

S/DA

**PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SCO 220-221, SECTOR 34-A, CHANDIGARH**

To

The Chief Engineer / ARR & TR,
Punjab State Power Corp. Ltd,
Shed No.F-4, Shakti Vihar,
Patiala, Punjab.

No. PSERC/M&F/2247 ✓

Dated: 11.12.2018

Subject: Petition for True-up of FY 2017-18, Annual Performance Review (APR) of FY 2018-19 and determination of Tariff for FY 2019-20: Deficiencies thereof.

Refer your letter no.1042/ARR/Dy.CAO/224 dated 30.11.2018 vide which Petition for True-up of FY 2017-18, Annual Performance Review (APR) of FY 2018-19 and determination of Tariff for FY 2019-20 has been filed. On a preliminary scrutiny of the Petition filed by PSPCL, the Commission has observed some deficiencies enclosed as Annexure-A (Financial) and Annexure-B (Technical).

You are therefore requested to ensure submission of the information / documents on these deficiencies to the Commission within seven days. The Petition will be taken on record only after receipt of satisfactory replies to these deficiencies.

DA /As above

- (i) Annexure-A (Pg 1 to 7)
- (ii) Annexure-B (Pg 8 to 13)

Sd/-
SECRETARY

Annexure - A (Financial)

1. Regarding the True-Up of FY 2017-18, kindly submit the following:
 - a) The Statutory Auditor of PSPCL has highlighted several deficiencies in the Audit Report. In this regard, Management's reply on the deficiencies pointed out by the Auditor, along with its quantified impact be submitted.
 - b) Cost Accounts and Cost Audit Report for FY 2017-18.
 - c) The comments of Comptroller and Auditor General of India on Annual Accounts of FY 2017-18.
2. The Net Revenue Requirement (NRR) and consequential Gap claimed by PSPCL for True-Up of FY 2017-18, in Table 25 (Generation), Table 27 (Distribution) and Table 29 (Gap) does not match with the consolidated NRR and Gap claimed in Format 28 of the Petition. Further, there is apparently a totaling error of Rs.800 crore in Table 27 of the Petition. Kindly clarify.
3. Project wise details of all expenses forming part of the NRR be provided for FY 2017-18 on the basis of Cost Audited Accounts. All expenses should be segregated into Generation and Distribution business of PSPCL on the basis of Cost Audited Accounts. Also, in case of Generation Business, all expenses should be further segregated into Thermal (separate for GNDTP, GGSSTP and GHTP) and Hydro (separate for Shanana, UBDC, RSD, MHP, ASHP, Micro and BBMB) on the basis of Cost Audited Accounts.
4. PSPCL has claimed actual capital expenditure of Rs.1562.69 crore during F.Y 2017-18, however, the Commission has approved Capital Expenditure / Investment Plan of Rs.1310.67 crore vide Order dated 11.01.2018 (in Petition No.46 of 2016).

- (a) In this regard, relevant extract of Regulation 9 of MYT Regulations is reproduced below for reference:

“9.8. In the normal course, the Commission shall not revisit the approved capital investment plan during the control period. However, during the Annual Performance Review, the Commission shall monitor the year wise progress of the actual capital expenditure incurred by the Applicant vis-à-vis the approved capital expenditure.

9.9. In case the capital expenditure is required for emergency work which has not been approved in the capital investment plan, the respective Applicant shall submit an application (containing all relevant information along with reasons justifying emergency nature of the proposed work) seeking approval by the Commission...”

As required by Regulation 9, PSPCL has not filed any application for approval of additional capital expenditure and has claimed a capital expenditure of Rs.1562.69 crore against approved capital expenditure of Rs.1310.67 crore for FY 2017-18. Similarly, the Commission has approved capital expenditure of Rs.1303.25 crore for FY 2018-19 and Rs.966.72 crore for FY 2019-20, however, PSPCL has claimed capital expenditure of Rs.2409.26 crore for FY 2018-18 and Rs.2490.43 crore for FY 2019-20. As per the provisions of Regulation 9, PSPCL was required to file an application for approval of additional capital expenditure with detailed submissions, citing specific reasons. Kindly justify.

- (b) Further, kindly submit details of capital expenditure incurred (of Rs.1562.69 crore) in line with the scheme wise / project wise expenditure approved by the Commission in Order dated 11.01.2018.
- (c) Also, the capital expenditure of Rs.1562.69 crore has been claimed however, long term loans of Rs.1656.56 crore have been raised during this period. Moreover, consumer contribution, Govt. grants and subsidies amounting to Rs 448.82 crore has been booked during F.Y 2017-18. The reason for excess

borrowing and utilization of the same may be explained.

- (d) Certificate of Electrical Inspector for completed 11kV and above works as directed by the Commission in its Order in Petition No.46 of 2016.
 - (e) Scheme-wise details of Govt. sponsored schemes, if any included, where no or only part financial liability of PSPCL is involved.
 - (f) It is gathered that PSPCL has not commenced any work for Shahpur Kandi Project in FY 2017-18. However, PSPCL in its Petition under Para 2.9 and Format 21 has shown Capital Expenditure of Rs.75.51 crore towards construction work of Shahpur Kandi HEP. PSPCL is required to clarify the same.
5. It has been observed that there is a net addition of fixed assets Rs.1873.03 crore (excluding assets not in use) during 2017-18. In this regard project wise detail of addition to fixed Assets from Opening work in progress (WIP) and capital expenditure for the year should be provided for 2017-18. Also, the source(s) of funds be explained.
 6. As per Tripartite MOU signed between GoP, Gol and PSPCL for UDAY scheme, The State govt. shall take over the borrowings of Rs.15628.26 crore during FY 2019-20. No impact has been given of grant and equity in the ARR for FY 2019-20. Kindly clarify.
 7. Project wise details of Fixed Assets be provided for FY 2017-18 (on actual basis), FY 2018-19 and FY 2019-20. In case of Generation Business, the particulars of opening balance, addition during the year and closing balance of fixed assets (along with depreciation) be provided for Thermal (separate for GNDTP, GGSSTP and GHTP) and Hydro (separate for Shanan, UBDC, RSD, MHP, ASHP, Micro and BBMB) projects. In case of FY 2017-18, the requisite details be provided on actual basis.
 8. The Government of Punjab vide memo no.1/15/17/EB(PR)/832 dated 21.12.2017 has decided to permanently close all units of GNDTP Bathinda and

Unit 1 & 2 of GGSSTP Ropar. In this regard, kindly submit the details of employees redeployed within PSPCL / BBMB (as per PSPCL's share) from these closed units. The details of consequential project wise employee cost may also be provided.

9. The Commission in Tariff Order (FY 2017-18) dated 23.10.2017 had directed PSPCL to recover the arrears of the revised tariff from the consumers in equal installments from October, 2017 to June, 2018. In this regard, kindly submit category wise / slab wise monthly detail of arrears due and received upto 31st March, 2018. The said category wise / slab wise details of arrears (due and received) be submitted in the Tariff Structure Format in Table 8.2 (Pg 279-280) of Tariff Order dated 23.10.2017.
10. Revenue from sale of power
 - (a) PSPCL has submitted details of revenue from existing tariff in Format 27 of the Petition. In this regard, kindly provide category wise, slab wise, contract demand wise (KVA) details of revenue and subsidy separately as prescribed in the Tariff Order.
 - (b) Regarding the validation of revenue assessment for FY 2017-18, the Commission vide letter no.PSERC/Tariff/T-54/2064 dated 28.11.2018 had sought certain details / clarifications which have not been submitted by PSPCL till date. Accordingly, compliance of the said Commission's letter be made and the requisite details / clarifications be provided.
11. As per Format 27C of the Petition, revenue from existing tariff of H2 of FY 2018-19 seems to be on a lower side. For instance the average rate of domestic category comes to Rs.6.52 / kWh. Moreover, Govt. subsidy in these categories has been shown as 'Nil'. Similarly, in the case of H1 of FY 2018-19, subsidy and slab wise sale has not been shown in Format 27B of the Petition. Kindly provide complete information in Format 27B, 27C and 27D.
12. Kindly provide details of Transmission charges of Rs.1465.57 crore payable to

PSTCL claimed in the true-up of FY 2017-18.

13. Further, before the instant Petition was filed by PSPCL, the Commission vide its letter no.1818/PSERC/M&F dated 02.11.2018 had highlighted certain recurring deficiencies of PSPCL based on the past Petitions. However, it is observed that most of those deficiencies are still not corrected / answered by PSPCL in the instant Petition as well. The same are enumeration below:

(I) Under the head 'Employee Cost', complete break up / details of 'Other Allowances', 'Any other expenses' be provided for FY 2017-18.

(II) Depreciation

As per MYT Regulations, Depreciation for generation and transmission assets shall be calculated annually as per straight line method over the useful life of the asset. Provided, that the total depreciation during the life of the asset shall not exceed 90% of the original cost. Also, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation / put in use of the asset shall be spread over the balance useful life of the asset. The details of depreciation be provided in light of the aforesaid regulation incorporating the following:

a) Details may kindly be prepared head wise for all assets with further break up of each asset to account codes.

b) The details may kindly be furnished separately for each project:

(i) for Hydro and Thermal (Generation Business); and

(ii) for Wheeling and Retail Supply (Distribution Business)

For ease of understanding, the details may be provided as per the enclosed 'Format-1'.

(III) Interest & Finance Charges

a) Project wise loan details (separate for Hydro, Thermal and Distribution) for all years covered under the petition should be provided. The details should clearly depict the project wise opening loan balance, loan requirement and

loan repayment for each year separately.

Further, the details should clearly segregate the long term loans, short term/working capital loans and Govt. loans & UDAY loans.

The aforesaid details should be provided for MYT Period i.e. FY 2017-18 (on actual basis), FY 2018-19 and FY 2019-20.

- b) Detailed calculation sheet of interest on working capital for Generation Business (separate for each project) in line with Regulation 34 of PSERC MYT Regulations, 2014.
- c) Detailed calculation sheet of interest on working capital for Distribution Business (separate wheeling & retail supply) in line with Regulation 44 of PSERC MYT Regulations, 2014.

Format - I: Depreciation

Calculation sheet of Depreciation for FY 2017-18

Name of the asset	Account Code	Gross Value of assets as on 31.03.2005	Accumulated Depreciation as on 31.03.2005	Rate of depreciation (applicable for computing depreciation in Column 6)	Depreciation on assets in Column 3 for FY 2017-18	Additions made from 01.04.2005 to 31.03.2017	Accumulated Depreciation on additions from 01.04.2005 to 31.03.2017	Rate of depreciation (applicable for computing depreciation in Column 10)	Depreciation on assets in Column 7 for FY 2017-18	Proposed Additions from 01.04.2017 to 31.03.2018	Rate of depreciation (applicable for computing depreciation in Column 13)	Depreciation on additions during FY 2017-18 (Column 6+10+13)	Total Depreciation for FY 2017-18 (Column 18)	Closing Value of Gross Assets as on 31.03.2018 (Col.3+7+11)	Closing Value of Accumulated Depreciation as on 31.03.2018
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

Calculation sheet of Depreciation for FY 2018-19

Name of the asset	Account Code	Gross Value of assets as on 31.03.2006	Accumulated Depreciation as on 31.03.2006	Rate of depreciation (applicable for computing depreciation in Column 6)	Depreciation on assets in Column 3 for FY 2018-19	Additions made from 01.04.2006 to 31.03.2018	Accumulated Depreciation on additions from 01.04.2006 to 31.03.2018	Rate of depreciation (applicable for computing depreciation in Column 9)	Depreciation on assets in Column 7 for FY 2018-19	Proposed Additions from 01.04.2018 to 31.03.2019	Rate of depreciation (applicable for computing depreciation in Column 13)	Depreciation on additions during FY 2018-19 (Column 11)	Total Depreciation for FY 2018-19 (Column 6+10+13)	Closing Value of Gross Assets as on 31.03.2019 (Col.3+7+11)	Closing Value of Accumulated Depreciation as on 31.03.2019
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

Calculation sheet of Depreciation for FY 2019-20

Name of the asset	Account Code	Gross Value of assets as on 31.03.2007	Accumulated Depreciation as on 31.03.2007	Rate of depreciation (applicable for computing depreciation in Column 6)	Depreciation on assets in Column 3 for FY 2019-20	Additions made from 01.04.2007 to 31.03.2019	Accumulated Depreciation on additions from 01.04.2007 to 31.03.2019	Rate of depreciation (applicable for computing depreciation in Column 9)	Depreciation on assets in Column 7 for FY 2019-20	Proposed Additions from 01.04.2019 to 31.03.2020	Rate of depreciation (applicable for computing depreciation in Column 13)	Depreciation on additions during FY 2019-20 (Column 11)	Total Depreciation for FY 2019-20 (Column 6+10+13)	Closing Value of Gross Assets as on 31.03.2020 (Col.3+7+11)	Closing Value of Accumulated Depreciation as on 31.03.2020
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

Annexure – B (Technical)

1. PSPCL's petition doesn't contain the Tariff proposal for meeting the projected revenue gap as required under Regulation 60.3 of MYT Regulations which states as under:

*"60.3 The application shall also contain the revenue gap for various years of the control period and a tariff proposal for meeting the revenue gap for each year. **In the absence of the tariff proposal, the petition shall be considered as incomplete and shall be liable for rejection.**"*

Accordingly, PSPCL is required to submit the tariff proposal to cover the revenue gap indicated in its ARR petition, failing which the petition shall be liable for rejection.

2. The voltage wise cost of supply worked out in the petition for Industrial consumers at 132kV (4.97) is lower than the cost at 220kV (5.05). Similarly for Commercial consumers cost of supply at LT voltage (6.92) is lower than that at 11kV (7.71). PSPCL is required to revisit the same. Excel-sheet of calculation / determination of voltage-wise and category-wise cost of supply be also submitted.
3. Sales
 - i) Category wise sales for FY 2017-18 are not matching with the Audited Accounts. PSPCL is required to re-submit category wise sale duly reconciled with the Audited accounts.
 - ii) For FY 2017-18 and FY 2018-19, PSPCL has submitted the year wise total quantum and amount of outside state sales. Source wise breakup of the same also needs to be submitted.
 - iii) PSPCL in its Format 1-E has submitted "Sale Outside State as "Nil" which is not possible because even if there is no sale of surplus power 'Royalty to HP' will be part of it, hence, PSPCL is required to review and resubmit the same.

4. AP Sales:

Information with regards to AP Consumers fed from Urban Feeders is required to be submitted for FY 2017-18 and FY 2018-19(H1) as per following format:

a) Monthwise details of metered AP Consumers fed from urban feeders:

Name of Consumer	Account No.	S/ Div	Div	Circle	Load (kW)	Name of Feeder	April			May....to March		
							Initial Reading	Final Reading	Consumption	Initial Reading	Final Reading	Consumption

b) Month-wise details of un-metered AP Consumers fed from urban feeders:

Name of Consumer	Account No.	S/ Div	Div	Circle	Load (kW)	Name of Feeder

c) Kandi Area Mixed Feeders:

AP pumped energy consumption in case of Kandi area mixed feeders during 2018-19(H1) in table 32 is shown as 1285.85 MUs which is much higher even than the total pumped energy of feeders during 2018-19(H1). Please provide complete details of calculation of pumped energy of Kandi area mixed feeders during 2018-19(H1).

5. PSPCL's own Generation:

- i) Fuel Cost for FY 2017-18 is not matching with the Audited Accounts. PSPCL is required to re-submit the Fuel cost duly reconciled with the Audited accounts.
- ii) The projections for PSPCL's own Hydel generation for FY 2018-19 and FY 2019-20 are lower than the actuals for FY 2017-18. The reasons for the same also need to be submitted.
- iii) It has been gathered that the receipt of coal from Pachwara coal mines is expected to commence during FY 2019-20. However, PSPCL in Format 2-C has shown the same as Nil for FY 2019-20. PSPCL to review and re-

submit the same.

6. Power Purchase:

- i) Power Purchase from other sources (other than Own generation) for FY 2017-18 are not matching with the Audited Accounts. PSPCL is required to re-submit power purchase duly reconciled with the Audited accounts.
- ii) Actual Cost of power purchase for FY 2017-18 indicates an increase of Rs. 520 Cr vis a vis cost of power purchase approved in the APR which is not in proportion to the increase in sales. The justification for the same also needs to be submitted.
- iii) Revised estimates for Cost of power purchase for FY 2018-19 has been projected with significant increase of Rs. 1583.56 Cr vis a vis cost of power purchase approved in the ARR. The justification for the same also needs to be submitted.
- iv) Source wise breakup of other charges (column 11) in Format 7 alongwith documentary evidence be submitted.
- v) PSPCL in Format F4 has also shown "share from RSD to J&K w.e.f from January 2019". PSPCL is required to submit the "% share" alongwith supporting document.
- vi) In format F6, the % of "actual energy to PSPCL" to "deemed generation needs" to be reviewed, particularly in case of State IPPs.

7. Tariff Related Issues:

- i) Rationalization / Reduction of Tariff Categories:
No proposal submitted. PSPCL is required to submit its proposal, if any regarding the representation of Department of Water Supply and Sanitation (DWSS), Punjab
- ii) Revision of General Conditions of Tariff and Schedule of Tariff:
No proposal submitted.

iii) TOD Tariff:

No proposal submitted.

iv) Extension in period for special tariff for use of electricity exclusively during night hours:

PSPCL is required to submit the monthly,daily(slot-wise) load curve of the particular day of the month on which maximum demand in that month has occurred.

v) Review of load/demand surcharge for exceeding the sanctioned load/contract demand:

PSPCL needs to inform about its status of readiness to implement its proposal for levy of demand surcharge on daily basis i.e installation of compatible meters for recording demand on daily basis.

vi) Introduction of Contract Demand system and kVAh tariff for remaining categories:

No proposal submitted. PSPCL is required to submit its plan for further extension to the remaining consumers as directed by the Commission in the Tariff Order. Further, PSPCL is also required to submit the following information:

Category	No. of Consumers	Whether compatible meters for reading of kVA/kVAh reading installed. If not, nos. of consumers where not installed.
Domestic Supply (20-50kW)		
AP High Tech/High Density Farming		
Public Lighting		
Charitable Hospitals set up under PWD Act (0-20kW)		

8. Proposal for sale of surplus power

PSPCL also need to submit its proposal, if any, for increasing sale of surplus

power within the state by encouraging new prospective consumers with any new schemes presently using other sources of energy.

9. With regards to replies of queries raised by the Commission vide letter No. 1818/PSERC/M&F (Annexure B), PSPCL is required to submit/clarify the following:

i) Query no 2: Category wise half yearly actual sales in Annexure -1 to 6.

a) Sales for FY 2015-16 are not matching with the Trued up sales of FY 2015-16 as approved by the Commission in its Tariff Order for FY 2017-18. Further, for the sales figures of FY 2017-18 minor difference has been observed vis a vis sales figures submitted by PSPCL in its ARR Petition for FY 2019-20. PSPCL is required to reconcile and resubmit the same alongwith detailed justification for observed variation.

b) PSPCL has not submitted any sale figure for "Compost Plants/Solid waste management plants for Municipalities /Urban local bodies" and "AP High-Tech/High Density Farming". PSPCL is required to re-submit the information by including the sales of the above categories.

ii) Query no 3a: Details of previous year payments

PSPCL is required to submit the detailed break up of "other" column shown in Annexure-J of its replies.

iii) Query no 3c: Detailed calculation of external losses.

It is observed that in its computation for external losses PSPCL has considered the purchase within Punjab as well. Thus, PSPCL is required to review and resubmit the detailed calculations of actual external (inter-state) losses for FY 2017-18 and FY 2018-19(H1). PSPCL is further required to submit the basis of considering external losses for FY 2018-19 and

FY 2019-20

iv) Query no 3e: Details of month-wise availability, schedule and surrender of

power

From the data submitted in Annexure M it is observed that there are certain cases when PSPCL has scheduled higher rate power during a particular month while surrendering the lower rate of power during that month. For example: for the month of April, PSPCL has scheduled power 356.88 MU from Talwandi Saboo TPP (VC-288.37 paisa/unit). However, during the same month PSPCL has surrendered 103.18MU frpm Rajpura TPP (VC 244.33 paisa/unit) and 18.79 MU from DVC Durgapur (VC 217.64 Paisa/unit) respectively.

PSPCL is required to clarify the same. PSPCL also needs to certify that the power has been strictly scheduled and surrendered in accordance with Merit Order Dispatch.

- v) Query no 5: Energy sales data in format 1A,1B, 1C& 1D

PSPCL is required to submit the above data in format as desired by the Commission.

- vi) Query no 6a: Actual year wise/ unit-wise generation figures, availability and PLF of different thermal stations.

The same be got validated from SLDC Organization.

10. The Commission vide its letter No. PSERC/Tariff/T-225/1740 dated 25-10-18 has asked PSPL to submit the assessment of demand and energy requirements of electricity for next one year and for next ten years on monthly basis along with ARR for FY 2019-20, as mandated under Regulation 4 of the Punjab State Electricity Regulatory Commission (Power Purchase and Procurement Process of Licensee) Regulations, 2012. The same needs to be submitted.