of supply category-wise and voltage-wise, so number of categories cross subsidizing the tariff, are also more.

View of the Commission

Refer para 5.1 and 5.2 of this Tariff Order.

Issue No. 7: Fixed Charges

Fixed charges for the industry should be applicable on either maximum demand recorded for that particular month or on 80% of Contract Demand.

Reply of PSPCL

The fixed charges have been proposed on sanctioned Contract Demand and to meet with this sanctioned demand transmission and distribution system is designed and provided by the Corporation. As the proposal is revenue neutral, energy charges shall have to be increased in case fixed charges are charged on actual demand recorded.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 8: High Utilization Charges

Punjab is going to be surplus power state shortly and there will be problem of plenty. Therefore there is no justification in imposing High Utilization Factor Charge which will discourage high end users. Rather, there should be provision of 10 paise per unit rebate so as to given incentive for higher consumption.

Reply of PSPCL

High utilization factor charge of 10 paise per unit has been proposed on electricity consumption beyond 40% Utilization Factor and to make the proposal as revenue neutral.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 9: Captive Power Plant

With the proposed fixed charges and abolition of MMC, Captive Power Plant (CPP) owners will suffer financially as in addition to bearing fixed costs of CPP, he has to pay fixed charges for the same capacity to PSPCL for maintaining Contract Demand. As CPPs are giving relief to PSPCL which has been and is presently short of power, they need to be kept out of this Two Part Tariff as they have made heavy investments on CPP keeping in view the rules and regulations prevailing at the time of installation CPPs. Alternatively, they may be allowed to reduce the CD equivalent to installed capacity of the CPP with the facility of meeting their full load in case of scheduled and unscheduled shutdown of the CPP on payment of nominal commitment charges.

Reply of PSPCL
The rate of fixed charges is lower than the rate of monthly minimum charges in single part tariff; this will give rather relief to the industry. Further high consumption of electricity shall also reduce per unit cost of energy payable by the consumer. The consumer is at liberty to get his contract demand increased or decreased as per actual requirements. As Corporation is required to provide transmission and distribution system to meet with sanctioned contract demand of the consumer, levy of fixed charges on sanctioned CD is in order. Further rate of fixed charges has been proposed much lower than the rate prevalent in single part tariff.
View of the Commission
Refer para 5.1 of this Tariff Order.

Objection No.36: PHD Chamber of Commerce and Industry

Issue No. 1: Fixed Charges Linked with Availability
For levy of fixed charges, minimum 95% availability limit must be specified & if the availability of power at the metering point is less than the 95%, than the fixed charges for that month be reduced proportionately.
Reply of PSPCL
The contract for supply of energy to a consumer by PSPCL is for 24 hours except under force majeure circumstances beyond the control of the Corporation. The supply is given continuously to the consumers.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 2: Fixed Charges for DS/NRS Consumers
The proposed slabs for fixed charges for DS & NRS categories have no scientific basis and have been proposed to keep the billing amount same. Further, there is wide variation of fixed charges as per load which again has no justification. It is suggested that the fixed charges be worked out on the basis of cost of fixed assets being used for the category of consumers.
Reply of PSPCL
The slabs of fixed charges for DS, NRS categories have been fixed keeping in view the purpose of use of electricity and paying capacity of the consumer. However, the average cost per unit shall be the same i.e. equal to cost of supply at pre-determined utilization factor of splitting into Two Part Tariff.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 3: Lower Railway Traction Tariff
The reasons for drastic reduction in energy charges for Railway Traction are not understood. The rate proposed now is even less than the rate of PIU units whereas earlier the rate for railway traction was higher by about 42 paise per unit.
Reply of PSPCL
The energy charges for railway traction are proposed to be less keeping in view the supply being made available at 132 kV and 220 kV only and further the demand on the system being low as electric traction in the State of Punjab is not fully developed. However, as no power cut and peak load restrictions are applicable to this public utility service, PLEC, is proposed to be charged extra.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 4: Higher Energy Charges
The energy charges for 220/132 kV LS category consumers have been grossly distorted by linking it to Cost of Supply which is already biased against LS consumers.
Reply of PSPCL
The cost of supply for 220/132 kV consumers has not been distorted. All industrial consumers have been treated equally while working out Two Part Tariff for different categories.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 5: Revenue Neutrality
The total revenue recovered through COS tariff (yet under approval) and proposed Two Part tariff are revenue neutral but there is wide difference in category-wise revenues.
Reply of PSPCL
The proposal is revenue neutral and category-wise revenues have been considered for working out revenue accruing to the Corporation from fixed charges and energy charges.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 6: Fixed Charges on MDI
In case of consumers on which fixed charges have been proposed on Contract Demand basis, it should be recovered on maximum demand recorded for that particular month.
Reply of PSPCL
The fixed charges have been proposed on contract demand basis as transmission and distribution system is designed to meet with sanctioned demand of the consumers.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 7: High Utilization Factor Charges
Punjab is going to be surplus power state shortly so therefore, there is no justification in imposing High Utilization Factor charge; rather the tariff should be so designed to give incentive for higher consumption.
Reply of PSPCL
High utilization Factor charge has been proposed only for consumption beyond 40% of utilization factor so as to keep the proposal revenue neutral.
View of the Commission
Refer para 5.1 of this Tariff Order.

Objection No.37: United Cycle & Parts Manufacturer's Association

Issue No. 1: Two Part Tariff
Two Part tariff should not be implemented.
Reply of PSPCL
Two Part tariff proposal has been submitted for consideration of the Hon'ble Commission. Deciding on the implementation of the same is the prerogative of the Hon'ble Commission.
View of the Commission
Refer para 5.1 of this Tariff Order.

Objection No. 38: Punjab Cotton Factories & Ginner's Association

Issue No. 1: Free power to Agriculture sector
The free power to agriculture should be stopped & should be allowed only to farmers having land holding of five acres.
Reply of PSPCL
Electricity supply to agriculture is subsidized by Govt. of Punjab and deciding on providing free power to agriculture is the prerogative of Govt. of Punjab.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 2: Installation of small transformer
Big transformers are under-utilized and should be replaced with small transformers in cotton ginning factories which will result in savings of cost.
Reply of PSPCL
PSPCL installs transformers in view of the current as well as future requirement and essentiality of the connections.
View of the Commission
PSPCL should look into the matter separately.

Issue No. 3: Monthly Minimum Charges (MMC)
The MMC should be charged only for the period of September to March and thereafter only energy rate should be charged.
Reply of PSPCL
Minimum charges are levied for recovery of fixed expenses incurred by PSPCL towards maintenance of infrastructure related to generation, distribution & transmission system irrespective of the actual consumption.
View of the Commission
Commission agrees with the reply of PSPCL.

Objection No.39: Sh. Pishora Singh, President, Bharti Kisan Ekta

Issue No. 1: AP supply
The supply to AP tube wells should be ensured for 8 hours and equally during day & night.
Reply of PSPCL
PSPCL is making all out efforts to supply power for 8 hours to AP consumers. It is further submitted that scheduling of 8 hours power supply in shifts during day/night is essential from point of view of current power demand/availability at various peak and off-peak times of the day. Providing power to all AP consumers simultaneously during day/night would lead to power shortage during peak hours and high power cost due to unscheduled purchases.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 2: Change of Name
The system of charging ₹200 per BHP as security for change of name & submission of test report should be stopped.
Reply of PSPCL
There is laid down standard operating procedure with regard to various operational issues. PSPCL follows the same. Further, the PSPCL is charging the amount from the consumers as per approved Scheduled of General Charges.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 3: Motors
Requirement of 4 star motors at the time of connection is acting as deterrent and AP consumers should be allowed to install ISI motors.
Reply of PSPCL
The requirement of 4 star motors at the time of release of new connection has been introduced with the objective of improving the efficiency of motors and conserve power.
View of the Commission
PSPCL should facilitate the availability of four star motors at reasonable rates for the consumers.

Issue No. 4: Shifting of connections
The farmers should be allowed to shift their connections to other places at their own cost and no other conditions and charges should be imposed.
Reply of PSPCL
There is a laid down standard operating procedure with regard to various operational issues. PSPCL follows the same.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 5: Simplification of procedure
The farmers should be allowed to increase their load under OYT. Further, requirement of Jamabandi for running connections should be stopped.
Reply of PSPCL
The system of obtaining approval for increasing load is essential to estimate requirement of power and planning of power purchase. Further, with regard to requirement of Jamabandi for running connections is in accordance with the laid down standard operating procedure with regard to various operational issues.

View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 6: Load
The limit of 1.5 Amp per BHP for checking load on motors should be increased to 2.5 Amp per BHP. It has been further stated that OYT scheme should be re-introduced and old pending connections should be released on priority.
Reply of PSPCL
There is a laid down standard operating procedure/parameters with regard to various operational issues. PSPCL follows the same. Regarding re-introduction of OYT scheme, it is submitted that it is a policy matter and shall be considered appropriately.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 7: Test report
The test report given by contractors is accepted by PSPCL for connections of other categories whereas for AP consumers, the same is required to be passed by JE/SDO. This disparity should be stopped.
Reply of PSPCL
PSPCL does not discriminate among various categories of consumers.
View of the Commission
PSPCL should ensure simplification of procedures permissible within the existing Rules/Regulations.

Issue No. 8: Illegal Connections
Some tubewells are running on domestic line and PSPCL is losing revenue in regard to such electricity consumption. It is further stated that this is happening with connivance of the staff of PSPCL.
Also, in Ludhiana, Jalandhar and Gobindgarh some gangs are operating which are tampering the meters of consumers so as to reduce bill by up to 15%. PSPCL should take action against these groups.
Reply of PSPCL
PSPCL has an established internal control system and adequate measures are being taken to check/control such activities. However, PSPCL would look into the matter and take suitable precautions/action in this regard.
View of the Commission
PSPCL should be more vigilant in the area mentioned by the objector.

Objection No. 40: Siel Chemical Complex

Issue No. 1: Two Part Tariff
Hon'ble Commission is required to notify the Regulations regarding methods and principles for determination of such tariff as per Section 181 (2)(u) and that too after previous publication as per section 181(3). Further the LS consumers of PSPCL are also Open Access consumers and Two Part Tariff will affect them severely as OA consumers. Therefore PSPCL should simultaneously bring out proposal regarding amendments in Open Access Regulation as earlier Regulation on transmission and wheeling charges, SLDC charges and UI charges etc. shall have to be revisited and made compatible with the proposed Two Part Tariff vis-à-vis present single part tariff. Fixed charges component under proposed Two Part Tariff presumably cover all the fixed costs of the licensee's transmission and distribution including SLDC which is already being paid by the OA customers. There is no justification of levying T&W charges from consumers of PSPCL on power brought under Open Access. Similarly UI charges shall have to be reaffixed as fixed charges component has been taken away from the present single part tariff. Therefore Hon'ble commission may look into these issues before taking any decision on the proposed Two Part Tariff of PSPCL.
Reply of PSPCL
Before working out Two Part Tariff, Cost of Supply category-wise, voltage-wise has been worked out as per Methodology-II and details of expenditure relating to generation, transmission and distribution is available in the proposal. As fixed charges are based on sanctioned Contract Demand and Corporation is required to supply sanctioned demand, there appears no justification to give further concession to Open Access consumers. Also the rate of fixed charges has been kept low compared

to monthly minimum charges as applicable in single part tariff. Transmission and wheeling charges are to be recovered from Open Access consumers as power is purchased by them from outside sources and the same is transmitted through transmission, distribution network of the Corporation.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 2: Fixed Charges

For levy of fixed charges, minimum 95% availability limit must be specified & if the availability of power at the metering point is less than the 95%, than the fixed charges for that month be reduced proportionately.

Reply of PSPCL

When contract for supply of energy is finalized, Corporation is required to supply electricity round the clock except under force majeure conditions beyond the control of the Corporation. In case a severe shortage of power, a particular industry is denied power for a short period only, proportionate deduction of fixed charges shall be considered if such an eventuality arises in future.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 3: Fixed Charges for DS/NRS Categories

The proposed slabs for fixed charges especially for DS, NRS and SP/MS categories etc. have no scientific basis and have been proposed to keep the billing amount of consumers in different slabs same. It is suggested that the fixed charges be worked out on the basis of charges for serving the fixed costs of assets being used for the category of consumers and should not have such wide variation .

Reply of PSPCL

Small domestic, NRS and SP/MS consumers cannot be compared to large supply HT/EHT consumers, so fixed charges rate has been kept low in respect of small consumers. As the proposal is revenue neutral, energy rate per unit payable by the consumer increased proportionately with reduced rate of fixed charges.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 4: Revenue Neutrality

It is claimed that the proposal is revenue neutral for PSPCL as well as for the consumers. If the aim is to keep the billing amount same then the present system should not be continued.

Reply of PSPCL

Two Part Tariff has been proposed as per provisions in the EA, 2003. Corporation is giving relief to the industry and the rate of fixed charges is lower compared to MMC rate in the single part tariff.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 5: Lower Tariff for Railway Traction

The reason for drastic reduction in energy charges for Railway Traction amounting to 195 paise per unit are not understood. The rate proposed now is even less than the rate of PIU units whereas earlier the rate for railway traction was higher by about 42 paise per unit.

Reply of PSPCL

Cost of supply to Railways is lower as consumer gets supply at 132 kV and 220 kV only. Further the demand of the consumer is low as railway traction is not saturated in the State of Punjab. However, as no power cut or peak load restrictions apply to this category, PLEC shall be charged in addition to Two Part Tariff as proposed.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 6: High Fixed Charges for EHT Consumers

The energy charges for 220/132 kV and 66/33 kV LS category consumers have been grossly distorted by linking it to Cost of Supply. Whereas line losses for 66 kV are 36 times and for 11 kV these are 400 times as compared with 220 kV and cost to serve 66 kV consumers is much less than 11 kV consumers, yet the fixed charges for all voltage levels have been kept same and energy charges fixed does not reflect the conceivable difference. The difference in energy charges for 66 kV and 11 kV level is 5 paise and 8 paise only for General and PIU consumers respectively but for 220 kV and

11 kV levels the difference is 83 paise. Ideally the difference should have been around 40-45 paise for each level.

Reply of PSPCL

By fixing same rate of fixed charges for 33/66 kV and 132/220 kV consumers, there is no loss to any category as the rate per unit payable increases or decreases depending upon total sanctioned Contract Demand of that category.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 7: Disparity with Subsidizing Categories

The total revenue recovered through CoS tariff and proposed Two Part Tariff are revenue neutral but there is wide difference in category-wise revenue. The subsidized categories which were earlier only two have now been increased to 5 putting additional burden on the subsidizing categories.

Reply of PSPCL

It is correct that Two Part Tariff is revenue neutral but cross subsidization becomes necessary keeping in view the category of consumer, sanctioned load and the purpose for which electricity is utilized. Further as per provisions of National tariff Policy as well as electricity Act, cross subsidization shall be getting reduced slowly and Commission is giving effect to this provision in every tariff revision approved by it.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 8: Levying of Fixed Charges on Max. CD Recorded

Fixed charges for the industry should be applicable on either maximum demand recorded for that particular month or on 80% of sanctioned CD.

Reply of PSPCL

The Corporation provides transmission and distribution system according to sanctioned Contract Demand of industrial consumers as such levy of demand charges on sanctioned Contract Demand basis are in order. Further in case sanctioned Contract Demand of a category gets reduced, energy rate per unit payable shall increase as the proposal is revenue neutral.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 9: High Utilization Factor Charge

Punjab is going to be surplus power state shortly and there will be problem of plenty. Therefore there is no justification in imposing High Utilization Factor Charge which will discourage high end users. Rather, there should be provision of 10 paise per unit rebate so as to given incentive for higher consumption.

Reply of PSPCL

High utilization factor charge has been proposed only on electricity consumption beyond 40% utilization factor as the proposal is revenue neutral category-wise.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 10: Steep Hike in Demand Surcharge

There is no justification of such steep hike in the demand surcharge from the present ₹750 per kVA to ₹1250 per kVA i.e. 66.66% straight away jump. The increase should be in line with annual increase.

Reply of PSPCL

The issue is in the preview of Hon’ble PSERC.

View of the Commission

Refer para 5.1 of this Tariff Order.

Objection No. 41: Hansco Iron & Steel Pvt. Ltd.

Issue No. 1: Two Part Tariff

If the aim of the proposal is to keep the billing amount same then the present system should be continued.

Reply of PSPCL

Two Part tariff has been proposed as per provisions of Electricity Act, 2003 and directions of Hon'ble Commission. However, the proposal is revenue neutral so far as revenues of corporation are concerned.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 2: High Fixed Charges for EHT Consumers

The energy charges for 220/132 kV and 66/33 kV LS category consumers have been grossly distorted by linking it to Cost of Supply which is already biased against LS consumers. Whereas line losses for 66 kV are 36 times and for 11 kV these are 400 times compared with 220 kV and cost to serve 66 kV consumers is much less than 11 kV consumers, yet the fixed charges for all voltage levels have been kept same and energy charges fixed does not reflect the conceivable difference. The difference in energy charges for 66 kV & 11 kV level is by 5 paise and 8 paise only for General and PIU consumers respectively but for 220 kV and 11 kV levels the difference is 83 paise. Ideally the difference should have been around 40-45 paise for each level.

Reply of PSPCL

By fixing same rate of fixed charges for 33/66 kV and 132/220 kV consumers, there is no loss to any category as the rate per unit payable increases or decreases depending upon total sanctioned Contract Demand of that category.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 3: Fixed Charges

For levy of fixed charges, minimum 95% availability limit must be specified & if the availability of power at the metering point is less than the 95%, than the fixed charges for that month be reduced proportionately.

Reply of PSPCL

When contract for supply of energy is finalized, Corporation is required to supply electricity round the clock except under force majeure reasons beyond the control of the Corporation. In case of severe shortage of power a particular industry is denied power for a short period only.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 4: Wheeling Charges

Fixed charges component of Two Part Tariff now proposed cover all the fixed costs of the Transmission and Distribution Licensees except the power purchase cost which is the energy charges. Therefore, there is no justification for levying wheeling charges on the PSPCL consumers availing Open Access up to sanctioned CD on the transmission and distribution system of the Licensees.

Reply of PSPCL

Recovery of Wheeling charges from Open Access consumers is justified as power is purchased by these consumers from outside sources but the same is transmitted through transmission net work of the corporation. Adequate provision also exists in the EA, 2003 for its recovery.

View of the Commission

Refer para 5.1 of this Tariff Order and OA Regulations of PSERC.

Issue No. 5: Fixed Charges for DS/NRS Categories

The proposed slabs for fixed charges for DS, NRS and SP/MS categories etc. have no scientific basis and have been proposed to keep the billing amount of consumers in different slabs same. It is suggested that the fixed charges be worked out on the basis of charges for serving the fixed costs of assets being used for the category of consumers and should not have such wide variation .

Reply of PSPCL

Fixed charges for small consumers have been kept low keeping in view the sanctioned load, the purpose of electricity use and these small consumers cannot be compared with HT/EHT consumers. However, if the rate of fixed charges is low, the energy rate is payable per unit gets increased as the proposal is revenue neutral.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 6: Lower Tariff for Railways
The energy charges for Railway Traction is even less than the rate of PIU units whereas earlier the rate for railway traction was higher by about 42 paise per unit. This relief must have resulted in marginal increase in the tariff of industry.
Reply of PSPCL
Cost of supply to Railways is lower as supply is at 132 kV and 220 kV only. Further the demand of the Railway is low as Railway Traction is not saturated in the State of Punjab. However, as no power cut and peak load restrictions apply to this category, PLEC shall be charged in addition to Two Part Tariff as proposed.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 7: Cross Subsidy
The total revenue recovered through CoS tariff (yet under approval) and proposed Two Part Tariff are revenue neutral but there is wide difference in category-wise revenue. The subsidized categories which were earlier only two have now been increase to 5 putting additional burden on the subsidizing categories. The cross subsidization should be reduced progressively so that industry survives in Punjab.
Reply of PSPCL
It is correct that Two Part Tariff is revenue neutral but cross subsidization becomes necessary keeping in view the category of consumer, sanctioned load and the purpose for which electricity is utilized. Further as per provisions of National Tariff Policy, cross subsidization shall be getting reduced slowly and Commission is giving effect to this provision in every tariff revision approved by it.
View of the Commission
Refer para 5.1 & 5.2 of this Tariff Order.

Issue No. 8: Fixed Charges
Fixed charges for the industry should be applicable on either maximum demand recorded for that particular month or on 80% of sanctioned CD.
Reply of PSPCL
The Corporation provides transmission and distribution system according to sanctioned Contract Demand of industrial consumers as such levy of demand charges on sanctioned Contract Demand basis are in order. Further in case sanctioned Contract Demand of a category gets reduced, energy rate per unit payable shall increase as the proposal is revenue neutral.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 9: Power Surplus Scenario
Punjab is going to be surplus power state shortly and there will be problem of plenty. Therefore there is no justification in imposing High Utilization Factor Charge which will discourage high end users. Rather, there should be provision of 10 paise per unit rebate so as to given incentive for higher consumption.
Reply of PSPCL
High utilization factor charge has been proposed only on electricity consumption beyond 40% utilization factor as the proposal is revenue neutral category wise.
View of the Commission
Refer para 5.1 of this Tariff Order.

Issue No. 10: Surcharge
With the proposed surcharge of 10 paise per unit on Arc and Induction furnaces, these have been equated with continuous process industry. However, while there is no power cut on continuous process industry, Arc induction furnaces are the first victim of the shortage of PSPCL. Therefore it is clearly unjustified to impose 10 paise per unit surcharge on Arc and Induction furnace consumers or else they should be exempted from power cuts.
Reply of PSPCL
Arc & Induction furnace loads put fluctuating demand on the transmission and distribution system of the Corporation because kick load of phenomena. Due to this reason cushion capacity has to be kept in transmission and distribution system including power T/Fs to supply such type of loads. Further it

stresses T/F windings as well lowering the life of power T/Fs. Thus levy of 10 paise per unit surcharge is justified in view of above.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 11: Higher Energy Charges for PIU Category

The current tariff for General and PIU consumers is same presently but the energy charges for the PIU consumers have been kept higher by 15 paise for each voltage level in the proposed Two Part Tariff compared with general consumers. Further 10 paise surcharge has also been proposed on Arc and Induction furnace consumers. Therefore the proposal needs critical review before implementation.

Reply of PSPCL

In the Two Part Tariff the energy rate payable for different category of consumers depends upon total sanctioned Contract Demand as well as consumption of that category as the proposal is revenue neutral. The rate of energy for power intensive units is higher as its sanctioned Contract Demand is lower compared to general industrial consumers.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 12: Utilization Factor

With the proposed Two Part Tariff, consumers having very low utilization factor will suffer the most as the per unit cost will high. It can be seen that an industry running in 8 hours shift for five days in a month will have a loading of ₹3 per unit due to fixed charges and total charges will be around ₹8 per unit. This is so as the units consumed are not adjustable against fixed charges. This will make an industry running at breakeven point suffer financially and may make it sick and lead to shut down of such industries as they will be compelled to surrender the CD. It is therefore suggested that minimum billing of an industrial unit will be fixed charged or units consumed multiplied by the (energy charges plus ₹ one)

Reply of PSPCL

Two Part tariff has been split keeping in view the average utilization factor of various categories of consumers. So as to consider the case of industries having very low consumption, the rate per unit payable shall increase.

View of the Commission

Refer para 5.1 of this Tariff Order.

Objection No. 42: Indian Energy Exchange

Issue No. 1: Two Part Tariff

Two Part tariff will bring clarity on the charges levied under Open Access regime.

Reply of PSPCL

No reply has been sought by the objector.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 2: Components of Fixed and Energy Charges

The fixed charges are basically related to network cost whereas energy charges are on the basis of power purchase cost of the DISCOM. The proposed petition does not follow any such principle in determining fixed & energy charges. The rationale of fixation of energy and fixed charges should be laid down either in Regulations or ARR by Commission.

Reply of PSPCL

The fixed charges have been worked out on the basis of distribution cost, transmission cost, O&M, depreciation etc. This principle has been followed for working out cost of supply. In Two Part Tariff the fixed charges have been worked out, keeping in view sanctioned load/Contract Demand, purchase and use of electricity and paying capacity of the consumer as well. As the proposal is revenue neutral, the energy rate has been worked out after taking into account the fixed charges recoverable from the consumers based on the total sanctioned load/Contract Demand of that category.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 3: Separation of wires & Retail Supply Costs
Separation of wires & retail supply functional costs may be considered by the Commission.
Reply of PSPCL
The Multi Year Tariff regulations have not yet been framed by the Hon'ble Commission.
View of the Commission
PSPCL should segregate the wheeling business & retail supply business as specified in Tariff Regulations & OA Regulations.

Issue No. 4: Charges levied from open Access Customer
Fixed charge covers a part of fixed costs of the utility which include wheeling/network costs so wheeling/network costs should not be recovered from OA consumers. A clause to this effect may be added in ARR or Open Access Regulations. Further, Open Access Regulations notified by PSERC will also require revision and therefore Allocation matrix regulations, proposal of Two Part Tariff and amendment to Open Access Regulations should be published simultaneously for consideration of stake holders so that clear picture is available.
Reply of PSPCL
The Open Access consumer is the best judge to purchase power through Open Access and from the corporation keeping in view the financial benefits available to him under Two Part Tariff system, the proposal for which had already been submitted to PSERC and is under consideration of Hon'ble PSERC.
View of the Commission
Refer para 5.1 of this Tariff Order.

Objection No. 43: President, Technocrats Forum

Issue No. 1: Under Estimation of AP Consumption
AP subsidy payable by the Govt. is worked out on the lower side in view of tight financial position of the Govt. by :-

i. Under-estimating the AP consumption, adopting per BHP consumption norm on the lower side though the same is continuously increasing with fall in the water table.
ii. Excessive subsidy being allowed while fixing AP tariff, though subsidy is expected to be reduced gradually as per National Tariff Policy.
iii. Corporation do not seem to get full subsidy compensation for the extra cost on purchasing costlier power on short notices during deficient monsoons and in addition loss of revenue caused with extra cuts on Industrial supply which gives more revenue than others.

There is no logic/justification in claiming subsidy from the Govt. at subsidized rate as this amounts causing loss to the Corporation. Compensation should be sought at actual Cost of Supply.
Reply of PSPCL

i. AP subsidy payable by the State Govt. is worked out on actual Cost of Supply. For knowing consumption of agricultural pump sets more than 1,00,000 meters have been installed on AP connections for working out average consumption per BHP.
ii. State Govt. is providing subsidy as determined by the PSERC and with the increase of no. of tube well connections the same is getting increased every year.
iii. As explained above, subsidy is being paid on the basis of actual consumption worked out and during deficient monsoons the same gets increased causing increase in the subsidy level as well.

View of the Commission

i. The estimation of AP consumption by PSPCL through installation of about 10% sample meters and recording of energy pumped through AMR meters installed at various substations, is fairly accurate which is further validated by the Commission at the time of Review/True up.
ii. The Commission determines the tariff for various categories of consumers keeping in view the Tariff Policy and PSERC Tariff Regulations.
iii. The Commission agrees with the reply of PSPCL.

Issue No. 2: PSPCL related Points
Following year -wise information relating to PSPCL may be suppled for 5 years:

i. AP consumption norms adopted in terms of units per BHP.
ii. Factors adopted in increasing year-wise AP consumption norms to account for depleting water table and up gradation of motor size.

iii. AP consumption as percentage of total consumption.
iv. Extra AP subsidy claimed and obtained on account of short notices (costlier) power purchased to meet AP demand and corresponding loss of revenue with cuts imposed on Industry during deficient monsoons.
v. T&D losses of other comparable states like Gujarat, Andhra, TN and Maharashtra.

Reply of PSPCL

i. Per BHP consumption of agricultural tube wells is worked out on the basis of meter readings recorded on more than 1,00,000 tube well consumers at different locations across the State of Punjab.
ii. Year-wise AP consumption goes up due to increase in the number of tube well connections and this may be one of the reasons for depleting water table.
iii. For the year 2012-13, the consumption of agriculture tube wells has been taken as 11409 million units against total consumption of 36203 million units.
iv. The position of AP subsidy for the last three years is as under:-

2010-11	₹2861.56 crore	(Subject to true up)
2011-12	₹4012.66 crore	(Subject to true up)
2012-13	₹4787.07 crore	(Subject to true up)

v. The T&D losses of other States are compared by the Hon'ble PSERC while fixing the targets for PSPCL and PSPCL strives for achieving such targets fixed by the PSERC.

View of the Commission

The data has been provided by PSPCL in its reply above. Refer para 3.2.2, 4.1.3, 3.3 & 4.2 of this Tariff Order.

Issue No. 3: PSERC related information

i. Element of subsidy built in AP tariff i.e. difference average revenue realized per unit as a whole and revenue from AP supply per unit exclusively.
ii. Subsidy granted on AP supply (in paise and in percentage) based on
   a) tariff applicable to SP Industry
   b) average revenue realized per unit from all consumers other than AP consumers.

Reply of PSPCL

Relates to PSERC.

View of the Commission

Refer Table 6.5 of Tariff Order for FY 2013-14.

Objection No. 44: Laghu Udyog Bharti, Punjab Chapter

Issue No. 1: Special Audit of PSPCL Accounts

Hon'ble Commission should pass necessary order for special Audit of PSPCL by Institution of chartered Accountants to determine the actual income of PSPCL especially non tariff income.

Reply of PSPCL

It is submitted that PSPCL has the internal audit & control system and procedure for monitoring sales, billing and ensuring accounting as per the accepted accounting principles and applicable Accounting Standards. Further, the accounts are subject to audit by the firm of Chartered Accountant appointed by CAG of India. Therefore special audit of the accounts is not required.

View of the Commission

Audit of Accounts of PSPCL is done by chartered accountant appointed by CAG of India. Supplementary order is also done by the office of Principal AG(Audit) Punjab. As such there is no need for special audit.

Issue No. 2: Schedule of Tariff

The Commission should pass Schedule of Tariff applicable with every Tariff Order to avoid the misinterpretation at the hands of PSPCL by inserting their own language while issuing Commercial Circulars. NRS consumers which were having HT Commercial connections before 1.4.2010 were entitled to 7.5% rebate, but PSPCL has arbitrarily created disputes by withdrawing rebates already allowed.

Reply of PSPCL

The rebate of 7.5% has been stopped from 1.4.2010 as per the decision of Hon'ble PSERC. Now when Cost of Supply has been worked out category-wise and voltage-wise, there is no justification to give any rebate for such type of consumers.

View of the Commission
Refer para 5.2 of this Tariff Order.

Issue No. 3: Introduction of New Categories
Hon'ble commission should create two new categories i.e. Essential Services & Essential Industry. Consumers of these classes are using electricity without any power cut or Peak Load Restrictions. No Peak Load Restriction Charges are charged from Essential Service & Essential Industry consumers and are enjoying uninterrupted Power Supply without any extra charges.
Reply of PSPCL
Essential services cannot be compared to other categories of consumers as by levying of power cut, a large population of the State is affected. However, continuous process industry using power during peak load restrictions pays Peak Load Exemption charges in addition to electricity consumption charges.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 4: Categorization of Consumers
Industrial Bulk Supply & NRS consumers should be categorized voltage-wise only. There should not be sub-categories which create confusion. It is proposed to form voltage-wise categories as LT-I to LT-III, HT-I to HT-III & EHT-I to EHT-IV. This will eliminate the charging of voltage surcharge & giving voltage rebates.
Reply of PSPCL
The various categories of consumers have already been categorized voltage-wise based on their sanctioned load.
View of the Commission
Refer para 5.2 of this Tariff Order.

Issue No. 5: Availability clause of Schedule of Tariff
Availability clauses of Schedule of Tariff under NRS category for the load exceeding 100 kW load should not be allowed to consumers having Motive Load of electric motors, welding sets, printing presses, etc. These should be classified under Industrial category, so that they should not enjoy electricity during peak load hours without payment of PLEC charges. This will remove the problem of power shortage during Peak Hours & PSPCL will save money by not purchasing electricity during Peak Hours at very high rates.
Reply of PSPCL
Under NRS category, the load is usually of mixed nature in addition to lighting load. The tariff of NRS categories is kept higher compared to domestic/industrial categories for these very reasons.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 6: List of Consumers under Peak Load Exemption
PSPCL should be directed to put the list of consumer availing Peak Load exemption showing Sanction Load, Load exempted during Peak Hours, with their Account Number. This will facilitate the general consumers to have this information available, which is essentially needed in the interest of transparency.
Reply of PSPCL
The list of consumers availing peak load exemptions is always available in the distribution sub divisions of the Corporation and the same can be had from these sub divisions if so required by any consumer.
View of the Commission
Commission agrees with the reply of PSPCL.
Issue No. 7: Prior Approval to Issue Commercial Circulars
PSPCL be directed not to issue any circular which involves financial burden or financial benefit to any consumer without getting the approval of Commission. Approval granted or not require should be mentioned on the circular with reasons.
Reply of PSPCL
All commercial circulars are issued after the proposal is approved by the Hon'ble Commission.
View of the Commission
Commission has already issued necessary instructions to PSPCL to ensure compliance.

Issue No. 8: Discretionary Refund

PSPCL should not issue any clarification to individual officer/official/consumer which results in refund/charge to consumers without putting same on their website. PSPCL should be directed to submit the copy of clarifications already issued in last three years which should be scrutinized by Hon'ble Commission. If such clarifications are accepted by the Commission, same should be ordered to be put on PSPCL website under the head commercial circulars. PSPCL should also be directed to submit the list of consumers who have been allowed refunds by Whole Time Directors ignoring the decisions taken by dispute settlement mechanism.

Reply of PSPCL

The list of commercial circulars and their details are already available on the Web site of the corporation.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 9: Improper Functioning of DSCs

The method of deciding the consumer disputes by Dispute Settlement Committee mechanism is not transparent. PSPCL should put the decision taken by Dispute Settlement Committees on their website.

Reply of PSPCL

The suggestion is not acceptable as full transparency is there in deciding cases of consumers by the Dispute Settlement Committees where consumers are free to plead their cases personally or through an Advocate of his choice.

View of the Commission

Refer Commission's view on Issue No.20 of Objection No.30.

Issue No. 10: Functioning of CGRF

Forum for Redressal of Consumer Grievances should be directed to hold meetings in every zonal head quarter i.e. Jalandhar, Ludhiana, Amritsar, Bathinda & Ludhiana so that consumers could get justice at affordable price. If need arises, number of consumers redressal forum may be increased and Dispute Settlement Committees should be abolished. This will save wastage of overhead expenses and time of officers.

Reply of PSPCL

The Forum is working as per standing instructions of PSPCL.

View of the Commission

Refer Commission's view on Issue No.21 of Objection No.30.

Issue No. 11: Improper Record of PSPCL

Returns submitted by PSPCL need prudent check. Distribution Transformer meter readings are normally not recorded. Energy Losses shown in returns needs thorough check. Further mandatory registers such as Security deposit register, sundry job control order (Financial part) register, Sundry Job control order (Technical Part) register, complaint Register as per Format prescribed by the Commission, meter control register (ME-I & ME-II registers), Meter Sealing records are not maintained properly in sub divisions. This results in loss of revenue to PSPCL which should not be burdened on consumers by increasing tariff.

Reply of PSPCL

As desired security deposit registers, sundry job control order register, complaint registers, meter reading records and meter sealing record are being maintained in the distributing sub divisions.

View of the Commission

During processing of ARR, validation checks are made to ascertain correctness of figures filed in the ARR. The Commission has also directed the utility to conduct energy audit.

Issue No. 12: Surplus Staff

Surplus staff of PSPCL should be directed to do the works entrusted to outsourcing. This will save expenses paid to outsourcing agencies.

Reply of PSPCL

Due to shortage of man power some of the works are being got done through outsourcing. Hon'ble Commission is also keeping a check on establishment expenditure of the corporation.

View of the Commission

There is big scope to further enhance the productivity level of existing manpower by adopting scientific HR policies in the power utilities. PSPCL should look into the suggestion.

Issue No. 13: Regular Interaction
Hon'ble Commission should take regular meetings, every month to listen grievances/suggestions of consumers. This will give grass root information to the Commission resulting effective actions.
Reply of PSPCL
This relates to the Commission.
View of the Commission
Commission has been interacting with various stakeholders while deciding various issues concerning the power sector.

Issue No. 14: Updating of Rules & Regulations
Hon'ble Commission should direct PSPCL to update Condition of Supply, Supply Code, General Condition of Tariff, Schedule of General Charges, Electricity Supply Instructions Manual with amendments, Schedule of Tariff annexing therewith orders of Commission approving the same and put on website. Also copies of same should be made available to public against reasonable price.
Reply of PSPCL
Electricity Supply Code, Conditions of Supply, instruction manuals have already been updated by the corporation duly approved by the Hon'ble Commission and these are available to electricity consumers on nominal payment basis.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 15: Rebate to Single Point Supply Consumers
The consumers of Single Point supply under Section 43 of the Act should be given 10/12% rebate along with other rebates.
Reply of PSPCL
The Cost of Supply has been worked out category-wise and voltage-wise and had since been submitted to Hon'ble Commission for approval. Also the existing rebate for high voltage supply has already been discontinued by the Hon'ble Commission w.e.f. 1.4.2010.
View of the Commission
The objector may file a petition so that the issue is dealt with as per transparent procedure.

Issue No. 16: Meter Security
PSPCL charge full cost of meter/metering equipment as Security (Meter) with the application, then why there is shortage of meters resulting late release of connections causing great loss to consumers, who have invested huge amount & the project is delayed.
Reply of PSPCL
For purchase of meters, orders for its supply are issued before hand but sometimes due unforeseen circumstances, supply of meters is delayed. At present there is no shortage of meters with the corporation.
View of the Commission
Commission agrees with the reply of PSPCL.

Issue No. 17: Non-Tariff Income
PSPCL should be directed to disclose the total income from various charges collected from the consumers
Reply of PSPCL
The audited accounts of the corporation are available in the offices of the corporation and these may be consulted by the consumers, if so desired.
View of the Commission
The details of non tariff income under various heads as per notified Regulations are filed by the utility and undergo prudent check by the Commission.

Issue No. 18: Detail of pending cases
Hon'ble Commission should direct the PSPCL to submit affidavit giving the detailed list of consumers whose cases are pending with various courts and consumer Grievances/Redressal committees.
Reply of PSPCL
The list of pending cases is available with the concerned offices of the corporation dealing with such cases.

View of the Commission

The list of pending cases is available with the concerned offices and forwarded to the Commission on quarterly/ six monthly basis.

Issue No. 19: Special Audit

Hon'ble Commission should also call for the information showing income received in excess than service connection charges actually spent & also the income from OYT release of connections. A prudent check should be conducted by Hon'ble Commission & special audit be got done from Institution of Charted Accountants. Income from weekly off day violation penalty collected, income from the sale of electricity to the various categories whose rates are higher but no sale is shown in metered sale block.

Reply of PSPCL

The annual accounts of the corporation duly audited are got printed and these are available in the offices of the corporation.

View of the Commission

Refer to Commission's view on issue no. 1 of objection no. 44.

Issue No. 20: Prepaid Metering

Prepaid Metering should be introduced & separate category for prepaid meter consumers should be formed. This category should not be burdened with cross subsidy surcharge. This will encourage consumers to install prepaid meters.

Reply of PSPCL

Proposal relating to prepaid metering shall also be considered by the corporation as and when Hon'ble Commission directs it for the same.

View of the Commission

Commission may consider the issue separately.

Issue No.21: Levy of Fixed Charges

Fixed charges should not be allowed in phased manner. At the start, in the 1st year, fixed charges should be levied on very nominal basis & later on cost of line of each category consumers should be calculated at depreciated value after deducting the amount of contribution received from consumers, grants/contributions received from Central Govt./State Govt./any other authority & amounts received under any other scheme. This depreciated amount is further to be reduced with the assets not in use.

Reply of PSPCL

Rate of fixed charges has been proposed keeping in view category of consumer, sanctioned load and purpose for which electricity is to be utilized. Adequate relief has already been given to the deserving category.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 22: Fixed Charges for SP/MS Category

Fixed charges calculated for Small Power & Medium Power are unfair. No cost of land is attributed to LT supply consumers because LT lines & LT sub stations are laid on Govt./Pvt. lands & full cost of lines & back up stands already paid by consumers by paying per kW fixed service connection charges.

Reply of PSPCL

The rate of fixed charges for Small and Medium supply industrial consumers has already been kept low compared to large supply consumers.

View of the Commission

Refer para 5.1 of this Tariff Order.

Issue No. 23: Service Connection Charges

It is mandatory duty of PSPCL being distribution licensee to develop & maintain an efficient, coordinated and economical distribution system in his area of supply. Licensee is getting return on equity only against this investment. Depreciation earned is to be used for replacement of developing additional system or returning capital loan. Further contributions are charged from consumers by means of fixed Service Connection Charges which includes proportionate cost of Backup, Bay & line.

Reply of PSPCL

Every effort is being made to maintain the distribution system in an efficient manner. The augmentation of distribution and transmission system and installation of additional T/Fs to meet with the demand of the consumers is being carried out from time to time. Service Connection Charges are charged from consumers depending upon cost incurred by the corporation for laying service line to the consumer.

View of the Commission

Commission agrees with the reply of PSPCL.

Issue No. 24: Better Resource Utilization

Two Part Tariff should only be introduced with ToD Tariff. PSPCL is having excess manpower, big infrastructure which cannot be used due to shortage of power. It is principal of business that infrastructure should be used fully for all the three shifts which will ultimately reduce fixed charges. Few suggestions are as under:

i. PSPCL should disclose detail of surplus land, guest houses, encroached land, surplus assets, assets owned by licensee but used by Govt. for irrigation and flood control purpose, vehicles not in use, damaged transformers, waste material and damaged assets.

ii. Identification of staff working at the officers residence, replace bulb & Tubes with CFL in all PSPCL offices/guest houses, accommodation, works & other street lights and other buildings owned by PSPCL.

iii. Find out advertisers for giving them space to put their advertisement on their website & properties. Reduce quantum of free supply to PSPCL Employees because same is given to them over & above the wages & salary. Sale of electricity to PSPCL employees, PSPCL offices, Guest Houses, street lights in colonies be also disclosed.

iv. Reduce the expenses on overheads, improve cash flow, recover the defaulting amounts, disclose true picture by calling true returns from sub divisions & other responsible offices.

v. Convert AP Tariff from kWh to kVAh. This is essentially required because PSPCL is not checking these connections resulting very Low Power Factor of AP connection. This is root cause of overloading the system during Paddy.

vi. PSPCL employees should be directed to follow rules, law and regulations. Accountability of delinquent officers/officials be fixed. This will bring discipline in PSPCL.

vii. Tariff of LS category should be same for general industry and power intensive unit. Consumers will be saved from the harassment of PSPCL, who is issuing circulars changing the category without following the procedure laid down in law under section 62 (3) & 64 of Electricity Act, 2003. Cost of supply of power intensive units having 80% utilization factor will be very less. Thus other category of consumers who would be over burdened should be avoided.

viii. Street light connections should only be metered connections to avoid wastage of electricity.

ix. Multi Year Tariff should be issued enabling industry to calculate the cost of their product in advance in fear of heavy increase in tariff every year.

x. Consumer should be allowed to surrender their connections in safe custody for the period of six months or more and PSPCL should not charge MMC from such consumers who are not in need of electricity. Thus electricity saved can be given to other consumers who are in need & facing Power cuts otherwise also cost of Power Purchase will be reduced.

xi. With the introduction of Two Part Tariff, there should be no category of seasonal industry.

xii. Two Part tariff, ToD Tariff should also be applied on AP consumers.

xiii. Rates for 132 kV are wrongly calculated. These consumers should be charged surcharge for high consumption. Otherwise also these consumers are having load more than 1 MW & they can purchase electricity being open access consumers. Thus burden of high rate Power purchased should be put on this category consumers. Stand by rates for Open Access consumers should be determined separately making this as separate category because Open Access consumers use electricity as stand by from PSPCL only during the times when rates of electricity in open market are high.

xiv. Tariff for SP & MS consumers should be rational & any increase in Tariff of these categories will be fatal. Cross subsidy on these categories of consumers should be zero & tariff of other categories of consumers should not be enhanced by more than 5%. PSPCL should be directed to control their expenses. Saving of expenses by PSPCL will help reducing tariff. Merge PIU & seasonal Industry category with LS (General Category).

xv. Pass orders to cancel all commercial circulars issued by PSPCL without following the procedure to get approval by Commission. Further PSPCL should be directed not to change the category of consumers without giving proposal to Commission. Hon'ble Commission should allow change of category of any consumer by calling objections & to pass order after giving hearing to effected consumers/persons.

Reply of PSPCL

Proposal of ToD tariff has already been submitted to Hon'ble Commission for consideration along with Two Part Tariff proposal.

i. The details are available in various concerned offices of the corporation.
ii. No staff is working at the residences of officers. CFL are being utilized in place of incandescent lamps in the offices of the corporation.
iii. Already very less quantity of free electricity is provided to its employees.
iv. For recovery of defaulting amount constant efforts are being made by the distribution officers to recover the same.
v. The supply to agricultural tube well is not metered.
vi. The employees of the corporation are following rules and regulations laid by the corporation.
vii. The tariff of power for industry is normally kept higher due to its characteristics demand.
viii. Street lighting is not switched on during day light except during testing purposes.
ix. Multi year tariff principle shall be worked out as per directions of the Hon'ble Commission.
x. The suggestion given is not feasible to accept as the Corporation lays transmission system to meet with the demand of the consumer and for its maintenance, Corporation is bearing the expenses.
xi. In Two Part Tariff seasonal industry consumers have also been proposed as general industry consumers.
xii. Agricultural tube wells are not getting metered supply.
xiii. The cost of supply has been worked out category wise and voltage wise and it has been worked out in transparent way and details available in the proposal submitted before valuable consumers of the corporation for its study and comments if any.
xiv. The tariff of SP and MS consumers has already been kept low by the corporation.
xv. The commercial circulars are issued after proposals are approved by the Tariff Commission.

View of the Commission

Refer para 5.1 of this Tariff Order.

Objection No. 45: Power Engineer Associates

Issue No. 1: Load Management

Suitable load management techniques should be adopted to reduce the difference between power demand during peak periods and off peak periods. (ToD) metering arrangement should be conducive to Load Management Objectives."

Reply of PSPCL

The proposal for ToD Tariff has been submitted to Hon'ble Commission and the same is under active consideration of PSERC.

View of the Commission

Refer para 5.3 of this Tariff Order.

Issue No. 2: ToD

National Tariff Policy directs that, "Two Part Tariff featuring separate fixed and variable charges and Time Differential Tariff shall be introduced on priority for large consumers having load more than 1 MW within 1 year. This would also help in flattening the peak demand and implementing various energy conservation measures.

Reply of PSPCL

In Two Part Tariff separate fixed and variable charges have been proposed and Time Differential Tariff has already been submitted for approval.

View of the Commission

Refer para 5.1, 5.2 & 5.3 of this Tariff Order.

Issue No. 3: Two Part Tariff shortcomings

The proposed Two Part Tariff is not a complete tariff structure as under:-

i. Application of the proposed Two Part Tariff will not smoothen peak demand of the system. It will only change the shape of the present single part tariff.
ii. The proposed tariff is not energy conservation oriented.
iii. To reduce the cost of supply, the introduction of ToD metering and differential tariff structure for peak, mid peak and off peak supply is very essential as is being done in other countries.
iv. Two Part tariff is not a socialistic pattern because only the consumers with high consumption are advantageous. But, in case of consumers using less energy economically, the cost of supply will be high which is unjustified and against the spirit of energy conservation.
v. Open Access consumers will also have to pay more per unit to the PSPCL if they purchase power through Open Access and use less power of PSPCL.
vi. Two Part Tariff is designed on the basis of cost of supply voltage-wise category-wise calculated on the data of peak demand of FY 2011-12 and 2012-13 considering predominantly mixed load feeders and not on purely category of consumers feeders.

Reply of PSPCL

i. Agreed.
ii. Agreed
iii. As already stated above, ToD Tariff proposal had since been submitted to the Hon'ble PSERC which is under active consideration of the PSERC.
iv. The proposal for introduction of Two Part Tariff had been submitted as per provisions of Electricity Act, 2003, which is under active consideration of the PSERC.
v. Open Access consumers have the liberty to purchase power through Open Access as per their suitability and working +out financial implications.
vi. As purely category of feeders is not available and correct maximum demand could not be worked out for a particular category of consumers. Methodology-II was recommended whereby maximum demand was worked out on the basis of sanctioned connected load and demand factor of the category. The study on Cost of Supply is under consideration of the PSERC.

View of the Commission

Refer para 5.1 of this Tariff Order.

Objection No. 46: Government of Punjab

Department of Power, GoP has conveyed its observations on the ARR of PSPCL in its letter dated 22.3.2013 which are summarized hereunder, along with the view of the Commission.

Issue No. 1: Disallowances

The Commission has been determining electricity tariff in the State since 2002-03 on the basis of tariff petitions filed by PSPCL/PSTCL (erstwhile PSEB). However, while considering the tariff petitions, the Commission has been making some disallowances which have now accumulated to over Rs.14158 Crore till date. These have been mainly on disallowances related to employee costs, interest charges and also on account of non-achieving of various norms, performance parameters and targets fixed by the Commission. These disallowances have impaired the financial health of the PSPCL (erstwhile PSEB), and has eroded its capacity to purchase power and make investments that would help it provide quality and affordable power to the consumers in the State. This has in some ways also had an impact on the economic growth of the State. These disallowances seem to be a major reason for the accumulated commercial losses and Short-Term Loans of the PSPCL. While, there have been improvements in the performance/working of PSPCL, we do believe that there is still a lot that needs to be achieved, if PSPCL is provided the requisite support in the performance of its commercial operations.

View of the Commission

The Commission in the Tariff Orders since 2002-03 has been stressing the need for improvement in the working of PSPCL (erstwhile PSEB) by reducing its work-force, upgrading performance parameters and exercising economy. The Commission has been determining tariff in compliance to the various guidelines provided in section 61 of the Electricity Act, 2003. The Commission has been allowing only the justified costs to the utility, in line with notified Regulations, thus safe-guarding the consumer interest. At the same time, recovery of the cost of electricity in a reasonable manner has been ensured. The utility has been rewarded for its efficient performance also. It is well known fact that the utility has accumulated losses for a number of years now. According to the guidelines provided for un-bundling of the erstwhile Board, the Govt. was required to provide clean balance sheet to the Successor Entities. As has also been observed by the Govt., the Commission is also of the view that the utility should improve its performance through efficiency measures and achieve target in respect of various parameters fixed by the Commission.

Issue No. 2: Road Map for improving financial health of utility.
PSPCL is in a critical position. PSPCL has depicted total revenue gap of approximately Rs.12053.39 Crore, which has increased by approximately Rs.2795.13 Crore (i.e. from Rs.9258.26 Crore to Rs.12053.29 Crore). The major components of increase in this gap are as below: -

(₹ in crore)

i)	Fuel Cost	=	587
ii)	Power Purchase	=	1262
iii)	Employee Cost	=	308
iv)	R&M Expenses	=	39
v)	Depreciation	=	56
vi)	Interest & Finance Charges	=	71
vii)	Provision for DSM Fund	=	39
viii)	Transmission Charges payable to PSTCL	=	60

From the above, it is very clear that increase in this gap is mainly because of increase in Fuel Cost, Power Purchase Cost, Employee Cost and Interest & Finance Charges. It is statutory duty of the State Government to promote the Financial, Operational and Technical viability of PSPCL. Hence, in terms of Section 86 of the Electricity Act, 2003, the Commission in pursuance to its duties is requested to suggest a road map to meet this goal.

View of the Commission
The Commission has been fixing Tariff of the utility after determining the gap as per Regulations. Besides, the Commission has been laying down a road map for improving the financial health of PSPCL through Directives in each Tariff Order aiming at improving its technical, managerial & financial parameters. If PSPCL implements these Directives fully, it shall turn around from loss making to profit earning entity.

Issue No. 3: Power Purchase Cost
Power Purchase is a short term measure to arrange power to meet with the demand and supply gap, so that industrial and agricultural growth is not adversely affected. Although, it is essential to purchase power to meet demand supply gap, efforts must be made by PSPCL to purchase power at competitive prices, till the cheaper power from the power plants being installed in the State is available. Needless to say that reduction in Power Purchase Cost is very important to promote the financial viability of PSPCL. To reduce this Power Purchase cost, a suitable mechanism should be put in place through which the total energy requirement could be determined keeping in view the future demand, weather forecasting etc. This will help in accurate assessment of demand requirements and will ultimately help in reducing the Short Term or Day to Day Power Purchases, which generally are costly. Efforts should be made to improve the effectiveness of Demand Side Management (DSM) programmes. The State Government is also pursuing the developers of various Thermal Power Projects to commission the projects as per the schedule so that cheaper power from them is available in the shortest possible time.

View of the Commission
The Commission has been allowing the entire power purchase cost upto 2008-09. However, taking into account the injudicious purchase of power by the erstwhile Board in the past, the Commission allowed power purchase upto the extent required as per the projections of the PSPCL but the cost of short term power purchase beyond that level was capped to the average cost of supply/weighted average price of short term bilateral transactions for the previous year in its subsequent Tariff Orders. However, the Commission has now provisionally allowed the short term power purchase at the rate projected by PSPCL in the ARR subject to true up on the basis of rates received through competitive bidding. This has helped utility to bring down the per unit cost of power purchased.

Issue No. 4: Employee Cost
The Commission has been consistently disallowing the Employee Cost to the Utility, which can in no way be reduced, since the terms and conditions of an employee once recruited cannot be changed to his disadvantage during the course of his service. Though, Government is impressing upon PSPCL to reduce employee cost and bring in efficiency, but it will take time for PSPCL to reduce the employee

cost and bring it at par with other advanced State Utilities. Till then, the Employee Cost, which is a genuine cost of Utility, must be passed on to the end consumers on an actual basis.

View of the Commission

The matter of allowing employee cost has been continuously discussed extensively by the Commission in its successive Tariff Orders year after year. The Commission has been consistently stressing the need to take effective steps to contain employee cost which is one of the highest in the country. The Commission noted that the utility has initiated some efforts to enhance employee productivity through various management techniques and rationalization of manpower for which a study has been instituted but still the utility needs to go a long way to contain employee cost. The Commission has been allowing employee cost of the utility in accordance with the PSERC Tariff Regulations which have been notified after consultation with all the stakeholders.

Issue No. 5: T&D Losses

The issue of T&D Losses is of equally deep concern to the Government, as there is a direct correlation between for AP consumption and T&D loss pattern. Any disallowance/reduction in AP consumption estimated by the PSPCL is reflected as a corresponding increase in T&D loss level in Commission's estimate. It is all the more important to determine the T&D losses accurately, which can be done only when each AP consumer is metered or AP consumption is determined accurately. This can be done only by installing meter at farm level for agricultural consumers. Calculating the entire AP consumption of the State on the basis of sample meters, which are only 10% in numbers leads to inaccuracy in the projections of the consumption. The data from AMR Scheme which has now been put in place needs to be collated, verified and then used to determine more accurately the power supplied by PSPCL to AP sector. In addition, PSPCL should ensure that the various schemes being implemented for improving the Distribution System and hence T&D losses, are completed within the targets specified by Ministry of Power, Government of India so that the grants are utilized fully. The efforts should be made to achieve the ultimate T&D loss target of 15% by the FY 2015. The projected AP consumption for 2013-14 should be worked out by applying growth rate of 5% over AP consumption for 2012-13, which is 11003 MUs. Therefore, projected AP consumption for 2013-14 should be at 11553 MUs and not 12029 MUs.

View of the Commission

Observing the consistent inability of the Board to achieve levels of T&D loss as prescribed by the Commission, the entire issue was reconsidered during processing of ARR for the year 2009-10. Taking note of the fact that actual losses on the basis of AP consumption at the end of 2008-09 was 24.07%, the Commission prescribed the loss level to be achieved during 2009-10 at 22%. Going by the recommendations of the Abraham Committee, the Commission determined the loss trajectory at 20% for the year 2010-11, 19 % for the year 2011-12 and 18% for the year 2012-13. Going further, the Commission has fixed the T&D losses 17% for FY 2013-14. Part implementation of Commission's Directives on T&D losses and low cost maintenance measures has enabled PSPCL to reduce its T&D losses below the target fixed for 2011-12. Full implementation of these Directives again given in this Tariff Order at Annexure -IV shall enable PSPCL to reduce T&D losses faster than the road map of MoP.

The Commission has given directive to PSPCL to supply monthly sent out energy on each 11 kV AP feeder based both on grid sub-station as well on AMR data to assess the AP consumption more accurately. Further, reference Directive No. 5, Metering Plan (Annexure-IV), PSPCL has been asked to implement 100% metering of each AP consumer through AMR and dovetail it with installation and upkeep of LT capacitors by leasing out the project. Combined with AMR on AP feeders, it will provide an economical and efficient solution to 100% AP metering.

Summarizing, Commission's approach on T&D losses has been positive, productive and based on out of box thinking.

Issue No. 6: Fuel Cost

The Commission should allow fuel cost to PSPCL on the basis of prudent Norms. The Commission is requested to link the capital expenditure on account of R&M activities with the corresponding increase in the efficiency of the system.

View of the Commission

The Commission is allowing fuel cost on the basis of norms specified in its Tariff Regulations. These norms have been revised in case of those Thermal Generating Stations where R&M works have been carried out. PSPCL must ensure that utmost economy in use of fuel is observed. The Commission has got Fuel Audit conducted through CPRI Bangalore for PSPCL thermal plants and PSPCL has been accordingly directed to implement steps to economise in use of fuel.

Issue No. 7: Revision of norms for Central Sector Plants

CERC allows the charges asked by Central Public Sector Undertakings such as NTPC, NHPC etc. for supplying power to the States. The rise in charges is quite high and abrupt for which ultimately the brunt has to be borne by the State Utilities and consumers especially since it is allowed during the year and can be taken into account by the Utilities only in the ARR of the subsequent year. Therefore, the Commission should impress upon CERC in FOR meetings or at appropriate platform to review the norms set by them so that reasonable hike in charges is allowed and passed on to the State Utilities at predictable intervals.

View of the Commission

CERC has fixed and notified the norms for the Central Sector Undertakings (NTPC,NHPC etc.) on the basis of studies carried out by the CEA, after following due process of law as laid down in the Electricity Act, 2003.

Issue No. 8: Two Part Tariff & Cost of Supply

The Commission is further requested to determine the Tariff based on proposal on Two Part Tariff submitted by PSPCL on merits. It may also be kept in view by the Commission that after the Two Part tariff is introduced, consumers with low utilization factor such as DS consumers may not unnecessarily suffer due to tariff hike. Though the main aim of the proposal is to calculate the demand accurately but a scenario may emerge that the consumers may tend to reduce connected load in order to reduce their fixed charges but energy demand may not reduce, which can affect the utility to recover the expenses.

The Commission alongwith the ARR has enclosed study done by PSPCL on Voltage Wise and Category wise Cost of Supply. The Commission is requested to determine the Tariff on the above study on merits but it may also be ensured by the Commission that the subsidy amount to be paid by State Government is not increased except corresponding to increase in the consumption. The State Government shall continue with its earlier policy of providing free power to the AP sector and the weaker sections of the society.

View of the Commission

Refer Chapter-5, para 5.1 and 5.2

Issue No. 9: Commercial viability of the Distribution Licensees and Consumers' interests

While, it is not disputed that the utilities need to bring efficiency in their operations, it is also imperative to ensure that financial health of the utility doesn't suffer due to disallowance of expenditure, which the utility is unable to avoid due to historical reasons or due to other constraints. It is pertinent to mention here that till date approximately Rs.14158 Crore has been disallowed by the PSERC towards various expenditure/cost demanded by the Board in their earlier ARR Petitions.

It would be appreciated that a financially strong and commercially viable power utility is ultimately in the long term Interest of the consumers and the State. The National Tariff Policy also provides that "the Regulatory Commission needs to strike the right balance between the requirements of Commercial viability of the Distribution Licensees and Consumers' interests". Thus the Commission is requested to balance the interest of all the stakeholders and in the long run to provide for a vibrant power sector.

The State Government has approved the Financial Restructuring Plan and the opening balance sheets of PSPCL and PSTCL as on 16.04.2010 have been notified. A suitable hike in tariff is required to achieve the targets set in the FRP so that utility is no longer reliant on state support.

View of the Commission

Refer views of the Commission on Issue No. 1 & 2 above.

Annexure-III

Minutes of the Meeting of State Advisory Committee of the Punjab State Electricity Regulatory Commission held on February 12, 2013.

The meeting of the PSERC, State Advisory Committee was held in the office of the Commission at Chandigarh on February 12, 2013 to discuss ARRs and Tariff Petitions for FY 2013-14 filed by PSPCL and PSTCL. The following were present:

1.	Mrs. Romila Dubey, Chairperson, PSERC,	Ex-officio Chairperson
2.	Er.Virinder Singh, Member, PSERC,	Ex-officio Member
3.	Er.Gurinderjit Singh, Member, PSERC,	Ex-officio Member
4.	Smt. Hargunjit Kaur, Jt. Secy. on behalf of Secretary, Food & Supplies and Consumer Affairs, Punjab.	Ex-officio Member
5.	Shri Anirudh Tiwari, Secretary/Power, Govt. of Punjab	Member
6.	Shri Jacob Pratap, Dy. Labour Commissioner, on behalf of Labour Commissioner, Punjab.	Member
7.	Shri Amarjit Goyal on behalf of Chairman, PHDCCI,	Member
8.	Shri D.L Sharma, on behalf of Chairperson, CII,	Member
9.	Er. R.K. Saxena, Chief.Elec..Distri. Eng. on behalf of Chief Elec. Engineer, Northern Railways	Member
10.	Er. D.R Kataria, Jt. Director, Agriculture, on behalf of Director/Agriculture, Punjab.	Member
11.	Sh. Vinod Bansal, Financial Advisor on behalf of Director, Finance & Commercial, PSTCL	Member
12.	Er. A.K.Verma, Director/Distribution, PSPCL	Member
13.	Er. G.S Kohli, Chief Engineer, ARR & TR, PSPCL	Member
14.	Er. S.K.Anand, Ex-Member Distribution, PSEB	Member

15.	Shri Jaspal Singh, CE, on behalf of Vice Chancellor, PAU	Member
16.	Prof. R. S. Ghuman, Chair Professor, .Nehru SAIL Chair and Head Panchayati Raj Unit, CRRID,	Member
17.	Shri Bhagwan Bansal Punjab Cotton Factory, Ginners Association	Member
18.	Sh. Jagtar Singh, Director, Social Work &Rural Development Centre	Member
19.	Shri Avtar Singh Nijjar, Secretary, National Rural Development Society,	Member
20.	Shri T.P.S Sidhu, Chief Executive Officer, PEDA,	Member
21.	Shri Pishora Singh, President, BKU (EKTA), Sidhupur	Spl. Invitee
22.	Er.P.P. Garg, Secretary, PSERC	Ex-officio Secretary

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 2013-14 filed by PSPCL and PSTCL.

1. Er. S.K. Anand

Er. S.K Anand appreciated PSERC for its role in tariff regulation and inputs in improving the working of the utilities. He, however, stressed the fact that the financial position of PSPCL is deteriorating. He was of the view that the Consumers, PSERC, PSPCL and the State Govt. should think and work jointly to improve the financial health of PSPCL. The industrial growth in the State is stagnant. The consumption for AP category has increased from 5000 MU in 2000 to 12000 MU in 2013-14 (as per projections of PSPCL in the ARR). The consumption for AP category has increased by 120% (on account of paddy growth) whereas the consumption for the industrial sector has increased by 64% only during this period. The AP tariff is minimal in the State. Paddy is eating into the vitals of PSPCL and the State Govt. He pointed out that the Govt. of Haryana is giving AP subsidy at cost of supply whereas PSERC has determined the subsidy with reference to the tariff determined for the AP category. Interest burden of the utility is also increasing every year.

He was of the view that there should be differentiation in the cost of supply for various categories being supplied power at the same voltage level i.e. cost of supply should be different for LT urban, LT rural, LT paddy supply/AP. He pointed out that the capacity additions by PSTCL should be done on holistic basis after carrying out system studies.

He opined that in case of AP HVDS, the transformer should be installed and maintained by the consumer or PSPCL would be faced with huge task of maintaining about 11 lac transformers meant for AP HVDS category.

Er. Anand was of the view that the present set up does not encourage engineering inputs in distribution system. The system should be organized on the Korean, African or English models. To begin with, Patiala model should be implemented across the State of Punjab after including D&C (Design and Construction) wing along with O&M and Commercial wings in each DS division.

2. <u>Sh. Amarjit Goyal, PHD Chamber of Commerce & Industry</u>

Sh. Goyal complimented the PSERC on the transparency in its working during the last nine years. He also appreciated the shifting of meters outside the consumer premises, controlling theft, reduction in employee strength etc. At the same time he was of the view that the policies of the PSPCL are not friendly to the industry. He suggested that Tariff be designed on cost of supply basis and not on average cost basis. Cross subsidy should be abolished which has increased to 88 paise/unit. He was of the view that the financial health of PSPCL should improve. Shri Goyal stated that the industry does not want to procure power through open access but on account of high tariffs they are forced to go for open access power.

Regarding Two Part Tariff, he pointed out that in the earlier Two Part Tariff system, average rate of tariff was less with increase in the consumption but in the present proposal of PSPCL, the tariff rises after 40% utilization factor. Further, there are different tariffs for general industry and PIU industry. Two Part Tariff proposal should be on cost of supply basis and not on average cost of supply basis. He further stated that in the present proposal of PSPCL, Railways have been benefitted a lot.

He also suggested that the supply to AP should be metered as there is a lot of theft in agriculture supply. Sh. Goyal stated that the industry was installing its own systems (substations etc.) at the time of obtaining connections but the tariff to this category was the highest. He, therefore, requested that the tariff to industrial category should not be increased.

3. **Sh. D.L. Sharma, CII**

Sh. Sharma stated that there is no growth in industrial sector in the State of Punjab. The cost of power is a major/ significant input. He stated that there is no minimum supply guaranteed for industrial consumers in the State. Further, high cost of power in the State with load restrictions and power cuts imposed on the industrial supply forces the consumers to avail open access. But with continuous increase in the wheeling and cross subsidy surcharge even open access is becoming unviable. Open access charges and cross subsidy surcharge are highest in the State of Punjab as compared to other States. To elucidate his point, he quoted comparative figures of cross subsidy charges stating that these are 88.08 paise/unit in Punjab, 18 paise/unit in Rajasthan, 0 paise/unit in U.P., 1.18 paise/unit in Chhatisgarh, 52 paise in Maharashtra, 0 paise/unit for EHT in Himachal Pradesh and 39 paise/unit in Gujarat. In Haryana, the cross subsidy surcharge is restricted to 60% of the cross subsidy paid by the relevant category. As for wheeling charges, these are 124 paise/unit in Punjab, 22 paise/unit in Madhya Pradesh, 11 paise/unit in Gujarat, 51 paise/unit in Haryana, 23.27 paise in Tamil Nadu,11 paise in Maharashtra, 1 paise for EHT in Rajasthan, 8 paise in U.P. and 18.95 paise/unit in Chhattisgarh. He was of the view that these charges should be reasonable.

Sh. Sharma pointed out that the average cost of tariff for the industrial category has gone up by 50%. He appreciated the reduction in T&D losses as well as employee strength but struck a note of concern stating that the employee cost and the interest cost were increasing and needed to be controlled.

4. **Sh. Pishora Singh**

Sh. Pishora Singh suggested an increase in the system capacity. He opined that the whole burden of the gap projected in the ARR should not be passed on to the consumers. Theft should be stopped whether it is by AP category or industry. Sh. Pishora Singh suggested the introduction of VDS for AP category for which the farmers should not be charged. Shri Pishora Singh desired that the verification of test reports for AP category should be done away. He also demanded that circular forcing farmers to install 4 star motors should be withdrawn as these motors were not available in the market.

Sh. Pishora Singh stressed the need for the Govt. of Punjab to pay the balance subsidy. He also requested for power supply to the AP group in two shifts, 50% during day and 50% during night.

5. **Er. D.R. Kataria, Jt. Dir/Agriculture, Pb.**

Er. Kataria advocated diversification of cropping pattern as the power position and ground water conditions were deteriorating on account of paddy crops. He also advocated metered supply to AP category.

6. **Sh. Avtar Singh, Secy. National Rural Development Society**

Sh. Avtar Singh opposed installation and maintenance of transformers by AP consumers as advocated by Er. S.K Anand, as there was a lot of theft of transformers, oil, copper etc. He clarified that no free supply is given to AP category, rather Govt. is paying for it and it should be continued for sustaining agriculture sector. He said that this sector was highly subsidized even in western countries.

He opined that PSPCL as a service provider should reduce the time to rectify line/transformer faults. He suggested that the consumers should be informed through SMS in case of breakdown of the system for long periods.

7. **Er. R.K. Saxena, Northern Railway**

Er. Saxena pointed out that the Northern Railway was availing power in different states but power tariff in Punjab is the highest among them. He cited comparative figures of tariff saying that it was ₹6.14/unit in Punjab as compared to ₹6.00/unit in Delhi, ₹5.66/unit in Haryana, ₹4.71/unit in Uttarakhand and ₹4.90/unit in U.P. He also intimated that the Railway is getting supply only at 220 KV/ 132 KV, where the transmission losses are minimum and there is no possibility of pilferage/theft. Therefore, tariff should be reduced.

Chairperson/PSERC clarified that during 2012-13, Railway tariff has increased only by 2.90% vis-à-vis average tariff increase of 12.08%.

Er. Saxena pointed out that the cross subsidy is maximum in the case of Railways. Incentive for improvement of power factor is given to Railways, if the power factor is more than 0.95, whereas in case of other categories, incentive is given if power factor is greater than 0.90. He further said that in Punjab, the incentive for higher power factor is 0.25% on energy charges for each 0.01 increase in power factor above 0.95 for Railway Traction whereas it is 0.5% for every 0.01 increase in power factor above 0.90 in Haryana. He also stressed that the Railways should be exempted from security for new connection/ extension of load as it is a Central Govt. department. He reinforced his plea stating that in some States like Rajasthan, West Bengal, Railways is exempted from payment of Security Deposit and in some States there is provision of Consumption Security through Bank Guarantee like UPPCL, Maharashtra and Kerala. Therefore, Railway may be exempted from payment of Security Deposit. Alternately, it may be allowed payment of Consumption Security Deposit in the shape of Letter of Guarantee from RBI instead of cash.

8. <u>Dr. R.S. Ghuman,</u>

Dr. Ghuman appreciated the various directives issued by the Commission to PSPCL in its Tariff Orders. He advocated metering of agriculture consumers, but pointed out that progress is very slow. Going by the current pace of progress it would take more than 7 years to implement 100% metering. He further pointed out that it is a myth that the cost of subsidy is transferred from agriculturists to consumers of other categories. Dr. Ghuman pointed that the subsidy to the industry is also given by the government, but it is named as incentive to the industry. He informed the house that agriculture sector is subsidized globally. Agriculture without subsidy is not sustainable. He was, however, of the view that the rich farmers should not be subsidized, rather subsidy should be for poor farmers alone. He also supported Sh. Pishora Singh on the VDS.

Dr. Ghuman stressed the fact that every year the deficit of utility was increasing. Chairperson/ PSERC clarified that the deficit shown in the ARR by the utility is due to the cumulative gap of the previous years.

Regarding Cost of Supply, Dr. Ghuman was of the view that the T&D losses, as mentioned in the Report on 'Cost of Supply' prepared by TERI for PSPCL, should not be same for all categories. Various costs of Thermal and Hydel generation, as mentioned in the report, should be authenticated. He also pointed out that tariff for Industry at LT supply is more than that for AP supply at LT when spread for AP category is more and Industry is concentrated. He further pointed out that tariff should not be the same for three slabs of Domestic Supply and also for AP category & Public Lighting category as detailed in the Cost of Supply document.

Dr. Ghuman was of the view that the demand of food grains from Punjab is going to decrease in future and the need of the day is diversification of cropping pattern.

9. <u>Sh. T.P.S. Sidhu,CEO/ PEDA</u>

Shri Sidhu pointed out that PSERC should allow carry forward of the balance of Solar RECs which PSPCL has been unable to purchase during the current financial year due to their non availability. Chairperson/PSERC stated that this issue would be examined.

10. Shri Bhagwan Bansal, Cotton Ginning

Shri Bansal pointed out that Cotton Ginning Industry was allowed to install small rating transformers during off season. This, however, involved a very long and cumbersome procedure. He requested for simplification of the procedure. Chairperson/PSERC advised Director/Distribution, PSPCL to look into the matter.

Sh. Bansal also requested for a change in the seasonal period prescribed for Cotton Ginning Industry.

11. Er. A.K. Verma, Director/Distribution, PSPCL

Director/Distribution, PSPCL clarified that for HT AP there is requirement of inspection of HT installation by Chief Electrical Inspector, Punjab. However, this was not a requirement for DS rural category. Regarding non availability of 4-star rated motors, Director/Distribution intimated that these are available in major cities of Punjab.

With regard to metering of AP connections, Er. Verma informed the house that presently about 10% of total AP connections have been provided sample meters. There is lot of resistance in the field for installation of meters against AP connections. Even the existing meters are removed and returned to PSPCL. PSPCL has undertaken installation of AMR meters on AP connections through some third agency which will install and maintain these meters and also collect the consumption data. However, he admitted to some connectivity concerns with regard to installation of AMR meters.

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

Annexure-IV

PSERC DIRECTIVES

A. An overview of the directives issued to PSPCL in Tariff Orders for FY 2010-11, FY 2011-12 & FY 2012-13

Sr. No	Issues	Directives in TO for the FY 2012-13	PSPCL's Reply	PSERC's Comments/ Directives for 2013-14
1	**T&D Loss Reduction**	**(i) Shifting of meters outside consumer premises:** The Commission views the slippage in shifting the meters outside consumer premises as serious since it directly affects the line losses reduction program. PSPCL should redouble efforts to expedite this work on top priority during 2012-13. The Commission is of the view that containing T&D losses would not only improve productivity parameters and efficiency of utility but would also serve as a money saving mechanism. The Commission, therefore, advises the utility to ensure that revised target dates are met.	**(i) Shifting of meters outside consumer premises:** **a) Non APDRP area:-** (i) Target Scheme Phase-I: 20.81 lac (Revised) Shifted: 19.22 lac upto 28.2.2013. Balance: 1.59 lac. will be shifted by 31.03.13 (ii) For shifting of balance Approx.17.20 lac. meters in non-APDRP area under Phase-II, 17 No. schemes (out of 18 schemes) have been sanctioned by REC and one is still pending with REC. Specifications have been approved and tender for same is under process. As informed, out of 17.20 lac meters, 5 lac meters to be shifted departmentally upto 30.6.2013. **b) R-APDRP (Urban Area):-** Target: 5.55 lac. Shifted: 3.05 lac. up to 28.2.2013. Balance to be shifted by 31.3.2013.	**(i) Shifting of meters outside consumer premises:** **a) Non APDRP area:-** The failure to meet the target of shifting balance meters by 31.12.2012 under Phase-I as assured during processing of TO 2012-13, has been viewed seriously by the Commission. PSPCL should ensure completion of job under Phase-I as per the revised target. Further, PSPCL should ensure that out of 17.20 lac meters under Phase II, 5 lac meters shall be shifted departmentally by DS Organisation upto 30th June 2013. The work of balance meters for which work is to be got executed on turnkey basis, must be completed by 31st March 2014. **b) R-APDRP (Urban Area):-** During processing of TO 2012-13, PSPCL assured that out of 5.55 lac meters in the 15 towns, 4.3 lac balance meters will be shifted by 30.9.2012 but task has not yet been completed. PSPCL must complete the job as per the revised target. PSPCL must shift at-least 50% of the balance meters of remaining towns covered under R-APDRP during 2013-14. Priority be given to towns having high losses.
		(ii) Replacement of Electro-mechanical (E/M) meters: The Commission is concerned about the slippages in time lines of initiatives like shifting of meters, replacement of E/M meters (1 ɸ meters and 3 ɸ meters). PSPCL	**(ii) Replacement of Electro-mechanical (E/M) meters:** a) 3-ɸ meters: **SP/DS/NRS** Target: 8221 Nos. (revised) Replaced: 2159 No. (ending 1/2013) Balance : 6062 by 31.3.2013	**(ii) Replacement of Electro-mechanical (E/M) meters:** The directive was to replace all E/M meters (1ɸ meters and 3 ɸ meters) during 2012-13 but PSPCL failed to meet the target. PSPCL should replace 50% of remaining E/M meters during 2013-14 and balance during 2014-15 with first priority for high

Sr. No	Issues	Directives in TO for the FY 2012-13	PSPCL's Reply	PSERC's Comments/ Directives for 2013-14
		should ensure that during 2012-13 all these works are completed.	**AP** Target: 47711Nos. (revised) Replaced: 7987 No. (ending 1/2013) Balance: 39724 Nos. b) 1-ф meters (DS/NRS) Target: 1769205 Nos. (revised) Replaced: 401643 Nos. (ending 1/2013) Balance: 1367562 by 31.3.2015.	loss feeders. It shall be the last extension in the compliance period & any slippage will not be acceptable. Further it should be ensured that all dead stop/burnt/ defective meters are replaced by 31.05.2013 and quarterly status report must be submitted regularly to the Commission.
		(iii) Conversion of LVDS to HVDS: a) The Commission does not agree with the reversal of HVDS proposal by PSPCL. World over, HVDS is the order of the day in urban, sub-urban and rural areas. The proposal of PSPCL to install higher rating DTs and feed AP connections through LT line up to 200 meters may be counterproductive, result into higher line losses and induce incentive for theft of power. PSPCL should re-examine its decision in the light of the current worldwide practice of supplying power at consumer end through HVDS. As directed earlier in T.O. 2011-12, PSPCL is directed to prepare technically and financially viable schemes to convert all AP connections to HVDS and a report be sent to the Commission. Besides, as far as possible, HVDS scope be extended to Urban and Suburban consumers as well. **(iv)** "Agricultural Feeders Loss Reduction Scheme" aiming at reducing the length of 11kV & LT lines, sparing 11kV poles by re-routing the AP feeders	**(iii) Conversion of LVDS to HVDS**: a) Target: 2.11 lac. by installing 189037 No. DTs. Progress: 221442 No. by installing 186072 DTs. (ending 2/2013) PSPCL has decided to modify the HVDS scheme by allowing LT line up to 200 mtr. and installing higher rating DTs.of 25 & 63 KVA by clubbing more than one AP connections. 4 No. DPRs have been sent for sanction to REC for conversion of 25014 No. AP tube wells of high loss feeders into HVDS as per modified scheme. However, as per PSERC comment/directive for 2012-2013 to re-examine the above decision taken by PSPCL a detailed case is being prepared for consideration and decision of the competent authority.	**(iii) Conversion of LVDS to HVDS:** The Commission reiterates its view that the proposal of PSPCL to install higher rating Distribution Transformers (DTs) to feed AP connections through LT line up to 200 meters may be counterproductive & result in high line losses. Commission is of the view that use of 25 & 63 kVA T/Fs should be avoided as far as possible and if necessary, must not be used to feed more than three AP motors. Also instead of ordinary LT cable, aerial bunched conductor should be used to avoid unauthorized running of motors. It is also desired that possibility of reducing line length from 200 meter to an optimum level may also be explored. Commission directs that atleast 25% LVDS tubewell consumers should be converted into Less LT HVDS per year starting from 2013-14 with first priority for high loss feeders, so that the project is completed by 2016-17. iv**)** Commission has viewed seriously that no action what so ever to comply with the directions of the Commission during 2012-13 was taken. PSPCL should submit execution

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		besides replacement of conductor and addition of AP transformers may be prepared and implemented in parallel with LVDS conversion to HVDS.		plan by 31.05.2013 & implement this programme in parallel with conversion of LVDS to Less LT HVDS.
		(v)Installation of Capacitors on 11kV feeders: The Commission notes the status of implementation of capacitors on 11kV lines and at substations. The installation of 2700 MVAR is expected to be completed by 30/09/2012. The Commission expects that the installation of 11 kV line capacitors is being executed by PSPCL as per standard practice ensuring maximum improvement in the power factor.	**(v) Installation of Capacitors on 11kV feeders**: Target: 2700 MVAR. Progress: 2590.265 MVAR. (ending 01/2013) Balance will be installed by : 31.03.2013 . **Installation of LT capacitors on DTs:** Target: 14300 No./163.650 MVAR Installed: 154.970 MVAR upto 28.2.2013. Balance work likely to be completed by: 31.3.2013	**(v) Installation of Capacitors on 11kV feeders**: The Commission notes the compliance and advises the utility to ensure that all new installations be provided matching MVAR addition for power factor improvement. **Installation of LT capacitors on DTs:** The Commission notes the action taken by the utility.
		vi) Low Cost Measures **(a) Earthing of Distribution T/Fs (DT's) and sub-stations**: (i) The re-earthing work as per standard laid in IEEE Guide 80 need to be done at all DTs and sub-stations of PSPCL in phased manner over next two years. The present Earthing Guidelines need to be suitably amended to align with IEEE Guide 80. Re-earthing using Bentonite (as implemented in utilities of Andhra, Karnataka and Maharashtra) as against water level earthing need to be considered due to variation in water level in Punjab thereby implementing an optimum techno-economic and lasting solution. PSPCL need to monitor earth resistance at its installations (including	**vi) Low Cost Measures** **(a) Earthing of Distribution T/Fs (DTs) and sub-stations**: (i) **DTs** Total DTs installed for GSC & ISC 80000 (Approx) No of DTs whose Earthing is checked 71311 DTs where Re-earthing is required 33561 DTs where Re-earthing is done 33561 Tentative date of completion of balance work: 31.3.2013	**vi) Low Cost Measures** **(a) Earthing of Distribution T/Fs (DTs) and sub-stations**: **(i) DTs** The checking of all remaining DTs and re-earthing work wherever required should be completed as per the target. PSPCL need to regularly monitor earth resistance at its installations (including DTs) on annual basis as directed. Certified Earth Resistance-cum-Earth Leakage current statement at PSPCL

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		DTs) using Clamp-on type earth resistance testers (capable of measuring earth resistance as well as leakage current flowing through the neutral of transformer) on annual basis from April to June & submit a certified statement to the Commission every year. **(ii) Adequacy of existing switchgears & earthmat at all 33/66 kV S/S:** The Commission observes with concern that the study on short circuit levels, adequacy of existing switch-gears and earth mat is pending and advises the utility to complete this task on priority. This study may be finalized and submitted to the Commission by September, 2012.	**(ii) Adequacy of existing switchgears & earthmat at all 33/66 kV S/S:** PSPCL is in the process for study of short circuit levels of the existing switch gears. Number of Sub Stations checked- 580 No of Sub Station where strengthening of earthmat is required - 93 Nos. Completed - All (93 Nos.)	installations as directed in TO 2012-13 be submitted to the Commission by 31st July every year. **(ii) Adequacy of existing switchgears & earthmat at all 33/66 kV S/S:** The Commission notes the compliance. List of sub-stations where earthing has been strengthened may be submitted to the Commission.
		(b) Tightening of loose joints and nuts/bolts: The Commission notes that PSPCL has started implementing the action plan on ground for tightening of loose joints and nuts/bolts. It may be ensured that this exercise is carried out each year from November onwards and completed by 31st May of next year. A certificate for completion of this task may be sent by PSPCL to the Commission every year.	**(b) Tightening of loose joints and nuts/bolts:** As per the direction of PSERC, all Distribution offices have been directed to keep the record of progress which can be counter checked by PSERC. The tightening of loose joints and balancing of load on Distribution T/F had been completed and it would be carried out in future also as it is an ongoing process.	**(b) Tightening of loose joints and nuts/bolts** The Commission notes the compliance. PSPCL should ensure that this exercise is carried out regularly and certificate for completion of this work be submitted by 30th June every year.
		(c) Load balancing at DS transformers: The load balancing at all distribution transformers needs to be conducted in summer season annually and the unbalancing on each transformer may be recorded through AMR or physically to ensure that neutral current flowing through the neutral is brought nearly to zero. A	**(c) Load balancing at DS transformers:** This work was carried out after the onset of summer season i.e 01.05.2012. Now again the load balancing will be started from 31.03.2013 onwards to be completed by 31.05.2013	**(c) Load balancing at DS transformers:** The Commission notes the compliance. PSPCL should ensure that this exercise is carried out regularly and certificate for completion of this work be submitted by 30th June every year.

Sr. No	Issues	Directives in TO for the FY 2012-13	PSPCL's Reply	PSERC's Comments/ Directives for 2013-14
		certified statement in this regard may be submitted to the Commission annually. **(d)Reduction in Transformer damage rate:** PSPCL efforts to bring down transformer damage rates, de-loading of DTs, replacement of conductors (specially in Patiala town) are appreciable, these efforts should continue with more vigour and cover the whole of the State. The Commission may get an audit conducted on the implementation of low cost measures in PSPCL.	**(d) Reduction in Transformer damage rate:** PSPCL has planned to bring the loading of DTs feeding GSC and industrial load up to 70%, Re earthing of all DTs feeding GSC load and bring down the damage rate to < 1% in urban area and <4% in rural area in next 3 years.	**(d) Reduction in Transformer damage rate:** PSPCL should submit the road map to achieve the target of deloading of DTs & bringing down damage rate of DTs as per targets for urban/rural areas. The Commission may conduct a third party technical audit on Low Cost Measures implementation and other measures taken by PSPCL to improve its Transmission & Distribution system.
2.	**Implementation of R-APDRP Scheme:**	**(i) Baseline data progress:** PSPCL is directed to complete the baseline data including its verification as per the target fixed now i.e 31.7.2012.	**(i) Baseline data progress:** All the meters for Ring fencing and Boundary Metering installed. Out of total eligible 47 no. towns, Ring fencing data of 47 No. towns & base line data of 38 No. towns have been cleared by WAPCOS. The work of verification of data of balance towns is in progress by WAPCOS.	**(i) Baseline data** Commission notes the action taken. PSPCL should ensure timely completion of the work.
		(ii)R-APDRP(Part-A) The Commission directs PSPCL to implement its IT plan across the state of Punjab on priority ensuring that the grant component in R-APDRP Part-A scheme (₹272.85 crore) is fully availed by the State.	**(ii) R-APDRP(Part-A)** Data Centre at Patiala has been made operational with Go Live on 30.12.11. Software gaps have been observed and are being rectified. Disaster Recovery Centre (DRC) servers have been installed and application software loading is completed. Data replication is pending. Customer Care Centre (CCC) has been made operational with Go Live of pilot on 30.12.2011. Differential Global Positioning System (DGPS) Survey and consumer indexing in Pilot town Patiala has been completed and has gone live on 30.12.11. (i) Installation of DT meters Target: 30000 Nos Progress: 28833 No. (up to 28.2.2013) (ii) Modems Target: 30000 Nos. Progress: 9904 No. (up to 28.2.2013)	**(ii) R-APDRP(Part-A)** The target dates for installation of balance DT meters, modems, DGPS & consumer survey have not been adhered to by PSPCL resulting in further slippage in implementation of IT plan in 47 towns covered under R-APDRP. The Commission reiterates its directions to PSPCL to implement its IT plan across the State on priority ensuring that the grant component in R-APDRP scheme is fully availed by the State. In case of failure to do so, loan amount eligible for conversion into grant shall not be taken in to account by the Commission while processing the ARR.

Sr. No	Issues	Directives in TO for the FY 2012-13	PSPCL's Reply	PSERC's Comments/ Directives for 2013-14
			(iii) DGPS Survey Target: 47 Towns. Progress: 47 Towns. (iv) Consumer Survey Completed 23 Towns (Out of which 4 has been approved by PSPCL). In Progress: 24 Towns For implementing IT plan in remaining 40 towns, IT Implementing Agency (ITIA) has not submitted plan. However, implementation is likely to be completed in about one & half year.	
		(iii) R-APDRP(Part-B) The R-APDRP scheme should be implemented by PSPCL within the given time frame as fixed by MoP/GoI/PFC so that the 50% grant under the scheme is fully availed.	**(iii) R-APDRP (Part-B)** Out of total eligible 47 no. towns, Ring fencing data of 47 No. towns & base line data of 38 No. towns have been cleared by WAPCOS. The work of verification of data of balance towns is in progress by WAPCOS. As per criteria only 45 no. towns were qualifying, all the schemes amounting to ₹1550 Cr. were submitted to PFC and out of these 42 no. schemes amounting to ₹1509 Cr. were sanctioned and loan of ₹226.45 Cr. is released as on 30.6.2012. The balance 3 No. schemes stands submitted to PFC for sanction of loan. Work of 15 no. towns for shifting meters is under progress. Out of 18.74 lac meters covered under Part-B, work allotted for shifting 5.55 lac. meters, and upto 28.2.2013, 3.05 lac. meters have been shifted. Installation of LT capacitors on DTs is also in progress and likely to be completed by 31.3.2013. Out of sanctioned DPRs of 27 no. towns, losses of 25 towns is more than 20% and the verification of baseline data is under process by TPIEA (Third party independent evaluation Agency). Target date for completion of works under Part-II: 31.7.2014	**(iii) R-APDRP (Part-B)** Commission notes with concern that although 42 schemes amounting to ₹1509 Cr. stand sanctioned & even loan of ₹226.45 Cr. has been received by PSPCL under R-APDRP but utility has failed to utilize these funds. Till date, only work for shifting of meters & installation of LT capacitors of 15 towns has been allotted while work for execution of system strengthening for ensuring reliability & quality of supply sanctioned under Part B of scheme has not yet been allotted. The Commission reiterates its directive that R-APDRP scheme should be implemented by PSPCL within the given time frame as fixed by MoP/GoI/PFC so that the 50% grant under the scheme is fully availed. In case of failure to do so, loan amount eligible for conversion into grant shall not be taken in to account by the Commission while processing the ARR.
		(iv) Management Information System (MIS) The Commission notes that development of MIS is a part of IT implementation.	**iv) Management Information System (MIS)** IT implementation under R-APDRP (Part-A) for 47 No. towns as well as MIS package is in progress. MIS reports are being generated	**iv) Management Information System (MIS)** PSPCL should expedite the implementation & include provisions of MIS for PSERC returns in its IT plan as directed

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		Therefore implementation of IT Plan should be done expeditiously & on priority basis. PSPCL is directed to include provisions of MIS for PSERC returns in its IT plan.	by the system but need to be improved for which work is in progress.	earlier.
3	**Energy Audit**	**i) Energy Audit of Distribution System:** As already directed (TO 2011-12), Circle wise energy audit of PSPCL distribution system may be conducted. It may be possible to do it easily with Commissioning of AMR meters on all DTs. Responsibility in this regard may be fixed with the Superintending Engineer in-charge of the circle and a duly certified statement in this regard may be submitted to the Commission by PSPCL.	**i) Energy Audit of Distribution System:** The Energy Audit for the town areas covered under R-APDRP up to DT level is planned. DT level energy auditing in 7 Go-Live towns is in process of stabilization	**i) Energy Audit of Distribution System:** Commission observes with concern that installation of DTs, DGPS survey & Consumer Indexing in Patiala town was completed in Dec. 2011 but still data is being termed as inaccurate. No energy audit has started in the towns where similar exercise has been completed. PSPCL must ensure DT level energy audit of atleast 7 number Go Live towns by 30.09.2013 on the lines of TO 2012-13 directive & share the result with the Commission. For Non-APDRP areas, till DT meters are made operational , 11kV feeder wise energy audit reports must be generated by updating the consumer indexing & shared with the Commission by 30.11.2013.
		(ii) Energy audit of Thermal Generating Stations: As already directed (TO 2011-12), the energy audit (including inventory management) of all the PSPCL thermal stations be conducted as per rules laid by BEE and Energy Conservation Act, 2001. The impact of implementing energy conservation steps be measured and intimated to the Commission by PSPCL duly certified.	**(ii) Energy audit of Thermal Generating Stations:-** <u>GGSSTP/GNDTP(Unit 1&2)</u> SHR Study reports finalized by CPRI stands submitted to PSERC on dated 28.2.2012. CPRI has suggested Nos. of Short Term, Medium Term and Long Term measures. GGSSTP/GNDTP is implementing the recommendations in a phased manner, depending upon technical feasibilities, availability of funds and shut down on the units. It is submitted that GGSSTP has already achieved Heat Rate of 2540 kCal/kWh ending January, 2013, which is the lowest ever since the inception of this plant. It is not possible to quantify the benefits achieved on implementing each recommendation, as the various systems are interlinked.	**(ii) Energy audit of Thermal Generating Stations:** Efforts should be made for improvement in SHR (Station Heat Rate) and Reduction in auxiliary consumption of the Thermal Generating Stations at least to the normative levels specified in the Tariff Order. Enough funds have been placed by the Commission at the disposal of PSPCL to implement CPRI recommendations.

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<tr><th>Sr. No</th><th>Issues</th><th>Directives in TO for the FY 2012-13</th><th>PSPCL's Reply</th><th>PSERC's Comments/ Directives for 2013-14</th></tr>
<tr><td></td><td></td><td></td><td>GNDTP:
COD (Commercial Operation Declaration) of unit-3 after its R&M was made w.e.f. 7.12.2012. The unit is now running at its up rated full capacity of 120 MW. R&M work unit-4 is under progress as per latest commitment given by BHEL, it is likely to be synchronized by the end of June, 2013.
GHTP: Energy Audit (EA)
BEE, MoP has already notified "BEE (the manner and time for conduct of energy audit) Regulation-2010." Presently BEE is in the process of accreditation of energy auditors. After completion of the accreditation of energy auditors by BEE, tenders for carrying out the energy audit of GHTP units shall be called upon from energy auditors accredited by BEE with the approval of competent authority and schedule shall be intimated accordingly. Subsequently to comply with the directive of PSERC, the latest status report of energy audits is as under :-
Details of EA carried out at Unit 1&2.
<table>
<tr><th>Unit No.</th><th>Date of commencement of EA</th><th>Date of completion of EA.</th><th>Status</th></tr>
<tr><td>1</td><td>8.7.08</td><td>16.12.09</td><td>EA complete</td></tr>
<tr><td>2</td><td>7.8.11</td><td>31.05.12</td><td>EA complete</td></tr>
<tr><td>3</td><td>9.1.09</td><td>17.01.09</td><td rowspan="2">PG Tests Conducted BHEL</td></tr>
<tr><td>4</td><td>6.3.10</td><td>17.03.10</td></tr>
</table>
It is also mentioned that Schneider Electric India Pvt. has conducted base line energy audit of all the units from BEE from 11.7.2011 to 21.7.2011. Report has been received. No recommendations have been given by firm.
As depicted above the energy audit is being done on one of the units each year at GHTP i.e. each unit after every three years.</td><td></td></tr>
<tr><td></td><td></td><td>(iii) Energy Audit of Hydro Generating Stations:
Although not mandatory as per Act, every unit</td><td>(iii) Auxiliary losses of all Hydro Projects are compared with NHPC Projects and observed that auxiliary losses ending Feb.2013 of all Hydro Projects as follows are</td><td>(iii) Energy Audit of Hydro Generating Stations:

Compliance noted.
Action plan to reduce the GT</td></tr>
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		saved shall earn extra revenue for PSPCL. A study may be got conducted to draw a road map to reduce energy consumption at PSPCL hydro stations to the minimum and comparable to the NHPC hydro generating stations.	within permissible limit: Aux. Consp. GT Losses Shanan 0.049 % 1.442 % UBDC 0.28 % 0.33 % RSD 0.21% 0.07 % ASHP 0.09% 0.67 % MHP 0.17% 1.64 %	Losses of Shanan, ASHP & MHP be submitted to the Commission.
4.	**Demand Side Management Energy Conservation**	**i) Bachat Lamp Yojna:** The implementation of BLY Project needs to be expedited for completion during 2012-13 by PSPCL. The audited report of savings accrued on account of the implementation of this project may be submitted by PSPCL to the Commission on quarterly basis	**i) Bachat Lamp Yojna:** Total lamps of 49 lac households are to be replaced. Lamps of 28 lac. (13 DS circles) households are to be replaced in first phase. C Quest Capital Malaysia (CQC) has been awarded 13 circles of PSPCL to implement Bachat Lamp Yojana. The areas of 13 circles is divided into 15 CPAs(CDM Program Activity). Out of these 15 CPAs, 7 no. CPAs have been included with UNFCCC, remaining 8 no. are pending inclusion. CFL distribution has been completed in five no. CPAs namely. Amritsar City, Jalandhar- Kapurthala, Mohali- Ropar, Amritsar SubUrban – Tarn Taran City and Kapurthala-Tarn Taran. A total of 16,38,059 no. of CFLs have been distributed in 4,93,999 Households. Due to drastic fall in CER prices CQC has shown its inability to further distribute CFLs under BLY scheme. Meeting with CQC officials and BEE representatives were held on 15.02.2013 at BEE office to press the firm to distribute the CFLs in pending two number registered CPAs. The bid for the remaining 7 no. circles of PSPCL has been put on hold by PSPCL management as no response was received despite repeated extensions. As only 2-3 no. of Incandescent Lamps have been replaced with CFLs at a consumer premises, the load of these ICL/ CFL is only a fraction of total consumer load. Moreover, no separate meter has been installed for the CFLs distributed under BLY. So, the effect of these CFLs cannot be audited. Theoretically, about 25 MW of peak demand reduction	**i) Bachat Lamp Yojna:** The replacement of ICLs with CFLs under BLY has come to a stand-still due to adverse Certified Emission Reduction (CER) market. However, PSPCL should frame proposal to implement the scheme outside BLY by providing CFLs to consumers on subsidized rates through some BEE approved Energy Service Company (ESCO). Commission may approve cost of this efficient lighting programme along with other approved DSM initiatives as pass through within the provisions of DSM regulations during true up.

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			have been obtained by the distribution of CFLs under BLY scheme, considering the 0.2 as the utilization factor for these CFLs.	
		(ii) Agriculture DSM The Commission, however, directs that a time bound programme to replace 100% AP sets with efficient pump sets over coming three to five years be prepared for implementation and submitted to the Commission.	**(ii) Agriculture DSM** Bids for Ag DSM Pilot Project covering 6 no. feeders of Muktsar and Tarn Taran districts were floated in 2011-12. Despite repeated extensions and modifications no response was received. Meetings with pump manufacturers and BEE were also conducted so that the project can be started. A meeting was held with EESL on 17.07.2012 and data of one feeder- Channu, Lambi Sub Division was submitted for submission of financial proposal. Now, it has been decided by the competent authority to select new feeders so that the results of pilot project can be extrapolated for the whole state of Punjab. Proposal for DPR preparation for 11 kV Roargarh and Panjola feeders of Chaurwala Sub Division, Sirhind Division has been submitted to PSPCL management for consideration.	**(ii) Agriculture DSM** Commission should be apprised of the feeders selected for implementing Agriculture DSM along with execution plan for 2013-14. The directive of 2012-13 is reiterated and PSPCL should come up with the proposal to replace 100% AP pumpsets with efficient pumpsets.
		(iii) DSM PLAN The Commission directs that DSM Regulations be implemented and a comprehensive DSM plan be prepared and submitted to the Commission at the earliest	**(iii) DSM PLAN** Draft RFP for the engagement of consultants for the preparation of complete DSM plan for the State of Punjab has been prepared by the O/o Dy.CE/DSM. As per directions of competent authority the RFP was referred to WTD of PSPCL. The matter was discussed in WTD on 04.09.12 vide memorandum no. 05/DSM-17 dated 29.08.12. Administrative approval to call RFP for engagement of consultants has been accorded. Now, specifications have been submitted to CE/TA&I on 21.09.2012 for approval. As soon as the specifications are approved by the competent authority, tenders will be floated. A consumer survey of 3000 households has been conducted to ascertain the type of load and CFLs used in Domestic Category. The data has been submitted to	**(iii) DSM Plan** Commission notified DSM Regulations in March 2012 & PSPCL was required to establish technical potential for DSM in the state on the basis of load/market research within 6 months of notification and prepare comprehensive DSM plan within one year. It is a matter of serious concern that utility has not even started the process despite repeated reminders from the Commission. It was desired that till comprehensive plan is prepared, PSPCL should carry out certain DSM activities after approval of the Commission for which funds can be allocated after evaluating the cost effectiveness of the programmes. However no such programmes were submitted. Commission directs that

Sr. No	Issues	Directives in TO for the FY 2012-13	PSPCL's Reply	PSERC's Comments/ Directives for 2013-14
			PSERC. Replacement of 1982 make old ACs at GGSSTP, Ropar: A project comprising of replacement of 117 no. inefficient ACs at GGSSTP, Ropar has been prepared and approved by the management. The project is estimated to be around ₹32 lac. with a payback period of about two years. Now, a memorandum has been prepared and submitted for the approval of competent authority. Public Awareness Programs PSPCL has celebrated Energy Conservation Fortnight from 30th Nov 2012 to 14th Dec 2012 throughout the State of Punjab. During this campaign two state level functions were also organized. Many functions at zonal and circle level were also organized. Inaugural function was on 30th Nov 2012 at Patiala and closure was organized on 14th December 2012 at Amritsar. Functions in schools are also arranged to make the children aware about the need of energy conservation. Stalls at Kisaan Melas and other govt. functions are organized and pamphlets/ posters are distributed to public to aware them about need of energy conservation.	technical potential report must be submitted latest by 30.06.2013. Technical Potential estimate as per data & information available with the Commission shall be declared after 30.06.2013 & PSPCL shall be required to achieve atleast 10% of energy saving in potential declared by the Commission during the year 2013-14. PSPCL can execute following DSM schemes where the suppliers can approach the consumers directly for replacement of inefficient electrical appliances at concessional rates e.g.: a) Replacing electro-magnetic choke with electronic choke for tubelight. b) Replacing old fans with energy efficient fans. c) Replacing old ACs and Refrigerators with energy efficient ones.
		(iv) The Commission directs PSPCL to ensure that periodical checking is made to determine that new tube well connections are released with 4 star rated ISI marked pump sets.	**(iv)** All new agricultural connections are released with minimum 4 star BEE labelled agricultural pump sets, power capacitor, foot/ reflex valves. The commercial circular no. 43/2011 has been issued on 03.11.2011 in this regard. 1599 no. of 4 star rated motor pump sets have been installed in compliance of the above commercial circular, as informed by the distribution Chief Engineers.	**(iv)** PSPCL should ensure strict compliance of the notification for use of 4 star labelled pump sets for all new AP connections.
5.	**Agricultural Consumption & Metering Plan**	**(i) Agricultural Consumption** ● The Commission notes the action taken. Sample size of 10% shall be achieved by September 2012. PSPCL shall report on status within three	**(i) Agricultural Consumption** Ending 01/2013 Sample size of AP meters is 109647 Nos. against 1170919 T/W connections i.e. 9.36%. However all new AP tube well connections under ARTC scheme will be released by	**(i) Agricultural Consumption** Commission has taken a serious view of the total failure of PSPCL to ensure accuracy of sample meter readings and compliance of directives in this regard. No useful purpose may

Sr. No	Issues	Directives in TO for the FY 2012-13	PSPCL's Reply	PSERC's Comments/ Directives for 2013-14
		months of this Tariff Order. ● The Commission has taken note of the action taken for installation and commissioning of AMR system on AP feeders. The date on which AMR on all AP feeders should be completed and reported by 01.01.2013. AMR data complete in all respects, has not been received by the Commission. The utility is advised to ensure that AMR data complete in all respects, be sent to the Commission on a monthly basis during 2012-13.	providing meters. Faulty/Non functional meters are 10.72% (11760Nos) and Effective sample size is 97887 Nos. i.e. 8.36%.ending 1/2013. AMR system is being adopted for AP consumers which will cover 10% AP consumer in the first instance and in future will cover 10 to 20% of AP consumers per year under this scheme subject to availability of funds. In this regard EOIs from 14 no. firms have been received and are under study. Total No. of AP feeders 3960 Nos. AMR compatible meters installed: **3250** No. Meters on balance feeders also installed but DCU installation is pending. Circle wise AMR data of 25 AP feeders for each circle is being submitted regularly and stands submitted to PSERC up to 12/2012.	be served by just installing ordinary meters on new AP connection without making arrangements for its regular reading. It is a matter of concern that despite repeated assurances, PSPCL failed to supply credible AMR data of pure AP feeders to the Commission. PSPCL is directed to implement the following steps: (i) All remaining mixed AP feeders should be segregated. (ii) AP load of Kandi area feeders fed from mixed feeders should be segregated. In case segregation in some cases is not practicable, then in such cases all AP motors should be metered under AMR-LT capacitor model. Compliance should be ensured during 2013-14. (iii) Ensure that AMR meters shall be installed on all AP feeders & accurate/ credible AMR data in respect of all AP feeders is made available to the Commission by 30th Sept. 2013. (iv) Ensure submission of monthly data of pumped energy on AP feeders as per Grid meters on the formats already prescribed by 10th of each month. (v) Ensure submission of AMR data on monthly basis on the prescribed formats and submit the same by 10th of each month. (vi) Ensure that as per the existing instructions, all AP motors fed from urban feeders are provided with energy meters and consumption of such connections should be counted in metered AP sale.
		ii) Metering Plan The Commission draws attention of the utility to	**(ii) Metering Plan** 100% AP Metering Plan: Pilot Project completed by installing	**(ii) Metering Plan** Commission is of the view that release of new tubewell

Sr. No	Issues	Directives in TO for the FY 2012-13	PSPCL's Reply	PSERC's Comments/ Directives for 2013-14
		the Electricity Act, 2003 which mandates 100% metering. The Commission in a meeting on Directives in Sept. 2011 had advised the utility to prepare a plan to implement the mandate. The pilot project to measure AP consumption of each AP consumer through AMR system undertaken in Ajitgarh (Mohali) circle of PSPCL may be got implemented on lease/rental basis covering installation, maintenance and up keep of AMR meters. In addition this project may also include installation, maintenance and up keep of LT capacitors at each AP consumer end on lease/rental basis. This may prove to be a least cost and efficient solution to the 100% AP metering and improving AP power factor. The utility is advised to furnish a plan to the Commission for implementing 100% metering and AP power factor correction within two months of this Tariff Order.	52 meters on Mouly feeder under Mohali circle. Revenue model is under study. 100% metering in respect of DS, NRS, SP, MS & LS consumers has been done. 10% metering has been done for AP consumers. 109647 Nos. meters on AP connections as sample meter has been installed ending 01/2013. AMR system is being adopted for AP consumers which will cover 10% AP consumers in the first instance and in future will cover 10 to 20% of AP consumers per year under this scheme subject to availability of funds. In this regard EOIs from 14 no. firms have been received and are under study.	connections with ordinary meters may not serve any purpose since for reading these meters there will be huge manpower requirement. It would therefore be better to extend the AMR-LT capacitor model proposed to be implemented on 10% feeders to cover all AP consumers on these feeders. Commission notes that EoI for covering 10% AP feeder on AMR-LT capacitor model has been opened on 3.12.2012 & good response has been received from firms. The project should be implemented on 10% AP feeders spread uniformly throughout the state (& not on 10% AP consumers) during 2013-14. Thereafter 30 % AP feeders should be covered each year so as to complete the project by 2016-17.
6.	**Two Part Tariff/TOD**	The Two Part Tariff proposal given by PSPCL in its ARR for 2012-13 was discussed in the State Advisory Committee but elicited a significant number of objections. The utility is advised to take cognizance of observations made in this Tariff Order (Chapters) and submit a revised proposal on Two part & ToD tariff within three months of issuance of this Tariff Order.	Proposal regarding Two Part Tariff and ToD Tariff has been submitted to PSERC.	Two Part Tariff: PSPCL is directed to submit the proposal again after examining the issues raised by the consumers and consumer organizations along with detailed report on the result of the mock/parallel run of billing on single part and two part tariff systems. ToD: Commission has approved the proposal of PSPCL for introduction of ToD for LS industrial category. PSPCL to submit the proposal for introduction of ToD Tariff for other categories of consumers.

Sr. No	Issues	Directives in TO for the FY 2012-13	PSPCL's Reply	PSERC's Comments/ Directives for 2013-14
7.	**kVAh Tariff**	The Commission observes that although a preliminary proposal was put forth in presentations in Sep./Oct. 2011, the advised parameter clarification has not been effected. The utility is advised to submit a final proposal within three months of issuance of this Tariff Order.	Proposal regarding introduction of kVAH Tariff in PSPCL shall be submitted to PSERC shortly.	Proposal may be expedited.
8.	**Employee Cost**	The Commission observes with concern that the Directive (TO 2011-12) for submitting implementation Action Plan on PwC Study Report on manpower rationalization has not been implemented by the utility. The PwC Manpower Study Report lying with PSPCL for more than a year need to be implemented on priority. The problem of employee cost which is one of the highest in the country, need to be tackled with much more seriousness by the utility.	**(i) Implementation of PwC Report on Manpower** PwC, Consultant on Manpower Study, submitted report in March, 2011 which was discussed in the meeting of BoDs held on 13.4.2011. A committee of Director/Finance, Director/ Distribution, Director/HR and Director/Admn. was constituted for further examining the report and putting up to the Board. Memorandum No.12/DDH-24 dated 1.3.2012 was submitted to BoD for considering the PwC report along with comments and recommendations of aforesaid committee and is under the consideration of BoD. The implementation of the report will be undertaken subsequently. However total No. of employees have been reduced from 87066 Nos. in the year 2001-02 to 49041 No. in the year 2011-12 & 48611 in the year 2012-13.	**(i) Implementation of PwC Report on Manpower** It is a matter of concern that PSPCL could not take any decision regarding implementation of PwC report on manpower in almost two years. PwC report was not only to reduce employees' strength but also to increase productivity of existing manpower by re-deployment and re-training of the existing staff. Commission directs PSPCL to submit the action taken report on PwC report by 30.6.2013 and ensure compliance during 2013-14.
		The pilot project for urban and rural distribution restructuring on functional basis successfully implemented at Patiala & Nabha and extended in some other divisions/circles of PSPCL need to be expedited for implementation during 2012-13.	**(ii) Re-organisation of distribution system on functional lines** Pilot Project for Urban and Rural areas is already in place. Keeping in view the positive results of the pilot project reorganization of two more Distribution Divisions (Bathinda, Budhlada), city areas of three more DS Circles (Jalandhar, City Amritsar & Sub urban Amritsar) has already been done. 2 divisions Rajpura and Samana have also been restructured on functional basis recently. It shall further be rolled out in State along with SAP project. As earlier committed to Hon'ble	**(ii) Re-organisation of distribution system on functional lines** The status reported by PSPCL is same as was submitted in the TO 2012-13 which clearly indicate that no tangible progress in this regard has been made. PSPCL has extended the re-organisation to only two more divisions during the year. Commission directs PSPCL that re-organisation of distribution set up be expedited in order to complete all R-APDRP towns by 31.12.2013 & remaining by 31.3.2014. In the functionally

Sr. No	Issues	Directives in TO for the FY 2012-13	PSPCL's Reply	PSERC's Comments/ Directives for 2013-14
			Commission, the re-organization of Distribution Wing is targeted to be completed by 6/2013.	reorganized DS Divisions, separate wing for Design & Construction (D&C) be added.
		The implementation of AMR for HT consumers should be completed by 31.12.2012 and reported.	**(iii) AMR of HT consumers** Total no of HT Consumers: 11000 Modems installed: 1537 no. Billing of high end consumers in 7 towns integrated with DC is being carried out based on AMR data.	**(iii) AMR of HT consumers** The implementation of AMR for HT consumers should be expedited and completed by 31.3.2014. AMR of all MS consumers be implemented on priority for successful introduction of ToD for these consumers during 2014-15.
		The target of completing distribution SCADA/DMS by 30.6.2013 must be met by PSPCL.	**(iv) Distribution SCADA/DMS:** RFP for implementation of SCADA in 3 No. cities viz. Ludhiana, Jalandhar & Amritsar was floated on 31.5.2012. Further processing has been put on hold till verification/validation of AT&C losses of Ludhiana town which is under process by WAPCOS. Further activities relating to RFP will be restarted after above verification. Work is expected to be completed by 30.6.2014.	**(iv) Distribution SCADA/DMS:** The revised target date of completing distribution SCADA/ DMS by 30.6.2014 must be met by PSPCL.
		PSPCL should come up with a plan to implement **unmanned sub-stations** on experimental basis and extend this project depending upon its overall financial viability.	**(v) Unmanned Grid S/Stns** It will be implemented in three towns Jalandhar, Amritsar & Ludhiana where SCADA scheme is being implemented under R-APDRP scheme.	**(v) Unmanned Grid S/Stns.** Schedule Plan to implement unmanned sub-stations on experimental basis in the shortlisted three towns of Jalandhar, Amritsar & Ludhiana (where SCADA scheme is being implemented under R-APDRP scheme) should be submitted to the Commission within three months of the issue of TO.
		Although, some advised initiatives like **application of management techniques and training of officers** and staff have been undertaken to some extent and are appreciated, the utility has to go a long way in implementing these initiatives and come at par with progressive organizations like NTPC, NDPL etc. The PSEB Training Policy including development of complete training infrastructure already approved needs to be implemented in	**(vi) Training of officers & staff** 2010-11: Training man days achieved 76350 2011-12: target was 80000 man days achieved 93938. During 2012-13, till 22nd February, 2013 approximately 94300 man-days training has been imparted. A dedicated cell named ODMD (Organizational Development & Management Development) attached with CE/HRD has been established for introduction and implementation of Modern Management Techniques. Further following important works have been initiated. • 29 Nos. Quality Circles have	**(vi) Training of officers & staff** Efforts made by PSPCL are appreciable. However, there is much scope for implementing already approved PSEB training policy aiming for 'one week training for all' every year besides developing a dedicated Management Development Institute. With the creation of HRD as a distinct function headed by a Director in PSPCL, it should be possible to emulate NTPC, PGCIL, NDPL in training and multi skilling to optimize output of PSPCL manpower.

<table>
<tr><th>Sr. No</th><th>Issues</th><th>Directives in TO for the FY 2012-13</th><th>PSPCL's Reply</th><th>PSERC's Comments/ Directives for 2013-14</th></tr>
<tr><td></td><td></td><td>letter & spirit. An action plan on these lines be prepared and submitted to the Commission during 2012-13.

The Commission has taken note on the action taken on;
(i) The establishment of dedicated cell to improve the performance of the employees / organization.
(ii) Implementation of concept of Quality control circles and establishment of the Quality Control Circle.
(iii) Conduction of workshops on the subject.
• The status of working and attainments of these Quality Control Units shall be reported to the Commission by PSPCL within two months of issuance of this Tariff Order.</td><td>been established in PSPCL and PSPCLs Quality Circles Awards were held where the best performing Quality Circles were honoured.
• In order to disseminate the adopted vision, mission and core values, workshops on value actualization are being conducted all across PSPCL to cover maximum nos. of employees. About 2100 employees have been covered under these workshops conducted at zonal headquarters, thermal plants and Hydel plants. Further, in house session on values actualization has been developed which will be integrated into all the in-house training programmes.
• In order to develop a competency driven organization, five no. workshops on “Building Organizational Effectiveness through Competency Mapping” have been conducted for 100 senior officers (EICs/CEs/Dy.CEs/SEs/Addl .SEs.) of PSPCL. In these workshops, the mapping process was integrated with OD intervention thus initiating the change management at top level of the organization. Based on the positive feedback, these workshops will be conducted shortly for another 100 no. senior officers.</td><td></td></tr>
<tr><td>9.</td><td>Receivables</td><td>The Commission observes that there is a decrease in the total receivables for the year ending 03/2012 as compared to the last year ending 3/2011. However, it is noted that ISC category has shown an increase in receivables. The utility is advised to make sustained efforts to reduce defaulting amount</td><td>Category wise Defaulting amount ending 1/2013 (₹ in lac.) is detailed as under :
<table>
<tr><th>Categor</th><th>Ending 03/2012 (audited)</th><th>Ending 1/2013 (un-audited)</th></tr>
<tr><td>ISC</td><td>22965.99</td><td>27927.04</td></tr>
<tr><td>GSC</td><td>32564.26</td><td>30969.45</td></tr>
<tr><td>AP</td><td>24433.71</td><td>477.67</td></tr>
<tr><td>Other</td><td>1131.65</td><td>521.25</td></tr>
<tr><td>Total</td><td>81095.61</td><td>59895.41</td></tr>
</table></td><td>PSPCL may explain increase in the amount of the receivable against Industrial category and ensure reduction in the outstanding amount particularly from industrial consumers & submit compliance.</td></tr>
</table>

Sr. No	Issues	Directives in TO for the FY 2012-13	PSPCL's Reply	PSERC's Comments/ Directives for 2013-14
		under this head. Also the overall reduction is insignificant 1.30%. The utility is directed to make efforts to further reduce the defaulting amounts. PSPCL should take up with GoP for early clearance of dues of State Govt. departments.		
10	**Mtc. Of category wise details of Fixed Assets**	In the TO for FY 2011-12, the Commission directed the utility that details of fixed assets added as well as written off during the year should be furnished. In the TO for FY 2012-13, utility was advised to expedite the finalization of FAR.	M/s Sushil Jeetpuria & Associate Consultants had been appointed for preparation of fixed assets registers (FAR), Same have been prepared by the consultants and are under verification of a committee constituted by PSPCL. Progress/updated status of fixed assets register (FAR) prepared by M/s Sushil Jeetpuria & Associates is concerned, the same will be intimated as soon as it is finalized.	Commission notes the compliance.
11	**Power purchase from Traders and through UI.**	The utility had been advised to purchase power judiciously at the rates within the cost approved. The Commission observes that PSPCL has been successful in bringing down the cost of power purchased which is a laudable effort.	For 2012-13 Short Term Power Purchase has been tied up for 80% and for balance 20% to be arranged on day end ahead basis from open market as per real time requirement. Monthly power purchase statement/data is being furnished to Commission regularly.	PSPCL should strictly follow the Power Purchase Regulations notified by the Commission.
12	**Cost of supply and Cross subsidy**	The Commission observes that after preliminary presentation in 2011, another presentation of the study was made before the Commission on 23.5.2012. The Commission has made observations on the study. PSPCL is advised to finalise the study at the earliest.	Final Report of CoS study stand submitted to PSERC and public hearings have been held on this matter.	Commission notes the compliance.
13	**Loading status of PSPCL sub-transmission system (66 kV & 33 kV)**	The Commission observes that the list of overloaded sub-transmission lines/substations (66 kV and 33 kV) of PSPCL along with works planned	264 Nos sub stations are overloaded to carry out the work of new, augmentation and additional works. Out of which 161 No. are on priority. 85 Nos. have been completed and remaining shall be completed before 31.5.2013.	PSPCL should ensure completion of the work of deloading of sub-stations as per the target. Details of loading be put on website to enable the consumers to know the

Sr. No	Issues	Directives in TO for the FY 2012-13	PSPCL's Reply	PSERC's Comments/ Directives for 2013-14
		and target dates to optimally load them be displayed on PSPCL website. The augmentation, up-gradation and addition of new sub-stations may be planned for current Five Year Plan and submitted to the Commission.		likelihood of feasibility clearance.
14	**Cost Audit of generating stations**	Apart from the Energy Audit being conducted at various thermal generating stations, the PSPCL is directed to get 'Cost Audit' conducted, for each of the thermal generating stations to identify the area where efficiency could be improved and costs reduced. If such cost audit is already being conducted the cost audit report for FY 2009-10 and FY 2010-11 shall be submitted to the Commission along with the details of the action taken to improve the efficiency of the areas identified and reduce the costs.	Firm of professional Cost Accountants has already been appointed for maintenance of cost accounts for the year 2010-11 and 2011-12. The work of maintaining the cost accounting records for above mentioned period had already been in process. But, due to non finalization of balance sheet of PSPCL for years 2010-11 and 2011-12, cost accounts are still to be finalized as cost accounts are extracted from the financial accounts. Further, the cost auditor for the year 2011-12 had been already appointed but no cost audit report is submitted by the cost auditor.	The cost audit reports along with action taken report should be expedited.
15	**AMR of DS/NRS consumers**	PSPCL may launch pilot program of AMR [on lease basis on the pattern of AMR for AP consumers executed in Ajitgarh (Mohali) circle] for DS/NRS and other categories of consumers and compare with present metering system & prepare a road map for an efficient, accurate & cost effective AMR system for execution across the State of Punjab.	AP Pilot Project completed by installing 52 meters on Mouly feeder under Mohali circle. Revenue model is under study. Presently there is no such programme as huge funds are required for this purpose but the case to implement this scheme for DS/NRS consumers will be processed after making a set policy. However, one trial test of 100 Nos. LPR meters (AMR) is done at Patiala. This proposal Is under consideration and performance of this technology is being asked from other power utilities.	PSPCL may launch program of AMR (on lease basis to avoid high Capital investment) for DS/NRS & other consumers of the State. A pilot in this regard may be carried out during 2013-14.

Sr. No	Issues	Directives in TO for the FY 2012-13	PSPCL's Reply	PSERC's Comments/ Directives for 2013-14
16	**Coordinated planning of transmission and sub transmission works**	PSPCL & PSTCL shall coordinate planning of transmission works (400, 220 & 132kV) and sub transmission works (66 & 33kV) so that there is no bottleneck in delivering power at the consumer end. A coordination committee of both companies may be notified and made responsible for compliance of this directive.	A joint 'Transmission Planning Committee' has been constituted vide CE/SLDC Office Order No.48 dated 15.03.2013	Compliance has been noted.
17	**Improvement in quality of service**	The Commission notes the compliance and advises the utility to ensure regular updation of reliability indices.	Monthly Reliability Indices (RI) is being updated and is available ending 12/2012 on PSPCL website.	The Standard of Performance (SOP) notified by the Commission should be prominently displayed at all the sub-divisional offices / bill collection centres/complaint centres within three months from the issuance of this Tariff Order. Commission observed that Reliability Indices data is not being uploaded regularly on PSPCL website & scanned copies are put on the website which are not consumer friendly. PSPCL must put the RI data as per SOP requirements and supply information to the Commission for onward supply to CEA.

B. New Directives issued in Tariff Order for FY 2013-14

Sr. No.	Issues	Directives in Tariff Order for FY 2013-14
1	Fuel Audit of various Thermal Plants of PSPCL	The Commission, in its Orders dated 10.02.2012 and 27.02.2013, has issued directions in the matter of Fuel Audit of Thermal Plants of PSPCL. PSPCL is directed to report the progress made to the Commission every quarter, with regard to the implementation of these directions.
2	Review of PPAs with Generators / Traders for purchase of power from outside the State of Punjab.	In view of projected surrender of power by PSPCL during FY 2013-14, the Commission has advised PSPCL, in para 4.8.5 of this Tariff Order, to review its PPAs with the Generators/Traders for purchase of power from outside the State of Punjab, and shift from PPAs with Thermal Generators/Traders to PPAs of Hydro Generators/Traders as hydro power suits the load profile of Punjab and may prove cheaper to thermal power due to consistent rise in fuel prices, in the long run. PSPCL is directed to submit the action taken report in the matter and progress achieved on priority.

Annexure – V

Categorywise & Voltagewise Cost of Supply: FY 2013-14

Voltage of Supply	Consumer Category	Cost of Supply (₹ / kWh)
1	***2***	***3***
220 kV	Industrial	4.34
	Railway Traction	4.34
132 kV	Industrial	4.36
	Bulk	4.33
	Railway Traction	4.37
66 kV	Industrial	4.97
	Common Pool	4.57
	Commercial	4.98
	Bulk	4.82
33 kV	Industrial	5.09
	Domestic	5.37
	Bulk	4.83
11 kV	Industrial LS	5.53
	Domestic	5.20
	Commercial	5.44
	Bulk	5.26
LT	Industrial MS	6.58
	Industrial SP	6.90
	Domestic (0-100)	5.94
	Domestic (101-300)	5.94
	Domestic (above 300)	5.91
	Agriculture	5.85
	Commercial	6.35
	Public Lighting	6.10
	Bulk	7.97

Annexure - VI

Apportionment of Cost among various functons as per Board's Audited Accounts for FY 2009-10

(₹ crore)

S.No	Particulars	Hydel	Thermal	Total Generation	Distribution	Total
A - ASSETS						
	Direct	5985.27	5686.28	11671.55	6521.11	18192.66
	Apportioned	40.3	38.28	78.58	43.91	122.49
	Total (Amount)	**6025.57**	**5724.56**	**11750.13**	**6565.02**	**18315.15**
	Total (%)	**32.90%**	**31.26%**	**64.16%**	**35.84%**	**100.00%**
B - EXPENSES						
1	**Power Purchase Cost**	**0**	**0**	**0**	**4653.19**	**4653.19**
	Power Purchase Cost - %	**0.00%**	**0.00%**	**0.00%**	**100.00%**	**100.00%**
2	Fuel Cost	0	3536.24	3536.24	0	3536.24
	Other Fuel Related Costs	0	48.26	48.26	0	48.26
	Sub Total	**0**	**3584.50**	**3584.50**	**0**	**3584.50**
	Add: Fuel Related Losses	0	37.36	37.36		37.36
	Total	**0**	**3621.86**	**3621.86**	**0**	**3621.86**
	Total Fuel Cost (%)	**0.00%**	**0.00%**	**0.00%**	**100.00%**	**100.00%**
3	**Repair & Maintenance**					
	Direct	69.01	135.78	204.79	84.13	288.92
	Apportioned	11.94	23.49	35.43	14.55	49.98
	Less: Capitalisation	0.43	0.84	1.27	0.52	1.79
	Total (Amount)	**80.52**	**158.43**	**238.95**	**98.16**	**337.11**
	Total (%)	**23.89%**	**47.00%**	**70.88%**	**29.12%**	**100.00%**
4	**Employee Cost**					
	Direct	90.39	252.96	343.35	1405.31	1748.66
	Apportioned	33.42	93.52	126.94	519.55	646.49
	Less: Capitalisation	5.58	15.61	21.19	86.73	107.92
	Total (Amount)	**118.23**	**330.87**	**449.1**	**1838.13**	**2287.23**
	Total (%)	**5.17%**	**14.47%**	**19.64%**	**80.36%**	**100.00%**
5	**Administration & General**					
	Direct	3.26	4.25	7.51	47.66	55.17
	Apportioned	1.38	1.79	3.17	20.12	23.29
	Less: Capitalisation	0.98	1.28	2.26	14.38	16.64
	Total (Amount)	**3.66**	**4.76**	**8.42**	**53.4**	**61.82**
	Total (%)	**5.92%**	**7.70%**	**13.62%**	**86.38%**	**100.00%**

6	**Depreciation & Related Debits (Net)**					
	Direct	136.31	223.59	359.9	331.67	691.57
	Apportioned	1.44	2.36	3.8	3.5	7.3
	Less: Capitalisation	0.32	0.53	0.85	0.78	1.63
	Total (Amount)	**137.43**	**225.42**	**362.85**	**334.39**	**697.24**
	Total (%)	**19.71%**	**32.33%**	**52.04%**	**47.96%**	**100.00%**
S.No	**Particulars**	**Hydel**	**Thermal**	**Total Generation**	**Distribution**	**Total**
7	**Interest & Finance Charges**					
	Direct	587.33	344.92	932.25	491.69	1423.94
	Apportioned	1.25	0.74	1.99	1.05	3.04
	Less: Capitalisation	92.63	54.4	147.03	77.55	224.58
	Total (Amount)	**495.95**	**291.26**	**787.21**	**415.19**	**1202.4**
	Total (%)	**41.25%**	**24.22%**	**65.47%**	**34.53%**	**100.00%**
8	**Apportionment of Return on Equity (in ratio of assets) (in ₹ crore)**	**121.55**	**115.48**	**237.03**	**132.44**	**369.47**
	Return on equity (%)	**32.90%**	**31.26%**	**64.15%**	**35.85%**	**100.00%**

ANNEXURE - VII

Proportion of Plant-wise cost of Generation for FY 2009-10 (As per information submitted by PSPCL)

Units in MkWh
(₹ in Lacs)

S.No	Particulars	HYDEL									THERMAL				Total
		RSD	Mukerian Hydel	UBDC	UHL	Anandpur Sahib	Micro Hydel	L.Bank & R.Bank	Beas & extn.	Total Hydro	GGSSTP Ropar	GNDTP Bathinda	GHTP Lehra Mohabbat	Total Thermal	
1	2	3	4	5	6	7	8	9	10	11 = (3 to 10)	12	13	14	15 = (12 to 14)	16 = (11+15)
1	MkWh generated during the year	1068.77	885.95	336.71	510.54	574.42	12.79	2160.2	1514.04	7063.41	10056.44	2723.35	7515.91	20295.7	27359.11
2	MkWh use in auxiliaries	3.64	23.79	2.28	6.07	4.66	0	0	0	40.44	818.34	309.39	592.26	1719.99	1760.43
3	MkWh sent out	1065.13	862.16	334.43	504.47	569.76	12.79	2160.2	1514.04	7022.97	9238.1	2413.96	6923.65	18575.71	25598.68
4	Total depreciated capital cost of generating assets in use at the beginning of the year including share of G.E.	360595.4	23711.04	8274.4	2107.7	10836.89	753.5	3818.6	10388.3	420485.79	33566.99	16812.27	151209.7	201588.94	622074.73
5	Total capital expenditure on generation assets brought in use during the year with date of commissioning including share of G.E.	14.18	587.48	1362.6	6.83	0	0	0	2.06	1973.19	378.88	18917.11	110579.1	129875.06	131848.25

S.No	Particulars	HYDEL									THERMAL				Total
		RSD	Mukerian Hydel	UBDC	UHL	Anandpur Sahib	Micro Hydel	L.Bank & R.Bank	Beas & extn.	Total Hydro	GGSSTP Ropar	GNDTP Bathinda	GHTP Lehra Mohabbat	Total Thermal	
1	2	3	4	5	6	7	8	9	10	11 = (3 to 10)	12	13	14	15 = (12 to 14)	16 = (11+15)
6	**COST OF GENERATION**														
I	Fuel									0	211025.6	54117.77	97041.68	362185.07	362185.07
ii	Oil, water & stores							0.6	17.81	18.41	1319.27	595.31	161.22	2075.80	2094.21
iii	Salaries & wages including contribution made for pension, Provident fund of Superannuation of Officer/servants + Fringe Benefit Tax (FBT)	1175.73	2387.15	1815.7	1062.8	1701.36	0.01	1871	959.22	10972.92	16468.63	10872.85	5657.04	32998.52	43971.44
iv	R&M expenses	53.53	106.62	106.45	88.8	186.9	40	1578.2	4725.25	6885.71	6796.45	2298.73	2486.23	11581.41	18467.12
v	Adm. Charges attributable to generation	68.59	60.5	49.97	40.83	20.25	0	103.21	43.59	386.94	300.63	116.78	168.66	586.07	973.01
vi	Specified Depreciation including share of G.E.	10601.49	1085.55	355.01	152.55	356.32	20.74	537.92	503.61	13613.19	2671.66	2045.8	17655.04	22372.50	35985.69
vii	Interest	46371.64	3049.18	1064.1	271.04	1393.6	96.9	491.07	1335.9	54073.4	4316.63	2162.02	19445.18	25923.83	79997.23
	Total cost of Generation	58270.98	6689	3391.2	1616	3658.43	157.7	4582	7585.38	85950.57	242898.9	72209.26	142615.1	457723.20	543673.77
	Cost of Generation per kWh in paise	547.08	77.58	101.4	32.03	64.21	123.3	21.21	50.1	122.38	262.93	299.13	205.98	246.41	212.38

ANNEXURE - VIII

Proportion of Plant-wise cost of Generation for FY 2009-10 (As per Annexure VII)

(In %)

S.No	Particulars	HYDEL									THERMAL			
		RSD	Mukerian Hydel	UBDC	UHL	Anandpur Sahib	Micro Hydel	L.Bank & R.Bank	Beas & extn.	Total Hydro	GGSSTP Ropar	GNDTP Bathinda	GHTP Lehra Mohabbat	Total Thermal
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11 = (3 to 10)**	**12**	**13**	**14**	**15 = (12 to 14)**
1	MkWh generated during the year	15.13%	12.54%	4.77%	7.23%	8.13%	0.18%	30.58%	21.43%	100.00%	49.55%	13.42%	37.03%	100.00%
2	MkWh used in auxiliaries	9.00%	58.83%	5.64%	15.01%	11.52%	0.00%	0.00%	0.00%	100.00%	47.58%	17.99%	34.43%	100.00%
3	MkWh sent out	15.17%	12.28%	4.76%	7.18%	8.11%	0.18%	30.76%	21.56%	100.00%	49.73%	13.00%	37.27%	100.00%
4	Net fixed assets	85.76%	5.64%	1.97%	0.50%	2.58%	0.18%	0.91%	2.47%	100.00%	16.65%	8.34%	75.01%	100.00%
5	Total capital expenditure on assets added during the year	0.72%	29.77%	69.06%	0.35%	0.00%	0.00%	0.00%	0.10%	100.00%	0.29%	14.57%	85.14%	100.00%
6	**COST OF GENERATION**													
I	Fuel	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	58.26%	14.94%	26.79%	100.00%
ii	Oil, water & stores	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	3.26%	96.74%	100.00%	63.55%	28.68%	7.77%	100.00%
iii	Employee cost + FBT	10.71%	21.75%	16.55%	9.69%	15.51%	0.00%	17.05%	8.74%	100.00%	49.91%	32.95%	17.14%	100.00%
iv	R&M expenses	0.78%	1.55%	1.55%	1.29%	2.71%	0.58%	22.92%	68.62%	100.00%	58.68%	19.85%	21.47%	100.00%

S.No	Particulars	HYDEL									THERMAL			
		RSD	Mukerian Hydel	UBDC	UHL	Anandpur Sahib	Micro Hydel	L.Bank & R.Bank	Beas & extn.	Total Hydro	GGSSTP Ropar	GNDTP Bathinda	GHTP Lehra Mohabbat	Total Thermal
1	2	3	4	5	6	7	8	9	10	11 = (3 to 10)	12	13	14	15 = (12 to 14)
V	Admin & General Expenses	17.73%	15.64%	12.91%	10.55%	5.23%	0.00%	26.67%	11.27%	100.00%	51.30%	19.93%	28.78%	100.00%
vi	Other expenses including depreciation	77.88%	7.97%	2.61%	1.12%	2.62%	0.15%	3.95%	3.70%	100.00%	11.94%	9.14%	78.91%	100.00%
vii	Interest	85.76%	5.64%	1.97%	0.50%	2.58%	0.18%	0.91%	2.47%	100.00%	16.65%	8.34%	75.01%	100.00%
	Total cost of Generation	67.80%	7.78%	3.95%	1.88%	4.26%	0.18%	5.33%	8.83%	100.00%	53.07%	15.78%	31.16%	100.00%

ANNEXURE - IX

Plant-wise Revenue Requirement for FY 2013-14 (on the basis of Annexure VIII)

(₹ in crore)

S.No	Item of expense	Hydel	RSD	MHP	UBDC	Shanan	ASHP	Micro Hydel	L.Bank & R.Bank	Beas & extn.	Thermal	GGSSTP	GNDTP	GHTP	Basis of Apportionment (from Annexure VIII)
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	Cost of fuel	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4440.20	2046.96	718.48	1674.76	Total Fuel Cost
a)	Primary fuel Cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4349.69	2005.14	703.42	1641.13	Primary fuel Cost
b)	Secondry fuel Cost	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	90.51	41.82	15.06	33.63	Secondry fuel Cost
2	Employee cost + FBT	196.35	21.03	42.71	32.50	19.03	30.45	0.00	33.48	17.16	549.55	274.28	181.08	94.19	Employee cost
3	R&M expenses	142.24	1.11	2.20	2.20	1.83	3.85	0.82	32.60	97.60	279.83	164.21	55.55	60.08	R & M expenses
4	A&G expenses	8.10	1.44	1.27	1.05	0.85	0.42	0.00	2.16	0.91	10.54	5.41	2.10	3.03	Rent, Rates, Taxes and Insurance
5	Depreciation	160.28	124.83	12.77	4.18	1.80	4.20	0.24	6.33	5.93	262.91	31.39	24.03	207.46	Net Fixed Assets
6	Interest Charges	728.96	625.16	41.11	14.36	3.64	18.81	1.31	6.63	18.01	428.01	71.26	35.70	321.05	Interest on Depreciated Cost of Generation
7	Return on Equity	310.12	265.96	17.49	6.11	1.55	8.00	0.56	2.82	7.66	294.66	49.06	24.57	221.03	Net Fixed Assets

S.No	Item of expense	Hydel	RSD	MHP	UBDC	Shanan	ASHP	Micro Hydel	L.Bank & R.Bank	Beas & extn.	Thermal	GGSSTP	GNDTP	GHTP	Basis of Apportionment (from Annexure VIII)
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**
8	Royality charges payable to Gop on power from RSD	10.50	10.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
9	**Total Revenue Requirement**	**1556.56**	**1050.02**	**117.56**	**60.40**	**28.71**	**65.74**	**2.94**	**84.03**	**147.27**	**6265.70**	**2642.57**	**1041.50**	**2581.60**	
10	Add: Consolidated Gap and carrying cost of gap ending FY 2012-13	61.90	41.76	4.68	2.40	1.14	2.61	0.12	3.34	5.86	249.18	105.09	41.42	102.67	In proportion to Total Revenue Requirement
11	**Gross revenue requirement (9+10)**	**1618.46**	**1091.78**	**122.23**	**62.80**	**29.85**	**68.35**	**3.05**	**87.37**	**153.13**	**6514.89**	**2747.66**	**1082.92**	**2684.27**	

Annexure – X

Strictly Confidential

Punjab State Electricity Regulatory Commission
SCO : 220-221, Sector 34-A, Chandigarh-160 022
Tel. : 0172-2648321, Fax : 0172-2664758

DO No. 13004/05 /D(TM&R)

Dated : 26th March, 2013

P.P. GARG
Secretary

The Punjab State Power Corporation Limited (PSPCL) and the Punjab State Transmission Corporation Limited (PSTCL) had filed their Aggregate Revenue Requirements for the year 2013-14 with the Commission. The filing of PSPCL included proposal for review for FY 2012-13 based on revised estimates of the revenue requirement for its generation and distribution business. The filing of PSTCL included a review for FY 2012-13 based on the revised estimates of revenue requirement for its transmission business. In the ARR it was intimated by both the Corporations i.e. PSPCL & PSTCL that since opening balance of both the Corporations have not been finally notified by GoP, as such Audited Annual Accounts for FY 2011-12 could not be submitted. Subsequently, GoP finalized the Transfer Scheme and notified the balances for both the utilities vide notification dated 24-12-2012. However, the Audited Annual Accounts for both the utilities are yet to be made available to the Commission.

2. The Commission has decided to undertake true-up for FY 2010-11 and FY 2011-12 in case of PSPCL and PSTCL along with their next ARR petitions i.e. for FY 2014-15 when the Audited Annual Accounts for FY 2010-11 and FY 2011-12 would be available. The Commission has finalized the Tariff Orders, both for PSPCL and PSTCL, after following the laid down procedure and completing all the requisite formalities. Combining the effect of determination of Annual Revenue Requirements for FY 2013-14 and reviews for FY 2012-13, (for both PSPCL & PSTCL), total revenue gap up to FY 2013-14 has been worked out. The Commission has decided to cover this revenue gap through a suitable hike in tariff. The Commission has also decided to increase the monthly minimum charges proportionately.

3. Subsidy for 2013-14:

a) In the past, the State Govt. has been fully subsidizing Agriculture Pump set (AP) consumers and a section of SC Domestic Supply (DS) and also Non-SC BPL DS consumers up to specified energy consumption.

b) The requirement of subsidy in the current year will be as follows:

- For the year 2013-14, the Commission has determined AP supply of Rs. 4768.93 crore (which translates to Rs.331/BHP/Month on an average connected load of 9044473 KW during the year 2013-14). After adding subsidy of Rs.9.20 crore on account of meter rentals and service charges in respect of AP consumers, total subsidy payable by GoP works out to Rs.4778.13 crore.
- Further, subsidy amounting to Rs.829.29 crore inclusive of meter rentals and service charges is payable on account of free supply upto 200 units per month to SC DS and Non-SC BPL DS consumers with a connected load up to 1000 watts.
- Accordingly, total subsidy inclusive of meter rentals and service charges for the AP sector, SC DS and Non-SC BPL DS consumers payable by GoP is estimated to be Rs. 5607.42 crore for the year 2013-14.

c) **The Commission, therefore, approves total subsidy of Rs. 5607.42 (4778.13 + 829.29) crore payable by GoP to PSPCL for the year 2013-14.** The details are appended as Annexure-P1. The subsidy of Rs.5607.42 crore is required to be paid in advance in 12 monthly instalments @ Rs. 467.28 crore per month from April 2013 to September 2013 and @ Rs.467.29 crore per month from October 2013 to March 2014.

4. Balance subsidy of previous years:

a) For the year 2012-13, the Commission determines total subsidy of Rs. 5474.13 crore inclusive of interest on delayed payment of subsidy of Rs. 135.93 crore. Against this, GoP has paid/adjusted an amount of Rs.3250.00 crore during the year. Thus, the balance subsidy payable by GoP for the year 2012-13 works out to Rs.2224.13 crore.

b) For the year 2011-12, an amount of Rs. 304.66 crore is outstanding. This is inclusive of interest of Rs. 30.78 crore for FY 2012-13. The Commission will determine the payable subsidy after carrying out true-up for FY 2010-11 and FY 2011-12 in the next Tariff Order by which time the Audited Annual Accounts of PSPCL for the year would become available.

c) **The unpaid subsidy of Rs. 304.66 crore for FY 2011-12 and Rs. 2224.13 crore for FY 2012-13 may be paid by 31st March, 2013.**

5. Further, any change in the Fuel Cost from the level approved by the Commission is to be passed on to the consumers as FCA. Punjab State Electricity Regulatory Commission (Conduct of Business) Regulations, 2005 stipulate the procedure in Appendix-7, according to which any change in fuel cost would be passed on to the consumers on quarterly basis. The subsidy payable by GoP on account of levy of Fuel Cost Adjustment Surcharge, if any, will be in addition to the amount worked out in para-3 above.

In case GoP is inclined to continue the present subsidy regime, it is requested that the commitment to pay the subsidy as detailed in the preceding paras and also the additional subsidy amount, if any, payable on account of Fuel Cost Adjustment during the year may kindly be conveyed.

Yours sincerely,

Encl: Annexure P-1

(P.P. Garg)

Sh. Rakesh Singh, IAS,
Chief Secretary to Govt. of Punjab,
Chandigarh.

CC: along with enclosure to:
Sh. Anirudh Tewari, IAS,
Secretary to Govt. of Punjab,
Department of Power,
Punjab Civil Secretariat - II, Sector-9,
Chandigarh.

Annexure P-1

Subsidy payable by Govt. of Punjab to PSPCL for FY 2013-14

(Rs. crore)

Subsidy payable by the GoP	AP +Meter rentals and service charges	SC DS + Meter rentals and service charges	Non-SC DS BPL + Meter rentals & service charges	Total
FY 2013-14				
a) Subsidy payable for AP, SC DS and Non-SC BPL DS consumers at the revised tariff.	4768.93 (+) 9.20 4778.13	771.51 (+)18.51 790.02	37.77 (+)1.50 39.27	
Total subsidy payable by GoP for FY 2013-14	4778.13	790.02	39.27	**5607.42**

Annexure – XI

GOVERNMENT OF PUNJAB
DEPARTMENT OF POWER
(ENERGY BRACH)

To

The Secretary,
Punjab State Electricity Regulatory Commission,
SCO No. 220-21, Sector-34A,
Chandigarh.

Memo No.11/24/2013-PE2/ 671
Dated Chandigarh the 4/4/13

Subject:- Annual Revenue Requirement filed by PSPCL and PSTCL for 2013-14

Please refer to your D.O. letter No. 13005/DCM&F, dated 26.3.2013 on the subject cited above.

The State Government has decided to continue its policy of providing subsidy to AP Consumers, SC/BPL DS consumers during financial year 2013-14 as decided by the Hon'ble Chief Minister of Punjab. The Concurrence of Finance Department has also been obtained in this regard and subsidy of Rs. 5607 crore has been sanctioned by the Government for the year 2013-14.

Under Secretary, Power