PUNJAB STATE ELECTRICITY REGULATORY COMMISSION

PSTCL

TARIFF ORDER FOR FY 2021-22

PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SITE NO. 3, BLOCK B, SECTOR 18-A MADHYA MARG, CHANDIGARH

CONTENTS

Phone: 0172-2861800 **Fax: 0172-2540491**

Email: secretarypserccchd@gmail.com **Website: www.pserc.gov.in**

PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SITE NO. 3, BLOCK B, SECTOR 18-A MADHYA MARG,
CHANDIGARH

CONTENTS

Phone: 0172-2861800 **Fax: 0172-2540491**

Email: secretarypsercchd@gmail.com **Website: www.pserc.gov.in**

PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SITE NO. 3, BLOCK B, SECTOR 18-A MADHYA MARG, CHANDIGARH

PETITION NO. 44 OF 2020 FILED BY PUNJAB STATE TRANSMISSION CORPORATION LIMITED FOR TRUE UP OF FY 2019-20, ANNUAL PERFORMANCE REVIEW FOR FY 2020-21 AND APPROVAL OF ANNUAL REVENUE REQUIREMENT AND DETERMINATION OF TARIFF FOR FY 2021-22FOR ITS TRANSMISSION AND SLDC BUSINESS.

PRESENT: Sh. Viswajeet Khanna, Chairperson
Ms. Anjuli Chandra, Member
Sh. Paramjeet Singh, Member

Date of Order: 28th May, 2021

ORDER

The Punjab State Electricity Regulatory Commission (Commission), in exercise of the powers vested in it under the Electricity Act, 2003 (Act), passes this order for the True-Up of FY 2019-20, Annual Performance Review (APR) for FY 2020-21and Approval of Annual Revenue Requirement And Tariff For FY 2021-22 for Transmission Business and SLDC Business of the Punjab State Transmission Corporation Limited (PSTCL). The Petition filed by PSTCL, facts presented by PSTCL in its various submissions, objections received by The Commission from consumer organizations and individuals, issues raised by the public in hearings held at, Amritsar, Ludhiana, Patiala, and Chandigarh, observations of the Government of Punjab (GoP) and the responses of PSTCL to the objections have been considered. The State Advisory Committee constituted by The Commission under Section 87 of the Act has also been consulted. All other relevant facts and material on record have been considered before passing this Order.

1.1 Background

The Commission has in its previous Tariff Orders determined the tariff in pursuance to the ARRs and Tariff Applications submitted for the integrated utility by the Punjab State Electricity Board (Board) for FY 2002-03 to 2006-07, 2008-09 to 2010-11 and by PSTCL for FY 2011-12 to FY 2020-21. The Tariff Order for FY 2007-08 had been passed by The Commission in suo-motu proceedings.

PSTCL has submitted that the Punjab State Transmission Corporation Limited is the

Transmission Licensee for Transmission of Electricity in the areas as notified by the Government of Punjab vide notification No. notification. 1/9/08-EB(PR)/196 dated 16.04.2010. PSTCL is vested with the function of intra-state Transmission of electricity in the State of Punjab and the operation of the State Load Dispatch Centre (SLDC) and in terms of Section 39 of the Electricity Act, 2003, the Govt. of Punjab notified PSTCL as the State Transmission Utility (STU).

The Commission notified the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2014 (PSERC MYT Regulations, 2014) and vide notification dated 28.05.2015, the effective date of enforcement of these Regulations was 01.04.2017 to 31.03.2020.The Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2019 (hereinafter referred to as "PSERC MYT Regulations, 2019") have been notified by the Commission vide notification No.PSERC/Secy/Regu. 140 dated 29.05.2019 and have come into force from 1.04.2020 to 31.03.2023.The relevant regulations have been followed for the respective years while passing the present Tariff Order.

1.2 True Up for FY 2019-20, Annual Performance Review for FY 2020-21 and Annual Revenue Requirement for FY 2021-22.

PSTCL has filed the Petition for True up of FY 2019-20, APR for FY 2020-21 and Annual Revenue Requirement for FY 2021-22. The petitioner has prayed:

a) To admit the Petition seeking approval of True-up of Capital Expenditure for the First Control Period and for FY 2019-20 in accordance with the PSERC MYT Regulations, 2014, as amended from time to time and approval of the Annual Performance Review for FY 2020-21 and the revised Aggregate Revenue Requirement and Tariff for FY 2021-22 for Transmission Business and SLDC in accordance with the PSERC MYT Regulations, 2019;

b) To approve the Revenue Gap arising on account of True-up of FY 2019-20 and Annual Performance Review for FY 2020-21 alongwith the carrying cost and allow its recovery through Tariff of FY 2021-22, as computed in this Petition;

c) To approve the ARR forecast and Tariff for FY 2021-22 for Transmission Business and SLDC Business;

d) To invoke its power under Regulation 64 in order to allow the deviations from

PSERC MYT Regulations, 2019, wherever sought in this Petition,

e) To allow additions/alterations/modifications/changes to the Petition at a future date;

f) To allow any other relief, order or direction, which the Commission deems fit to be issued,

g) To condone any error or omission and to give opportunity to rectify the same;

On scrutiny of the petition, it was noticed that the petition was deficient in some respects. The deficiencies were conveyed to PSTCL vide letter no. PSERC/Reg./5410 dated 10.12.2020. PSTCL submitted its reply to the deficiencies vide Memo. No.3047 dated 21.12.2020 and memo No.3081 dated 28.12.2020.The petition was admitted vide order dated 29.12.2020 and taken on record as Petition No. 44 of 2020. PSTCL was further directed by the Commission vide letter No. PSERC/Tariff/T-50/95 dated 08.01.2021 followed by letter No. 415 dated 01.02.2021, letter No. 510-11 dated 11.02.2021 respectively to provide additional information. PSTCL submitted its reply to the deficiencies/ request for additional information vide memo no 188 dated 18.01.2021, memo No. 241 dated 29.01.2021, memo No. 356 dated 10.02.2021 e-mail dated 23.02.2021, memo No. 346 dated 23.02.2021, memo No. 1708 dated 24.02.2021 and memo No. 290 dated 26.02.2021. Various meetings were held with PSTCL on the data submitted in the ARR and the relevant correspondence between the Commission and PSTCL was placed on the website of the Commission.

1.3 Objections& Public Hearing:

A public notice was published by PSTCL in The Tribune (English), The Times of India (English), Punjab Kesari (Hindi), Rozana Spokesman (Punjabi) on 01.01.2021 and Punjabi Jagran (Punjabi) on 02.01.2021, inviting objections from the general public and stake holders on the said petition filed by PSTCL. Copies of the Petition including deficiencies pointed out by the Commission and the reply of PSTCL to the deficiencies were made available in the offices of the CAO (Finance & Audit), PSTCL, The Mall, Patiala; Liaison Officer, PSTCL Guest House, near Yadvindra Public School, Phase-8, Mohali; Chief Engineer/P&M, PSTCL, Ludhiana and offices of Superintending Engineers, P&M Circles, Ludhiana, Patiala, Jalandhar, Amritsar and Bhatinda. The information was made available on the website of PSTCL i.e. www.pstcl.org and the Commission’s website i.e. www.pserc.gov.in also. The relevant correspondence with PSTCL was also uploaded on the website of the

Commission. In the said public notice dated 01.01.2021, objectors were advised to file their objections with the Secretary of the Commission within 30 days of the publication of notice, with an advance copy to PSTCL. The public notice also indicated that the Commission, after perusing the objections received, may invite such objector(s) as it considers appropriate for hearing on the dates to be notified in due course. The Commission decided to hold public hearings at Amritsar, Ludhiana, Patiala& Chandigarh, as per details hereunder:

Venue	Proposed Date & time of public hearing	Category of consumers to be heard
AMRITSAR VIP Guest House, PSPCL, Batala Road, Verka at Amritsar	**February 02, 2021 (Tuesday)** 12:00 PM to 2:00 PM	All consumers/organizations of the area
LUDHIANA Multi Purpose Hall, Power Colony, PSPCL, Opp. PAU Ferozepur Road, Ludhiana	**February 04, 2021 (Thursday)** 12:00 PM to 2:00 PM	All consumers/organizations of the area
PATIALA Technical Training Institute (TTI), PSPCL Auditorium, Shakti Vihar, Badungar, (Near 23 No. Railway Crossing) Patiala.	**February 08, 2021 (Monday)** 2:00 PM to 4:00 PM	All consumers/organizations of the area
CHANDIGARH Commission's office i.e. Site No 3, Sector 18-A, Madhya Marg, Chandigarh – 160018.	**February 09, 2021 (Tuesday)** 11.30 AM to 1.30 PM	Industrial consumers/ organizations
	3.00 PM to 4.30 PM	Officers'/ Staff Associations of PSPCL and PSTCL
CHANDIGARH Commission's office i.e. Site No 3, Sector 18-A, Madhya Marg, Chandigarh – 160018.	**February 11, 2021 (Thursday)** 11.30 AM to 1.30 PM	All consumers/organisations except Industry

A public notice to this effect was uploaded on the website of the Commission as well as published in various newspapers on 15.01.2021. All the objectors who had filed their objections and other persons/organizations interested in presenting their views /suggestions were invited to participate in the public hearings.

1.4 The Commission held public hearings as per schedule from 02nd February, 2021 to 11th February, 2021 at Amritsar, Ludhiana, Patiala & Chandigarh. The views of PSTCL on the objections/comments received from public and other stakeholders were heard by the Commission on 22.02.2021. The Commission considered it appropriate to hold a public hearing once again and accordingly notice was published in various newspapers on 13.04.2021 proposing the date of public hearing on 27.04.2021 at Chandigarh. The public hearing was held on 27.04.2021.

1.5 The Government of Punjab was approached by the Commission vide DO No. 85-86 dated 07.01.2021and DO letter No. 462-63 dated 05.02.2021 seeking its views on the Petition No. 44 of 2020. In response, Government of Punjab, vide Memo. No.1/3/2021-EB (PR)/186 dated 27.05.2021 submitted its comments/ observations on the same.

1.6 The Commission received 08 written objections including the comments of Government of Punjab. PSTCL was directed to send its response to the objections raised by the respective objectors. The Commission considered all these objections. The number of objections/comments received from consumer groups, organizations and others are detailed below:

Sr. No.	Category	No. of Objections
1.	PSEB Engineer's Association/ Electric Power Transmission Association.	1
2.	Industries	6
3.	Government of Punjab	1
	Total	**8**

The complete list of objectors is given in **Annexure- I** of this Tariff Order. PSTCL submitted its comments on the objections to the Commission. PSTCL was directed to send the responses to the respective objectors. A summary of issues raised in objections, the response of PSTCL and the view of the Commission are contained in **Annexure – II** to this Tariff Order.

1.7 **State Advisory Committee**

A meeting of the State Advisory Committee constituted under Section 87 of the Act was convened on 27.01.2021 for taking its views on the ARR. The minutes of the meeting of the State Advisory Committee are enclosed as **Annexure – III** to this Order.

1.8 In addition, all subsequent and relevant correspondence between The Commission and PSTCL was made available on the website of The Commission. 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 is given to all stakeholders to present their views.

1.9 Compliance of Directives

In its previous Tariff Orders, the Commission issued certain directives to PSTCL in the public interest. A summary of directives issued during previous years, status of compliance along with the fresh directives of The Commission in this petition is given in Chapter 5 of this Tariff Order.

Chapter 2

True up for Capital Expenditure for 1st MYT Control Period (FY 2017-18 to FY 2019-20)

2.1 Background

2.1.1 The Commission approved PSTCL's Capital Investment Plan for MYT Control Period (FY 2017-18 to FY 2019-20) in its Order dated 13.12.2017as under:

Table 1: Capital Investment approved by the Commission for 1st Control Period vide Order dated 13.12.2017

(Rs. Crore)

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	Total
Transmission Business	328.29	248.01	202.64	778.94
SLDC Business	10.00	10.00	10.00	30.00
TOTAL	**338.29**	**258.01**	**212.64**	**808.94**

2.1.2 The above approval did not include IDC and IEDC since PSTCL had submitted only hard cost of the list of works for approval.

2.1.3 PSTCL had submitted Capital Expenditure of Rs. 352.51 Crore for Transmission Business and Rs. 1.59 Crore for SLDC Business for true up of FY 2017-18 in the ARR for FY 2019-20. The Commission provisionally approved Capital Expenditure of Rs. 321.48 Crore for Transmission Business and Rs. 1.59 Crore for SLDC Business which includes expenditure of Rs. 2.64 Crore on emergency works for 2017-18.

During the processing of the ARR Petition for FY 2019-20, PSTCL submitted two decisions of the Board of Directors of PSTCL approving urgent, unforeseen and feasibility related works chargeable to the head “Addition of Bays/System Strengthening”, Augmentation/ Strengthening of Bus Bars” and “Unforeseen emergency works”. These were categorized as Category I works with the total amount projected as under:

Table 2: Capital expenditure on urgent/ unforeseen/feasibility related works as projected by PSTCL

Category No.	Description	Provision in MYT CIP (Rs. Crore)		Projected Capital Expenditure (Rs. Crore)	
		FY 2018-19	FY 2019-20	FY 2018-19	FY 2019-20
Category 1	Urgent/ Unforeseen/ feasibility related works (Schemes with Sr.No. 140, 155, 175, 137, 152, 172 and 182)	14.00	14.00	17.393	31.83

The same was approved. The Capital Investment Plan of Transmission Business for FY 2018-19 including category 1 works, comes out to be Rs. 251.403 Crores (Rs. 248.01 Crore -Rs. 14.0 Crore + Rs. 17.393 Crore) and for FY 2019-20, Rs. 220.47 Crores (Rs. 202.64 Crore -Rs. 14.0 Crore + Rs. 31.83 Crore). The Commission also allowed an amount of Rs. 6.81 Crore in FY 2019-20, which was the difference between the approved CIP (Rs. 328.29 Crore)and actual expenditure for FY 2017-18 (Rs. 321.48 Crore).The Commission provisionally approved Rs. 227.28 Crore (Rs. 220.47 Crore + Rs. 6.81 Crore) for Transmission for FY 2019-20. The Commission considered Capital Investment Plan of SLDC business as Rs. 6.79 Crore for FY 2018-19 and Rs. 10 Crore for FY 2019-20.

2.1.4 Therefore, the Capital Expenditure approved for 1st MYT (FY 2017-18 to FY 2019-20) in Tariff Order for FY 2019-20 is as under:

Table 3: Capital Expenditure approved by the Commission for 1st MYT (FY 2017-18 to FY 2019-20) in Tariff Order for FY 2019-20 dated 27.5.2019

(Rs. Crore)

Particulars	FY 2017-18	FY 2018-19	FY 2019-20
Transmission Business	321.48	251.403	227.28
SLDC Business	1.59	6.79	10.00
TOTAL	**323.07**	**258.19**	**237.28**

2.1.5 For the True-up of FY 2018-19 in the ARR for FY 2020-21, PSTCL submitted Capital Expenditure of Rs. 257.28 Crore for Transmission Business (including Contributory works and PSDF works of Rs.24.62 Crore) and Rs. 4.46 Crore for SLDC Business for FY 2018-19. Since the Capital Expenditure submitted by PSTCL for True-Up of FY 2018-19 excluding Contributory works of Rs. 24.62 Crore was lower than that approved in Tariff Order for FY 2019-20, the Commission provisionally approved Capital Expenditure of Rs. 257.29 Crore (as observed in scheme wise prudence check) for Transmission Business of FY 2018-19 and Rs. 4.45 Crore for SLDC

Business.

2.1.6 For FY 2019-20, PSTCL submitted a capital expenditure of Rs. 332.42 Crore for Transmission Business and Rs. 3.47 Crore for SLDC Business. The Commission noted that PSTCL has not yet started some of the schemes for which Capital investment has been projected in the petition. Accordingly, PSTCL was directed to review the same. In its revised submission, PSTCL revised the expenditure to Rs. 224.02 Crore for FY 2019-20 for Transmission Business, which was within the limits of the CIP approved in Tariff Order for FY 2019-20. **Accordingly, the Commission provisionally approved the Capital expenditure of Rs. 224.02 Crore for FY 2019-20 for Transmission Business and Rs.3.47 Crore for its SLDC Business.**

Table 4: Capital Expenditure provisionally approved by the Commission for FY 2018-19 and FY 2019-20 in the Tariff Order for FY 2020-21 dated 1.6.2020

(Rs. Crore)

Particulars	FY 2018-19	FY 2019-20
Transmission Business	257.29	224.02
SLDC Business	4.45	3.47
TOTAL	**261.74**	**227.49**

2.2 True-up of Capital Expenditure

PSTCL's Submission:

2.2.1 The Commission had provisionally approved Capital Expenditure during True-up of FY 2017-18 and FY 2018-19 and APR of FY 2019-20. The Commission had decided in the respective Tariff Orders that the Capital Expenditure shall be Trued-up at the end of the First Control Period. Accordingly, PSTCL has now submitted the Capital Expenditure for the First Control Period in line with the Audited Accounts of respective year for FY 2017-18, FY 2018-19 and FY 2019-20.

2.2.2 PSTCL has also submitted that the approved list of 182 works of Transmission Business of PSTCL also includes works under PSDF Scheme. The Capital Expenditure incurred against these projects is partly funded by Government Grant and partly funded by loan taken by PSTCL.

2.2.3 PSTCL has submitted that the main reasons for deviations as compared to the approved amounts are mainly due to the following reasons:

a. PSTCL had filed for approval of Capital Investment Plan for the First Control Period (FY 2017-18 to FY 2019-20) on 27.05.2016. Since the Petition was filed in early period of FY 2016-17, PSTCL expected that majority of the ongoing schemes would be completed in FY 2016-17 and therefore such schemes were not included in the proposal for Capital Investment Plan for the First Control Period. However, these schemes got spilled over to the First Control Period due to reasons beyond the control of PSTCL. Secondly, PSTCL expected major expenditure during FY 2016-17.Due to various reasons, PSTCL could not incur the same in FY 2016-17 and incurred it later in the first control period. Accordingly, the increase in Capital Expenditure is mainly on account of such schemes which were not included in the CIP for the First Control Period and therefore were approved by the Commission in the respective Tariff Orders.

b. PSTCL, at the time of approval of CIP vide Petition No. 44 of 2016 had submitted only the Hard Cost against each of the Schemes. The IEDC and IDC cost which are also to be capitalised along with the Hard Cost were not submitted. Hence, the Commission only approved the Hard Cost against each of the 190 works. Whereas, the expenditure now submitted by PSTCL includes IDC and IEDC cost. Therefore, this has led to an increase in the actual individual scheme over the approved cost.

2.2.4 PSTCL, in the Petition, has accordingly claimed the actual Capital Expenditure as shown under:

Table 5: Capital Expenditure Approved v/s Actual for FY 2017-18 to FY 2019-20 as submitted by PSTCL

(Rs. Crore)

Particulars	**FY 2017-18**		**FY 2018-19**		**FY 2019-20**	
	Approved	**Actual**	**Approved**	**Actual**	**Approved**	**Actual**
Capital Expenditure (Transmission Business inclusive of directly added assets)	321.48	375.28	257.29	258.47	224.02	239.55
Less: Contribution and PSDF Works	-	44.99	24.62	31.52	-	58.66
Capital Expenditure for funding	321.48	330.29	232.67	226.95	224.02	180.89
Capital Expenditure (SLDC Business)	1.59	1.59	4.45	5.82*	3.47	0.38

**In the True-up of FY 2018-19, inadvertently the works of Rs. 1.37 Crore related to SLDC was claimed in STU which has now been rectified.*

2.2.5 However, PSTCL has submitted the scheme-wise actual capital expenditure for 1st MYT Control Period in Annexure 1 of the Petition as under:

Table 6: Actual Capital Expenditure for FY 2017-18 to FY 2019-20 as submitted by PSTCL in Annexure 1 of the Petition

(Rs. Crore)

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	Total
Capital Expenditure of 182 Approved Schemes (Transmission Business) (A)	317.97	220.44	178.02	716.43
Capital Expenditure (SLDC Business) (B)	1.59	4.44	0.36	6.39
Total Capital Expenditure from approved schemes (C=A+B)	**319.56**	**224.88**	**178.38**	**722.82**
Spill Over Works prior to FY 2017-18 (D)	12.31	5.34	0.19	17.85
Works Approved in Second Control Period started in FY 2019-20 (E)	0.00	0.00	1.55	1.55
Total Capital Expenditure from all schemes (F=C+D+E)	**331.88**	**230.22**	**180.12**	**742.22**
Capital Expenditure towards Asset directly transferred to GFA & material at site	-	2.55	1.15*	3.70
Expenditure on Contributory Works	44.13	24.62	53.26	122.01
Total Capital Expenditure (PSTCL)	**376.01**	**257.39**	**234.53**	**867.93**

**- Rs. 0.50 Crore is the Actual Capital Expenditure towards asset directly transferred to GFA and Rs. 0.65 Crore is towards material at site*

2.2.6 PSTCL has further submitted Revised Capital Expenditure for reconciliation of scheme-wise actual capital expenditure for 1st MYT Control Period with the Annual Audited Accounts of 1st MYT Control Period vide email dated 31.03.2021. PSTCL has revised the submission of Capital Expenditure on PSDF works. Earlier, PSTCL had only claimed the capital expenditure of Rs. 6.55 Crore on PSDF Works to be funded by loan in FY 2019-20 and **had not claimed the grant portion of Rs. 13.16 Crore in Capital Expenditure of 182 Approved Transmission Schemes**. The revised Capital Expenditure on PSDF Works and the details are as under:

Table 7: Details of Capital Expenditure on PSDF Works as submitted by PSTCL

(Rs. Crore)

Particulars	Formulae	FY 2017-18	FY 2018-19	FY 2019-20	Total
Total Capital Expenditure on PSDF Works submitted now	A	0.86	6.90	11.95	**19.71**
Grant portion of Capital Expenditure on PSDF Works	B	-	10.68	2.48	**13.16**

2.2.7 As per the reconciliation submitted, PSTCL has now submitted a capital expenditure of Rs. 0.38 Crore for SLDC Business for FY 2019-20 whereas in the earlier submission PSTCL had claimed Rs. 0.36 Crore for the same as Rs. 0.02 was inadvertently added in Transmission Business as assets directly transferred to GFA. Further, PSTCL has submitted that during the True-up of FY 2018-19, the works of

Rs. 1.37 Crore related to SLDC was inadvertently claimed in Transmission Business.

2.2.8 The details of Revised Capital Expendituresubmitted by PSTCL vide email dated 31.03.2021are as under:

Table 8: Revised Capital Expenditure for FY 2017-18 to FY 2019-20 as submitted by PSTCL

(Rs. Crore)

Particulars	Formulae	FY 2017-18	FY 2018-19	FY 2019-20	Total
Capital Expenditure of 182 Approved Schemes (excluding PSDF works at Sr no 43 & 76 of the annexure) and rectification of Rs.1.39 Crore as per para 2.2.7)	A	317.98	219.06	171.45	708.49
Capital Expenditure on PSDF Works	B	0.86	6.9	11.95	19.71
Capital Expenditure of 182 Approved Schemes (Transmission Business)	C=A+B	**318.84**	**225.96**	**183.40**	**728.20**
Spill Over Works prior to FY 2017-18	D	12.31	5.34	0.19	17.84
Works Approved in Second Control Period started in FY 2019-20	E	0.00	0.00	1.55	1.55
Total Capital Expenditure from all Transmission schemes	**F=C+D+E**	**332.74**	**237.12**	**185.52**	**755.38**
Capital Expenditure towards Asset directly transferred to GFA & material at site	I	0	2.55	0.5	3.05
Capital Expenditure towards material at site	J	0	0	0.65	0.65
Expenditure on Contributory Works	K	44.13	24.62	53.26	122.01
Total Capital Expenditure (Transmission Business)	L=**C+F+G+I+J+K**	**375.28**	**258.47**	**239.55**	**873.30**
Capital Expenditure (SLDC Business)	**D**	**1.59**	**5.82**	**0.38**	**7.79**
Total Capital Expenditure (PSTCL)	**M=D+L**	**376.87**	**264.29**	**239.93**	**881.09**

The difference in Capital Expenditure submitted by PSTCL in Table 8 and Table 6 amounts to Rs. 13.16 Crore (Rs. 881.09 Crore – Rs. 867.93 Crore).

Commission's Analysis:

2.2.9 During the scheme-wise prudence check, the Commission observed that the main reasons for deviations as compared to the original approved is mainly due to the increase in project cost of various schemes that were approved by the Competent Authority authorized by the Board of Directors. PSTCL submitted vide memo no. 3081/CAO(F&A)/MYT-II/APR/1A dated 28.12.2020that no provision for transformers was made in the proposal submitted to the Commission for approval of Business &Capital Investment Plan of 1st MYT Control Period.Vide memo no. 241/CAO(F&A)/MYT-II/APR/1A dated 29.01.2021, PSTCL submitted the details of additional transformer and usage of spare transformers due to augmentation in the

1st MYT Control Period. The Commission observes that the capital expenditure has already been made for these spare transformers. Therefore, the Commission directs PSTCL to re-use these spare transformers from 1st MYT Control Period for 2nd MYT Control Period without any additional capital cost.

2.2.10 The Commission further observes that PSTCL has submitted that 28 additional spill over works started prior to FY 2017-18 were also taken up during the first Control Period Crore.As the schemes amounting to Rs.17.84 Crores were started before the 1st MYT control period and have been completed during 1st MYT control period, the Commission allows the Capital expenditure of Rs. 17.84 Crore on account of spill over works prior to FY 2017-18.

2.2.11 PSTCL has also submitted an expenditure of Rs. 1.55 Crore during FY 2019-20 on 4 schemes that were approved for 2nd MYT period in the Order dated 3.12.2019.The Commission allows capital expenditure of Rs. Rs. 1.55 Crore incurred in FY 2019-20 on schemes that were approved in 2nd Business Plan Order dated 3.12.2019.

2.2.12 The Commission, in its Order dated 15.10.2020 in Review Petition No.3 of 2020 in Petition No.29 of 2019, has stated that the addition of assets through equity on account of assets added directly(not routed through WIP) shall be considered at the stage of true-up of Capital Expenditure for FY 2018-19. Accordingly, the Commission has observed that Assets worth Rs. 2.55 Crore have been added directly and the same is considered as funded through loan.

2.2.13 PSTCL has submitted that during the True-up of FY 2018-19, the works of Rs. 1.37 Crore related to SLDC was inadvertently claimed in STU. This has now been rectified and the Capital Expenditure for SLDC for FY 2018-19 is Rs.5.82 Crore. The Commission has considered the rectified amount of Rs.5.82 Crore of Capital Expenditure for SLDC for FY 2018-19.

2.2.14 The Commission observes that PSTCL had not included the grant portion of PSDF Schemes amounting to Rs. 13.16 Crore while submitting the scheme wise expenditure in annexure 1. The same was re-submitted by PSTCL during reconciliation of Capital Expenditure with the Audited Accounts. Accordingly, the Commission has considered the Capital Expenditure as per the revised submission of PSTCL as given in Table 8 viz.Rs 881.09 Crores.

2.2.15 The Capital Expenditure approved by the Commission for Transmission and SLDC Businesses for the 1st MYT Control Period is as under:

Table 9: Capital Expenditure approved by the Commission for 1st MYT Control Period

(Rs. Crore)

Particulars	FY 2017-18	FY 2018-19	FY 2019-20	Total
Capital Expenditure (Transmission Business)				
Capital Expenditure of 182 Approved Schemes (excluding PSDF works at Sr no 43 & 76 I Annexure-I of the Petition)	317.98	219.06	171.45	708.49
Capital Expenditure on PSDF Works as per Table no 7	0.86	6.90	11.95	19.71
Capital Expenditure from 182 Approved Schemes	**318.84**	**225.96**	**183.40**	**728.20**
Spill Over Works prior to FY 2017-18	12.31	5.34	0.19	17.84
Works Approved for Second Control Period started in FY 2019-20	0.00	0.00	1.55	1.55
Capital Expenditure towards Asset directly transferred to GFA	**-**	2.55	0.50	3.05
Capital Expenditure towards material at site	-	-	0.65	0.65
Expenditure on Contributory Works	44.13	24.62	53.26	122.01
Total Capital Expenditure (Transmission Business)	**375.28**	**258.47**	**239.55**	**873.30**
Capital Expenditure (SLDC Business)	**1.59**	**5.82**	**0.38**	**7.79**
Total Capital Expenditure (PSTCL)	**376.87**	**264.29**	**239.93**	**881.09**

Therefore, the Commission approves the Capital Expenditure (including Capital Expenditure on Contributory Works & PSDF Works) of Rs.376.87 Crore, Rs. 264.29Crore and Rs. 239.93Crore for FY 2017-18, FY 2018-19 and FY 2019-20 respectively.

2.3 Funding of Capital Expenditure

Commission's Analysis:

2.3.1 During the True-Up of FY 2017-18, the Commission had considered 70% of funding of the Capital Expenditure through loan and 30% through equity as mentioned in Para 2.5.4 of Tariff Order dated 27.05.2019. However during the True-Up of FY 2018-19, the Commission learnt from the CAG report that PSTCL had no free reserves and therefore provisionally allowed the entire funding of the Capital Expenditure through loan as mentioned in Para 2.5.7 of Tariff Order dated 01.06.2020. For the APR of FY 2019-20 also, the Commission provisionally approved the entire funding of Capital Expenditure through loan as mentioned in Para 3.9.9 of Tariff Order dated 01.06.2020.The Commission has considered the same approach as approved earlier to determine the funding of Actual Capital Expenditure in 1st Control Period.

2.3.2 Thus, the details of funding of the actual Capital Expenditure for Transmission Business for the First MYT Control Period is as under:

Table 10: Funding of Capital Expenditure for FY 2017-18 to FY 2019-20 for Transmission Business as approved by the Commission

(Rs. Crore)

Particulars	FY 2017-18			FY 2018-19			FY 2019-20	
	Approved in tariff order dated 27.5.2019	Approved in this order	Difference	Approved in tariff order dated 1.06.2020	Approved in this order	Difference	Approved in tariff order dated 1.6.2020	Approved in this order
Total Capital Expenditure (A)	321.48	**375.28**	53.80	257.29	**258.47**	1.18	224.02	**239.55**
Less: Expenditure on Contributory Works (B)	0.00	44.13	44.13	24.62	24.62	0.00	0.00	53.26
Less: Expenditure made from grant on PSDF Works (C)		-	-		10.68	10.68	0.00	2.48
Net Capital Expenditure for Transmission (D=A-B-C)	**321.48**	**331.15**	**9.67**	**232.67**	**223.17**	**(9.50)**	**224.02**	**183.81**
Funding through Loan	225.04	231.80	**6.76**	232.67	223.17	**(9.50)**	224.02	183.81
Funding through Equity	96.44	99.35	**2.91**	-	-	-	-	-

2.3.3 The details of funding of the Actual Capital Expenditure in the 1stMYT Control Period for SLDC Business are as under:

Table 11: Funding of Capital Expenditure for FY 2017-18 to FY 2019-20 for SLDC Business as approved by the Commission

(Rs. Crore)

Particulars	FY 2017-18			FY 2018-19			FY 2019-20	
	Approved in Order dated 27.05.2019	Approved in this order	Difference	Approved in Order dated 01.06.2020	Approved in this order	Difference	Approved in Order dated 01.06.2020	Approved in this order
Net Capital Expenditure for SLDC Business	**1.59**	**1.59**	**-**	**4.45**	**5.82**	**1.37**	**3.47**	**0.38**
Funding through Loan	1.11	1.11	-	4.45	5.82	1.37	**3.47**	0.38
Funding through Equity	0.48	0.48	-	-	-	-	-	-

2.4 Impact of True-up of Capital Expenditure

2.4.1 Based on the True-Up of Capital Expenditure as approved in Table 9 and its funding as approved in Table 10 and Table 11, the Commission has calculated the Impact from FY 2017-18 and FY 2018-19 on the following components:

a) Interest on loan
b) Interest on Working Capital
c) Return on Equity
d) Incentive on Transmission System Availability

2.4.2 The Commission has only considered the ARR parameters that have changed on account of True-up of Capex for 1st MYT Period for calculation of impact. The details of the Impact are as under:

Table 12: Impact of True-Up of Capital Expenditure for FY 2017-18

(Rs. Crore)

Particulars	**Approved during True-Up of 2017-18 in order dated 27.05.2019**			**As approved during True-Up of Capital Expenditure in this order**			**Impact**		
	Trans.	**SLDC**	**PSTCL**	**Trans.**	**SLDC**	**PSTCL**	**Trans.**	**SLDC**	**PSTCL**
O&M Expenses	510.78	7.86	518.64	510.78	7.86	518.64	-	-	-
Depreciation	256.89	0.94	257.83	256.89	0.94	257.83	-	-	-
Interest on Loan	364.02	0.73	364.75	364.38	0.73	365.11	0.36	-	0.36
Return on Equity	101.42	0.0	101.42	101.65		101.65	0.22		0.22
Interest on Working Capital	32.973	0.58	33.553	32.975	0.58	33.565	0.002	-	0.002
ARR	1,266.08	20.84*	1,286.92	**1,266.67**	**20.84***	1,287.51	0.59	-	0.59
Less: Non-Tariff income	124.75	1.41	126.16	124.75	1.41	126.16	-	-	-
ARR	1,141.33	19.43	1,160.76	**1,141.92**	**19.43**	1,161.35	0.59	-	0.59
Incentive	11.23		11.23	11.24		11.24	0.01	-	0.01
Other debits	3.00		3.00	3.00		3.00	-	-	-
ARR	1,155.56	19.43	1,174.99	**1,156.16**	**19.43**	1,175.59	0.60	-	0.60
Carrying Cost (@10.59% for Transmission for 6 months) for FY 2017-18							0.03	-	0.03
Carrying Cost (@9.96% for Transmission (1 year) for FY 2018-19							0.06	-	0.06
Carrying Cost (@10.09% for Transmission for 1 year) for FY 2019-20							0.06	-	0.06
Carrying Cost (@10.09% for Transmission for 6 months) for FY 2020-21							0.03	-	0.03
Total cost							**0.18**	-	**0.18**
Total Impact including Carrying Cost							**0.78**	-	**0.78**
*Includes ULDC Charges of Rs. 10.73 Crore									

2.4.3 The details of the Impact for 2018-19 are as under:

Table 13: Impact of True-Up of Capital Expenditure from FY 2018-19

(Rs. Crore)

Particulars	Approved during True-Up of 2017-18 in order dated 01.06.2020			As approved during True-Up of Capital Expenditure in this order			Impact		
	Trans.	SLDC	PSTCL	Trans.	SLDC	PSTCL	Trans.	SLDC	PSTCL
O&M Expenses	512.67	7.61	520.28	512.67	7.61	520.28	-	-	-
Depreciation	275.69	0.43	276.12	275.69	0.43	276.12	-	-	-
Interest on Loan	345.25	0.91	346.16	345.44	0.98	346.42	0.19	0.07	0.26
Return on Equity	108.93	-	108.93	109.38	-	109.38	0.45	-	0.45
Interest on Working Capital	32.81	0.45	33.26	32.83	0.45	33.28	0.02	0.00	0.02
Other Expenses	7.32	-	7.32	7.32	-	7.32	-	-	-
ULDC charges	-	7.68	7.68	-	7.68	7.68	-	-	-
ARR	**1,282.67**	**17.08**	**1,299.75**	**1,283.34**	**17.15**	**1,300.49**	0.66	0.07	0.73
Non-Tariff Income	23.59	1.67	25.26	23.59	1.67	25.26	-	-	-
Net ARR	**1,259.08**	**15.41**	1,274.49	**1,259.75**	**15.48**	1,275.23	0.66	0.07	0.73
Incentive	12.18		12.18	12.19		12.19	0.01	-	0.01
ARR	**1,271.26**	**15.41**	**1,286.67**	**1,271.93**	**15.48**	**1,287.41**	0.67	0.07	0.74
Carrying Cost (@9.96% for Transmission and @10.33% for SLDC for 6 months) for FY 2018-19							0.03	-	0.03
Carrying Cost (@10.09% for Transmission and @10.25% for SLDC for 1 year) for FY 2019-20							0.07	-	0.07
Carrying Cost (@10.09% for Transmission and @10.25% for SLDC for 6 months) for FY 2020-21							0.03	0.01	0.04
Total carrying cost							0.13	0.01	0.14
Total Impact including Carrying Cost							**0.80**	**0.08**	**0.88**

2.4.4 The impact of Capital Expenditure from FY 2019-20 is discussed in Chapter 3.

Capital Work in Progress

2.4.5 Considering the Closing CWIP of FY 2016-17 as approved in Tariff Order dated 19.04.2018 as the Opening CWIP for FY 2017-18, the Capital Expenditure as approved in Table 9 and the capitalization as per Audited Accounts of FY 2017-18 and FY 2018-19, the details for Capital Works in Progress for Transmission and SLDC Businesses are shown in the following table:

Table 14: Capital work in Progress as approved by The Commission for FY 2017-18 and FY 2018-19

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
FY 2017-18				
1	**Opening Capital Work in Progress**	**660.78**	**4.42**	**665.20**
2	Add: Addition of Capital Expenditure during the year	375.28	1.59	376.87
3	Less: Transferred to GFA during the Year	562.43	0.08	562.51
4	**Closing Capital Work in Progress**	**473.63**	**5.93**	**479.56**
FY 2018-19				
1	**Opening Capital Work in Progress**	**473.63**	**5.93**	**479.56**
2	Add: Addition of Capital Expenditure during the year	255.92*	5.82	261.74
3	Less: Transferred to GFA during the Year	361.93	0.49	362.42
4	Less: Assets transferred to PSPCL	6.27	-	6.27
5	**Closing Capital Work in Progress**	**361.35**	**11.26**	**372.61**

**Deducted 2.55 Crore of assets directly transferred to GFA*

Chapter 3
True up for FY 2019-20

3.1 Background

The Commission had approved the Annual Revenue Requirement (ARR) of PSTCL for FY 2019-20 in its Order dated 23.10.2017 for the first MYT Control Period of FY 2017-18 to FY 2019-20, which was based on expenditure and revenue estimates of PSTCL for its Transmission and SLDC Businesses. Subsequently, the Commission, in the Tariff Orders of FY 2019-20 and FY 2020-21, reviewed the estimates and revised the ARR for FY 2019-20 based on the revised data made available by PSTCL.

This Chapter contains the true-up of FY 2019-20, based on the prudence check conducted by the Commission of the data submitted by PSTCL in Petition No. 44 of 2020.

3.2 Transmission System Availability

PSTCL has submitted its month-wise Transmission System (TS) Availability for FY 2019-20 as under:

Table 15 : Transmission System (TS) Availability of PSTCL for FY 2019-20

Sr. No.	Month	TS Availability (%)
I	II	III
1.	April-18	99.9749%
2.	May-18	99.9711%
3.	June-18	99.9584%
4.	July-18	99.9817%
5.	August-18	99.9788%
6.	September-18	99.9823%
7.	October-18	99.9885%
8.	November-18	99.9520%
9.	December-18	99.9820%
10.	January-19	99.9809%
11.	February-19	99.9741%
12.	March-19	99.9637%
	Average Availability	**99.9741%**

This is further discussed in para 3.18

3.3 Transmission Loss

3.3.1 The Commission approved the transmission loss level at 2.30% in the Tariff Order for FY 2017-18. However, in the Tariff Order for FY 2019-20, the Commission observed as under:

"*As the baseline figure of transmission loss of PSTCL is yet to be ascertained, The Commission is of the view that it would not be fair to fix the trajectory for reduction of transmission loss. As such, The Commission approves the transmission loss level of 2.50% for FY 2018-19 and for FY 2019-20 and it would re-visit the transmission losses on the basis of stabilized transmission loss data for the full year during true up for these years.*"

3.3.2 Further, during the APR of FY 2019-20 in Tariff Order of FY 2020-21, the Commission decided to provisionally retain the transmission loss level at 2.50% as approved in the Tariff Order of FY 2019-20.

PSTCL's Submission:

3.3.3 PSTCL has requested the Commission to approve the transmission loss of 2.217% for FY 2019-20. The details of energy input and energy output wheeled through the transmission system of PSTCL during FY 2019-20 are as under:

Table 16: Actual Transmission Loss submitted by PSTCL

Sr. No.	Particulars	FY 2019-20
1	Energy Input (MU)	62463.77
2	Energy Output (MU)	61078.82
3	Transmission Loss (MU)	1384.95
4	Transmission Loss (%)	2.217%

3.3.4 PSTCL has calculated the Losses as 1385 MU and has calculated the percentage loss vis-à-vis the total input energy to PSTCL. However vide letter dated 27.01.2021, PSTCL submitted that it has decided to consider the input energy by adding the netting of energy at Interstate-PSTCL & Generating-PSTCL boundaries and import energy between PSTCL-PSPCL boundary points for calculation of PSTCL Transmission Losses instead of taking the gross input energy to PSTCL, and submitted the Transmission Losses as under:

Table 17: Transmission losses as submitted by PSTCL for FY 2019-20

Sr. No.	Month	Total import at PSTCL Substations	Total export at PSTCL Substations	Transmission Losses	
		MWh	MWh	MWh	%
1	April,2019	3318290.454	3205042.496	113247.958	3.41
2	May,2019	4326239.059	4235854.218	90384.841	2.09
3	June,2019	6249840.120	6042197.349	207642.771	3.32
4	July,2019	6717466.716	6539418.496	178048.220	2.65
5	August,2019	6504880.348	6346423.139	158457.209	2.44
6	September,2019	6123146.159	6004037.993	119108.166	1.95
7	October,2019	3642783.543	3545689.922	97093.621	2.67
8	November,2019	2727758.074	2642452.105	85305.969	3.13
9	December,2019	3116316.803	3018278.510	98038.293	3.15
10	January,2020	3094490.833	2995826.409	98664.424	3.19
11	February,2020	3177276.270	3095527.001	81749.269	2.57
12	March,2020	2405450.054	2348242.363	57207.691	2.38
	Total Losses for FY 2019-20	**51403938.433**	**50018990.001**	**1384948.432**	**2.69**

Commission's Analysis:

3.3.5 The Commission has observed that PSTCL has revised the methodology of calculating the percentage of transmission losses from gross input/output of energy to net input/output of energy. The absolute value of transmission loss is 1385 MkWH though the percentage has gone to 2.69%.

3.3.6 **For true up of FY 2019-20, the Commission approves transmission loss of 1385 MkWH and 2.69% of transmission loss.**

3.4 Capital Expenditure

3.4.1 The Commission vide Order dated 13.12.2017 for 1st MYT Capital Investment Plan (CIP) in Petition No. 44 of 2016 had approved the Capital Investment Plan of Rs. 202.64 Crore and Rs.10 Crore for Transmission and SLDC business respectively for FY 2019-20. The same was also retained in the Tariff Order for FY 2017-18. During the processing of Tariff Order for FY 2019-20, PSTCL submitted two decisions of the Board of Directors of PSTCL approving urgent, unforeseen and feasibility related works chargeable to the head "Addition of Bays/System Strengthening", Augmentation/ Strengthening of Bus Bars" and "Unforeseen emergency works". These were categorized as Category I works amounting to Rs.

31.83 Crore against the provision of Rs. 14 Crore in 1st MYT CIP Order. Accordingly, the Commission noted in the Tariff Order for FY 2019-20 that the CIP of Transmission Business for FY 2019-20 including category 1 works, comes out to be Rs. 220.47 Crore (Rs. 202.64 Cr- Rs.14.0 Cr + Rs. 31.83 Cr). For FY 2019-20, the Commission also allowed an amount of Rs. 6.81 Crore, which was the difference of approved CIP and actual expenditure for FY 2017-18.The Commission provisionally approved Rs. 227.28 Crore (Rs. 220.47 Crore + Rs. 6.81 Crore) for Transmission for FY 2019-20 and retained the CIP of SLDC business to Rs. 10 Crore for FY 2019-20in the Tariff Order for FY 2019-20. As per the provisions of Regulation 9.8 of PSERC MYT Regulations, 2014, the Commission revised the CIP of Transmission and SLDC businesses to Rs. 224.02 Crore and Rs. 3.47 Crore respectively for FY 2019-20 in Tariff Order for FY 2020-21.

PSTCL's Submission:

3.4.2 PSTCL has submitted that it has incurred capital expenditure amounting to Rs. 226.12 Crore for Transmission Business and Rs. 0.36 Crore for SLDC Business i.e. a total of Rs. 226.48Crore during FY 2019-20. This include capital expenditureto the tune of Rs.53.26Crore on Contributory Works and of Rs. 11.95Crore on works under PSDF scheme. Out of expenditure of Rs. 11.95 Crore on PSDF works, PSTCL has not considered the Capital Expenditure to the extent of Rs. 5.40 Crore as the same has been received as a grant from PSDF. The balance amount of Rs. 6.55 Crore has been considered for funding purposes by PSTCL.

Table 18: Details of Capital Expenditure submitted by PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Description	Transmission	SLDC	PSTCL
1.	Amount of Capital Expenditure in FY 2019-20(including assets added directly to GFA)	180.89	0.38	181.27
2.	Contributory works and works under PSDF Scheme (Rs. 65.21 Crore – Rs. 6.55 Crore)	58.66	-	58.66
3.	Less: Assets directly transferred to GFA	13.43	0.02	13.45
	Total PSTCL	**226.12**	**0.36**	**226.48**

3.4.3 However, PSTCL has submitted the scheme-wise actual capital expenditure for FY 2019-20in Annexure-I of the Petition as under:

Table 19:Scheme-wise actual capital expenditure as submitted by PSTCL

(Rs. Crore)

Sr. No.	Description	Transmission	SLDC	PSTCL
1.	Amount of Capital Expenditure in FY 2019-20(including assets added directly to GFA)	179.76	0.36	180.12
2.	Contributory works	53.26	-	53.26
3.	PSDF Grants	13.16		13.16
4.	Capital Expenditure towards Asset directly transferred to GFA & material at site	1.15		1.55
	Total PSTCL	**247.33**	**0.36**	**247.69**

3.4.4 PSTCL has further submitted the Revised Capital Expenditure for reconciliation of scheme-wise actual capital expenditure for FY 2019-20 with the Annual Audited Accounts of FY 2019-20 as under:

Table 20: Revised Capital Expenditure for FY 2017-18 to FY 2019-20 as submitted by PSTCL

Sr. No.	Particulars	FY 2019-20
1.	Capital Expenditure of 182 Approved Schemes (excluding PSDF works at Sr. No. 43 & 76)	171.45
2.	Capital Expenditure on PSDF Works	11.95
3.	**Capital Expenditure of 182 Approved Schemes (Transmission Business)(1+2)**	**183.40**
4.	**Capital Expenditure (SLDC Business)**	**0.38**
5.	**Total Capital Expenditure from approved schemes (3+4)**	**183.78**
6.	Spill Over Works prior to FY 2017-18	0.19
7.	Works Approved in Second Control Period started in FY 2019-20	1.55
8.	**Total Capital Expenditure from all schemes (5+6+7)**	**185.52**
9.	Capital Expenditure towards Asset directly transferred to GFA (not included in A above)	0.50
10.	Capital Expenditure towards material at site	0.65
11.	Expenditure on Contributory Works	53.26
12.	**Total Capital Expenditure (Transmission Business)(3+6+7+9+10)**	**239.55**
13.	**Total Capital Expenditure (PSTCL)(4+12)**	**239.93**

3.4.5 PSTCL has further submitted that PSTCL has incurred capital expenditure of Rs. 13.45 Crore (Rs. 13.43 Crore for Transmission and Rs. 0.02 Crore for SLDC) which have been directly transferred to GFA for FY 2019-20 and is added in capital expenditure of 182 schemes.

Commission's Analysis:

3.4.6 The Commission observes that CIP for FY 2019-20 approved in the 1st MYT Order, revised in the APR and capital expenditure submitted by PSTCL for true up of FY 2019-20 is as under:

Table 21: Capital Expenditure for FY 2019-20

(Rs. Crore)

Sr. No.	Description	Approved in 1st CIP Order	Revised Capital Expenditure in Tariff Order for FY 2019-20	Revised Capital Expenditure in APR in Tariff Order for FY 2020-21	Capital Expenditure Submitted by PSTCL for true-up*
1.	Transmission Business	202.64	227.28	224.02	239.55
2.	SLDC Business	10.00	10	3.47	0.38
3.	**PSTCL**	**212.64**	**237.28**	**227.49**	**239.93**

**Including IDC & IEDC*

3.4.7 The Commission observes that as per the revised submission ,PSTCL has submitted that the Capital expenditure of Rs. 239.55 Crore (including IDC & IEDC) for true-up of its Transmission Business also includes Rs.53.26 Crore on Contributory Works and of Rs. 11.95 Crore on works under PSDF scheme.

3.4.8 PSTCL has clarified that Rs. 171.45 Crore of Capital Expenditure for 182 Approved Schemes (excluding PSDF works at Sr no 43 & 76) includes assets of 13.45 Crore (Rs. 13.43 Crore for Transmission and Rs. 0.02 Crore for SLDC)which have been directly transferred to GFA except Rs. 0.5 Crorefor FY 2019-20.Therefore, Rs.171.45 Crore includes Rs. 12.95 Crore (Rs. 13.45 Crore – Rs. 0.50 Crore) of Capital Expenditure on assets which have been directly transferred to GFA.

3.4.9 The Commission also observes that as per the revised submission the total capital expenditure of SLDC Business is Rs. 0.38Crore for FY 2019-20 which includes Capital Expenditure of Rs. 0.02 Crore on assetswhich havebeen directly transferred to GFA.

3.4.10 Accordingly, the Capital Expenditure approved by the Commission for FY 2019-20 is as under:

Table 22: Capital Expenditure approved by the Commission for FY 2019-20

Sr. No.	Particulars	FY 2019-20		
		Transmission Business	SLDC Business	PSTCL
1	Capital Expenditure from 182 Approved Schemes (excluding PSDF works at Sr no 43 & 76)	171.45	0.38	171.83
2	Capital Expenditure towards Asset directly transferred to GFA as mentioned in Table 20	0.5	-	0.5
3	Spill Over Works prior to FY 2017-18	0.19	-	0.19
4	Works Approved in Second Control Period started in FY 2019-20	1.55		1.55
5	Capital Expenditure towards material at site	0.65	-	0.65
6	Expenditure on Contributory Works	53.26	-	53.26
7	Expenditure on PSDF Works	11.95	-	11.95
8	**Total Capital Expenditure**	**239.55**	**0.38**	**239.93**

3.4.11 **Thus, the Capital Expenditure Trued-up by the Commission is Rs. 239.55 Crore for Transmission Business and Rs. 0.38 Crore for SLDC Business i.e. Rs. 239.93 Crore for PSTCL for FY 2019-20.**

3.5 Capital Works in Progress

PSTCL's Submission:

3.5.1 PSTCL submitted that Opening Capital Work in Progress for FY 2019-20 as per audited accounts is Rs. 344.88 Crore. The Petitioner had incurred capital expenditure of Rs.226.48 Crore during FY 2019-20. An amount of Rs. 288.67 Crore has been capitalized and transferred to Fixed Assets during FY 2019-20. The remaining capital expenditure was carried over as Capital Work in Progress to the next year.

The details for Capital Works in Progress for Transmission and SLDC are shown in the following table:

Table 23: Capital Works in Progress submitted by PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Opening Capital Work in Progress	333.60	11.28	344.88
2	Add: Addition of Capital Expenditure during the year	226.12	0.36	226.48
3	Less: Transferred to GFA during the Year	282.35	6.31	288.67
4	Closing Capital Work in Progress	277.37	5.33	282.70

Commission's Analysis:

3.5.2 For Transmission Business, the Closing CWIP for True Up of FY 2018-19 of Rs 361.35 Crore as approved in Table 14 of this Order is considered as the Opening CWIP for FY 2019-20. The Commission notes that the Capital expenditure for FY 2019-20 is Rs. 239.55 Crore (including capital expenditure of Rs. 13.43 Crore of assets directly capitalized). Therefore, Capital Expenditure of Rs. 226.12 Crores (239.55 Crores - 13.43 Crores) has been considered for Transmission Business for CWIP.

3.5.3 Similarly, for SLDC Business, the Closing CWIP for True Up of FY 2018-19 of Rs 11.26 Crore as approved in Table 14 of this Order is considered as the Opening CWIP for FY 2019-20. The Commission notes that the Capital expenditure for FY 2019-20 is Rs. 0.38 Crore (including capital expenditure of Rs. 0.02 Crore of assets directly capitalized). Therefore, Capital Expenditure of Rs.0.36 crores (0.38 Crores – 0.02 Crores) have been considered for SLDC Business for CWIP.

3.5.4 The Capitalization as per audited accounts of PSTCL is Rs.331.91 Crore for FY 2019-20.PSTCL has directly capitalized the assets of Rs.13.45 Crore and Rs.8.03 Crore on land(Right of use).For SLDC Business, PSTCL has submitted addition of GFA during the year as Rs. 6.31 Crore. After verifying the Trial Balance of SLDC submitted by PSTCL, the Commission has considered the addition of GFA during the year as Rs.6.31 Crore for SLDC Business(excluding capital expenditure of Rs. 0.02 Crore of assets directly capitalized). Accordingly, the net transfer to GFA during FY 2019-20 is as under:

Table 24: Transfer to GFA considered by the Commission from CWIP of FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Transferred to GFA during the Year as per audited accounts	325.57	6.33	331.91
2.	Less: Assets transferred directly	13.43	0.02	13.45
3.	Less: Assets held under Right of use(Land)	8.03	-	8.03
4.	Less: Net transfer from Asset not in use	21.80	-	21.80
5.	Transferred to GFA during the Year from CWIP	**282.31**	**6.31**	**288.62**

3.5.5 The details for Capital Works in Progress approved by the Commission for Transmission and SLDC Business is as under:

Table 25: Capital Works in Progress approved by the Commission for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Opening Capital Work in Progress	**361.35**	**11.26**	**372.61**
2	Add: Capital Expenditure during the year	226.12	0.36	226.48
3	Less: Transferred to GFA during the Year	282.31	6.31	288.62
4	Closing Capital Work in Progress	**305.16**	**5.31**	**310.47**

3.6 Funding of Capital Expenditure

PSTCL's Submission:

3.6.1 PSTCL submitted that during FY 2019-20, it has incurred Capital Expenditure of Rs. 226.48 Crore as reflected in the Audited Accounts under CWIP which includes Rs. 65.21 Crore i.e. the amount of expenditure on Contributory Works (Rs. 53.26 crore) and works under PSDF scheme (Rs. 11.95 crore) in FY 2019-20. Out of the amount of expenditure on PSDF works of Rs. 11.95 crore, PSTCL has not considered the Capital Expenditure to the extent of Rs. 5.40 crore as the same has been received as grant from PSDF. The balance amount of Rs. 6.55 crore has been considered for funding purposes. Further, PSTCL has also considered the amount of Rs. 13.45 Crore which is directly incurred on creation of assets for funding as per the Audited

Accounts.

3.6.2 PSTCL submitted the Capital Expenditure incurred during FY 2019-20 and its funding as under:

Table 26: Capital Expenditure claimed by PSTCL for FY 2019-20

(Rs. Crore.)

Sr. No.	Particulars	Amount
1.	Capital Expenditure as per audited CWIP Account	226.48
2.	Less: Contributory works and works under PSDF Scheme (Rs. 65.21 Crore – Rs. 6.55 Crore)	58.66
3.	Add: Assets directly transferred to GFA	13.45
4.	Total Capital expenditure to be considered for Funding	181.27

3.6.3 As shown in the above Table, PSTCL has considered the Capital Expenditure of Rs. 181.27 Crore for the purpose of funding. In view of absence of actual Equity/retained earnings in the books of accounts of PSTCL, the Commission in the previous Tariff Order had considered the entire funding of Capital Expenditure through Loans. Accordingly, PSTCL has adopted a similar approach and considered the entire amount of Capital Expenditure of Rs. 181.27 Crore to be funded through loans.

Commission's Analysis:

3.6.4 As mentioned in para **3.5.5** of the Tariff Order for FY 2020-21, the Commission cannot consider the addition of equity for FY 2019-20 due to non-availability of free reserves.Accordingly, the Commission allows the entire funding of Capital Expenditure in FY 2019-20 as loan.

3.6.5 The Commission observes from Table 7 that the grant portion of Rs. 11.95 Crores of PSDF schemes for FY 2019-20 is Rs 2.48 Crores and not Rs.5.40 Crores as submitted earlier by PSTCL. The impact of excess grant received in FY 2018-19 has been accounted for while truing up Capital expenditure in Table 13. The detailed calculations of funding are as under:

Table 27: Funding of Capital Expenditure for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Capital expenditure approved for FY 2019-20	239.55	0.38	239.93
2.	Less: Expenditure on Contributory Works	53.26	-	53.26
3.	Less: Expenditure on PSDF Schemes (grant portion as given in Table 7)	2.48	-	2.48
4.	Capital Expenditure to be funded as loan	183.81	0.38	184.19

The capital expenditure of Rs.184.19 Crore is considered for funding out of which Rs. 183.81 Crore is considered for Transmission Business and Rs. 0.38 Crore for SLDC Business.

3.7 Operation and Maintenance Expenses

3.7.1 In the MYT Petition for FY 2017-18 to FY 2019-20, PSTCL had projected employee expenses of Rs. 587.60 Crore for its Transmission Business and Rs. 8.32 Crore for its SLDC Business for FY 2019-20. The Commission had approved employee cost of Rs. 465.67 Crore for Transmission Business and Rs. 7.15 Crore for SLDC Business to PSTCL for FY 2019-20.

3.7.2 In the Tariff Order for FY 2019-20, PSTCL had claimed revised estimates of employee expenses of Rs. 524.46 Crore for its Transmission Business and Rs. 7.12 Crore for its SLDC Business for FY 2019-20. The Commission had approved employee cost of Rs. 498.86 Crore for Transmission Business and Rs. 6.77 Crore for SLDC Business to PSTCL for FY 2019-20.

3.7.3 In the APR for FY 2019-20, PSTCL had submitted revised estimates for employee cost of Rs. 512.78 Crore for Transmission Business and had claimed Rs.7.00 Crore for SLDC Business. The Commission had approved the revised employee cost of Rs. 505.98 Crore for Transmission Business and Rs. 7.00Crore for SLDC Business of PSTCL at the that time.

PSTCL's Submission:

A. Employee Expenses

3.7.4 PSTCL has calculated the Normative O&M expenses as per Regulation 26.1 of the first Amendment of PSERC MYT Regulations, 2014. The Petitioner has considered the normative expenses calculated by the Commission for allowing Net Other Employee Cost of Rs. 189.47 Crore for Transmission Business and Rs. 6.69 Crore for SLDC Business for FY 2018-19. PSTCL has thereafter applied the weighted average escalation of CPI and WPI indices escalation of 4.60% for FY 2019-20.PSTCL has also paid Rs. 1.28 Crore on account of Terminal Benefits relating to FY 2018-19 during FY 2019-20 which have been shown in the restated audited accounts of FY 2018-19.

3.7.5 Further, Terminal Liabilities on the basis of actuals has been considered. The following table shows the actual amount of Terminal Benefits.

Table 28: Terminal Benefits submitted by PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Share of Pension Gratuity and Medical	283.17	-	283.17
2	Share of Leave Encashment	19.58	-	19.58
3	NPS, CPF, PF, LWF	5.18	0.22	5.40
4	Miscellaneous - P.F inspection fees, solatium, Memento etc.	0.45	0.00	0.45
5	Prior Period Adjustment related to Terminal Benefits	1.28	-	1.28
6	Total Terminal Liabilities	309.66	0.22	309.88

The above amount is excluding the amount of provisions made for gratuity and leave encashment during FY 2019-20.

3.7.6 The Petitioner has computed the Normative Employee Costs for FY 2019-20 as shown in the following table:

Table 29: Normative Employee Costs for FY 2019-20 as submitted by PSTCL

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Net Other Employee Cost for FY 2018-19	189.47	6.69	196.16
2	Escalation Factor (CPI: WPI: 50:50)	4.60%	4.60%	4.60%
3	Net Other Employee Cost for FY 2019-20	198.19	7.00	205.19
4	Terminal Benefits	309.66	0.22	309.88
5	Normative Employee Cost	507.85	7.22	515.07

3.7.7 In the True Up Petition for FY 2019-20, PSTCL has submitted the Actual employee expenses of Rs.514.36 Crore i.e. Rs.506.66 Crore for Transmission Business and Rs. 7.70 Crore for SLDC Business based on Audited Annual Accounts for FY 2019-20(net of capitalization of Rs.29.05 Crore). The actual expenses include the Terminal Benefits of Rs. 316.44 Crore (Rs. 316.22 Crore for Transmission Business and Rs. 0.22 Crore for SLDC Business).PSTCL has worked out the actual Employee Costs including the terminal benefits i.e. Rs. 1.28 Crore and excluding the provision for gratuity and leave encashment as Rs. 507.80 Crore (Rs. 500.10 Crore for Transmission Business and Rs. 7.70 Crore for SLDC Business).

Table 30: Actual Employee Costs for FY 2019-20 as submitted by PSTCL

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Employee Cost as per Audited Accounts	506.66	7.70	514.36
2	Less: Provision for gratuity and leave encashment for employees of PSTCL	7.84	-	7.84
3	Add: Prior Period Adjustment related to Terminal Benefits	1.28	-	1.28
4	Actual Employee Cost claimed in True-up	500.10	7.70	507.80

Commission's Analysis:

A. 1) Terminal Benefits

3.7.8 The Terminal benefits expenses are to be determined as per Regulation 26.1 of PSERC MYT Regulations, 2014 (as amended from time to time). Relevant notes of Regulation 26 of MYT Regulations, 2014 are reproduced below for reference:

"Note-4: Terminal Liabilities such as death-cum-retirement gratuity, pension, commuted pension, leave encashment, LTC, medical reimbursement including fixed medical allowance in respect of pensioners will be approved as per the actuals paid by the Applicant.

Note-9: With regard to unfunded past liabilities of pension and gratuity, the Commission will follow the principle of "pay as you go". The Commission shall not allow any other amount towards creating fund for meeting unfunded past liability of pension and gratuity."

3.7.9 The terminal benefits of employees of erstwhile PSEB are to be apportioned in the ratio of 88.64% and 11.36% between PSPCL and PSTCL respectively as per the Transfer Scheme. **PSTCL's share @11.36% of terminal benefits claimed as Rs.283.17 Crore is allowed.**

3.7.10 In addition to the above, an amount of Rs.0.45Crore of 'other terminal benefits' relating to Miscellaneous-P.F. inspection fees, Solatium, contribution to Contributory Provident Fund, Provident Fund, Labor Welfare Fund etc. and an amount of Rs.5.4 Crore of terminal benefits towards National Pension Fund for new employee recruited by PSTCL are also allowed for FY 2019-20.

3.7.11 PSTCL has not claimed 'Provision for Gratuity & leave encashment for employees recruited by PSTCL amounting to Rs.7.84 Crore. The Commission shall allow this expenditure on "Pay as you go" basis when it is actually paid out.

Accordingly, the Commission allows terminal benefits of Rs. 309.66 Crore for Transmission Business and Rs.0.22 Crore for SLDC Business for FY 2019-20 i.e. a total of Rs. 309.88 Crore as submitted by PSTCL in Table 28.

A. 2) Other Employee Cost

3.7.12 The Employee Costs are to be determined as per Regulation 26.1 of PSERC MYT Regulations, 2014 (as amended from time to time). Relevant sections of Regulation 26 of MYT Regulations, 2014 are reproduced below for reference:

(ii) EMPn = (EMPn-1)*(INDEX n/INDEX n-1)

- ***INDEXn*** *– Inflation Factor to be used for indexing the Employee Cost.*
- *This will be a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) of nth year and shall be calculated as under:-*

  INDEXn = 0.50*CPIn + 0.50*WPIn

  *‘**WPIn**’ means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year.*

  *‘**CPIn**’ means the average rate (on monthly basis) of Consumer Price Index (Industrial workers) over the year for the nth year.*

3.7.13 Accordingly, the Commission has calculated the ***INDEX*** as under:

Table 31: Calculation of INDEX

Sr. No.	Particulars	FY 2018-19	FY 2019-20	Increase (%)
1	CPI	299.92	322.50	7.53
2	WPI	119.79	121.80	1.68

INDEX n/INDEX n-1 = (0.5*7.53) +(0.5*1.68) = **4.60%**

3.7.14 Accordingly, the Commission has calculated the Normative Other Employee Cost as under:

Table 32: Normative Other Employee Cost calculations

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Other Employee Cost for FY 2017-18	180.68	6.38	187.06
2.	Escalation Factor *(CPI:WPI::50:50)*	4.86%	4.86%	4.86%
3.	Other Employee Cost for FY 2018-19	189.47	6.69	196.16
4.	Escalation Factor *(CPI:WPI::50:50)*	4.60%	4.60%	4.60%
5.	**Other Employee Cost for FY 2019-20**	**198.19**	**7.00**	**205.19**

3.7.15 The actual other employee cost as per the Annual Audited Accounts of FY2019-20 are as under:

Table 33: Actual other employee cost as per Annual Audited Accounts of FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	**Actual Other Employee Cost**	**190.44**	**7.48**	**197.92**

3.7.16 The relevant Regulation for the Employee Cost i.e. Reg 8.3 of PSERC MYT Regulations, 2014 (as amended from time to time) is reproduced below:

“O&M expenses are considered normative as per the formula specified in regulation

26. The changes on account of Inflation Index shall be adjusted during the annual performance review/true up. However, if the actual expenditure is less than the normative, then the allowable expenditure shall be limited to actual expenditure incurred by the applicant."

3.7.17 **Therefore, as the Normative Other employee cost for Transmission Business is higher than the actuals, the Commission approves "Other employee cost" as Rs.190.44 Crore as per actuals. For SLDC actual other employee cost is higher than normative, therefore the Commission allows Rs 7.00 crores as per normative.** The total employee cost of PSTCL approved by the Commission is as under:

Table 34: Employee Cost allowed by the Commission for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Other Employee Cost	190.44	7.00	197.44
2.	Terminal Benefits	309.66	0.22	309.88
3.	**Actual Employee Cost**	**500.10**	**7.22**	**507.32**

3.7.18 **Therefore, the Commission allows Employee Cost of Rs. 500.10 (190.44+309.66) Crore for Transmission Business and Rs. 7.22 (7.00+0.22) Crore for SLDC Business for FY 2019-20 i.e. Employee Cost of Rs. 507.32 Crore for PSTCL.**

B. Repair & Maintenance (R&M) and Administration & General (A&G) Expenses

3.7.19 In the MYT Petition for FY 2017-18 to FY 2019-20, PSTCL projected R&M and A&G Expenses of Rs.62.78Crore for its Transmission Business and Rs. 4.08 Crore for its SLDC Business for FY 2019-20. The Commission approved Rs.64.04 Crore and Rs. 3.67 Crore as R&M and A&G expenses for Transmission Business and SLDC Business of PSTCL respectively.

3.7.20 In the Petition for Tariff of FY 2019-20, PSTCL revised its claim of R&M and A&G expenses to Rs.69.77 Crore for its Transmission Business and Rs.2.74 Crore for its SLDC Business. The Commission approved the R&M and A&G expenses of Rs.53.34 Crore for Transmission Business and Rs.2.53 Crore for SLDC Business of PSTCL during the APR of FY 2019-20.

3.7.21 In the APR Petition for FY 2019-20, PSTCL revised its claim of R&M and A&G expenses to Rs. 51.21 Crore for its Transmission Business and Rs.1.30 Crore for its

SLDC Business. The Commission approved the R&M and A&G expenses of Rs.50.86 Crore for Transmission Business and Rs.1.36 Crore for SLDC Business of PSTCL during the APR of FY 2019-20.

PSTCL's Submission:

3.7.22 PSTCL has considered the K-factor of 0.496% for Transmission Business and 7.293% for SLDC Business for computing the normative R&M and A&G Expenses of FY 2019-20.Further, PSTCL submitted that assets worth Rs. 0.29 Crore funded through Contributory Works and worth Rs. 6.25 Crore funded through Government Grant under PSDF Scheme were added in Fixed Assets of FY 2019-20. These assets are operated and maintained by PSTCL. Therefore, PSTCL has considered the impact of these assets in Gross Fixed Assets of FY 2019-20 for the purpose of computing normative R&M expenses and A&G Expenses. Accordingly, PSTCL has computed the combined Normative R&M expenses and A&G expenses for Transmission and SLDC Business as under:

Table 35: Normative R&M and A&G Expenses as submitted by PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Opening GFA	9778.83	17.43	9796.26
2.	Additions to GFA			
a	Transferred from CWIP Account	282.35	6.31	288.67
b	Directly Transferred to GFA	13.43	0.02	13.45
3.	Retirements to GFA	(21.80)	0.00	(21.80)
4.	Closing GFA	10096.42	23.77	10120.19
5.	Average GFA	9937.62	20.60	9958.22
6.	Escalation Factor (*Increase in WPI Index)*	1.68%	1.68%	1.68%
7.	k-factor	0.496%	7.293%	-
8.	**R&M Expenses and A&G Expenses**	**50.12**	**1.53**	**51.64**
9.	Add: Audit Fee	0.06	-	0.06
10.	Add: Licence Fee and ARR Fee	0.50	-	0.50
11.	**Grand Total**	**50.68**	**1.53**	**52.21**

3.7.23 PSTCL has submitted that the actual R&M expenses and A&G expenses incurred, as per the Audited Annual Accounts of FY 2019-20, are as under:

Table 36: Actual R&M and A&G Expenses as submitted by PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	R&M Expenses	30.14	0.50	30.64
2.	A&G Expenses	25.54	0.78	26.32
3.	**R&M and A&G Expenses**	**55.68**	**1.28**	**56.96**

3.7.24 PSTCL has submitted that during FY 2019-20, an amount of Rs. 0.46 Crore was incurred as extraordinary expense on disc washing and payments towards hot line maintenance to improve the transmission availability factor which was not part of the base Normative R&M and A&G expenses approved by the Commission.

3.7.25 As discussed in the above paragraphs, PSTCL has submitted the comparison of Normative and Actual O&M Expenses for FY 2019-20 as under:

Table 37: Comparison of Normative and Actual O&M Expenses for FY 2019-20 as submitted by PSTCL

(Rs. Crore)

Sr. No.	Particulars	Normative	Actual
1.	Employee Expenses	515.07	507.80
2.	R&M Expenses	52.21	30.64
3.	A&G Expenses		26.32
4.	Extra Ordinary Expenses	0.46	-
5.	**Total O&M Expenses**	**567.74**	**564.76**

3.7.26 The normative O&M Expenses are computed as Rs. 567.74 Crore for FY 2019-20. As against this, the actual O&M Expenses are Rs. 564.76 Crore (Employee Cost of Rs. 507.80 Crore and R&M expenses and A&G expenses of Rs. 56.96 Crore) for FY 2019-20 as per Audited Accounts**.** Since the actual O&M expenses as reflecting in Audited Accounts of FY 2019-20 are lower than the Normative O&M Expenses computed in line with the PSERC MYT Regulations, 2014, PSTCL therefore requested approval of the actual O&M expenses for FY 2019-20.

Commission's Analysis:

3.7.27 The R&M and A&G expenses for the FY 2019-20 are to be determined as per Regulation 26.1 of PSERC MYT Regulations, 2014 (and amendments) which states as:

R&Mn + A&Gn = K*GFA*(WPIn/WPIn-1)

Where,

- *'K' is a constant (expressed in %) governing the relationship between R&M and A&G expenses and Gross Fixed Assets (GFA) for the nth year. The value of "K" will be specified by the Commission in the MYT order.*
- *'GFA' is the average value of the Gross Fixed Assets of the nth year.*
- *'WPIn' means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year. "*

3.7.28 The value of "K" is considered as 0.496% for Transmission business & 7.293% for

SLDC business as determined by the Commission in Tariff Order dated 27th May 2019 and the same was specified by the Commission in the Tariff Order dated 1st June 2020.

3.7.29 The Commission agrees that R&M and A&G expenses for the Contributory works and PSDF works shall be borne by PSTCL since these assets are operated and maintained by PSTCL.

3.7.30 The Opening GFA for the purpose of calculating R&M and A&G expenses is considered as Rs 9796.13 Crore from the Closing GFA as mentioned in para 2.7.12 of True-up of FY 2018-19 in Tariff Order for FY 2020-21.

3.7.31 The addition of GFA during the year is considered based on the addition of GFA as mentioned in Table 24. The net transfer of GFA from assets not in use is considered as (-)Rs 21.80 Crore as per the submission of PSTCL in Table 21 and Table 26 of the Petition. The details are as under:

Table 38: Addition of GFA

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Transferred to GFA during the Year as per audited accounts	**282.31**	**6.31**	**288.62**
2.	Add: Assets transferred directly	13.43	0.02	13.45
3.	Add: Assets held under lease(Land)	8.03	-	8.03
4.	**Net Addition of Assets for R&M Calculation [1+2+3]**	**303.77**	**6.33**	**310.10**

3.7.32 The increase in WPI Index is considered as 1.68% as per Table 31.

3.7.33 Note 5 of Regulation 26.1 of PSERC MYT Regulations 2019 states the following:

"…

Note 5: O&M expenses made on account of extraordinary situations (if any) shall be submitted to Commission for its approval. Such expenses shall be filed separately and will not be subjected to provisions of Regulation 30. The amount approved by the Commission shall be trued up in the Annual Performance Review."

3.7.34 The Commission observes that an amount of Rs. 0.46 Crore was incurred on disc washing and payments towards hot line maintenance to improve the transmission availability factor. It cannot be considered as extra-ordinary expense to be allowed outside the norms. However, it is noted that PSTCL has asked for an incentive for improvement in Transmission availability ,which is considered subsequently in this order since the availability has improved.

3.7.35 Accordingly, the R&M & A&G expenses works out as under:

Table 39: R&M and A&G expenses determined by the Commission for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Opening GFA for the purpose of R&M and A&G	9777.77	18.36	9796.13
2.	Addition during the year	303.77	6.33	310.10
3.	Net transfer from Asset not in use	21.80	-	21.80
4.	Closing GFA for the purpose of R&M and A&G	10103.34	24.69	10128.03
5.	Average GFA for the purpose of R&M and A&G	9940.56	21.53	9962.08
6.	K factor	0.496%	7.29%	
7.	Escalation Factor (*Increase in WPI Index)*	1.68%	1.68%	
8.	**R&M and A&G Expenses**	**50.13**	**1.60**	**51.73**
9.	Add: Audit Fee	0.06	**-**	0.06
10.	Add: License Fee and Tariff determination Fee	0.50	**-**	0.50
11.	**Grand Total**	**50.69**	**1.60**	**52.29**

3.7.36 As explained in Para 3.7.16, if the actual expenditure is less than the normative, then the allowable expenditure shall be limited to actual expenditure incurred by the petitioner. However, if the actual expenditure is higher than the normative, the normative expenditure shall be allowed.

3.7.37 The Commission has observed that PSTCL has submitted Rs 0.81 crores of lease charges in interest charges whereas, as per Regulations these are a part of R&M and A&G expenses. Accordingly, the actual R&M and A&G expenses are of Rs. 56.49 crores (Rs 55.68 crores of R&M & A&G expenses plus Rs 0.81 crores of lease charges).

3.7.38 The Normative R&M and A&G expenses for Transmission business are Rs.50.69 Crore which is lower than the actual R&M and A&G expenses of Rs. 56.49 crores. Accordingly, the Commission approves the R&M and A&G expenses for Transmission business as Rs.50.69 Crore.

3.7.39 Since the actual R&M and A&G expenses for SLDC Business is Rs.1.28 Crore as per the Audited Annual Accounts which is lower than the Normative Expenses of Rs.1.60 Crore, the Commission has considered Rs.1.28 Crore as R&M and A&G expenses for SLDC Business of FY 2019-20.

3.7.40 **Thus, the Commission approves Rs. 51.97 Crore (Rs.50.69 Crore for Transmission Business + Rs.1.28 Crore for SLDC Business) of R&M and A&G**

expense for FY 2019-20.

3.8 Depreciation Charges

3.8.1 In the ARR Petition of 1st MYT period, PSTCL had claimed depreciation charges of Rs. 368.05 Crore for Transmission Business and Rs. 3.31 Crore for SLDC Business against which the Commission had approved depreciation charges of Rs. 315.54 Crore for Transmission Business and Rs.2.20 Crore for SLDC Business for FY 2019-20.

3.8.2 In the Petition for FY 2019-20, PSTCL had claimed revised estimates of depreciation of Rs. 307.24 Crore for its Transmission Business and Rs. 2.07 Crore for its SLDC Business for FY 2019-20. The Commission had approved depreciation of Rs. 291.67 Crore for Transmission Business and Rs. 1.66 Crore for SLDC Business to PSTCL for FY 2019-20.

3.8.3 In the APR Petition for FY 2019-20, PSTCL revised its claim of depreciation to Rs.292.21Crore for Transmission Business and Rs.0.43 Crore for SLDC Business. The Commission had approved depreciation charges of Rs.289.63 Crore for Transmission Business and Rs.0.43 Crore for SLDC Business for FY 2019-20**.**

PSTCL's Submission:

3.8.4 PSTCL has been charging depreciation in audited accounts of FY 2019-20 in line with the methodology specified in Regulation 21 of the PSERC MYT Regulations, 2014, as amended from time to time. PSTCL has not considered depreciation on the amount of Rs. 6.54 Crore on asset capitalized during FY 2019-20, as these assets were funded through Contributory Work and works under PSDF scheme. PSTCL has hence claimed Depreciation in line with the amounts reflecting in Audited Accounts of FY 2019-20, after excluding depreciation towards impairment loss.

Table 40: Depreciation claimed by PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Opening GFA (net of land and land rights)	6,856.77	12.68	6,869.45
2	Addition of GFA	279.73	6.33	286.07
3	Retirement of GFA	(21.80)	-	(21.80)
4	Closing GFA (net of land and land rights)	7,158.31	19.02	7,177.33
5	**Depreciation**	**290.42**	**1.24**	**291.66**

Commission's Analysis:

3.8.5 The Depreciation has been determined as per Regulation 21 of PSERC MYT Regulations-2014 (as amended from time to time).

3.8.6 The Commission has considered the Fixed Asset Register submitted by PSTCL for determining weighted average rate of depreciation based on Fixed Asset Register of FY 2019-20 as under:

Table 41: Computation of weighted average rate of depreciation for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC
1	Opening GFA (net of land and land rights and consumer contribution and grant)	6,821.78	12.68
2	Add: Additions during the year ((net of land and land rights and consumer contribution and grant))	279.69	6.33
3	Less: Net transfer from Asset not in use	(21.80)	-
4	Closing GFA (net of land and land rights)	7,123.27	19.02
5	Average Gross Fixed Assets	6,972.57	15.85
6	Depreciation	290.65	1.24
7	**Average rate of depreciation**	**4.17%**	**7.83%**

3.8.7 The closing GFA of FY 2018-19as approved by the Commission in Tariff Order dated 01.06.2020 is considered as the opening GFA for FY 2019-20.

3.8.8 The Commission has also deducted Rs.17.55Crore of land acquired by PSTCL (as mentioned in FAR) during the year and not considered the assets of Rs.6.53 Crore added through consumer contribution and grant.

Table 42: Depreciation approved by the Commission for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Opening GFA (net of land and land rights and consumer contribution)	6786.40	12.77	6799.17
2.	Add: Additions during the year	303.77	6.33	310.10
3.	Add: Net transfer from Asset not in use	21.80	-	21.80
4.	Less land and land rights during the year	17.55		17.55
5.	Less: GFA due to Contributory Works and PSDF grants	6.53	-	6.53
6.	Closing GFA (net of land and land rights)	7087.89	19.10	7107.00
7.	Average GFA	6937.15	15.94	6953.08
8.	Average rate of depreciation	4.17%	7.83%	
9.	**Depreciation allowed by the Commission**	**289.17**	**1.25**	**290.42**

3.8.9 **The Commission approves depreciation of Rs.289.17 Crore for Transmission Business and Rs.1.25 Crore for SLDC Business for FY 2019-20.**

3.9 Interest and Finance Charges

3.9.1 In the ARR Petition of 1st MYT Period, PSTCL had projected Interest and Finance charges on long term loan of Rs. 400.71 Crore (net of capitalization of Rs. 40.30 Crore of interest charges) for its Transmission Business and Rs.4.64 Crore for SLDC Business for FY 2019-20. The Commission approved interest charges of Rs. 351.35

Crore for Transmission Business and Rs. 2.16 Crore for SLDC Business.

3.9.2 In the petition for FY 2019-20, PSTCL had claimed revised estimates of Interest and Finance charges of Rs. 366.07 Crore (net of capitalization of Rs. 35.55 Crore of interest charges) for its Transmission Business and Rs. 1.53 Crore for its SLDC Business for FY 2019-20. The Commission had approved Interest and Finance charges of Rs. 324.48 Crore for Transmission Business and Rs. 1.36 Crore for SLDC Business to PSTCL for FY 2019-20.

3.9.3 In the APR for FY 2019-20, PSTCL had claimed Interest and Finance charges on long term loan of Rs.360.42 Crore (net of capitalization of Rs.21.05 Crore) for its Transmission Business and Rs.0.82Crore for SLDC Business. The Commission approved the interest and finance charges of Rs.356.09 Crore for Transmission Business and Rs. 1.28 Crore for SLDC Business at the time of Review of FY 2019-20.

A. Interest and Finance Charges for Transmission

PSTCL's Submission:

3.9.4 In the True Up Petition for FY 2019-20, PSTCL has claimed the Interest & Finance Charges of Rs.353.45 Crore for Transmission Business and Rs. 1.25 Crore for SLDC Business based on Audited Annual Accounts for FY 2019-20 (net of capitalization of IDC Rs.21.01 Crore).

3.9.5 PSTCL submitted that the Commission has been disallowing loans with respect to approved Capital Expenditure since Truing-up of FY 2014-15. The opening loan as on 01.04.2019 stands at Rs. 3,606.49 Crore as approved in APR of FY 2019-20 after disallowance made by the Commission. PSTCL had filed Review Petition before the Commission against such disallowances. The Commission vide Order dated October 15, 2020 disposed of the Review Petition and did not consider the disallowed loans as prayed by PSTCL in view of the pending appeal before APTEL. Accordingly, PSTCL has claimed Opening balance of Loans for FY 2019-20 in line with the Closing balance of loans approved by the Commission in Truing-up of FY 2018-19.

3.9.6 PSTCL has funded the entire Capital Expenditure during FY 2019-20 through loans availed during the year. The loan repayments considered against these approved loans are actual repayments made during the year.

3.9.7 PSTCL has considered the outstanding long-term loans as approved in Table 23 and Table 28 of Tariff Order dated June 01, 2020, for calculation of weighted average interest rate for Transmission and SLDC business respectively. These are as under:

Table 43: Source-wise Loan for computation of Interest rate for FY 2019-20 as submitted by PSTCL

(Rs. Crore)

Sr. No.	Name of Source	Opening Balance as on April 1, 2019	Loan Received	Loan Repaid	Closing Balance as on March 31, 2020	Interest Charges
1	REC	2730.00	58.82	257.49	2531.33	270.03
2	State Bank of India	58.00	119.03	11.90	165.13	11.22
3	NABARD	203.56	3.04	18.67	187.93	19.83
4	PSPCL	7.59	-	-	7.59	-
5	PFC-2	495.57	-	-	495.57	48.20
	Total Loans for Transmission	**3494.72**	**180.89**	**288.06**	**3387.55**	**349.28**
6	Loan for SLDC	7.29	0.38	0.33	7.34	0.75
	Total Loan of PSTCL	**3502.01**	**181.27**	**288.39**	**3394.89**	**350.03**
	Weighted Average Interest Rate (Transmission)					**10.10%**
	Weighted Average Interest Rate (SLDC)					**10.21%**

3.9.8 Further, PSTCL has considered the revision in opening balance of loan on account of True-up of Capital Expenditure for the First Control Period.

3.9.9 PSTCL has also considered GPF liability outstanding as on 01.04.2019. The repayments made and interest amount considered in the Petition is the actual repayment and interest incurred during the year on GPF liability.

3.9.10 PSTCL has calculated the Interest and Finance Charges after considering the Loan adjustment due to True-up of Capital Expenditure for First Control Period as under:

Table 44: Interest on Loans as calculated by PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	FY 2019-20		
		Transmission	**SLDC**	**PSTCL**
1a	Opening Balance (as per closing balance approved in Table 24 and 28 of Tariff Order)	3595.63	10.86	3606.49
1b	Add: Loan adjustment due to True-up of Capex for First Control Period	23.23	1.37	24.60
1	Revised Opening Balance excluding GPF	3618.86	12.23	3631.09
2	GPF	87.82	-	87.82
3	Revised Opening Balance including GPF	3706.68	12.23	3718.91
4	Loan addition during year	180.89	0.38	181.27
5	Loan Repayment during year	303.28	0.33	303.61
6	Closing Balance	3584.29	12.28	3596.57
7	Interest Rate	10.10%	10.21%	10.10%
8	Interest Charges	368.05	1.25	369.30
9	Add: Miscellaneous Interest and Finance Charges	0.60	-	0.60
10	Add: Lease charges	0.81	-	0.81
11	Add: Guarantee Charges	5.00	-	5.00
12	Less: Interest Capitalised	21.01	-	21.01
13	**Interest & Finance Charges**	**353.45**	**1.25**	**354.70**

Commission's Analysis:

3.9.11 The Commission has considered the following as long-term loans for determination of interest rate for Transmission business as under:

Table 45: Loans for Transmission Business for FY 2019-20

(Rs. Crore)

Sr. No.	Name of Source	Opening Balance as on April 1,2019	Loan Received	Loan Repaid	Closing Balance as on March 31, 2020	Interest Charges
1	REC	2,730.00	58.82	257.49	2,531.33	270.03
2	SBI	58.00	119.03	11.90	165.13	11.22
3	NABARD	203.56	3.04	18.67	187.93	19.83
4	PSPCL	7.59	-	-	7.59	-
5	PFC-2	495.57	-	-	495.57	48.20
6	**Total loan for Transmission Business**	3,494.72	180.89	288.06	3,387.55	349.28
Weighted Average Interest Rate (Transmission)						**10.15%**

3.9.12 Considering the long term loans and interest charges submitted by PSTCL as given above, the weighted average rate of interest is calculated as 10.15% [349.28/ {(3494.72+3387.55) / 2}] for Transmission business which is less than the SBI Advance rate as on 1st April 2019 (13.80%). The Commission considers the Closing balance of loan of FY 2018-19 as the Opening balance of loan for FY 2019-20 which has increased due to impact of true-up of capital expenditure for FY 2017-18 and FY 2018-19 as given in the following table:

Table 46: Change in Opening balance of loan for Transmission Business due to impact of true up of capital expenditure

(Rs. Crore)

Sr. No.	Particulars	As approved in True-Up of respective years	As approved in True-Up of capital expenditure
1.	**Opening Loan (other than GP Fund) for FY 2017-18**	**3,717.19**	**3,717.19**
2.	Addition	225.04	231.80
3.	Repayment	281.78	281.78
4.	**Closing loan for FY 2017-18**	**3,660.45**	**3,667.21**
5.	**Opening Loan (other than GP Fund) for FY 2018-19**	**3,660.45**	**3,667.21**
6.	Addition	232.67	223.17
7.	Repayment	297.49	297.49
8.	**Closing loan for FY 2018-19**	**3,595.63**	**3,592.89**

3.9.13 The Commission has approved a loan addition of Rs. 183.81 Crore for Transmission Business of FY 2019-20 after deducting the Capital Expenditure of Rs. 53.26 Crore on Contributory Works and Rs.2.68 Crore on grant portion of PSDF Works as explained in Para 3.6.5.

3.9.14 The Commission has calculated the interest on loan by considering the actual repayment of Rs.288.06 Crore as submitted by PSTCL in Table 45 and is as under:

Table 47: Interest on loan for Transmission Business as approved by the Commission

(Rs. Crore)

Sr. No.	Particulars	Amount
1.	Opening Loan (other than GP Fund)	3,592.89
2.	Addition	183.81
3.	Repayment	288.06
4.	Closing loan	3488.64
5.	Average loan	3540.76
6.	Weighted average rate of Interest	10.15%
7.	**Interest on loan**	**359.39**

Interest on GP Fund

3.9.15 PSTCL has claimed interest on GP fund of Rs.87.82 Crore along with interest charges on total loans for transmission business as shown in Table 44 at the rate of 10.10% during FY 2019-20.

3.9.16 **However, the Commission approves interest of Rs.6.37 Crore on GP Fund as per the Audited Accounts, being statutory payment, submitted by PSTCL for FY 2019-20.**

Capitalization of Interest Charges

3.9.17 In the True up Petition for FY 2019-20, PSTCL has capitalized Rs.21.01 Crore as interest charges based on Audited Annual Accounts for FY 2019-20.

3.9.18 **The Commission, approves capitalization of interest of Rs.21.01 Crore for FY 2019-20 based on the Audited Annual Accounts**.

Lease Charges, Finance Charges and Guarantee Charges

3.9.19 PSTCL has claimed Finance charges of Rs.0.60 Crore and Guarantee charges of Rs.5.00 Crore based on Audited Annual Accounts for FY 2019-20 for Transmission Business. Accordingly, the Commission approves the Finance charges and Guarantee charges of Rs.5.60 Crores for Transmission Business of PSTCL.

3.9.20 PSTCL has also claimed Lease charges of Rs. 0.81 Crore. However, in accordance to the Regulations, the Lease charges have already been considered while calculating the normative A&G expenses and the same is already part of O&M Expenses. Therefore, the Commission has not considered the Lease charges of Rs. 0.81 Crore in interest and finance charges. The Commission has considered the lease charges in actual R&M & A&G expenses.

3.9.21 The Commission approves interest and finance charges for Transmission Business of PSTCL for FY 2019-20 as under:

Table 48: Interest & Finance Charges for Transmission Business for FY 2019-20 as approved by the Commission

(Rs. Crore)

Sr. No.	Particulars	Interest as Claimed by PSTCL	Amount allowed by The Commission
1.	Interest on Loans	368.05	359.39
2.	Interest on GP Fund		6.37
3.	Lease Charges	0.81	-
4.	Finance Charges	0.60	0.60
5.	Guarantee Charges	5.00	5.00
6.	**Gross Interest on Long Term Loans(1+2+3+4+5)**	**374.46**	**371.36**
7.	Less: Capitalization	21.01	21.01
8.	**Net Interest and finance Charges on Long Term Loans (6-7)**	**353.45**	**350.35**

3.9.22 **Thus, the Commission approves Net Interest and Finance Charges of Rs. 350.35 Crore for Transmission Business for FY 2019-20.**

B. Interest and Finance charges for SLDC Business

PSTCL's Submission:

3.9.23 In the True-up Petition for FY 2019-20, PSTCL has submitted that it had incurred capital expenditure of Rs. 0.38 Crore in the SLDC Business. Opening balance of loan is Rs.12.23 Crore after Loan adjustment due to True-up of Capital Expenditure for First Control Period as given in Table 44. PSPCL has submitted loan addition of Rs. 0.38 Crore, actual loan repayment of Rs. 0.33 Crore and has claimed Rs. 1.25 Crore as interest charges on long term loan during for FY 2019-20.

Table 49: Interest on loan as submitted by PSTCL for SLDC Business for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	FY 2019-20
		SLDC
1a	Opening Balance (as per closing balance approved in Table 24 and 28 of Tariff Order)	10.86
1b	Add: Loan adjustment due to True-up of Capex for First Control Period	1.37
1	Revised Opening Balance excluding GPF	12.23
2	GPF	-
3	Revised Opening Balance including GPF	12.23
4	Loan addition during year	0.38
5	Loan Repayment during year	0.33
6	Closing Balance	12.28
7	Interest Rate	10.21%
8	Interest Charges	1.25
9	Add: Miscellaneous Interest and Finance Charges	-
10	Add: Lease charges	-
11	Add: Guarantee Charges	-
12	Less: Interest Capitalised	-
13	**Interest & Finance Charges**	**1.25**

Commission's Analysis:

3.9.24 The Commission has approved capital expenditure of Rs. 0.38 Crore for SLDC business. Accordingly, the Commission has considered capital expenditure of Rs. 0.38 Crore to be funded through loan as explained in Para 3.6.5.

3.9.25 The Commission considers the Closing balance of loan of FY 2018-19 as the Opening balance of loan for FY 2019-20 which has increased due to impact of true-up of capital expenditure for FY 2017-18 and FY 2018-19 as given in the following table:

Table 50: Change in Opening balance of loan for SLDC Business due to impact of true up of capital expenditure

(Rs. Crore)

Sr. No.	Particulars	As approved in True-Up of respective years	As approved in True-Up of capital expenditure
1.	**Opening Loan (other than GP Fund) for FY 2017-18**	**5.95**	**5.95**
2.	Addition	1.11	1.11
3.	Repayment	0.32	0.32
4.	**Closing loan for FY 2017-18**	**6.74**	**6.74**
5.	**Opening Loan (other than GP Fund) for FY 2018-19**	**6.74**	**6.74**
6.	Addition	4.45	5.82
7.	Repayment	**0.33**	0.33
8.	**Closing loan for FY 2018-19**	**10.86**	**12.23**

3.9.26 The Commission has considered the following as long-term loans for determination of interest rate for SLDC business as under:

Table 51: Loan for computation of Interest rate for FY 2019-20 as submitted by PSTCL for SLDC Business

(Rs. Crore)

Sr. No.	Name of Source	Opening Balance as on April 1,2019	Loan Received	Loan Repaid	Closing Balance as on March 31, 2020	Interest Charges
I	**II**	**III**	**IV**	**V**	**VI**	**VII**
1	REC (SLDC)	7.29	0.38	0.33	7.34	0.75

3.9.27 Considering the long term loans and interest charges submitted by PSTCL as given in above table, the weighted average rate of interest is calculated as under:

Table 52: Calculation of Interest rate for SLDC Business

(Rs. Crore)

Sr. No.	Particulars	Amount
1.	Opening Loan	7.29
2.	Addition	0.38
3.	Repayment	0.33
4.	Closing Loan	7.34
5.	Average Loan	7.32
6.	Interest Charges	0.75
7.	**Rate of Interest**	**10.25%**

3.9.28 The Commission has considered the actual repayment of Rs. 0.33 Crore for SLDC Business of FY 2019-20.

3.9.29 Thus, the Commission considers the interest on allowable loans at a weighted average rate of interest of 10.25% for SLDC business which is less than the SBI Advance rate as on 1st April 2019 (13.80%)as under:

Table 53: Interest on Long-term loan for SLDC Business as approved by the Commission for FY 2019-20

(Rs. Crore)

Sr.No.	Particulars	Amount
1.	Opening Loan	12.23
2.	Addition	0.38
3.	Repayment	0.33
4.	Closing loan	12.28
5.	Average loan	12.26
6.	Weighted average rate of Interest	10.25%
7.	**Interest on loan**	**1.26**

3.9.30 **Therefore, the Commission approves interest & finance charges of Rs.1.26Crore during FY 2019-20 for SLDC Business.**

3.9.31 **Total Interest on loan approved by the Commission for PSTCL for FY 2019-20 is as under:**

Table 54: Interest on loan approved by the Commission for PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
I	**II**	**III**	**IV**	**V**
1.	Interest on loan	350.35	1.26	351.61

3.10 Interest on Working Capital for Transmission Business

3.10.1 In the ARR Petition for FY 2019-20, PSTCL had claimed interest on working capital for Transmission Business of Rs.50.19 Crore for FY 2019-20, on a total working capital of Rs.420.02 Crore against which The Commission approved interest on working Capital of Rs.40.96 Crore for FY 2019-20 on total working capital of Rs.342.75 Crore.

3.10.2 In the Tariff Order for FY 2019-20, PSTCL had claimed revised estimates of interest on working capital of Rs. 36.88 Crore on a total working capital of Rs. 375.72 Crore against which The Commission approved interest on working capital of Rs. 35.26 Crore for FY 2019-20 on total working capital of Rs.347.37 Crore.

3.10.3 In the APR for FY 2019-20, PSTCL had revised the claim of interest on working capital for Transmission Business of Rs.38.66 Crore for FY 2019-20, on a total working capital of Rs.359.34 Crore against which The Commission approved interest on working Capital of Rs.34.89 Crore for FY 2019-20 on total working capital of Rs.350.40 Crore.

PSTCL's Submission:

3.10.4 In the True-up Petition for FY 2019-20, PSTCL has claimed interest on working capital of Rs.36.78 Crore @10.19% on the working capital loan of Rs.361.07 Crore for Transmission Business. The rate of interest on working capital is required to be calculated as per the provisions contained in Regulations of PSERC MYT Regulations - 2014.PSTCL has considered the actual weighted average rate of interest for Working Capital loans for Transmission business, as the actual interest rate is lower than the SBAR, i.e., Prime Lending Rate of State Bank of India, as on 1st April of the year.

Table 55: Interest on Working Capital for Transmission as submitted by PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Amount
1.	Receivables equivalent to two months of fixed cost	231.38
2.	Maintenance spares @ 15% of O&M expenses	83.37
3.	Operation and Maintenance expenses for one month	46.32
4.	Total Working Capital (Normative)	**361.07**
5.	Rate of Interest applied	10.19%
6.	**Interest on Working Capital**	**36.78**

Commission's Analysis:

3.10.5 The Commission has determined the working capital requirement in accordance with the Regulation-54 of PSERC MYT Regulations-2014. Rate of interest on working capital is calculated as per provisions contained in Regulations-25.1 of PSERC MYT

Regulations - 2014 (Amended vide No. PSERC/Reg./111 dated 03.02.2016).

3.10.6 The Commission considers the interest at the weighted average rate of approved loans which works out to 10.09% which is less than the SBI Advance rate on 1st April 2019 (13.80%) for Transmission Business as under:

Table 56: Interest on Working Capital for Transmission Business of PSTCL for FY 2019-20 approved by The Commission

(Rs. Crore)

Sr. No.	Particulars	Amount
1.	Receivables equivalent to two months i.e. 2 x (ARR/12)	217.89
2.	Maintenance spares @ 15% of Operation and Maintenance expenses [15% of Rs.550.79 Crore]	82.62
3.	Operation and Maintenance expenses for one month as approved by The Commission (Rs. 550.79/12)	45.90
4.	Working Capital requirement	346.41
5.	**Interest on Working Capital (@10.09% for FY 2019-20)**	**34.97**

3.10.7 **The Commission approves working capital requirements of Rs.346.41 Crore and interest thereon of Rs. 34.97Crore for Transmission Business of PSTCL for FY 2019-20.**

3.11 Interest on Working Capital for SLDC Business

3.11.1 In the ARR Petition for FY 2019-20, PSTCL had claimed interest on working capital of Rs.0.99 Crore on the total working capital of Rs. 8.45 Crore for SLDC Business. The Commission approved the working capital of Rs. 6.23 Crore and interest on working capital Rs. 0.73 Crore for FY 2019-20.

3.11.2 In the Tariff Petition for FY 2019-20, PSTCL had claimed revised estimates of interest on working capital of Rs. 0.61 Crore on a total working capital of Rs.6.20 Crore against which the Commission approved interest on working capital of Rs.0.60 Crore for FY 2019-20 on total working capital of Rs.5.87 Crore.

3.11.3 In the APR for FY 2019-20, PSTCL had claimed interest on working capital of Rs.0.57 Crore on the total working capital of Rs.5.28 Crore for its SLDC Business. The Commission determined the working capital of Rs.4.71 Crore and interest thereon of Rs.0.49 Crore for SLDC Business.

PSTCL's Submission:

3.11.4 In the True up Petition for FY 2019-20, PSTCL has claimed Rs.0.57 Crore as interest @10.19% on Working Capital of Rs. 5.56 Crore.

Table 57: Rate of Interest on Working Capital for SLDC as submitted by PSTCL

(Rs. Crore)

Sr. No.	Particulars	Amount
1.	Receivables equivalent to two months of fixed cost	3.31
2.	Maintenance spares @ 15% of O&M expenses	1.28
3.	Operation and Maintenance expenses for one month	0.71
4.	Total Working Capital (Normative)	5.30
5.	Rate of Interest applied	10.19%
6.	**Interest on Working Capital**	**0.57**

Commission's Analysis:

3.11.5 Applying the same principle as stated above for Transmission Business, the interest of working capital loans considered by the Commission works out to 10.25% which is less than the SBI Advance rate on 1st April 2019 (13.80%) for SLDC Business as under:

Table 58: Interest on Working Capital for SLDC Business for FY 2019-20 approved by the Commission

(Rs. Crore)

Sr. No.	Particulars	Amount
1.	Receivables equivalent to two months i.e. 2 x (ARR/12)	3.37
2.	Maintenance spares @15% of O&M expenses	1.28
3.	Operation & Maintenance expenses for one month	0.71
4.	Working capital requirement	5.36
5.	**Interest on working capital (@ 10.25% for FY 2019-20)**	**0.55**

The Commission approves working capital requirement of Rs. 5.36 Crore and interest thereon at the weighted average rate of interest approved for loans as Rs.0.55 Crore for SLDC Business of PSTCL for FY 2019-20.

3.11.6 The Total Interest on Working Capital approved by The Commission for PSTCL for FY 2019-20 is as under:

Table 59: Interest on Working Capital approved by the Commission for PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
I	II	III	IV	V
1.	Interest on Working Capital	34.97	0.55	35.52

3.11.7 **The Commission approves total Interest on Working Capital as Rs.35.54 Crore for PSTCL for FY 2019-20.**

3.12 Return on Equity

3.12.1 In the ARR Petition for FY 2019-20 in the MYT Petition, PSTCL had claimed ROE of Rs.123.83 Crore on opening equity of Rs.775.57 Crore and on addition of Rs.46.60 Crore during FY 2019-20. The Commission had approved ROE of Rs.125.58 Crore worked out @15.50% on the average equity for the year.

3.12.2 In the Tariff Petition for FY 2019-20, PSTCL had claimed ROE of Rs.136.95 Crore on opening equity of Rs. 805.33 Crore and on addition of Rs.156.45 Crore during FY 2019-20. The Commission had approved ROE of Rs.126.46 Crore worked out @15.50% on the average equity for the year.

3.12.3 In the APR Petition for FY 2019-20, PSTCL had claimed ROE of Rs.128.94 Crore on opening equity of Rs.776.38 Crore and on addition of Rs. 110.96 Crore during FY 2019-20. The Commission had not considered any addition of equity and had approved ROE of Rs.108.93 Crore on average equity of Rs.702.80 Crore.

PSTCL's Submission:

3.12.4 In the True up Petition for FY 2019-20, PSTCL has considered the opening balance of Equity of FY 2019-20 equal to the closing balance of Equity of FY 2018-19 as approved in Truing-up of FY 2018-19. In addition to the above, PSTCL has considered the revision in opening balance of equity due to addition of equity of Rs. 2.16 Crore on account of True-up of Capital Expenditure for the First Control Period.

3.12.5 For the purpose of calculating Return on Equity for FY 2019-20 on normative basis, PSTCL has considered the ROE at the rate of 15.50% in accordance with the PSERC MYT Regulations, 2014, as under:

Table 60: Return on Equity for FY 2019-20 as claimed by PSTCL

(Rs. Crore)

Sr. No.	Particulars	Amount
I	II	III
1.	Equity at the opening of FY 2019-20 as closing of FY 2018-19	702.80
2.	Equity addition due to True-up of Capex for First Control Period	2.16
3.	Total Opening Balance	704.97
4.	Addition of equity during the year	-
5.	Equity at the closing of FY 2019-20	704.97
6.	Rate of Return (%) RoE	15.50%
7.	**Return on Equity**	**109.27**

PSTCL has claimed ROE of Rs.109.27 Crore for True-up of FY 2019-20

Commission's Analysis:

3.12.6 In accordance with the Regulation 20 of PSERC MYT Regulations, 2014, Return on equity @15.50% on the average equity for the year is to be allowed.

3.12.7 The Commission considers the Closing balance of equity of FY 2018-19 as the Opening balance of equity for FY 2019-20 which has increased due to impact of true-up of Capital Expenditure for FY 2017-18 and FY 2018-19 as given in the following

Table 61: Change in Opening balance of equity for PSTCL due to impact of true up of Capital Expenditure

(Rs. Crore)

Sr. No.	Particulars	As approved in True-Up of respective years	As approved in True-Up of capital expenditure
1.	**Opening Equity for FY 2017-18**	**605.88**	**605.88**
2.	Addition	96.92	99.83
3.	**Closing loan for FY 2017-18**	**702.80**	**705.71**
4.	**Opening Loan (other than GP Fund) for FY 2018-19**	**702.80**	**705.71**
5.	Addition	-	-
6.	**Closing loan for FY 2018-19**	**702.80**	**705.71**

3.12.8 The Commission is not considering any addition of equity as explained in Para 3.6.4. Accordingly, Return on Equity based on the equity approved in True-up of FY 2018-19 works out as under.

Table 62: Return on Equity for FY 2019-20 for Transmission allowed by the Commission for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Amount
I	**II**	**III**
1.	Equity at the opening of FY 2019-20	705.71
2.	Addition of equity during the year	-
3.	Equity at the closing of FY 2019-20	705.71
4.	Average Equity	705.71
5.	Rate of Return (%) ROE	15.50%
6.	**Return on Equity (15.50% of 702.80)**	**109.38**

3.12.9 **Thus, the Commission approves ROE of Rs.109.38 Crore to PSTCL for FY 2019-20 as under:**

Table 63: Return on Equity approved by the Commission for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
I	**II**	**III**	**IV**	**V**
1.	**Return on Equity**	**109.38**	**-**	**109.38**

3.13 Unified Load Dispatch &Communication (ULDC) Charges

3.13.1 In the ARR Petition for 1st MYT Period, PSTCL claimed ULDC Charges of Rs.12.99 Crore for FY 2019-20 for its SLDC Business and the Commission approved Rs.11.76 Crore. In the Tariff Order for FY 2019-20, PSTCL had claimed Rs. 10.73 Crore towards ULDC charges for its SLDC Business and the Commission approved Rs.10.73Crore. In the APR of FY 2019-20, PSTCL claimed Rs.10.73 Crore towards ULDC charges for FY 2019-20. Based on the Audited Annual Accounts of FY 2018-19, ULDC Charges were Rs.7.68 Crore which were allowed by The Commission.

3.13.2 In the True up Petition for FY 2019-20, PSTCL has claimed ULDC of Rs.9.53 Crore for FY 2019-20 as per Audited Annual Accounts for its SLDC Business and the details are as under:

Table 64: ULDC Charges submitted by PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
I	II	III	IV	V
1.	ULDC Charges - SLDC own share	-	4.26	4.26
2.	ULDC Charges - BBMB share	-	1.14	1.14
3.	ULDC Charges - Central Sector share	-	0.00	0.00
4.	NRLDC Charges	-	4.13	4.13
5.	**Total**	-	**9.53**	**9.53**

3.13.3 **Accordingly, the Commission approves ULDC charges of Rs. 9.53 Crore to PSTCL for its SLDC Business for FY 2019-20.**

3.14 Non-Tariff Income

3.14.1 In the ARR Petition of 1st MYT Period, PSTCL had projected Rs.10.00 Crore of Non-Tariff Income for its Transmission Business and Rs.1.00 Crore for SLDC Business for FY 2019-20 against which the Commission approved the Non-Tariff Income of Rs.49.25 Crore for Transmission Business and Rs.5.41 Crore for its SLDC Business for FY 2019-20.

3.14.2 In the Tariff Order for FY 2019-20, PSTCL claimed Rs.18.94 Crore on account of Non-Tariff Income for Transmission Business and Rs.1.41 Crore for SLDC Business and the Commission approved the same.

3.14.3 In the APR for FY 2019-20, PSTCL claimed Rs.17.75 Crore on account of Non-Tariff Income for Transmission Business and Rs. 0.76 Crore for SLDC Business and the Commission approved the same.

PSTCL's Submission:

3.14.4 In the True-up Petition for FY 2019-20, PSTCL has claimed Rs.26.46 Crore (Rs.25.94 Crore for Transmission Business and Rs.0.52 Crore for SLDC Business) on account of Non-Tariff Income based on Audited Annual Accounts for FY 2019-20.

3.14.5 PSTCL has submitted that it has considered the Non-Tariff income as indicated in Note 30 of the audited accounts. PSTCL has not considered the income towards certain heads wherein expenses were not allowed by the Commission in previous Tariff Orders as under:

(a) Income of Rs. 4.34 Crore towards interest received on refund of Income Tax has not been considered because the Commission neither allowed expenses under the head of Income Tax nor interest on amount deducted as TDS.

(b) Income of Rs. 3.29 Crore towards reversal of excess provision of impairment loss has not been considered, as impairment loss was not allowed in previous year.

(c) Income of Rs. 0.05 Crore towards provision withdrawn on unserviceable / obsolete items and losses under investigation.

(d) PSTCL has considered the 50% of income of Rs. 0.13 Crore towards rebate on early payment to NRLDC, as per the provisions of Regulation 28 of PSERC MYT Regulations, 2014.

3.14.6 PSTCL has also adjusted an amount of Rs. 0.03 Crore for Transmission Business and Rs. 0.02 Crore for SLDC Business earned against Interest on Fixed Deposits reflecting in Audited Accounts under Non-Tariff Income. PSTCL has submitted that the income from Fixed Deposits are not actually earnings made on surplus amounts available with PSTCL, whereas these are Fixed Deposits made so as to issue Letter of Credit for availing Cash Credit facility and the cost of funds is more than the interest earned.

3.14.7 Further, PSTCL has also considered the adjustment in financing cost on Late Payment Surcharge of Rs. 9.00 Crore for Transmission Business and Rs. 0.03 Crore for SLDC. The financing cost is computed after considering the monthly gross payment amount and the delay in number of days from the due date and then applied Working Capital Interest rate on this amount in line with the second amendment notified by the Commission to Regulation 28.1 of PSERC MYT Regulations 2014. In view of the above, the Petitioner submits Non-Tariff Income for FY 2019-20 as shown in the following table:

Table 65: Non-Tariff Income claimed by PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	FY 2019-20		
		Transmission	**SLDC**	**Total**
1	Gain on Sale of Land - Additional Compensation	0.13	-	0.13
2	Gain on Sale of Fixed Assets	3.67	-	3.67
3	Income/Fee/Collection against Staff Welfare Activities	0.01	-	0.01
4	Rental for staff quarters	0.32	0.04	0.36
5	NOC charges from open access customers	-	0.17	0.17
6	Credit balance written back:			
a	-Sundry creditors	0.07	-	0.07
b	- Other sundry credit balance	1.53		1.53
c	-Security Deposits/EMD	1.35	-	1.35
7	Rebate on early payment to NRLDC	-	0.07	0.07
8	Income from O&M of bays of PGCIL	2.67	-	2.67
9	Miscellaneous income	6.93	0.23	7.17
10	Delayed Payment Charges from Consumers	4.25	0.02	4.27
11	Penalty imposed on suppliers/contractors	2.23	-	2.23
12	Income from Other Business - Sale of Scrap	2.76	-	2.76
	Total	**25.94**	**0.52**	**26.46**

Commission's Analysis:

3.14.8 The Non-Tariff Income has been determined as per Regulation-28 of PSERC MYT Regultions-2014 (amended from time to time).

a) PSTCL has submitted Rebate on early payment of NRLDC of Rs. 0.07 as Non-Tariff Income. As per the Amendment to Reg. 28 sub clause (q) as stated under

"Following components of income shall be treated as non tariff income for the generation, transmission and distribution business, as applicable:

(q) *Any other income not included above. Provided that only 50% of the „rebate for timely payment of power purchase" received by the licensee shall be considered as non –tariff income."*

The Payment to NRLDC is not a payment of power purchase. PSTCL has added Non-Tariff Income on account of rebate Rs. 0.07 Crore out of Rs 0.13 Crore. The Commission has considered the entire Rs.0.13 (0.07+0.06) Crore as Non-Tariff Income as per the audited accounts.Accordingly, the Commission determines the Non-Tariff Income as under:

Table 66: Non-Tariff Income for FY 2019-20 approved by The Commission

(Rs. Crore)

Sr. No.	Particulars	Transmission Business	SLDC Business	PSTCL
1.	Non-Tariff Income as claimed by PSTCL except Rebate on early payment of NRLDC	25.94	0.45	26.39
3.	Rebate on early payment of NRLDC	-	0.13	0.13
4	**Total**	25.94	0.58	26.52

3.14.9 **Accordingly, the Commission approves Rs. 25.94 Crore for Transmission Business and Rs. 0.58 Crore for SLDC Business as Non-Tariff Income for FY 2019-20.**

3.15 Other Expenses

PSTCL's Submission:

3.15.1 PSTCL has submitted that the balance sheet of erstwhile Punjab State Electricity Board (PSEB)as on 16.04.2010, contained assets and liabilities that were not clearly identified. These unidentified assets and liabilities have continued to stand in the books of the erstwhile PSEB before the Transfer Scheme notification and at the time of re-structuring, some of these assets and liabilities got parked with the newly formed entities (i.e. PSPCL and PSTCL). PSTCL started reconciliation of these assets and liabilities and started writing off such assets and liabilities in the respective accounting years, as and when these were identified.

3.15.2 PSTCL has in the past years written back sundry creditors reflecting in its balance sheet. The Commission has considered the amount of sundry creditors written back reflecting in the Audited Accounts under Non-Tariff Income and accordingly has reduced the ARR of PSTCL to that extent.

3.15.3 During FY 2019-20 PSTCL has written off Rs. 56.40 Crore outstanding balance of sundry debtors as on 16.04.2010. In view of the above methodology adopted by The Commission, PSTCL therefore has requested to allow the above said amount while Truing-up of FY 2019-20.

Commission's Analysis:

3.15.4 Regulation 49 of PSERC MYT Regulations 2014 for Distribution Business is reproduced as under:

"49. BAD AND DOUBTFUL DEBTS AND OTHER DEBITS

49.1 Bad and doubtful debts shall be allowed to the extent the distribution licensee has identified/actually written off bad debts, subject to a maximum of

1% of annual sales revenue, and according to a transparent policy approved by The Commission. In case, there is any recovery of bad debts already written off, the recovered bad debts will be treated as Other Income.

49.2 Other debits including miscellaneous losses and write offs, sundry debts, material cost variance, losses on account of flood, cyclone, fire etc. shall be considered by The Commission."

3.15.5 In the True-up of FY 2017-18 (Tariff Order of FY 2019-20), The Commission had considered the amount of sundry creditors written back reflecting in the Audited Accounts i.e. Rs. 99.84 Crore under non-tariff income as it was observed that the aforesaid amount was lying unclaimed for more than 3 years in identified heads i.e. contributory works and deposit works in the books of accounts before it was transferred to the revenue heads. It is observed that Rs. 56.40 Crore pertains to net outstanding amount in FY 2019-20 on account of non-reconciliation of various inter-unit transfers among the divisions of erstwhile PSEB. Accordingly, the Commission is of the view that this issue is to be settled between PSPCL and PSTCL and the same cannot be allowed as 'Other Expenses' in the ARR.

3.16 Revenue from Open Access Consumers

3.16.1 PSTCL has claimed a receipt of Transmission charges of Rs. 1.39 Crore and SLDC charges of Rs. 0.27 Crore from Open Access Consumers based on the Audited Accounts of FY 2019-20. The amount of revenue from open access consumers is over and above the transmission charges approved by The Commission. Accordingly, PSTCL has claimed adjustment of Revenue from Open Access Consumers in Truing-up of FY 2019-20.

3.16.2 As per regulation 56 of PSERC MYT Regulations, 2014, The Commission approves Income from Open Access Customers as under:

Table No 62: Income from open Access Customers for FY 2019-20

(Rs Crores)

Sr. No.	Particulars	Amount
1.	Northern Railways	1.35
2.	M/s Nahar Sugar (NIEL)	0.023
3.	M/s Winsome Yarns	0.0148
	Total Transmission Charges from Open Access Customers (A)	**1.388**
4.	SLDC Charges from Railways (long term)	0.0175
5.	SLDC Charges from Short term consumers	0.2500
	Total SLDC Charges from Open Access Customers (B)	**0.2675**
	Total Open Access Charges (Transmission + SLDC)	**1.656**

3.17 Annual Revenue Requirement

3.17.1 The summary of the Annual Revenue Requirement for Transmission Business, SLDC Business and overall business of PSTCL for FY 2019-20 is shown in the following tables:

Table 67: Annual Revenue Requirement for Transmission Business for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Approved in Tariff Order for FY 2019-20	Approved by The Commission in the Review of FY 2019-20	Claimed by PSTCL in the true up of FY 2019-20	Approved by The Commission
I	II	III	IV	V	VI
1.	Employee costs	498.86	505.98	500.10	500.10
2.	R&M and A&G expenses	53.34	50.86	55.68	50.69
3.	Depreciation	291.67	289.63	290.42	289.17
4.	Interest charges	324.48	356.1	353.45	350.35
5.	Interest on Working Capital	35.26	34.89	36.78	34.97
6.	Return on Equity	126.46	108.93	109.27	109.38
7.	Other Expenses	-	-	56.40	0.00
8.	**Annual Revenue Requirement**	**1,330.07**	**1,346.39**	**1,402.10**	**1,334.66**
9.	Less: Non-Tariff Income	18.94	23.59	25.94	25.94
10.	**Total Revenue Requirement**	**1,311.13**	**1,322.80**	**1,376.16**	**1,308.72**
11.	(-) Revenue from Open Access	-	-	1.39	1.39
12.	**Net ARR**	**1311.13**	**1322.8**	**1374.77**	**1,307.33**

Table 68: Annual Revenue Requirement for SLDC for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Approved in Tariff Order for FY 2019-20	Approved by The Commission in the Review of FY 2019-20	Claimed by PSTCL in the true up of FY 2019-20	Approved by The Commission
I	II	III	IV	V	VI
1.	Employee costs	6.77	7.00	7.70	7.22
2.	R&M and A&G expenses	2.53	1.36	1.28	1.28
3.	Depreciation	1.66	0.43	1.24	1.25
4.	Interest charges	1.36	1.28	1.25	1.26
5.	Interest on Working Capital	0.60	0.49	0.57	0.55
6.	ULDC Charges	10.73	7.68	9.53	9.53
7.	**Annual Revenue Requirement**	23.65	18.24	21.57	21.09
8.	Less: Non-tariff Income	5.41	1.41	0.52	0.58
9.	**Total Revenue Requirement**	**22.24**	**16.57**	**21.05**	**20.51**
10.	(-) Revenue from Open Access			0.27	**0.27**
11.	**Net ARR**	**22.24**	**16.57**	**20.79**	**20.24**

3.17.2 The summary of the Annual Revenue Requirement of PSTCL for FY 2019-20 is as under:

Table 69: Annual Revenue Requirement for PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Approved in Tariff Order for FY 2019-20	Approved by The Commission in the Review of FY 2019-20	Claimed by PSTCL in the true up of FY 2019-20	Approved by The Commission
I	**II**	**III**	**IV**	**V**	**VI**
1.	Employee costs	505.63	512.98	507.80	507.32
2.	R&M and A&G expenses	55.87	52.22	56.96	51.97
3.	Depreciation	293.33	290.06	291.66	290.42
4.	Interest charges	325.84	357.38	354.70	351.61
5.	Interest on Working Capital	35.86	35.38	37.35	35.52
6.	Return on Equity	126.46	108.93	109.27	109.38
7.	Other Expenses	-	-	56.40	0.00
8.	ULDC Charges	10.73	7.68	9.53	9.53
9.	**Annual Revenue Requirement**	**1,353.72**	**1,364.63**	**1,423.67**	**1,355.75**
10.	Less: Non-Tariff Income	20.35	25.26	26.46	26.52
11.	**Annual Revenue Requirement**	**1,333.37**	**1,339.37**	**1,397.21**	**1,329.23**
12.	(-) Revenue from Open Access	-	-	1.66	**1.66**
13.	**Total ARR**	**1,333.37**	**1,339.37**	**1,395.55**	**1,327.57**

3.18 Availability and Incentive on Transmission System Availability

PSTCL's Submission:

3.18.1 PSTCL has submitted that in accordance with PSERC MYT Regulations, 2014, PSTCL is eligible for incentive for overachieving the availability targets for transmission system availability which has been verified and certified by SLDC. As per PSERC MYT Regulations, 2014, the Normative Annual Transmission System Availability Factor (NATAF) for incentive computation has been considered as 99%. The net transmission charges inclusive of incentive based on fixed charges for Transmission and computation of incentive are given as per the table below.

Table 70: Incentive on Transmission System (TS) Availability for FY 2019-20 submitted by PSTCL

(Rs. Crore)

Sr. No.	Month	TS Availability (%)	Monthly Transmission Charges	Transmission Charges including Incentive	Incentive
I	II	III	IV	V	VI
1.	Apr-19	99.9749%	113.00	114.11	1.11
2.	May-19	99.9711%	116.76	117.91	1.15
3.	Jun-19	99.9584%	113.00	114.09	1.09
4.	Jul-19	99.9817%	116.76	117.92	1.16
5.	Aug-19	99.9788%	116.76	117.92	1.15
6.	Sep-19	99.9823%	113.00	114.12	1.12
7.	Oct-19	99.9885%	116.76	117.93	1.17
8.	Nov-19	99.9520%	113.00	114.08	1.09
9.	Dec-19	99.9820%	116.76	117.92	1.16
10.	Jan-20	99.9809%	116.76	117.92	1.16
11.	Feb-20	99.9741%	105.46	106.50	1.04
12.	Mar-20	99.9637%	116.76	117.90	1.14
	Total		**1374.77**	**1388.30**	**13.53**

Commission's Analysis:

3.18.2 The Commission observes that MYT Regulations, 2014, specifies that Normative Annual Transmission System Availability Factor (NATAF) for the Control Period shall be 99% for incentive consideration. And, the transmission system availability of PSTCL has been verified by SLDC. Accordingly, The Commission determines the incentive for over achievement of transmission system availability by PSTCL, on the basis of the ARR of Transmission Business approved in Table 67 of this Tariff Order, as under:

Table 71: Incentive on Transmission System (TS) Availability for FY 2019-20 determined by the Commission

(Rs. Crore)

Sr. No.	Month	TS Availability (%)	Transmission Charges inclusive of Incentive	Monthly Transmission Charges	Incentive
I	II	III	IV	V	VI
1.	Apr-19	99.9749%	108.21	107.16	1.05
2.	May-19	99.9711%	111.82	110.73	1.09
3.	Jun-19	99.9584%	108.20	107.16	1.04
4.	Jul-19	99.9817%	111.83	110.73	1.10
5.	Aug-19	99.9788%	111.82	110.73	1.09
6.	Sep-19	99.9823%	108.22	107.16	1.06
7.	Oct-19	99.9885%	111.84	110.73	1.11
8.	Nov-19	99.9520%	108.19	107.16	1.03
9.	Dec-19	99.9820%	111.83	110.73	1.10
10.	Jan-20	99.9809%	111.83	110.73	1.10
11.	Feb-20	99.9741%	104.61	103.60	1.01
12.	Mar-20	99.9637%	111.81	110.73	1.09
	Total		**1,320.19**	**1,307.33**	**12.87**

3.18.3 **Thus, the Commission allows an incentive of Rs. 12.87 Crore for FY 2019-20 to**

PSTCL for achieving higher transmission system availability than the Normative Annual Transmission System Availability Factor (NATAF) specified in the MYT Regulations, 2014.

3.19 Carrying Cost of Previous Years

3.19.1 The Commission allowed carrying cost of (-) Rs 3.77 Crore in para 3.13 of Tariff Order for FY 2019-20. The same amount is being considered in the true-upof FY 2019-20.

3.20 Net Revenue Requirement

3.20.1 Considering the Incentive on Transmission System Availability and Carrying cost on previous years, the summary of the Net Revenue Requirement for Transmission Business, SLDC Business and overall business of PSTCL for FY 2019-20 is shown in the following tables:

Table 72: Annual Revenue Requirement for transmission Business for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Approved in Tariff Order for FY 2019-20	Approved by The Commission in the Review of FY 2019-20	Claimed by PSTCL in the true up of FY 2019-20	Approved by The Commission
I	II	III	IV	V	VI
1.	**Total ARR**	**1311.13**	**1322.80**	**1374.77**	**1,307.33**
2.	**Add: Incentive**			**13.53**	**12.87**
3.	**Less: Carrying Cost of Previous Years**	**3.77**	**3.77**	**3.77**	**3.77**
4.	**Net ARR**	**1307.36**	**1319.04**	**1384.30**	**1316.43**

Table 73: Annual Revenue Requirement for SLDC Business for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Approved in Tariff Order for FY 2019-20	Approved by The Commission in the Review of FY 2019-20	Claimed by PSTCL in the true up of FY 2019-20	Approved by The Commission
I	II	III	IV	V	VI
1.	**Net ARR**	**22.24**	**16.57**	**20.79**	**20.24**

3.20.2 The summary of the Annual Revenue Requirement of PSTCL for FY 2019-20 is as under:

Table 74: Annual Revenue Requirement for PSTCL for FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Approved in Tariff Order for FY 2019-20	Approved by The Commission in the Review of FY 2019-20	Claimed by PSTCL in the true up of FY 2019-20	Approved by The Commission
I	II	III	IV	V	VI
1	**Total ARR**	**1,333.37**	**1,339.37**	**1,395.55**	**1,327.57**
2	**Add: Incentive**			**13.53**	**12.87**
3	**Carrying Cost of Previous Years**	**-3.77**	**-3.77**	**-3.77**	**-3.77**
4	**Net ARR**	**1329.60**	**1335.60**	**1405.31**	**1336.67**

3.21 Impact of Non-Tariff Income of FY 2018-19 along with Carrying cost

3.21.1 The Commission while determining the Non-tariff income for FY 2018-19 had inadvertently considered the income of Rs. 6.68 Crore instead of Rs.6.53 Crore towards credit balance written back. The Commission, in its Order dated 15.10.2020 in Review Petition No.3 of 2020 in Petition No.29 of 2019, has stated that the impact of Rs.0.15 Crore along with carrying cost shall be considered in the subsequent Tariff Order of PSTCL. Accordingly, the Commission calculates carrying cost on the surplus of Rs.0.15Crore as under:

Table 75: Impact of Review Petition no. 3 of 2020 along with Carrying Cost

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Non-Tariff income inadvertently considered during FY 2018-19 (A)	23.59	1.67	25.26
2	Actual Non-Tariff income during FY 2018-19 (B)	24.00	1.11	25.11
3	**Non-Tariff income inadvertently considered excess during FY 2018-19 (C= A-B)**	**0.41**	**(0.56)**	**(0.15)**
4	Carrying Cost (@9.96% for Transmission and @10.33% for SLDC for 6 months) for FY 2018-19 (D)	0.02	(0.03)	(0.01)
5	Carrying Cost (@10.09% for Transmission and @10.25% for SLDC for 1 year) for FY 2019-20 (E)	0.04	(0.06)	(0.02)
6	Carrying Cost (@10.09% for Transmission and @10.25% for SLDC for 6 months) for FY 2020-21 (F)	0.02	(0.03)	(0.01)
7	Total Carrying Cost (G = D+E+F)	0.08	(0.12)	(0.04)
8	**Impact of Review Order along with Carrying Cost considered in Tariff Order of FY 2021-22 (H=C+G)**	**0.49**	**(0.68)**	**(0.19)**

The above impact has been considered in ARR of FY 2021-22.

Chapter 4
Annual Performance Review of FY 2020-21 and Revised Estimates for FY 2021-22

4.1 Background

In accordance with the provisions of PSERC MYT Regulations, 2019, The Commission had approved the Annual Revenue Requirement (ARR) of PSTCL for FY 2020-21 and FY 2021-22 in its Order dated 1.6.2020, which was based on expenditure and revenue estimates of PSTCL for its Transmission and SLDC Businesses. PSTCL has projected the Annual Performance Review (APR) for FY 2020-21 and Revised Estimates for FY 2021-22, separately for its Transmission business and SLDC business. The Commission has analyzed the same in this chapter.

4.2 Transmission System Availability

PSTCL's Submission:

4.2.1 PSTCL has submitted its average transmission system availability from April to September 2020 (H1), calculated based on month-wise system availability up to September 2020, as under:

Table 76: Transmission System (TS) Availability of PSTCL for FY 2020-21

Sr. No.	Month	TS Availability (%)
1.	April-20	99.8843%
2.	May-20	99.4672%
3.	June-20	99.8743%
4.	July-20	99.8284%
5.	August-20	99.9342%
6.	September-20	99.9568%

4.2.2 PSTCL has further submitted that it has maintained the Transmission System Availability well above the normative Annual Transmission Availability Factor of 98.5% up to September 2020, as mandated by PSERC Tariff Regulations, 2019.

Commission's Analysis:

4.2.3 The Commission has taken note of the submission of PSTCL and shall consider its actual Transmission System Availability for FY 2020-21 and FY 2021-22 for incentive, if permissible as per PSERC MYT Regulations, 2019 at the time of true up for the respective years.

4.3 Transmission Loss

4.3.1 The Commission, in the MYT Order for 2nd Control Period had provisionally projected the transmission loss of 2.48% for FY 2020-21 and 2.46% for FY 2021-22.

PSTCL's Submission:

4.3.2 PSTCL had submitted the transmission loss for the period from April 2020 to September 2020 in the ARR Petition as under:

Table 77: Transmission Loss submitted by PSTCL

Sr. No.	Month	Transmission Loss (%)
1.	Apr-20	1.83%
2.	May-20	2.03%
3.	Jun-20	2.10%
4.	Jul-20	2.19%
5.	Aug-20	2.16%
6.	Sep-20	2.30%
7.	**Cumulative Loss of H1**	**2.14%**

4.3.3 PSTCL has submitted that the actual transmission loss of H1 of FY 2020-21 is lower than the transmission loss approved by The Commission for FY 2020-21. PSTCL therefore, requested the Commission to retain the loss level of 2.48% for FY 2020-21 as approved in the MYT Order. Similarly, PSTCL requested the Commission to approve transmission loss of 2.46% for FY 2021-22 as approved in the MYT Order dated 1.6.2020.

4.3.4 PSTCL has further submitted the transmission losses for FY 2020-21vide memo no. 344/FA/Comml.-23/Vol.-10 dated 10.2.2021which are as under:

Table 78: Transmission Loss for FY 2020-21 submitted by PSTCL on 10.02.2021

Sr. No.	Month	Transmission Losses (%)
1.	April, 2020	2.29
2.	May, 2020	2.43
3.	June, 2020	2.38
4.	July, 2020	2.48
5.	August, 2020	2.45
6.	September, 2020	2.57
7.	October, 2020	2.44
8.	November, 2020	2.58
9.	December, 2020	2.51
10.	**Total Losses for FY 2020-21 (April-December)**	**2.47**

4.3.5 PSTCL submitted that this is as per the revised methodology of considering the input energy by adding the netting of energy at Interstate-PSTCL & Generating-PSTCL boundaries and import energy between PSTCL-PSPCL boundary points for calculation of PSTCL Transmission Losses in place of taking gross input energy to PSTCL.

Commission's Analysis:

4.3.6 The Commission has observed that PSTCL has changed the methodology of calculating the percentage transmission losses. Also, PSTCL vide memo no. 344/FA/Comml.-23/Vol.-10 dated 10.2.2021 submitted the updated transmission losses for FY 2020-21 (up to December 2020 as under:

Table 79: Transmission losses for FY 2020-21 (up to December)

Sr. No.	Month	Transmission Losses (%)
1	**Total Losses for FY 2020-21 (April-December)**	**2.47**

4.3.7 The Commission observes that the actual Transmission loss reported by PSTCL till December of FY 2020-21 amounts to 2.47%. Since losses in the lean months (Jan-March) are observed to be comparatively higher, the Commission **decides to provisionally retain the transmission loss level at 2.48% and 2.46% for FY 2020-21 and FY 2021-22** respectively as approved in the Tariff Order of FY 2020-21. The transmission losses for FY 2020-21 shall be revisited based on the data of actual losses for the full year during the True Up of the year.

4.4 Capital Expenditure and Capital Works in Progress

PSTCL's Submission:

4.3.8 PSTCL has claimed the Capital Expenditure and Capitalization for FY 2020-21 and FY 2021-22 in line with the amounts approved by the Commission in the MYT Order dated 1.6.2020. Accordingly, the Capital Expenditure and Capitalization proposed for FY 2020-21 and FY 2021-22 are as under:

Table 80: Details of Capital Expenditure submitted by PSTCL for FY 2020-21 and FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21		FY 2021-22	
		MYT Order	APR	MYT Order	ARR
	Transmission				
1	**Opening WIP**	**168.56**	**277.37**	**403.16**	**511.97**
2	**Capital Expenditure**	**374.78**	**374.78**	**382.20**	**382.20**
a	Spill over Schemes	246.00	246.00	132.51	132.51
b	New Schemes	128.78	128.78	249.69	249.69
3	**Capitalisation**	**140.18**	**140.18**	**166.14**	**166.14**
a	Spill over Schemes	126.04	126.04	107.96	107.96
b	New Schemes	14.14	14.14	58.18	58.18
4	**Closing WIP**	**403.16**	**511.97**	**619.23**	**728.03**
	SLDC				
5	**Opening WIP**	**13.36**	**5.33**	**30.71**	**22.68**
6	**Capital Expenditure**	**25.22**	**25.22**	**17.80**	**17.80**
a	Spill over Schemes	2.19	2.19	0.21	0.21
b	New Schemes	23.03	23.03	17.59	17.59
7	**Capitalisation**	**7.87**	**7.87**	**1.93**	**1.93**
a	Spill over Schemes	7.87	7.87	-	-
b	New Schemes	-	-	1.93	1.93
8	**Closing WIP**	**30.71**	**22.68**	**46.58**	**38.55**

4.3.9 In replies to queries asked by the Commission during the meeting with PSERC conducted on 11.2.2021, PSTCL, vide email dated 15.02.2021, has submitted that PSTCL has incurred a Capital Expenditure Rs. 89.46 Crore (hard cost only) upto December 2020 and the revised projection for Capital Expenditure for FY 2020-21 is Rs. 200 Crore (inclusive of IEDC and IDC).

4.3.10 Accordingly, the Revised Capital Expenditure and Capitalization proposed by PSTCL for FY 2020-21 and FY 2021-22 are as under:

Table 81: Details of Revised Capital Expenditure submitted by PSTCL for FY 2020-21 and FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21		FY 2021-22	
		MYT Order	APR	MYT Order	ARR
	Transmission				
1	**Opening WIP**	**168.56**	**277.37**	**403.16**	**394.67**
2	**Capital Expenditure**	**374.78**	**187.39**	**382.20**	**382.20**
a	Spill over Schemes	246.00	123.00	132.51	132.51
b	New Schemes	128.78	64.39	249.69	249.69
3	**Capitalisation**	**140.18**	**70.09**	**166.14**	**166.14**
a	Spill over Schemes	126.04	63.02	107.96	107.96
b	New Schemes	14.14	7.07	58.18	58.18
4	**Closing WIP**	**403.16**	**394.67**	**619.23**	**610.73**
	SLDC				
5	**Opening WIP**	**13.36**	**5.33**	**30.71**	**14.01**
6	**Capital Expenditure**	**25.22**	**12.61**	**17.80**	**17.80**
a	Spill over Schemes	2.19	1.10	0.21	0.21
b	New Schemes	23.03	11.52	17.59	17.59
7	**Capitalisation**	**7.87**	**3.94**	**1.93**	**1.93**
a	Spill over Schemes	7.87	3.94	-	-
b	New Schemes	-	-	1.93	1.93
8	**Closing WIP**	**30.71**	**14.01**	**46.58**	**29.88**

Commission's Analysis:

4.3.11 The Commission vide Order dated 3.12.2019 for 2nd Capital Investment Plan (CIP) in Petition No. 19 of 2019 had approved the Capital Investment Plan of Rs. 638.00 Crore and Rs. 636.14 Crore including IDC and IEDC for FY 2020-21 and FY 2021-22 respectively. The Commission had approved the following list of works for PSTCL in the Capital Investment Plan dated 3.12.2019:

1) Capital Investment for Schemes approved in 1st Control Period
2) Capital Investment for Schemes approved by Board in FY 2019-20 outside 1st Control Period
3) Capital Investment for Schemes already planned for FY 2020-23
4) Capital Investment for New Schemes planned for FY 2020-23
5) Capital Investment for P&M Works for 2nd Control Period
6) Capital Investment for SLDC for 2nd Control Period

4.3.12 In the Tariff Order for FY 2020-21 dated 1.6.2020, the Commission capped the Capital Expenditure(inclusive of IEDC and IDC) of PSTCL to Rs. 400 Crore each during FY 2020-21 and FY 2021-22. In reply to additional queries asked by the Commission on 11.02.2021, PSTCL, vide its email dated 15.02.2021, submitted that the revised projection of Capital Expenditure for FY 2020-21 is Rs. 200 Crore (inclusive of IEDC and IDC). Considering the situation due to Covid-19, the Commission provisionally approves the Capital Expenditure (inclusive of IEDC and IDC) of Rs. 200 Crore for FY 2020-21. Further the Commission provisionally retains the Capital Expenditure(inclusive of IEDC and IDC) of Rs. 400 Crore for FY 2021-22 as approved in the Tariff Order dated 1.6.2020.PSTCL shall be at liberty to prioritize the approved schemes within the above limit. The details of the Capital Expenditure approved are as under:

Table 82: Capital Expenditure approved by the Commission for FY 2020-21 and FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1	**Transmission**	**187.39**	**382.20**
a	Spill over Schemes	123.00	132.51
b	New Schemes	64.39	249.69
2	**SLDC**	**12.61**	**17.80**
a	Spill over Schemes	1.10	0.21
b	New Schemes	11.52	17.59
3	**PSTCL**	**200.00**	**400.00**

4.3.13 The Opening CWIP for FY 2020-21 is considered as Rs. 305.16 Crore for Transmission Business and Rs. 5.31 Crore for SLDC Business from the Closing CWIP for True Up of FY 2019-20 as approved in Table 25 in Para 3.5.5 of this Tariff Order.

4.3.14 The Commission notes that the Capital expenditure for FY 2020-21 and FY 2021-22 against the approved schemes is Rs. 200 Crore and Rs. 400 Crore respectively. The Commission has approved proportionate capitalization for FY 2020-21 for Capital Expenditure of Rs. 200 Crore and retained the Capitalization for FY 2021-22 as approved in the Tariff Order dated 1.6.2020. The details are as under:

Table 83: Capitalization approved by the Commission for FY 2020-21

(Rs. Crore)

Sr. No.	Particulars	Approved in Tariff Order for FY 2020-21		Approved by the Commission	
		Capital Expenditure	Capitalization	Capital Expenditure	Capitalization
1	**Transmission**	**374.78**	**140.18**	**187.39**	**70.09**
a	Spill over Schemes	246.00	126.04	123.00	63.02
b	New Schemes	128.78	14.14	64.39	7.07
2	**SLDC**	**25.22**	**7.87**	**12.61**	**3.94**
a	Spill over Schemes	2.19	7.87	1.10	3.94
b	New Schemes	23.03	-	11.52	-
3	**PSTCL**	**400.00**	**148.05**	**200.00**	**74.02**

4.3.15 The details for Capital Works in Progress approved by the Commission for Transmission and SLDC Business for FY 2020-21 and FY 2021-22 are as under:

Table 84: Capital Works in Progress approved by the Commission for FY 2020-21 and FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
	Transmission		
1	**Opening CWIP**	**305.16**	**422.46**
2	**Capital Expenditure**	**187.39**	**382.20**
a	Spill over Schemes	123.00	132.51
b	New Schemes	64.39	249.69
3	**Capitalisation**	**70.09**	**166.14**
a	Spill over Schemes	63.02	107.96
b	New Schemes	7.07	58.18
4	**Closing WIP**	**422.46**	**638.52**
	SLDC		
5	**Opening WIP**	**5.31**	**13.98**
6	**Capital Expenditure**	**12.61**	**17.80**
a	Spill over Schemes	1.10	0.21
b	New Schemes	11.51	17.59
7	**Capitalisation**	**3.94**	**1.93**
a	Spill over Schemes	3.94	-
b	New Schemes	-	1.93
8	**Closing WIP**	**13.98**	**29.85**

4.5 Funding of Capital Expenditure

PSTCL's Submission:

4.5.1 PSTCL has considered the Capital Expenditure from Spill-over Schemes and Capitalisation of New Schemes for computation of funding of FY 2020-21 and FY 2021-22. PSTCL has claimed the same in line with the amounts approved by The Commission in the MYT Order dated 1.6.2020. PSTCL has not considered any Equity additions during FY 2020-21 and FY 2021-22. The approach adopted by PSTCL for consideration of Opening Equity and addition of equity during FY 2020-21 and FY 2021-22 is without prejudice to the appeal pending before Hon'ble APTEL. PSTCL has therefore requested to pass on the effect in opening balance of Return on Equity of FY 2020-21 and FY 2021-22 and for additions during the year in case the matter is ruled in favour of PSTCL. The funding of Capital Expenditure and Capitalization as proposed for FY 2020-21 and FY 2021-22 is as under:

Table 85: Funding of Capital Expenditure and Capitalization for FY 2020-21 and FY 2021-22 as submitted by PSTCL

Sr. No.	Particulars	FY 2020-21		FY 2021-22	
		MYT Order	APR	MYT Order	ARR
A	**Transmission**				
1	Capex of Spill over Schemes	246.00	246.00	132.51	132.51
2	Capitalization of New Schemes	14.14	14.14	58.18	58.18
3	**Total Capex for Funding**	**260.14**	**260.14**	**190.69**	**190.69**
4	Funding through Equity	-	-	-	-
5	Funding through Loan	260.14	260.14	190.69	190.69
B	**SLDC**				
1	Capex of Spill over Schemes	2.19	2.19	0.21	0.21
2	Capitalization of New Schemes	-	-	1.93	1.93
3	**Total Capex for Funding**	**2.19**	**2.19**	**2.14**	**2.14**
4	Funding through Equity	-	-	-	-
5	Funding through Loan	2.19	2.19	2.14	2.14

Commission's Analysis:

4.5.2 As mentioned in para 3.5.5 of the Tariff Order for FY 2020-21, the Commission cannot consider the addition of equity due to non-availability of free reserves. The addition of equity shall be considered during the True Up of respective years as per the Audited Annual Accounts.

4.5.3 In Tariff Order for FY 2020-21 dated 1.6.2020, The Commission observes the following:

“ 4.5.8……. The Commission allows the funding through loan as explained below: During the 2nd Capital Investment Plan, the Financing Plan was given as per the Capital expenditure approved by The Commission. Since, the funding of assets is to be approved for PSTCL only after the assets are put to use, The Commission has decided to fund the new schemes on Capitalization. In order to avoid funding of the Spillover schemes twice, The Commission has considered to fund the Spillover Schemes as per capital expenditure incurred for FY 2020-21 to FY 2022-23. “

4.5.4 Accordingly, the Commission allows the funding as under:

Table 86: Funding for FY 2020-21 and FY 2021-22 as approved by the Commission

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
A	**Transmission**		
1	Capex of Spill over Schemes	123.00	132.51
2	Capitalization of New Schemes	7.07	58.18
3	**Total Funding through loan**	**130.07**	**190.69**
B	**SLDC**		
1	Capex of Spill over Schemes	1.10	0.21
2	Capitalization of New Schemes	-	1.93
3	**Total Funding through loan**	**1.10**	**2.14**

4.6 Operation and Maintenance Expenses

4.6.1 In the ARR Petition for FY 2020-21, PSTCL had projected employee expenses of Rs. 538.51 Crore for its Transmission Business and Rs. 7.32 Crore for its SLDC Business for FY 2020-21. The Commission had approved employee cost of Rs. 510.04 Crore for Transmission Business and Rs. 6.73 Crore for SLDC Business to PSTCL for FY 2020-21.

4.6.2 In the ARR Petition for FY 2021-22, PSTCL had projected employee expenses of Rs. 556.05 Crore for its Transmission Business and Rs. 7.66 Crore for its SLDC Business for FY 2021-22. The Commission had approved employee cost of Rs. 525.47 Crore for Transmission Business and Rs. 7.06 Crore for SLDC Business to PSTCL for FY 2021-22.

A. Employee Costs and A&G Expenses

PSTCL’s Submission:

4.6.3 PSTCL has submitted that since WPI and CPI are available till August 2020, the escalation index has been computed as per provisions of the PSERC MYT

Regulations, 2019. The month-on-month increase in CPI for the period from FY 2020-21 (till August) over FY 2019-20, works out to 4.60% and month-on-month increase in WPI for the same period works out to -1.84%. For computation of Employee and A&G Expenses, the weightage of 50:50 works out as 1.38%.

4.6.4 PSTCL has further submitted that the WPI and CPI indices are provided in the Regulation as a deciding factor for escalating O&M expenses since they are an indication of the prevailing prices in the Industry. However, the escalation on WPI index for FY 2020-21 over FY 2019-20 is coming out to be negative, which indicates a decrease in prices as compared to last year. PSTCL has submitted that under actual conditions, the O&M expenses of H1 of FY 2020-21 has not witnessed any decrease in expenses as compared to H1 of FY 2019-20. The following table shows the O&M expenses of H1 of FY 2020-21 for Transmission and SLDC Business as compared to H1 of FY 2019-20.

Table 87: Actual O&M Expenses for H1 of FY 2019-20 and FY 2020-21

(Rs. Crore)

Particulars	H1 of FY 2020-21	H1 of FY 2019-20	% Increase
Other Employee Expenses	266.70	252.20	5.75%
A&G Expenses	14.92	14.49	2.97%
R&M Expenses	14.76	16.23	-9.06%
Total O&M Expense excluding terminal benefits	**296.38**	**282.92**	**4.76%**

4.6.5 As seen from the above Table, the overall O&M expenses from H1 of FY 2020-21 to H1 of FY 2019-20 has increased by 4.76%.

4.6.6 Regulation 64 and 65 of PSERC MYT Regulations, 2019 providesthe Commission powers to relax and powers to waive provisions of these Regulations, if The Commission is satisfied that it is impracticable or inexpedient to proceed as per these Regulations. PSTCL has requested The Commission to relax the provisions of PSERC MYT Regulations, 2019 by not considering WPI Index in computation of O&M expenses for FY 2020-21 and FY 2021-22 as the escalation is coming out to be negative.

4.6.7 For the computation of O&M expenses for FY 2020-21 and FY 2021-22, PSTCL has considered 0% increase in WPI Index instead of negative and therefore the escalation worked out for computation of Employee and A&G expenses is the increase in CPI Indices with 50% weightage (i.e. 2.30%).

4.6.8 The Other Employee Cost worked out in Truing-up of FY 2019-20 has been taken as the base for computing normative Other Employee Cost for FY 2020-21. Further, the base value of FY 2020-21 is considered for computation of Other Employee Expenses for FY 2021-22. PSTCL has adopted the approach of considering Net Other Employee Cost as baseline for projection purposes. PSTCL has therefore, not considered any employee expenses capitalised for FY 2020-21 and FY 2021-22.

4.6.9 PSTCL has considered the Terminal Benefits of Rs. 322.65 Crore for FY 2020-21 and Rs. 328.96 Crore for FY 2021-22, as approved by The Commission vide MYT Order dated 1.6.2020.

4.6.10 Accordingly, PSTCL has calculated Total Normative Employee Cost for FY 2020-21 and FY 2021-22, after computing Net Other Employee Cost on the basis of CPI and WPI and Terminal Benefits as approved for respective years, as under:

Table 88: Total Employee Costs for FY 2020-21 as submitted by PSTCL

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21		
		Transmission	SLDC	PSTCL
1	Other Employee Cost – Baseline (FY 2019-20)	198.19	7.00	205.19
2	Inflation Factor	2.30%	2.30%	
3	**Net Other Employee Cost**	**202.75**	**7.16**	**209.91**
4	Terminal Benefits approved in MYT Order	322.65	-	322.65
5	**Total Employee Cost**	**525.40**	**7.16**	**532.56**

Table 89: Total Employee Costs for FY 2021-22 as submitted by PSTCL

(Rs. Crore)

Sr. No.	Particulars	FY 2021-22		
		Transmission	SLDC	PSTCL
1	Other Employee Cost – Baseline (FY 2020-21)	202.75	7.16	209.91
2	Inflation Factor	2.30%	2.30%	
3	**Net Other Employee Cost**	**207.41**	**7.32**	**214.73**
4	Terminal Benefits approved in MYT Order	328.96	-	328.96
5	**Total Employee Cost**	**536.37**	**7.32**	**543.69**

4.6.11 The normative escalation hence has worked out to be 2.30% computed on the basis of CPI Index taken at 50% weightage. Similarly, considering the base A&G expenses of FY 2020-21, PSTCL has computed A&G expenses for FY 2021-22.

4.6.12 PSTCL has submitted that as per the methodology adopted by the Commission in previous Tariff Orders, PSTCL has additionally claimed Licence Fee and Audit Fee in line with the amounts approved by The Commission for FY 2020-21 and FY 2021-22 in the MYT Order dated 1.6.2020. The Commission vide Order dated October 29, 2020 has temporarily relaxed the quantum of fee on applications/petitions/review petitions as prescribed under Regulation 3 of PSERC (Fee) Regulations 2005 to 50% of the chargeable fee till 31.03.2021. Accordingly, PSTCL has reduced its claim for Tariff Determination fee for FY 2020-21. However, the claim for FY 2021-22 is kept same as the amounts approved in MYT Order dated 1.6.2020. The normative A&G expenses for FY 2020-21 and FY 2021-22 claimed by PSTCL is as under:

Table 90: A&G Expenses for FY 2020-21 as submitted by PSTCL

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21		
		Transmission	SLDC	PSTCL
1.	A&G Expenses – Baseline (FY 2019-20)	25.54	0.78	26.32
2.	Escalation Factor	2.30%	2.30%	
3.	**A&G Expenses**	**26.13**	**0.80**	**26.92**
4.	Add: License and Tariff Determination Fee	0.38	-	0.38
5.	Add: Audit Fee	0.17	-	0.17
6.	**Total**	**26.68**	**0.80**	**27.48**

Table 91: A&G Expenses for FY 2021-22 as submitted by PSTCL

(Rs. Crore)

Sr. No.	Particulars	FY 2021-22		
		Transmission	SLDC	PSTCL
1.	A&G Expenses – Baseline (FY 2020-21)	26.13	0.80	26.92
2.	Escalation Factor	2.30%	2.30%	
3.	**A&G Expenses**	**26.73**	**0.81**	**27.54**
4.	Add: License and Tariff Determination Fee	0.50	-	0.50
5.	Add: Audit Fee	0.17	-	0.17
6.	**Total**	**27.40**	**0.81**	**28.22**

Commission's Analysis:

4.6.13 The relevant regulation to determine the Employee and A&G expenses is reproduced as under:

"(ii) EMPn+ A&Gn= (EMPn-1 + A&Gn-1)*(INDEX n/INDEX n-1)

INDEXn - Inflation Factor to be used for indexing the Employee Cost and Administrative and General Costs for nth year. This will be a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) of nth year and shall be calculated as under:-

*INDEXn = 0.50*CPIn + 0.50*WPIn*

'WPIn' means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year.

'CPIn' means the average rate (on monthly basis) of Consumer Price Index (Industrial workers) over the year for the nth year.

… Note 7: *Any expenditure on account of license fee, initial or renewal, fee for determination of tariff*

and audit fee shall be allowed on actual basis, over and above the A&G expenses approved by The Commission."

A. 1) Terminal Benefits

4.6.14 PSTCL has submitted that the actual pay-out on account of Terminal Benefits in respect of pensioners shall be as per Punjab Power Sector Reforms Transfer Scheme approved by the Government of Punjab and PSTCL shall submit the Terminal Benefits actually paid for FY 2020-21 and FY 2021-22 at the time of True-up of respective years.

4.6.15 **The Commission retains the Terminal Benefits of Rs. 322.65 Crore for FY 2020-21 and Rs. 328.96 Crore for FY 2021-22, as approved vide MYT Order dated 1.6.2020.**

A. 2) Other Employee Cost

4.6.16 The Other employee cost has been considered as per the audited accounts of FY 2019-20 i.e. Rs.197.92 Crore for PSTCL (Rs. 190.44 Crore for Transmission Business and Rs. 7.48 Crore for SLDC Business) for determining the base line value for 2nd MYT Control Period.

4.6.17 The Commission has calculated the ***INDEXn*** as under:

Table 92: Calculation of INDEX for APR of FY 2020-21

Sr. No.	Particulars	FY 2019-20	FY 2020-21	Increase (%)
I	**II**	**III**	**IV**	**V**
1.	CPI	322.50	338.69	5.0202%
2.	WPI	121.80	123.26	1.1987%

INDEX n/INDEX n-1 = (0.5*5.0202) +(0.5*(1.1987)) = **3.1094%**

4.6.18 The INDEX and WPI inflation for FY 2021-22 is considered the same as FY 2020-21 and will be revisited at the time of true of respective year. Accordingly, The Commission has calculated the Normative Employee Cost as under:

Table 93: Normative Employee Cost as approved by The Commission for FY 2020-21 and FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
Transmission Business			
1.	Other Employee Cost of previous year	190.44	196.36
2.	Inflation Factor	3.1094%	3.1094%
3.	**Other Employee Cost**	**196.36**	**202.47**
4.	**Terminal Benefits**	**322.65**	**328.96**
5.	**Total Employee Cost**	**519.01**	**531.43**
SLDC Business			
1.	Other Employee Cost of previous year	7.48	7.71
2.	Inflation Factor	3.1094%	3.1094%
3.	**Other Employee Cost**	**7.71**	**7.95**
4.	**Terminal Benefits**	**-**	**-**
5.	**Total Employee Cost**	**7.71**	**7.95**

4.6.19 **Therefore, The Commission allows Employee Cost of Rs. 519.01 Crore for Transmission Business and Rs. 7.71 Crore for SLDC Business i.e. Employee Cost of Rs. 526.72 Crore for FY 2020-21 for PSTCL and Employee Cost of Rs. 531.43 Crore for Transmission Business and Rs. 7.95 Crore for SLDC Business i.e. Employee Cost of Rs. 539.38 Crore for FY 2021-22 for PSTCL.**

B. Administration & General (A&G) Expenses

4.6.20 The Commission has determined the A&G expenses considering the actual A&G expenses as per the audited account of FY 2019-20 and index as per Table 92. Audit fee and Licence/ARR fee has been considered as per true up of FY 2019-20 provisionally.

Table 94: A&G expenses as approved by the Commission for transmission business FY 2020-21 and FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
	Transmission Business		
1.	Opening A&G	24.97	25.61
2.	Inflation Factor	3.1094%	3.1094%
3.	A&G expenses	25.74	26.54
4.	Audit fee	0.06	0.06
5.	Add: Licence/ARR Fee	**0.51**	**0.51**
6	**Total A&G Expenses**	**26.32**	**27.12**
	SLDC Business		
1.	Opening A&G	0.78	0.80
2.	Inflation Factor	3.1094%	3.1094%
3.	**A&G expenses**	**0.80**	**0.83**

C. Repair & Maintenance (R&M)

4.6.21 In the ARR Petition for FY 2020-21, PSTCL projected R&M Expenses of Rs. 36.45 Crore for its Transmission Business and Rs. 0.53 Crore for its SLDC Business for FY 2020-21. The Commission approved Rs. 38.33 Crore and Rs. 0.56 Crore as R&M expenses for Transmission Business and SLDC Business of PSTCL respectively.

4.6.22 In the ARR Petition for FY 2021-22, PSTCL projected R&M Expenses of Rs. 37.33 Crore for its Transmission Business and Rs. 0.65 Crore for its SLDC Business for FY 2021-22. The Commission approved Rs.40.61 Crore and Rs. 0.72 Crore as R&M expenses for Transmission Business and SLDC Business of PSTCL respectively.

PSTCL's Submission:

4.6.23 PSTCL has claimed R&M expenses in line with the submission of Capital Expenditure and Capitalization claimed in the Petition. PSTCL has submitted that the K-factor has been considered same as approved in the MYT Order 1.6.2020 for FY 2020-21 and FY 2021-22, as specified in PSERC MYT Regulations, 2019. PSTCL has claimed relaxation in considering the WPI index for normative calculation as increase in WPI Index is coming out to be negative. Hence, PSTCL has considered 0% increase instead of negative for computation of R&M Expenses for FY 2020-21 and FY 2021-22. Accordingly, PSTCL has claimed R&M expenses for Transmission Business and SLDC for FY 2020-21 and FY 2021-22 as under:

Table 95: Normative R&M Expenses as submitted by PSTCL for FY 2020-21

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21		
		Transmission	SLDC	PSTCL
1	Opening GFA	10096.42	23.77	10120.19
2	Addition to GFA	140.18	7.87	148.05
3	Retirement during the year	-	-	-
4	Closing GFA	10236.60	31.64	10268.24
5	K-factor	0.344%	2.327%	
6	Inflation factor	0.00%	0.00%	
7	**R&M Expenses**	**34.97**	**0.64**	**35.62**

Table 96: Normative R&M Expenses as submitted by PSTCL for FY 2021-22

Sr. No.	Particulars	FY 2021-22		
		Transmission	SLDC	PSTCL
1	Opening GFA	10236.60	31.64	10268.24
2	Addition to GFA	166.14	1.93	168.07
3	Retirement during the year	-	-	-
4	Closing GFA	10402.74	33.57	10436.31
5	K-factor	0.344%	2.327%	
6	Inflation factor	0.00%	0.00%	
7	**R&M Expenses**	**35.50**	**0.76**	**36.26**

Commission's Analysis:

4.6.24 As per Regulation 26.1 of PSERC MYT Regulations 2019, the R&M expenses are to be determined as under:

" (i) R&Mn= K*GFA*WPIn/WPIn-1

Where,

'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the nth year. The value of 'K' will be specified by The Commission in the MYT order.

*'**GFA**' is the average value of the gross fixed assets of the nth year.*

***WPIn** means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year."*

4.6.25 As per para 4.6.21 of the Tariff order for FY 20-21, the k factor was determined using audited accounts of 2018-19 .Since audited accounts for 2019-20 are now available the k-factor has been determined using the actual R&M expenses from the available latest audited accounts of FY 2019-20. The opening GFA is considered as per the Closing GFA approved during True-Up of FY 2019-20 and the Net addition of GFA is considered as approved in the True-up of FY 2019-20 in this Order. The "k" factor for FY 2020-21 and FY 2021-22 is calculated as under:

Table 97: K factor as considered by the Commission FY 2020-21 and FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC
I	**II**	**III**	**IV**
1.	Opening GFA (as on 01.04.2019)	9,777.77	18.36
2.	Closing GFA (as on 31.03.2020)	10,103.34	24.69
3.	Average GFA	9,940.56	21.53
4.	Actual R&M Expenses for FY 2019-20	30.14	0.50
5.	**'K' = R&M Expenses/Average GFA**	**0.303%**	**2.323%**

4.6.26 The Commission has calculated the increase in ***WPI*** as under:

Table 98: Calculation of WPI for APR of FY 2020-21

Sr. No.	Particulars	FY 2019-20	FY 2020-21	Increase (%)
I	**II**	**III**	**IV**	**V**
2.	WPI	121.80	123.26	1.1987%

Accordingly, Inflation factor = 1+0.011987 = 1.011987

4.6.27 After considering the k-factor and increase in WPI determined above and projected capitalization during FY 2020-21 and FY 2021-22, the Commission has calculated the R&M Expenses for the FY 2020-21 and FY 2021-22 as under:

Table 99: R&M Expenses for the FY 2020-21 and FY 2021-22 as approved by the Commission

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
	Transmission Business		
1.	Opening GFA	10103.34	10173.43
2.	Addition of GFA	70.09	166.14
3.	Closing GFA	10173.43	10339.57
4.	Average GFA	10138.39	10256.50
5.	k-factor	0.303%	0.303%
6.	Inflation Factor*	1.011987	$(1.011987)^2$
7.	**R&M Expenses**	**31.11**	**31.85**
	SLDC		
1.	Opening GFA	24.69	28.63
2.	Addition of GFA	3.94	1.93
3.	Closing GFA	28.63	30.56
4.	Average GFA	26.66	29.59
5.	k-factor	2.323%	2.323%
6.	Inflation Factor*	1.011987	$(1.011987)^2$
7.	**R&M Expenses**	**0.63**	**0.70**

** - Inflation factor is assumed to be the same for FY 2020-21 and FY 2021-22 and hence multiplied twice for FY 2021-22*

4.6.28 Thus, the Commission approves O&M expenses for the FY 2020-21 and FY 2021-22 as under:

Table 100: O&M Expenses for Transmission Business of FY 2020-21 and FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1.	Employee Expenses	519.01	531.43
2.	A&G Expenses	26.32	27.12
3.	R&M Expenses	31.11	31.85
4.	**O&M Expenses**	**576.44**	**590.40**

Table 101: O&M Expenses for SLDC Business of FY 2020-21 and FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1.	Employee Expenses	7.71	7.95
2.	A&G Expenses	0.80	0.83
3.	R&M Expenses	0.63	0.70
4.	**O&M Expenses**	**9.14**	**9.48**

Table 102: O&M Expenses for PSTCL of FY 2020-21 and FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1.	Employee Expenses	526.72	539.38
2.	A&G Expenses	27.12	27.95
3.	R&M Expenses	31.74	32.55
4.	**O&M Expenses**	**585.58**	**599.88**

4.7 Depreciation Charges

4.7.1 In the ARR Petition of FY 2020-21, PSTCL had claimed depreciation charges of Rs. 308.28 Crore for Transmission Business and Rs. 0.56 Crore for SLDC Business against which the Commission had approved depreciation charges of Rs. 300 Crore for Spillover Schemes and Rs. 0.29 Crore for New Schemes of Transmission Business and Rs.0.56 Crore for Spillover scheme of SLDC Business for FY 2020-21. No depreciation was approved for new schemes of SLDC Business as there was no addition of GFA during the year.

4.7.2 In the ARR Petition of FY 2021-22, PSTCL had claimed depreciation charges of Rs. 318.59 Crore for Transmission Business and Rs. 0.73 Crore for SLDC Business against which the Commission had approved depreciation charges of Rs. 304.86 Crore for Spillover Schemes and Rs. 1.80 Crore for New Schemes of Transmission Business and Rs.0.69 Crore for Spillover scheme and Rs. 0.03 Crore for New Schemes of SLDC Business for FY 2021-22.

PSTCL's Submission:

4.7.3 PSTCL has considered the closing GFA (Net of land and land rights) as on 31.3.2020, as claimed in the Petition for True-up for FY 2019-20, as the opening GFA of FY 2020-21. PSTCL has considered addition to GFA equivalent to net Capitalization transferred from CWIP account as stated in Capital Expenditure and

Capitalization section for FY 2020-21 and FY 2021-22. PSTCL has not considered any retirement of asset during the year for FY 2020-21 and FY 2021-22. Retirement of assets during the year, if any, shall be claimed at actuals at the time of truing up for the respective years.

4.7.4 PSTCL has computed the weighted average depreciation rate of 4.14% for Transmission Business and 7.83% for SLDC on the basis of Audited accounts of FY 2019-20. The depreciation rate has been applied on average GFA of FY 2020-21 and FY 2021-22. Accordingly, PSTCL has claimed the depreciation for FY 2020-21 and FY 2021-22 as under:

Table 103: Depreciation claimed by PSTCL for FY 2020-21

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21		
		Transmission	SLDC	PSTCL
1	Opening GFA (Net of Land and Land Rights)	7,158.31	19.02	7177.33
2	Asset addition during the Year	140.18	7.87	148.05
3	Asset replacement/retirement	-	-	-
4	Closing GFA	7,298.49	26.89	7,325.38
5	Wt. Avg. Rate of Depreciation	4.14%	7.83%	
6	**Depreciation**	**299.57**	**1.80**	**301.37**

Table 104: Depreciation claimed by PSTCL for FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	FY 2021-22		
		Transmission	SLDC	PSTCL
1	Opening GFA (Net of Land and Land Rights)	7,298.49	26.89	7,325.38
2	Asset addition during the Year	166.14	1.93	168.07
3	Asset replacement/retirement	-	-	-
4	Closing GFA	7,464.63	28.82	7,493.45
5	Wt. Avg. Rate of Depreciation	4.14%	7.83%	
6	**Depreciation**	**305.92**	**2.18**	**308.10**

Commission's Analysis:

4.7.5 Regulation 21 of the PSERC MYT Regulations, 2019 specifies as under:

"21.1. The value base for the purpose of depreciation shall be the capital cost of the assets admitted by The Commission:

Provided that the depreciation shall be allowed after reducing the approved original cost of the retired or replaced or decapitalized assets:

Provided that the land, other than the land held under lease and land for reservoir in case of hydro generating station, shall not be a depreciable asset and its cost *shall be excluded from the capital cost while computing depreciable value of the assets:*

Provided further that Government. grants and consumer contribution shall also be recognized as defined under Indian Accounting Standard 20 (IND AS 20) notified by the Ministry of Corporate Affairs.

21.2. The residual/salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of historical capital cost of the asset:

Provided that I.T. Equipment and Software shall be depreciated 100% with zero salvage value.

21.3. The Cost of the asset shall include additional capitalization.

21.4. The Generating Company, Transmission and Distribution Licensee shall provide the list of assets added during each Year of the Control Period and the list of assets completing 90% of depreciation in the Year along with Petition for Annual Performance Review, true-up and tariff determination for ensuing Year.

21.5. Depreciation for Distribution, generation and transmission assets shall be calculated annually as per straight line method over the useful life of the asset at the rate of depreciation specified by the Central Electricity Regulatory Commission from time to time:

Provided that the 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 assets:

Provided further that in case of hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the asset.

21.6. Depreciation shall be chargeable from the first year of commercial operation/asset is put in use. In case of commercial operation of the asset/put in use of asset for part of the year, depreciation shall be charged on pro rata basis."

4.7.6 The Commission determines the depreciation for FY 2020-21 and FY 2021-22 as per the Regulation 21 stated above. The Opening GFA for the Spillover schemes is considered as per the Closing GFA approved by the Commission in the True-Up of FY 2019-20 while the opening GFA for new schemes is considered as zero.

4.7.7 The Commission has considered the addition of GFA as approved by the Commission in Table 84 and has not considered the addition of assets due to PSDF Schemes. Based on the actual rate of depreciation of 4.17% for Transmission

Business and 7.83% for SLDC Business as determined during True-Up of FY 2019-20 of PSTCL in this Order, the depreciation for Spillover and New Schemes for Transmission and SLDC Business is as under:

Table 105: Depreciation approved by the Commission for FY 2020-21 and FY 2021-22 for Transmission Business

(Rs. Crore)

Particulars		FY 2020-21	FY 2021-22
(I)	**Spillover Schemes**		
1.	Opening GFA (excluding land and land rights)	7087.89	7150.91
2.	Add: Additions to GFA during the year	63.02	107.96
3.	Less: Addition of GFA towards PSDF and Contributory schemes	0.00	0.00
4.	Closing GFA	7150.91	7258.87
5.	Average GFA	7119.40	7204.89
6.	**Depreciation @4.168% of average GFA**	296.77	300.33
(II)	**New Schemes**		
6.	Opening GFA (excluding land and land rights)	0.00	7.07
7.	Add: Additions to GFA during the year	7.07	58.18
8.	Closing GFA	7.07	65.25
9.	Average GFA	3.54	36.16
10.	**Depreciation @4.17% of average GFA**	0.15	1.51
11.	**Total Depreciation**	296.92	301.84

Table 106: Depreciation approved by the Commission for FY 2020-21 and FY 2021-22 for SLDC Business

(Rs. Crore)

Particulars		FY 2020-21	FY 2021-22
(I)	**Spillover Schemes**		
1.	Opening GFA (excluding land and land rights)	19.10	23.04
2.	Add: Additions to GFA during the year	3.94	0.00
3.	Closing GFA	23.04	23.04
4.	Average GFA	21.07	23.04
5.	**Depreciation @7.83% of average GFA**	**1.65**	**1.80**
(II)	**New Schemes**		
6.	Opening GFA (excluding land and land rights)	-	-
7.	Add: Additions to GFA during the year	-	1.93
8.	Closing GFA	-	1.93
9.	Average GFA	-	0.97
10.	**Depreciation @7.83% of average GFA**	**-**	**0.08**
11.	**Total Depreciation**	**1.65**	**1.88**

Table 107: Depreciation approved by the Commission for FY 2020-21 and FY 2021-22 for PSTCL

(Rs. Crore)

	Particulars	**FY 2020-21**	**FY 2021-22**
(I)	**Transmission**		
1.	Opening GFA (excluding land and land rights)	7087.89	7157.98
2.	Add: Additions to GFA during the year	70.09	166.14
3.	Less: Addition of GFA towards PSDF schemes	0.00	0.00
4.	Closing GFA	7157.98	7324.12
5.	Average GFA	7122.94	7241.05
6.	**Depreciation @4.17% of average GFA**	**296.92**	**301.84**
(II)	**SLDC**		
7.	Opening GFA (excluding land and land rights)	19.10	23.04
8.	Add: Additions to GFA during the year	3.94	1.93
9.	Closing GFA	23.04	24.97
10.	Average GFA	21.07	24.00
11.	**Depreciation @7.83% of average GFA**	**1.65**	**1.88**
12.	**Total Depreciation**	**298.57**	**303.72**

4.7.8 **The Commission approves depreciation of Rs. 298.57 Crore and Rs. 303.72 Crore for FY 2020-21 and FY 2021-22 respectively.**

4.8 Interest and Finance Charges

4.8.1 In the ARR Petition of FY 2020-21, PSTCL had claimed Interest and Finance charges of Rs. 363.01 Crore (net of capitalization of Rs. 33.89 Crore of interest charges) for its Transmission Business and Rs.1.69 Crore for SLDC Business for FY 2020-21. The Commission approved interest charges of Rs. 332.58 Crore for Transmission Business (including Spillover and new schemes) and Rs. 1.53 Crore for SLDC Business for FY 2020-21.

4.8.2 In the ARR Petition of FY 2021-22, PSTCL had claimed Interest and Finance charges of Rs. 335.50 Crore (net of capitalization of Rs. 69.64 Crore of interest charges) for its Transmission Business and Rs.2.94 Crore for SLDC Business for FY 2020-21. The Commission approved interest charges of Rs. 308.95 Crore for Transmission Business (including Spillover and new schemes) and Rs. 1.68 Crore for SLDC Business for FY 2020-21.

PSTCL's Submission:

4.8.3 PSTCL has considered the closing balance of loans for FY 2019-20 as submitted in the True-up Chapter, as the opening loan as on 1.4.2020.

4.8.4 The outstanding existing loans include loans from REC, Commercial Banks, Loan from PSPCL and GPF Liability. The loan addition considered during FY 2020-21 and FY 2021-22 is as per the addition of loan computed in the section on Funding of Capital Investment. PSTCL has considered the loan repayment in line with the actual/expected repayments payable on corresponding loans during FY 2020-21 and FY 2021-22. PSTCL has proposed new loans for the proposed investments for FY 2020-21 and FY 2021-22 mainly from Banks/Financial Institutions. PSTCL has claimed interest capitalised for FY 2020-21 and FY 2021-22 computed on the basis of opening and closing CWIP and applicable interest rate during the respective years.

4.8.5 PSTCL has considered the actual interest rate applicable on loans of FY 2019-20 taken from respective Banks/Financial Institutions for computation of interest for FY 2020-21 and FY 2021-22. PSTCL has considered Guarantee Charges for FY 2020-21 and FY 2021-22 in line with the amount approved in the MYT Order dated June 01, 2020.

4.8.6 Accordingly, interest on loan capital for FY 2020-21 and FY 2021-22 for PSTCL has been submitted as under:

Table 108: Interest on Loan capital for FY 2020-21 as submitted by PSTCL

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21		
		Transmission	**SLDC**	**PSTCL**
1a	Opening Balance excluding GPF	3511.11	12.28	3523.39
1b	GPF	73.18	-	73.18
1.	Opening Balance including GPF	3584.29	12.28	3596.57
2.	Loan addition during year	260.14	2.19	262.33
3.	Loan Repayment during year	298.49	1.80	300.29
4.	Closing Balance	3545.94	12.67	3558.62
5.	Interest Rate	10.05%	10.16%	10.05%
6.	Interest Charges	358.14	1.27	359.41
7.	Add: Guarantee Charges	5.51	-	5.51
8.	Less: Interest Capitalised	34.32	-	34.32
9.	**Interest & Finance Charges**	**329.33**	**1.27**	**330.60**

Table 109: Interest on Loan capital for FY 2021-22 as submitted by PSTCL

(Rs. Crore)

Sr. No.	Particulars	FY 2021-22		
		Transmission	SLDC	PSTCL
1a	Opening Balance excluding GPF	3502.04	12.67	3514.72
1b	GPF	43.90	-	43.90
1.	Opening Balance including GPF	3545.94	12.67	3558.62
2.	Loan addition during year	190.69	2.14	192.83
3.	Loan Repayment during year	306.92	2.18	309.10
4.	Closing Balance	3429.71	12.63	3442.35
5.	Interest Rate	10.05%	10.13%	10.05%
6.	Interest Charges	350.57	1.28	351.85
7.	Add: Guarantee Charges	4.04	-	4.04
8.	Less: Interest Capitalised	41.14	-	41.14
9.	**Interest & Finance Charges**	**313.47**	**1.28**	**314.75**

Commission's Analysis:

4.8.7 The Commission determines the Interest on loan capital for the 2nd MYT Control Period as per Regulation 24 of the PSERC MYT Regulations, 2019. It is reproduced as under:

"24.1. For existing loan capital, interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the actual rate of interest and the schedule of repayment as per the terms and conditions of relevant agreements. The rate of interest shall be the actual rate of interest paid/payable (other than working capital loans) on loans by the Licensee.

24.2. Interest and finance charges on the future loan capital for new investments shall be computed on the loans, based on one (1) year State Bank of India (SBI) MCLR/ any replacement there of as notified by RBI as may be applicable as on 1st April of the relevant year, plus a margin determined on the basis of current actual rate of interest of the capital expenditure loan taken by the Generating Company, Licensee or SLDC and prevailing SBIMCLR.

24.3. The repayment for each year of the tariff period shall be deemed to be equal to the depreciation allowed for the corresponding year. In case of de-capitalisation of assets, the repayment shall be adjusted by taking into account cumulative depreciation made to the extent of de-capitalisation.

24.4. The Commission shall allow obligatory taxes on interest, finance *charges (including guarantee fee payable to the Government) and any exchange rate difference arising from foreign currency borrowings, as finance cost.*

24.5. The interest on excess equity treated as loan shall be serviced at the weighted average interest rate of actual loan taken from the lenders.

Provided also that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered."

4.8.8 The Opening of loan for the Spillover schemes is considered as per the Closing approved by the Commission in the true up of FY 2019-20 in this Order while the opening of loan for new schemes is considered as zero.

4.8.9 The Commission has considered the approved addition of loan as explained in para 4.5.4.

4.8.10 As per regulation 24.3 of PSERC MYT Regulation 2019, the repayment of loan is considered equal to depreciation allowed for the corresponding year.

4.8.11 For the Spillover schemes i.e. for existing loans, the rate of interest on loan capital is as per Regulation 24.1 and is considered as 10.15% for Transmission and 10.25% for SLDC as approved during the True-up of FY 2019-20 in this Order

4.8.12 The rate of interest on loan capital for new investments is as per Regulation 24.2 and is calculated as under:

Table 110: Calculation for rate of interest on loan for new investments for FY 2020-21

Sr. No.	Particulars	Transmission	SLDC
1.	SBI 1 yr MCLR (as on 1st April 2020)	7.75%	7.75%
2.	Actual Interest rate (True Up of FY 2019-20)	10.15%	10.25%
3.	SBI 1 yr MCLR (as on 1st April 2019)	8.55%	8.55%
4.	Margin (4=2-3)	1.60%	1.70%
5.	**Interest on loan Capital**	**9.35%**	**9.45%**

Table 111: Calculation for rate of interest on loan for new investments for FY 2021-22

Sr. No.	Particulars	Transmission	SLDC
1.	SBI 1 yr MCLR (as on 1st April 2021)	7.00%	7.00%
2.	Actual Interest rate (True Up of FY 2019-20)	10.15%	10.25%
3.	SBI 1 yr MCLR (as on 1st April 2019)	8.55%	8.55%
4.	Margin (4=2-3)	1.60%	1.70%
5.	**Interest on loan Capital**	**8.60%**	**8.70%**

4.8.13 The Commission determines Interest on long term loans for Transmission Business and SLDC Business by considering the closing of FY 2019-20 as the opening and funding as approved in para 4.5.4 as under:

Table 112: Interest on loan for Spill over schemes of Transmission Business

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1.	Opening balance of loan	3488.64	3314.87
2.	Add: Receipt of loan during the year	123.00	132.51
3.	Less: Repayment of loan during the year	296.77	300.33
4.	Closing balance of loan	3314.87	3147.05
5.	Average Loan	3401.75	3230.96
6.	**Interest Charges @ 10.15%**	**345.28**	**327.94**

Table 113: Interest on loan for New schemes of Transmission Business

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1.	Opening balance of loan	0.00	6.92
2.	Add: Receipt of loan during the year	7.07	58.18
3.	Less: Repayment of loan during the year	0.15	1.51
4.	Closing balance of loan	6.92	63.59
5.	Average Loan	3.46	35.26
6.	**Interest Charges @ 9.35% for FY 2020-21 and @ 8.60% for FY 2021-22**	**0.32**	**3.03**

Table 114: Interest on loan for Spillover schemes of SLDC Business

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1.	Opening balance of loan	12.28	11.73
2.	Add: Receipt of loan during the year	1.10	0.21
3.	Less: Repayment of loan during the year	1.65	1.80
4.	Closing balance of loan	11.73	10.14
5.	Average Loan	12.01	10.94
6.	**Interest Charges @ 10.25%**	**1.23**	**1.12**

Table 115: Interest on loan for New schemes of SLDC Business

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1.	Opening balance of loan	-	-
2.	Add: Receipt of loan during the year	-	1.93
3.	Less: Repayment of loan during the year	-	0.08
4.	Closing balance of loan	-	1.85
5.	Average Loan	-	0.93
6.	**Interest Charges @ 9.45% for FY 2020-21 and @ 8.70% for FY 2021-22**	**-**	**0.08**

4.8.14 **The Commission approves Interest on long term loans of Rs. 345.60Crore for Transmission Business and Rs. 1.23 Crore for SLDC Business for FY 2020-21. Similarly, the Commission approved Interest on long term loans of Rs. 330.97Crore for Transmission Business and Rs. 1.20 Crore for SLDC Business for FY 2021-22.**

Interest on GPF Fund:

4.8.15 The Commission has observed that PSTCL has claimed GPF liability along with the long-term loans.

4.8.16 The Interest on GPF being a statutory payment is allowed as submitted by PSTCL provisionally for the FY 2020-21 and FY 2021-22 as under:

Table 116: GPF considered by the Commission for FY 2020-21 and FY 2021-22

Particulars	Interest Due
GPF for FY 2020-21	6.00
GPF for FY 2021-22	3.37

Finance and Guarantee charges:

4.8.17 PSTCL has claimed finance charges and guarantee fee of Rs.5.51 Crore for FY 2020-21 and Rs. 4.04 Crore for FY 2021-22 on loan requirement of Rs.260.14 Crore and Rs. 190.68 Crore respectively for transmission business. The Commission has worked out the loan requirement of Rs.130.07 Crore and approved proportionate Finance charges and guarantee fees of Rs. 2.76 (5.51 x 130.07 / 260.14) Crore for FY 2020-21. **Accordingly, the Commission approves finance charges and guarantee fees as Rs. 2.76 Crore for the loan requirement of Rs. 130.07 Crore for FY 2020-21 and Rs. 4.04 Crore for the loan requirement of Rs. 190.69 Crore for FY 2021-22.**

Capitalization of Interest Charges

4.8.18 Capitalization of interest and finance charges of Rs. 34.32 Crore for FY 2020-21 and Rs. 41.14 Crore for FY 2021-22 is claimed by PSTCL. The Commission has considered the same.

4.8.19 Accordingly, The Commission determines Interest and Finance Charges for Transmission Business and SLDC Business as under:

Table 117: Interest and Finance charges approved by the Commission for Transmission Business

(Rs. Crore)

Sr. No	Particulars	FY 2020-21	FY 2021-22
1.	Interest charges for Spillover schemes of Transmission Business	345.28	327.94
2.	Interest charges for New schemes of Transmission Business	0.32	3.03
3.	Interest on GP Fund	6.00	3.37
4.	Add Finance/Guarantee charges	2.76	4.04
5.	Less: Interest capitalized	34.32	41.14
6.	**Net Interest charges**	**320.04**	**297.24**

Table 118: Interest and Finance charges approved by the Commission for SLDC Business

(Rs. Crore)

Sr. No	Particulars	FY 2020-21	FY 2021-22
1.	**Interest charges**	**1.23**	**1.20**

4.8.20 **Thus, the Commission approves Interest and Finance Charges of Rs. 321.27 Crore for FY 2020-21 and Rs. 298.44 Crore FY 2021-22.**

4.9 Interest on Working Capital

4.9.1 In the ARR Petition for FY 2020-21, PSTCL had claimed interest on working capital for Transmission Business of Rs. 41.67 Crore for FY 2020-21, on a total working capital of Rs. 387.29 Crore against which The Commission approved interest on working Capital of Rs.35.44 Crore for FY 2020-21 on total working capital of Rs. 355.91 Crore.

4.9.2 In the ARR Petition for FY 2020-21, PSTCL had claimed interest on working capital of Rs. 0.59 Crore on the total working capital of Rs. 5.51 Crore for SLDC Business. The Commission approved the working capital of Rs. 0.49 Crore and interest on working capital Rs. 4.76 Crore for FY 2020-21.

4.9.3 In the ARR Petition for FY 2021-22, PSTCL had claimed interest on working capital for Transmission Business of Rs. 42.95 Crore for FY 2021-22, on a total working capital of Rs. 399.23 Crore against which The Commission approved interest on working Capital of Rs. 35.92 Crore for FY 2021-22 on total working capital of Rs. 360.71 Crore.

4.9.4 In the ARR Petition for FY 2021-22, PSTCL had claimed interest on working capital of Rs. 0.64 Crore on the total working capital of Rs. 5.95 Crore for SLDC Business. The Commission approved the working capital of Rs. 0.52 Crore and interest on working capital Rs. 5.03 Crore for FY 2020-21

PSTCL's Submission:

4.9.5 PSTCL has computed Interest on Working Capital (IoWC) for FY 2020-21 and FY 2021-22 in line with the provisions of Regulation 51.1 and Regulation 25.1 of the PSERC MYT Regulations, 2019. The rate of interest to be considered is either the weighted average rate of interest paid/payable on loans by the Licensee/SLDC or the State Bank of India MCLR plus 350 basis points as on April 1 of the relevant year, whichever is less.

4.9.6 PSTCL has submitted that since the actual weighted average rate of interest on working capital loans for FY 2019-20 is lower the than SBI MCLR plus 350 basis points, PSTCL has considered the actual weighted average rate of interest on working capital loans of FY 2019-20, for computation of interest for FY 2020-21 and FY 2021-22. The computation of interest for FY 2020-21 and FY 2021-22 is as shown in the following Table:

Table 119: Interest on Working Capital for FY 2020-21 as submitted by PSTCL

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21		
		Transmission	SLDC	PSTCL
1.	Receivables equivalent to two months of fixed cost	220.30	3.50	223.80
2.	Maintenance spares @ 15% of O&M expenses	88.06	1.29	89.35
3.	Operation and Maintenance expenses for one month	48.92	0.72	49.64
4.	**Total Working Capital Requirement**	**357.28**	**5.50**	**362.78**
5.	Rate of Interest	10.19%	10.19%	10.19%
6.	**Interest on Working Capital**	**36.39**	**0.56**	**36.95**

Table 120: Interest on Working Capital for FY 2021-22 as submitted by PSTCL

(Rs. Crore)

Sr. No.	Particulars	FY 2021-22		
		Transmission	SLDC	PSTCL
1.	Receivables equivalent to two months of fixed cost	221.98	3.62	225.60
2.	Maintenance spares @ 15% of O&M expenses	89.89	1.33	91.23
3.	Operation and Maintenance expenses for one month	49.94	0.74	50.68
4.	**Total Working Capital Requirement**	**361.81**	**5.69**	**367.50**
5.	Rate of Interest	10.19%	10.19%	10.19%
6.	**Interest on Working Capital**	**36.85**	**0.58**	**37.43**

Commission's Analysis:

4.9.7 The Commission has computed the interest on working capital as per Regulation 51 of the PSERC MYT Regulations, 2019 specifies as under:

"51.1. Components of Working Capital

The Working Capital shall cover the following:

(a) O&M Expenses for 1month;

(b) Maintenance spares @ 15% of the O&M expenses;

(c) Receivables equivalent to two (2) months of fixed cost calculated on normative target availability.

51.2. Rate of Interest

The rate of interest on working capital shall be as per Regulation 25.1."

4.9.8 Considering the rate of interest as approved in the True-Up of FY 2019-20 i.e. 10.09% for Transmission Business and 10.25% for SLDC Business, the Commission observes that the actual rate of interest are lower than State Bank of India MCLR plus 350 basis points as on April 1 (11.25% and 10.50%) of the relevant year and therefore determines and approves the Interest on working capital as under**:**

Table 121: Interest on Working Capital as approved by the Commission for FY 2020-21 and FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
	Transmission Business		
1.	Receivables for two months	218.75	218.14
2.	Maintenance spares @15% of O&M	86.47	88.56
3.	O&M Expenses for one month	48.04	49.20
4.	Total Working Capital	353.25	355.90
5.	Rate of Interest (%)	10.09%	10.09%
6.	**Interest on Working Capital**	**35.66**	**35.93**
	SLDC		
7.	Receivables for two months	3.59	3.69
8.	Maintenance spares @15% of O&M	1.37	1.42
9.	O&M Expenses for one month	0.77	0.79
10.	Total Working Capital	5.73	5.90
11.	Rate of Interest (%)	10.25%	10.25%
12	**Interest on Working Capital**	**0.59**	**0.60**

4.9.9 **The Commission approves working capital requirements of Rs. 358.98 Crore and interest thereon of Rs. 36.25 Crore for FY 2020-21 for PSTCL and working capital requirements of Rs. 361.80 Crore and interest thereon of Rs. 36.53 Crore for FY 2021-22 for PSTCL.**

4.10 Return on Equity

4.10.1 In the ARR Petition for FY 2020-21, PSTCL had claimed Return on equity of Rs. 154.40 Crore on opening equity of Rs. 887.35 Crore and on addition of Rs. 218.85 Crore during FY 2020-21. The Commission had approved Return on equity of Rs. 108.93 Crore on opening equity of Rs. 702.80 Crore and no addition of equity was allowed during the year.

4.10.2 In the ARR Petition for FY 2021-22, PSTCL had claimed Return on equity of Rs. 188.85 Crore on opening equity of Rs. 1106.19 Crore and on addition of Rs. 224.35 Crore during FY 2021-22. The Commission had approved Return on equity of Rs. 108.93 Crore on opening equity of Rs. 702.80 Crore and no addition of equity was allowed during the year.

PSTCL's Submission:

4.10.3 PSTCL has submitted that it has considered the funding of capital expenditure through 100% Loan in line with the approach adopted by the Commission in the Tariff Order dated June 01,2020. Accordingly, PSTCL has not considered any Equity additions during FY 2020-21 and FY 2021-22. The approach adopted by PSTCL for consideration of opening equity and addition of equity in FY 2020-21 and FY 2021-22 is without prejudice to the appeal pending before Hon'ble APTEL. PSTCL has requested the Commission to pass on the effect in the opening balance of Return on Equity of FY 2020-21 and for additions during the year in case the matter is ruled in favour of PSTCL. Accordingly, PSTCL has considered the closing equity of FY 2019-20 as submitted in the Truing-up Chapter, as opening equity for FY 2020-21.

4.10.4 PSTCL has considered rate of Return on Equity @15.50% for FY 2020-21 and FY 2021-22 in accordance with Regulation 20 of the PSERC MYT Regulations, 2019. The Return on Equity computed for FY 2020-21 and FY 2021-22 is as under:

Table 122: Return on Equity for FY 2020-21 and FY 2021-22 as claimed by PSTCL

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1.	Opening Balance-Equity Capital	704.97	704.97
2.	Equity addition during the year	-	-
3.	Closing balance-Equity Capital	704.97	704.97
4.	Rate of Return (%) RoE	15.50%	15.50%
	Return on Equity	**109.27**	**109.27**

PSTCL has claimed Return on Equity of Rs.109.27 Crore for FY 2020-21 and FY 2021-22.

Commission's Analysis:

4.10.5 The Commission determines the Return on Equity for the Control Period in accordance with Regulation 20 of PSERC MYT Regulations, 2019 which is reproduced as under:

*"**20. Return on equity***

Return on equity shall be computed at the base rate of 15.5% for thermal generating stations, Transmission Licensee, SLDC and run of the river hydro generating stations and at the base rate of 16.5% for the storage type hydro generating stations and run of river generating stations with pondage and 16% for Distribution Licensee on the paid up equity capital determined in accordance with Regulation 19:

Provided that Equity invested in foreign currency shall be converted to rupee currency based on the exchange rate prevailing on the date(s) it is subscribed:

Provided further that assets funded by consumer contributions, capital subsidies/Government. grants shall not form part of the capital base for the purpose of calculation of Return on Equity."

4.10.6 The Commission has considered the opening of equity for FY 2020-21 from the closing of equity approved in the True-Up of FY 2019-20. As explained in para 4.5.2, no addition of equity is considered. The Commission determines Return on Equity @15.50% on the average equity for the year and is calculated as under:

Table 123: Return on Equity for FY 2020-21 and FY 2021-22 for Transmission as allowed by The Commission

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1.	Opening Equity	705.70	705.70
2.	Addition of equity during the year	-	-
3.	Closing Equity	705.70	705.70
4.	Average Equity	705.70	705.70
5.	Rate of Return on Equity (%)	15.50%	15.50%
6.	**Return on Equity (15.50% of 702.80)**	**109.38**	**109.38**

4.10.7 **Thus, the Commission approves Return on Equity of Rs. 109.38 Crore to PSTCL for APR of FY 2020-21 and for FY 2021-22.**

4.11 Unified Load Dispatch &Communication (ULDC) Charges

4.11.1 In the ARR Petition for 2nd MYT Period, PSTCL claimed ULDC Charges of Rs. 9.67 Crore each for FY 2020-21 and FY 2021-22 for its SLDC Business and the

Commission approved Rs. 7.68 Crore for each year based on the Audited Annual Accounts of FY 2018-19.

4.11.2 In the APR for FY 2020-21 and Revised Estimated for FY 2021-22, PSTCL has claimed ULDC Charges of Rs.9.53 Crore as per the Audited Annual Accounts of FY 2019-20 for its SLDC Business.

4.11.3 **Accordingly, the Commission approves ULDC charges of Rs. 9.53 Crore to PSTCL for its SLDC Business for FY 2020-21 and FY 2021-22 provisionally.**

4.12 Non-Tariff Income

4.12.1 In the ARR Petition of 2nd MYT Period, PSTCL had projected Rs. 17.75 Crore of Non-Tariff Income for its Transmission Business and Rs. 0.76 Crore for SLDC Business against which The Commission approved the Non-Tariff Income of Rs. 23.59 Crore for Transmission Business and Rs. 1.67 Crore for its SLDC Business for each year based on Audited Annual Accounts of FY 2018-19.

PSTCL's Submission:

4.12.2 PSTCL has submitted submit that it expects additional income from Contribution works to be carried out during FY 2020-21 compared to the income received during FY 2019-20. Accordingly, PSTCL has considered Non-Tariff Income of Rs. 39.81 Crore for Transmission Business of FY 2020-21. PSTCL has retained the Non-Tariff Income of Rs. 0.78 Crore for SLDC Business same as claimed in the True up of FY 2019-20.

4.12.3 PSTCL has estimated the Non-Tariff Income for FY 2021-22 for Transmission Business as Rs. 32.90 Crore and Rs. 0.78 Crore for SLDC Business.

Commission's Analysis:

4.12.4 Non-Tariff Income is to be determined as per Regulation 28 of PSERC MYT Regulations 2019.

4.12.5 **The Commission considers the Non-tariff Income for FY 2020-21 and FY 2021-22 as Rs.25.94 Crore for Transmission Business and Non-Tariff Income of Rs. 0.58 Crore for SLDC Business based on Audited Annual Accounts of FY 2019-20. However, it will be revisited during the True-up of the respective years based on the Audited Annual Accounts.**

Table 124: Non-Tariff Income FY 2020-21 and FY 2021-22 as approved by the Commission

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Non-Tariff Income	25.94	0.58	26.52

4.13 Carrying Cost of Previous Years

4.13.1 The Commission allowed carrying cost of Rs 1.01 Crore in para 4.14 of Tariff Order for FY 2020-21. The same amount is being considered in the ARR of FY 2020-21.

4.14 Annual Revenue Requirement

4.14.1 The summary of the Annual Revenue Requirement for Transmission Business, SLDC Business and overall business of PSTCL for FY 2020-21 is shown in the following tables:

Table 125: Annual Revenue Requirement for Transmission Business for FY 2020-21

(Rs. Crore)

Sr. No.	Particulars	Approved by the Commission in the Tariff Order of FY 2020-21	Claimed by PSTCL in the APR of FY 2020-21	Approved by The Commission
1a	Employee costs	510.04	525.40	519.01
1b	R&M expenses	38.33	34.97	31.11
1c	A&G expenses	27.37	26.68	26.32
1.	Total O&M Expenses	575.74	587.05	576.44
2.	Depreciation	300.29	299.57	296.92
3.	Interest charges	332.58	329.34	320.04
4.	Interest on Working Capital	35.44	36.39	35.66
5.	Return on Equity	108.93	109.27	109.38
6.	**Total Revenue Requirement**	**1,352.98**	**1,361.62**	**1,338.44**
7.	Less: Non tariff Income	23.59	39.81	25.94
8.	**Total Revenue Requirement**	1,329.39	1,321.81	1,312.50
9.	Less:Past Revenue Gap/ (Surplus)	1.01	1.01	1.01
	Net ARR	1,328.38	1,320.80	1,311.49

Table 126: Annual Revenue Requirement for SLDC for FY 2020-21

(Rs. Crore)

Sr. No.	Particulars	Approved by The Commission in the Tariff Order of FY 2020-21	Claimed by PSTCL in the APR of FY 2020-21	Approved by The Commission
1a	Employee costs	6.73	7.16	7.71
1b	R&M expenses	0.56	0.64	0.63
1c	A&G expenses	1.02	0.80	0.80
1.	Total O&M Expenses	8.31	8.60	9.14
2.	Depreciation	0.56	1.80	1.65
3.	Interest charges	1.53	1.27	1.23
4.	Interest on Working Capital	0.49	0.56	0.59
5.	ULDC Charges	7.68	9.53	9.53
6.	**Total Revenue Requirement**	**18.57**	**21.76**	22.14
7.	Less: Non tariff Income	1.67	0.78	0.58
8.	**Total Revenue Requirement**	**16.90**	**20.98**	**21.56**

4.14.2 The summary of the Annual Revenue Requirement of PSTCL as a whole for FY 2020-21 is as under:

Table 127: Annual Revenue Requirement for PSTCL for FY 2020-21

(Rs. Crore)

Sr. No.	Particulars	Approved by The Commission in the Tariff Order of FY 2020-21	Claimed by PSTCL in the APR of FY 2020-21	Approved by The Commission
1a	Employee costs	516.77	532.56	526.72
1b	R&M expenses	38.89	35.62	31.74
1c	A&G expenses	28.39	27.47	27.12
1.	Total O&M Expenses	584.05	595.65	585.58
2.	Depreciation	300.85	301.38	298.57
3.	Interest charges	334.11	330.60	321.27
4.	Interest on Working Capital	35.93	36.95	36.25
5.	ULDC Charges	7.68	9.53	9.53
6.	Return on Equity	108.93	109.27	109.38
7.	**Total Revenue Requirement**	1,371.55	1,383.38	1,360.58
8.	Less: Non tariff Income	25.26	40.59	26.52
9.	**Total Revenue Requirement**	1,346.29	1,342.78	1,334.06
10.	Less:Past Revenue Gap/ (Surplus	1.01	1.01	1.01
11.	**Net ARR**	1,345.28	1,341.77	1,333.05

4.14.3 The summary of the Annual Revenue Requirement for Transmission Business, SLDC Business and overall business of PSTCL for FY 2021-22 is shown in the following tables:

Table 128: Annual Revenue Requirement for Transmission Business for FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	Approved by The Commission in the Tariff Order of FY 2020-21	Claimed by PSTCL in the Revised Estimates of FY 2021-22	Approved by The Commission
1a	Employee costs	525.47	536.37	531.43
1b	R&M expenses	40.61	35.50	31.85
1c	A&G expenses	28.67	27.40	27.12
1.	Total O&M Expenses	594.75	599.27	590.40
2.	Depreciation	306.66	305.92	301.84
3.	Interest charges	308.95	313.47	297.24
4.	Interest on Working Capital	35.92	36.85	35.93
5.	Return on Equity	108.93	109.27	109.38
6.	**Total Revenue Requirement**	**1,355.21**	**1,364.78**	**1,334.79**
7.	Less: Non tariff Income	23.59	32.90	25.94
8.	**Total Revenue Requirement**	1,331.62	1,331.88	1,308.85

Table 129: Annual Revenue Requirement for SLDC for FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	Approved by The Commission in the Tariff Order of FY 2020-21	Claimed by PSTCL in the Revised Estimates of FY 2021-22	Approved by the Commission
1a	Employee costs	7.06	7.32	7.95
1b	R&M expenses	0.72	0.76	0.70
1c	A&G expenses	1.07	0.81	0.83
1.	Total O&M Expenses	8.85	8.89	9.48
2.	Depreciation	0.72	2.18	1.88
3.	Interest charges	1.68	1.28	1.20
4.	Interest on Working Capital	0.52	0.58	0.60
5.	ULDC Charges	7.68	9.53	9.53
6.	**Total Revenue Requirement**	**19.45**	**22.46**	**22.69**
7.	Less: Non tariff Income	1.67	0.78	0.58
8.	**Total Revenue Requirement**	**17.78**	**21.68**	**22.11**

4.14.4 The summary of the Annual Revenue Requirement of PSTCL as a whole for FY 2021-22 is as under:

Table 130: Annual Revenue Requirement for PSTCL for FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	Approved by The Commission in the Tariff Order of FY 2020-21	Claimed by PSTCL in the Revised Estimates of FY 2021-22	Approved by The Commission
1a	Employee costs	532.53	543.69	539.38
1b	R&M expenses	41.33	36.26	32.55
1c	A&G expenses	29.74	28.21	27.95
1.	Total O&M Expenses	603.60	608.16	599.88
2.	Depreciation	307.38	308.11	303.72
3.	Interest charges	310.63	314.75	298.44
4.	Interest on Working Capital	36.44	37.43	36.53
5.	ULDC Charges	7.68	9.53	9.53
6.	Return on Equity	108.93	109.27	109.38
7.	**Total Revenue Requirement**	**1,374.66**	**1,387.25**	**1,357.48**
8.	Less: Non tariff Income	25.26	33.68	26.52
9.	**Net ARR**	**1,349.40**	**1,353.57**	**1,330.96**

4.15 Carrying Cost on Revenue Gap

4.15.1 True up of FY 2019-20

The Commission vide Order dated 27th May 2019 had approved the Net Revenue Requirement (NRR) of Rs. 1329.60 Crore for FY 2019-20. During Annual Performance Review for FY 2019-20, the Commission had approved Net Revenue Requirement of Rs.1335.60 Crore. Now after truing up exercise for FY 2019-20, the Net ARR has been re-determined as Rs.1336.67 Crore which was payable by PSPCL as Transmission Charges of FY 2019-20. The Commission in its Tariff Order for FY 2020-21 has already allowed a Revenue Gap of Rs.6.00 Crore and carrying cost of Rs.0.60 Crore on the revenue gap. The Commission determines a Surplus of Rs. 1.05 (1336.67 – 1335.60) Crore in True up of FY 2019-20 between Net Revenue Requirement determined during Annual Performance Review and True-up. Accordingly, the Commission calculates carrying cost as under:

Table 131: Carrying Cost on Revenue Gap for True up of FY 2019-20

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	ARR approved for FY 2019-20 during APR (A)	1319.03	16.57	1335.60
2	Net ARR Trued-up for FY 2019-20 (B)	1316.43	20.24	1336.67
3	**Revenue Gap / (Surplus) (C= B-A)**	**(2.60)**	**3.67**	**1.07**
4	Carrying Cost (@10.09% for Transmission and @10.25% for SLDC for 6months) for FY 2019-20 (D)	-0.13	0.19	0.06
5	Carrying Cost (@10.09% for Transmission and @10.25% for SLDC for 6 months) for FY 2020-21 (E)	-0.13	0.19	0.06
6	Total Carrying Cost (F = D+E)	**-0.26**	**0.38**	**0.12**

Thus, the total carrying cost for FY 2019-20 works out to Rs.0.12 Crore.

4.15.2 **Annual Performance Review of FY 2020-21**

The Commission vide its Order dated 1st June 2020 had approved the Net Revenue Requirement (NRR) of Rs.1345.28 Crore for FY 2020-21. The Commission after the review re-determined a Net Revenue Requirement of Rs. 1333.05 Crore for FY 2020-21. Thus, the Commission determines a Revenue Surplus of Rs.12.23 (1333.05 - 1345.28) Crore. Accordingly, the Commission allows carrying cost of (-) Rs. 1.22 Crore on the Revenue Surplus of Rs. 12.23 Crore as under:

Table 132: Carrying Cost on Revenue Gap for APR of FY 2020-21

(Rs. Crore)

Sr.No.	Particulars	Transmission	SLDC	PSTCL
1	ARR approved for FY 2020-21 vide Order dated 1st June 2020 (A)	1328.38	16.90	1345.28
2	Net ARR approved for APR of FY 2020-21 (B)	1311.49	21.56	1333.05
3	**Revenue Gap / (Surplus) (C= A-B)**	**(16.89)**	**4.66**	**(12.23)**
4	Carrying Cost (@10.09% for Transmission and @10.25% for SLDC for 6months) for FY 2019-20 (D)	(0.85)	0.24	(0.61)
5	Carrying Cost (@10.09% for Transmission and @10.25% for SLDC for 6 months) for FY 2020-21 (E)	(0.85)	0.24	(0.61)
6	Total recoverable Carrying Cost (F = D+E)	**(1.70)**	**0.48**	**(1.22)**

Thus, the total recoverable carrying cost works out to be(-) Rs. 1.22 Crore.

4.16 Net Annual Revenue Requirement

4.16.1 Considering the impact of True-up of Capital Expenditure as approved by the Commission in para 2.4.2 and para 2.4.3, the carrying cost of Non-Tariff Income of FY 2018-19 as approved in para 3.21.1, True-up of FY 2019-20 and APR of FY 2020-21, the summary of the ARR for Transmission Business, SLDC Business and PSTCL for the FY 2021-22 is as under:

Table 133: Net ARR as approved by the Commission for Transmission Business for FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	Approved by the Commission in the Tariff Order of FY 2020-21	Claimed by PSTCL in the Revised Estimates of FY 2021-22	Approved by the Commission
1.	**Total ARR**	**1331.62**	**1331.88**	**1308.85**
2.	**Add: Impact of True-Up of Capital Expenditure of FY 2017-18 as per para 2.4.2**		8.64	0.78
3.	**Add: Impact of True-Up of Capital Expenditure of FY 2018-19 as per para 2.4.3**			0.80
4.	**Less: Impact of Non-Tariff Income of FY 2018-19 along with Carrying cost (petition 3 of 2020) as per para 3.21**		(-) 0.20	0.49
5.	**Add: Carrying Cost on revenue gap/ (surplus) for FY 2019-20 as per 4.15.1**		78.85	(-) 0.26
6.	**Add: Carrying Cost on revenue gap/ (surplus) as per para 4.15.2**		(-) 8.36	(-) 1.70
7.	**Net ARR**	**1331.62**	**1,411.21**	**1,307.98**

Table 134: Net ARR as approved by the Commission for SLDC Business for FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	Approved by the Commission in the Tariff Order of FY 2020-21	Claimed by PSTCL in the Revised Estimates of FY 2021-22	Approved by the Commission
1.	**Net ARR**	**17.78**	**21.69**	**22.11**
2.	**Add: Impact of True-Up of Capital Expenditure of FY 2017-18 as per para 2.4.2**		0.10	-
3.	**Add: Impact of True-Up of Capital Expenditure of FY 2018-19 as per para 2.4.3**			0.08
4.	**Less: Impact of Non-Tariff Income of FY 2018-19 along with Carrying cost (petition 3 of 2020) as per para 3.21**			(0.68)
5.	**Add: Carrying Cost on revenue gap/ (surplus) for FY 2019-20 as per para 4.15.1**		5.08	0.38
6.	**Add: Carrying Cost on revenue gap/ (surplus) for FY 2020-21 as per para 4.15.2**		4.49	0.48
7.	**Net ARR**	**17.78**	**31.36**	**23.73**

Table 135: Net ARR as approved by the Commission for PSTCL for FY 2021-22

(Rs. Crore)

<table>
<tr><th>Sr. No.</th><th>Particulars</th><th>Approved by the Commission in the Tariff Order of FY 2020-21</th><th>Claimed by PSTCL in the Revised Estimates of FY 2021-22</th><th>Approved by the Commission</th></tr>
<tr><td>1.</td><td>Total ARR</td><td>1,349.40</td><td>1,353.57</td><td>1,330.96</td></tr>
<tr><td>2.</td><td>Add: Impact of True-Up of Capital Expenditure of FY 2017-18 as per para 2.4.2</td><td></td><td rowspan="2">8.74</td><td>0.78</td></tr>
<tr><td>3.</td><td>Add: Impact of True-Up of Capital Expenditure of FY 2018-19 as per para 2.4.3</td><td></td><td>0.88</td></tr>
<tr><td>4.</td><td>Less: Impact of Non-Tariff Income of FY 2018-19 along with Carrying cost (petition 3 of 2020) as per para 3.21</td><td></td><td>0.20</td><td>(-) 0.19</td></tr>
<tr><td>5.</td><td>Add: Carrying Cost on revenue gap/ (surplus) for FY 2019-20 as per para 4.15.1</td><td></td><td>83.93</td><td>0.12</td></tr>
<tr><td>6.</td><td>Add: Carrying Cost on revenue gap/ (surplus) for FY 2020-21 as per para 4.15.2</td><td></td><td>(-) 3.86</td><td>(-) 1.22</td></tr>
<tr><td>7.</td><td>Net ARR</td><td>1349.40</td><td>1442.57</td><td>1331.71</td></tr>
</table>

Chapter 5
Directives

Compliance of Commission's Directives

The Commission has a statutory function under the Electricity Act, 2003 to guide the State Transmission Utility for the overall development of an efficient, coordinated and economical system of Intrastate Transmission lines and substations for smooth flow of electricity to the Load Centers. The Commission issues various directives to PSTCL through its Tariff Order each year to facilitate the transmission licensee/STU to achieve these milestones. The status of compliance of directives issued in the Tariff Order for FY 2020-21 and PSERC comments along with further directives for compliance by PSTCL during FY 2021-22 is summarized as under:

Directive No. 5.1: Boundary metering, Energy Audit and Reduction in Transmission Losses.

PSERC Comments & Directive for FY 2020-21:

"The Commission notes the action taken towards stabilization of the transmission losses. Transmission Losses from April 2019 to December 2019 ranges from 1.67% in May 2019 to 2.88% in June 2019. The transmission losses for the month of January 2020 are 2.45% which makes the overall transmission losses of 2.253% for 10 months of FY 2019-20. PSPCL is directed to supply the Transmission Losses for the month of February 2020 and March 2020 within one month of the issue of the Tariff Order. The Commission reiterates its directive to submit voltage wise transmission losses with the Commissioning of SAMAST scheme and share the quarterly progress on implementation of reactive compensation to stabilize the losses."

Reply of PSTCL:

As per the direction of Hon'ble PSERC, the tender for implementation of SAMAST scheme in Punjab was floated by PSTCL through which voltage wise losses transmission losses of Punjab transmission network could be calculated. The part-I & II of tender enquiry has been opened on 11.1.2021 and the tender is under evaluation.

The total estimated cost of the project is Rs 24.44 Crores, out of which PSDF shall provide funds amounting to Rs. 12.22 Crores and the remaining funds i.e. Rs. 12.22 Crore shall be sought through PSTCL/ARR.The payment of the 1st instalment of funding amounting to Rs. 1.22 Crores (i.e. 10% of Rs. 12.22 Cr.) has already been received in PSTCL's account.

The PSTCL Transmission losses are calculated by the input data of ABT meters. The data of ABT/SEM meters is being downloaded through CMRI. The IT section has developed online portal for uploading of CMRI data and the monthly PSTCL Transmission losses are being calculated through a software to minimize any error in data. The PSTCL Transmission losses for up to December,2020 are as below:

FY 2020-21:

Month	PSTCL Transmission losses (%age)
April,2020	2.29
May,2020	2.43
June,2020	2.38
July,2020	2.48
August,2020	2.45
September,2020	2.57
October,2020	2.44
November,2020	2.58
December, 2020	2.51

PSERC Comments & Directive

PSTCL has provided the monthly transmission losses from April 2020 to December 2020. However PSTCL has not provided the details of monthly input and output energy to analyse and determine the cumulative losses of FY 2020-21 (up to December 2020). PSTCL is directed to provide the requisite data within one month of the issue of this tariff order.

Directive No. 5.2: Unmanned Sub-stations:

PSERC Comments & Directive for FY 2020-21:

“The Commission notes the action taken to commission Unmanned Sub-Station with remote control. The operational, experience with unmanned Sub-Stations including benefits accrued should be shared on a quarterly basis with The Commission.”

Reply of PSTCL:

"Work of automation of five sub-stations i.e. 220kV Mohali-1, 220kV Mohali-2, 220kV Lalru, 220kV Dera Bassi & 220kV Kharar with 220kV Mohali-1 being control centre has been completed and one post of SSA from each of four slave sub-stations (220kV Mohali-2, 220kV Lalru, 220kV Dera Bassi & 220kV Kharar) has been surrendered by P&M organization. Apart from this one post of SSE (AE) at 220kV Mohali-2 has been made "vacant" and the incumbent SSE has been transferred to CO&C S/D, Ropar. Arrangements are being finalised to start the 220KV Operations from Mohali-I (Master) for other 4 No. slave sub-stations.

In addition to the, operational control of 400kV Dhuri has been shifted to 400kV Raipura. Consequently, three posts of AE's on shift duty (out of four), two posts of AAE's on shift duty (out of four) & two posts of SSA's on shift duty(out of four) have been surrendered by P&M Organization.".

PSERC Comments & Directive

The Commission notes the status.

Directive No. 5.3: Loading Status of PSTCL Transmission lines and Substations:

PSERC Comments & Directive for FY 2020-21:

The Commission notes that none of the PSTCL sub-stations remained over-loaded during FY 2019-20 upto 31.12.2019. The Commission notes that deloading of PGCIL-Lalto Kalan Circuit-II, 132kV Verpal-Mall Mandi, Amritsar, 220kV DC from 400kV Jalandhar to 220kV Kartarpur have been planned with HTLS Conductor. The Commission directs PSTCL that the action taken to deload all the overloaded lines should be shared on a quarterly basis with The Commission.

Reply of PSTCL:

Loading Status of PSTCL Transmission lines and Substations has been supplied to the Commission.

PSERC Comments & Directive

Noted. PSTCL is directed to intimate the progress of creation of 220 kV grid sub-station at Jhoke-Harihar to tackle the overloading of 220 kV substation Ferozepur.

Directive No. 5.4: Maintenance of voltage wise and category wise details of fixed assets:

PSERC Comments & Directive for FY 2020-21:

As discussed in the meeting with the PSTCL management on 28.11.2019, it is once again reiterated that voltage wise Fixed Asset Registers should be completed for assets addition of FY 2019-20 onwards and updating for the previous years may be done after sorting out the old records. The status of the completion of Fixed Asset Registers be shared with the Commission within one month of the issue of the Tariff Order and updating of the Fixed Asset Registers for the previous years be shared on a quarterly basis with The Commission

Reply of PSTCL:

It is submitted that Haryana Vidyut Prasaran Nigam Limited(HVPNL) is working on a software to be developed by private firm for preparation of online fixed assets register. This software is likely to be operationalized by March-2021, as per HVPNL. As soon as the HVPNL's software starts functioning successfully, PSTCL will get it customized according to its requirement at the earliest because development of software afresh will consume a lot of time.

PSERC Comments & Directive

The status of the maintenance of voltage wise/category wise details of fixed assets be shared with The Commission within six months of the issue of Tariff Order and updating of the same on yearly basis.

Directive No. 5.5: Reactive Compensation.

PSERC Comments & Directive for FY 2020-21:

As discussed during the meeting with PSTCL management on 28.11.2019, the action taken by NRPC in their meeting on 10thDecember 2019 may be shared with The Commission. The status of CPRI report on reactive compensation of the transmission system of PSTCL and funding thereof by PSDF should be shared with The Commission within two months of issue of the Tariff Order.

Reply of PSTCL:

System study for Capacitor- requirement in NR for the year 2019-20

1.0 In the 44th TCC & 47th NRPC meeting held on 10th and 11th December 2019 has discussed the decision taken in the 43th NPRC meeting in respect of "System study for Capacitor requirement in NR for the year 2019-20" and deliberated that "NRPC agreed with the advice of TCC for carrying out the study simultaneously for all the states so as to reduce the elapsed time. Further, NRPC directed that extreme efforts shall be made so as to complete the study for capacitor requirement in NR for the year 2019-20 by 31st March 2020 itself,"

2.0 Now as per the agenda point no. 7 of 179th OCC meeting circulated vide letter no. 106/01/2021 dt 13.01.2021 of NRPC, CPRI has submitted the report of the study which was circulated with all the SLDCs and. STUs vide email dated 02.11.2010 for submission of comments before the 0CC meeting.

In the 177th OCC meeting, representatives of Punjab, Rajasthan, Delhi and Haryana stated that the capacitors considered in the study were far less than already installed. In the meeting, it was decided that states shall first analyze the PSSE file considered by CPRI in their study and bring out the locations wherein capacitor are already installed in the network, but are not modelled. Considering the same, all states shall submit their comments on the findings of the report so that CPRI could be reached out along with some solid factual data.

The list of bus-wise available MVAr and the additionally required MVAr computed in the CPRI report was shared separately by NRPC Sectt. with SLDCs of Punjab, Haryana, Rajasthan, Delhi and Uttarakhand on 07.01.2021 with the request to provide MVAr values in those buses. Requisite feedbacks from the Punjab and Rajasthan have been forwarded to CPRI for necessary updation in PSSE file.

PSERC Comments & Directive

The final recommendations of CPRI on reactive compensation along with status of its implementation should be intimated to the Commission within one monthof issue of the Tariff Order.

Directive No. 5.6: Preventive maintenance of transmission lines.

PSERC Comments & Directive for FY 2020-21:

The Commission notes the measures being taken for preventive maintenance of transmission lines, like replacing insulators at strategic location with anti-fog insulators and offline washing of insulators etc. During discussion on the compliance report submitted by PSTCL in the meeting held on 28th November, 2019, it was pointed out in most of the cases of trippings/breakdowns, the report mentioned “nothing found”. This defies logic. All breakdowns in the transmission lines needs to be investigated and reported to the Commission.

The Commission reiterates its directive to carry out special drives for maintaining all transmission lines to avoid trippings/breakdowns. The quarterly status report of trippings/breakdowns should be shared with The Commission.

Reply of PSTCL:

Apart from offline maintenance works, Hotline techniques have been extensively used in maintenance of transmission lines without affecting any shutdowns of busbars or sub-stations and interruption of supply. Shutdowns were taken for offline washing of porcelain insulators of critical evacuating lines from Ipps namely 4OO KVTSPL- Muktsar Circuit No-1, 400 KV TSPL- Dhuri Circuit No-1, 4OO KV TSPL Nakodar Circuit No-'1,400 KV Rajpura-Dhuri Circuit No-1and 4OO KV Makhu-Amritsar Circuit No-1in view of foggy season prevalent in December/January. Tilldate no disruption in evacuation system has been reported. Apart from this jumper tightening is being done to avoid any major breakdown. Concept of online scanning of disc insulators through PID (puncture insulator detection) method has been adopted to identify disc insulators which are already defective but are in service and result in breakdown or flashover in foggy environment. So necessary steps are being taken for the same. Details of trippings, breakdowns along with reason have been supplied,.

PSERC Comments & Directive

During the 1st quarter**,** 260 tripping/ interruptions on transmission lines have been reported. In many cases, 4 to 5 hours interruption due to transient fault has been reported. The 132 kV Moga-Jamalpur line remained shut for 65 hours reportedly due to transient fault. The 220 kV Moga-Bagapurana line remained shut for 75 hours due to damage of Y-phase wave trap and 132 Tarn-Taran-Patti line remained shut for over 10 days due to breaker damage.

During the 2nd quarter**,** 265 tripping/ interruptions on transmission lines have been reported. Outage due to transient fault for a period of 4.07 hrs and 5.27 hrs have been reported on 132 kV Sarainaga-Moga line.

During 3rd quarter**,** 100 tripping/ interruptions on transmission lines have been reported. The 220 KV Jhunir-Sunam Line remained under fault for over 105 hours due to conductor breakdown. The 220KV Bhari – Ganguwal remained under fault due to disc insulator string damaged for over 68 hours. This does not speak highly of PSTCL's reaction time and the health of the transmission system. The restoration time for faults on transmission lines needs to be brought down. PSTCL should submit the steps being taken to reduce the restoration time.

Directive No. 5.7: Strengthening of the State Load Despatch Centre (SLDC):

PSERC Comments & Directive for FY 2020-21:

The Commission directed PSTCL to ensure that SLDC performs its functions as envisaged in the Act. The issue was discussed in the meeting with PSTCL management on 28.11.2019 wherein The Commission stressed that SLDC should manage the scheduling of conventional generators and drawal schedule of PSPCL as a distribution utility as per the provisions of the State Grid Code and ensure operational ring fencing and settlement of deviation charges as per actual deviations made by various entities. The Commission has also notified the Forecasting, Scheduling and Deviations Settlement Mechanism for Wind and Solar generators. The implementation date of these regulations has been extended to 1.1.2021 to allow SLDC to put it in place the requisite infrastructure and logistics. The Commission will notify Intra-State DSM Regulations shortly. SLDC is directed to ensure that the requisite trained manpower, hardware, software and other logistics are in place to implement these regulations.

Reply of PSTCL:

Power scheduling function has been started by SLDC independently, the requisite man power for which the requirement has been provided. The CABIL report for implementing and functioning of SLDCs is being studied and is under consideration for implementation to strengthen the SLDC.

PSERC Comments & Directive

The Commission has notified the Forecasting, Scheduling and Deviations Settlement Mechanism for Wind and Solar generatorsdated 7thJanuary, 2019. The detailed procedure was also approved by The Commission on 23.09.2019. The forecasting and scheduling was to come in to force six months from the date of notification but keeping in view the difficulties the date was extended firstly to 01.01.2020 then to 01.01.2021 and now to 01.01.2022. The Intra-state DSM Regulations have also been notified on 10.09.2020 and the Detailed Operating Procedure for Energy Accounting and Deviation Settlement of State Entities also stands approved by the Commission on 25.02.2021.However, the commercial mechanism has not yet come into effect due to non-implementation of SAMSAT. The Commission directs PSTCL to submit a monthly status report in respect of the implementation of SAMSAT scheme and also to start scheduling of RE generators connected to the Intra-State Transmission System.

Directive No. 5.8: Employee Training Need Assessment

PSERC Comments & Directive for FY 2020-21:

PSTCL is directed to prepare a detailed Training Need Assessment (Technical, IT, Solt Sills, Finance etc.) for the employees at various level including the new recruits and submit the same for the approval of the Commission within 9 months from the date of issuance of the order.

Reply of PSTCL:

Training Need Assessment online training courses (Technical, IT, Soft Skills, Finance etc.) through SWAYAM (https://swayam.gov.in) a program initiative by MHRD, Govt. of India for the employees at various levels (including new recruits) to fulfill the gaps between current performance level and department/organizational objectives with the approval of worthy CMD/PSTCL has already been submitted with Hon'ble Commission vide memo no. 2658 dated 29.10.2020.

PSERC Comments & Directive

The Commission notes the action taken by PSTCL.

Directive No. 5.9: Capital Expenditure of 1st MYT Control Period

PSERC Comments & Directive for FY 2020-21:

PSTCL is directed to submit the details of Capital Expenditure incurred scheme wise in the 1st MYT Control Period by 31.07.2020.

Reply of PSTCL:

The desired information has already been submitted with Hon'ble Commission.

PSERC Comments & Directive

Noted.

Directive No. 5.10: Capital Expenditure and Capitalisation

PSERC Comments & Directive for FY 2020-21:

PSTCL is directed to submit the quarterly details of Capital Expenditure and Capitalisation with clear break up between Spill Over Schemes and New Schemes approved for the next MYT period.

Reply of PSTCL:

Details of Capital Expenditure as directed has already been submitted vide Memo No. 241/CAO(F&A)/MYT-II/APR/1A dated 29.01.2021.

PSERC Comments & Directive

PSTCL is directed to submit six monthly details of Capital Expenditure and Capitalization with clear break up between Spill Over Schemes and New Schemes approved for the 2nd MYT Period (FY 2020-21 to FY 2022-23).

Chapter 6

Determination of Transmission Charges and SLDC Charges

6.1 Annual Revenue Requirement

6.1.1 The Commission has determined the ARR for PSTCL for FY 2021-22 as Rs. 1331.71 Crore, comprising of Rs. 1307.98 Crore for Transmission business and Rs. 23.73 Crore for SLDC business.

The Commission vide interim Order dated 31.03.2021 had decided to continue with the existing tariff / charges till the Tariff Order for FY 2021-22 is issued. Now, the Commission decides to implement the new tariff rates with prospective effect i.e. w.e.f. 01st June, 2021. Accordingly, the ARR for Transmission Business and SLDC Business required to be recovered in the remaining 10 months of the FY 2021-22 is as under:

Table 136: ARR for Transmission Business and SLDC Business

(Rs. Crore)

Sr. No.	Particulars	Transmission Business	SLDC Business
I	II	III	IV
1.	ARR approved and recoverable for FY 2021-22	1307.980	23.730
2.	Less revenue recovered during 2 months (April 2021 & May 2021 with tariff as per Tariff Order for FY 2020-21)	221.806	2.612
3.	Net ARR recoverable during remaining 10 months (June 2021 to March 2022)	1086.174	21.118

As, there is only one Distribution Licensee (PSPCL) in the State of Punjab, all the SLDC charges and transmission charges will be borne by PSPCL during FY 2021-22.

6.2 Transmission System Capacity

6.2.1 The Commission has considered the Transmission capacity (net) of PSTCL system from the data submitted by PSTCL as 12757.80MW for FY 2021-22 after deducting the external losses.

6.3 Determination of Transmission Tariff

PSERC MYT Regulations, 2019 specify that transmission tariff will have the following components:

i) SLDC Charges or System Operation Charge

ii) Reactive Energy Charges

iii) Transmission Charges or Network Usage Charges

6.4 SLDC Charges or System Operation Charge:

6.4.1 The Commission has approved the ARR of SLDC business for FY 2021-22 at Rs. 23.73 Crore in this Tariff Order. Further, the Commission has determined net ARR of SLDC business recoverable during the ten months (from June 2021 to March 2022) at Rs. 21.118 Crore in Table 136 above. Accordingly, the Commission determines the SLDC Charges or System Operation Charge as under:

Table 137: Monthly SLDC Charges or System Operation Charge

(Rs. Crore/Month)

Sr. No.	Particular	Existing Charges as per T.O. for FY 2020-21 continued from 01.04.2021 to 31.05.2021	New charges w.e.f. 01.06.2021 to 31.03.2022
I	II	III	IV
1.	SLDC Charges or System Operation Charge	1.306	(21.118/10)= 2.112

6.5 Reactive energy charges:

6.5.1 The reactive energy charges, if any, raised by NRLDC on PSTCL will be recoverable from PSPCL directly by PSTCL.

6.6 Transmission Charges or Network Usage Charges:

6.6.1 The ARR for the Transmission Business of PSTCL has been determined at Rs. 1307.98 Crore for FY 2021-22 in this Tariff Order. Further, the Commission has determined net ARR of Transmission business recoverable during the ten months (from June 2021 to March 2022) at Rs. 1086.174 Crore in Table 136 above.

6.6.2 **Accordingly, the Commission determines the Transmission Charges as under:**

Table 138: Transmission Charges

(Rs. Crore/Month)

Sr. No.	Particular	Existing Charges as per T.O. for FY 2020-21 continued from 01.04.2021 to 31.05.2021	New charges w.e.f. 01.06.2021 to 31.03.2022
I	II	III	IV
1.	**Transmission Charges**	**110.903**	**(1086.174/10) = 108.617**

6.7 Determination of Open Access Transmission and SLDC Charges

6.7.1 SLDC Operation Charges and Transmission Charges for Open Access customers are determined as per the provisions of Open Access Regulations notified by the Commission.

6.7.2 On the basis of the approved ARR for SLDC business of PSTCL, the SLDC

Operation Charges for Open Access customers during FY 2021-22 are determined as under:

6.7.3 **Table 139: SLDC Operation Charges for Open Access Customers for FY2021-22**

Sr. No.	Particulars	Unit	Quantum
I	II	III	IV
1.	Revenue Requirement (ARR) of SLDC business for FY 2021-22 from June 2021 to March 2022	Rs. Crore	21.118
2.	Transmission System Capacity (net)	MW	12,757.80
3.	SLDC Operation Charges for Long Term and Medium Term Open Access customers from April 2021 to May 2021 (As per Tariff Order for FY 2020-21, continued from 01.04.2021 to 31.05.2021)	Rs./MW/Month	1083.30
4.	SLDC Operation Charges for Long Term and Medium Term Open Access customers from June 2021 to March 2022	Rs./MW/Month	1655.30
5.	Composite SLDC operating charges to be paid by Short Term Open Access Customers for each transaction as per PSERC Open Access Regulations.	Rs. Per day or part of the day	2000

6.7.4 On the basis of the approved ARR for Transmission Business of PSTCL, the Transmission Charges for Open Access customers for use of the transmission system during FY 2021-22 are determined as under:

Table 140: Open Access Transmission Charges for FY 2021-22

Sr. No.	Particulars	Unit	Quantum
1.	Revenue Requirement (ARR) of Transmission Business for FY 2021-22 from June 2021 to March 2022	Rs. Crore	1086.174
2.	Transmission System Capacity (net)	MW	12,757.80
3.	Transmission Charges for Long Term and Medium Term Open Access customers from April 2021 to May 2021 (As per Tariff Order for FY 2020-21, continued from 01.04.2021 to 31.05.2021)	Rs./MW/Month	91963.63
4.	Transmission Charges for Long Term and Medium Term Open Access customers from June 2021 to March 2022	Rs./MW/Month	85138.03
5.	Transmission Charges for Short Term Open Access Customers from April 2021 to May 2021 (As per Tariff Order FY 2020-21, continued from 01.04.2021 to 31.05.2021).	Rs./MWh	252.16
6	Transmission Charges for Short Term Open Access Customers from June 2021 to March 2022 (based on 47261 MkWh of energy calculated from 56713 MkWh of energy input at transmission boundary for sale in the State for FY 2021-22, as approved in Chapter 3 of PSPCL Order for FY 2021-22)	Rs./MWh	229.825

6.8 Date of Effect

The Commission decides to make the revised Transmission Charges and SLDC Charges determined above applicable w.e.f. 1st June, 2021 and these shall remain operative till March 31, 2022.

This Order is signed and issued by the Punjab State Electricity Regulatory Commission on this day, the 28th day of May, 2021.

Date: 28th May, 2021

Place: CHANDIGARH

Sd/-	**Sd/-**	**Sd/-**
(Paramjeet Singh)	**(Anjuli Chandra)**	**(Viswajeet Khanna)**
MEMBER	**MEMBER**	**CHAIRPERSON**

Certified

Sd/-

Secretary
Punjab State Electricity Regulatory Commission,
Chandigarh.

ANNEXURE – I

LIST OF OBJECTORS

Objection No.	Name & Address of Objector
1.	Nahar Spinning Mills Pvt Ltd.
2.	Siel Chemical Complex (Mawana Sugars Ltd), Charatrampur, Village Khadaul/Sardargarh, Post Box No. 52, Rajpura, Dist-Patiala(PB) – 140401
3.	Steel Furnace Association of India
4.	Cycle Trade Union (REGD), AIRI Cycles, 110-111, New cycle market, gill road, miller ganj, Ludhiana – 141003
5.	PSEB Engineers Association (Regd.), 45, Ranjit Bagh, Near ModiMandir, Passey Road, Patiala.
6.	Siel Chemical Complex (Mawana Sugars Ltd), Charatrampur, Village Khadaul/Sardargarh, Post Box No. 52, Rajpura, Dist-Patiala(PB) – 140401
7.	M/s Omaxe New Chandigarh Developers Pvt. Ltd
8.	Government of Punjab, Department of Power (Power Reforms Wing), Chandigarh

Annexure – II

OBJECTIONS – PSTCL

Objection No. 1: Nahar Spinning Mills Pvt Ltd.

Issue No. 1: Capital expenditure
At the outset we appreciate the proposal of PSTCL to seek capital expenditure for 2020-21 and 2021 22 in Table 39 as per approval in MYT order last year. The self-discipline of the PSTCL in controlling the expenditure needs to be followed by PSPCL also.
PSTCL's Reply:
No Comments
Commission's View:
Noted.

Issue No. 2: Transmission Losses
PSTCL were constituted in 4/2010 as a successor company to the then PSEB and since then Transmission losses for PSTCL system were being assumed as 2.5% on notional basis as boundary metering scheme was under implementation. In the ARR 2017-18 for MYT period of 2017-18 to 2019-20, PSTCL stated that the Transmission Losses during the period July 16 to March 16 varied between 2.76 to 7.09. Keeping in view the large-scale variations and data being yet to be firmed up, Hon'ble Commission ordered as under: -

> _2017-18 to 2019-20_
> *As such, The Commission approves the Transmission losses at 2.5%, 240% and 2.30% for FY 2017-18, FY 2018-19 and FY 2019-20 respectively The Commission would revisit the Transmission losses during review/true up for FY 2017-18, FY 2018-19 and FY 2019-20, on the basis of stabilized transmission loss data for full year.*

In the ARR for 2018-19, PSTCL submitted the Transmission Loss of 2.80% for 2017-18 and 2.60% for 2018-19 for approval. In the Tariff Order for 2018-19, Commission decided as under:

> _2017-18 (RE) 2018-19 (Proj.)_
> *The Commission observes that although PSTCL has completed Intra-State Boundary metering cum Transmission Level Energy Scheme, the data is yet to be stabilized. The Commission observes that it is allowing the Capital Investment Plan as projected /asked for by PSTCL since last many years and in Petition No. 44 of 2016 for approval of Capital Investment Plan of PSTCZ for MYT Control Period has allowed 338.29 crore and +258.01 crore for FY 2017-18 and FY 2018-19 respectively, which is almost as per the projections made by PSTCL. Thus, there is no reason to deviate from its earlier targets for transmission loss. As such, The Commission provisionally retains the transmission loss level at 2.50% for FY 2017-18 and 2.40% for FY 2018-19, as approved in the Tariff Order for FY 2017-18.*

In the ARR for 2019-20, Transmission loss of 3.12% (actual), 2.80% (RE) and 2.70% (Proj) for 2017-18, 2018-19 and 2019-20 respectively were submitted for approval of PSERC. Hon'ble Commission after analysing the data decided as under:

> _True Up 2017-18_
> *Therefore, The Commission is of the view that the actual transmission loss could not be assessed in the absence of truly stabilised data. As such, The Commission retains the transmission loss at 2.50% as approved in Tariff order for FY 2017-18.*
> _RE 2018-19 and Projections 2019-20_
> *As the baseline figure of transmission loss of PSTCL is yet to be ascertained, The Commission is of the view that it would not be fair to fix the trajectory for reduction of transmission loss. As such, The Commission approves the transmission loss level of 2.50% for FY 2018-19 and for FY 2019-20 and it would re-visit the transmission losses on the basis of stabilized transmission loss data for the full year during true up for these years.*

Continuing with its earlier approach and in its ARR for the last year i.e., 2018-19 (True-up), 2019-20 (RE) and Projections for MYT Control Period FY2021 to 2023 submitted Transmission Loss as 2.86% as per Actuals for 2018-19 and 3% for 2019-20 to 2022-23 for approval. Hon'ble Commission decided in TO 2020-21 as under:

> _True up of 2018-19_
> *"…PSTCL has changed the methodology of calculating the transmission losses from net input/output of energy to gross input/output of energy after the first quarter of FY 2018-19.*

Therefore, the above losses in different months are based on different methodologies. As the true picture of losses for the whole year is not yet available, The Commission decides to consider the transmission loss level of 2.50% for true-up of FY 2018-19, as approved in the Tariff Order for FY 2019 20."

RE for 2019-20

The Commission observes that the actual Transmission loss reported by PSTCL till December of FY 2019-20 is coming to 2.22%. Since losses in the lean months (Jan-March) are observed to be comparatively higher, The Commission decides to provisionally retain the transmission loss level at 2.50% as approved in the Tariff Order of FY 2019-20, The transmission losses for FY 2019-20 shall be revisited based on the data of actual losses for the full year during the True Up of the year:

Projections for MYT period FY 2020-21, 2021-22 and 2022-23

In the Business Plan Order including the Capital Investment Plan dated 03rd December 2019, The Commission has approved the Transmission loss trajectory of reduction of 0.02% every year for 2nd MYT Control Period. The Commission stated that the Transmission losses for the Control Period shall be specified accordingly on the basis the actual losses for FY 2019-20.

The actual losses of FY 2019-20 were not available and accordingly, based on the transmission loss level of 2.50% approved for FY 2019-20 in this Tariff Order, The Commission decided to provisionally set the trajectory in Table 83 for 2nd MYT period as 2.48%, 2.46% and 2.44% for FY 2020-21, 2021-22 and 2022-23 respectively.

Now, PSTCL in the current ARR has submitted the actual Transmission Loss as 2.217% for 2019-20 and 2.143% for first 6 months of 2020-21. However, in spite of actuals being available PSTCL has still proposed to retain the trajectory levels of 2.48% and 2.46% for 2020-21 and 2021-22 respectively.

We request the Hon'ble Commission that keeping in view the actual month wise transmission losses for 18 months as submitted by PSTCL, the transmission loss trajectory for the 2nd control period of 2020-21 to 2022-23 may be revisited and after deciding the same in view of capital expenditure sought and approve the ARR with revised targets accordingly.

We also request for revisiting the provisional loss levels approved by the Hon'ble Commission since 2010-11 and grant relief to consumers. Consumers were made liable for coal washing charges of PSPCL along with interest for previous period and on the same principles, they are entitled to relief on this count.

PSTCL's Reply:

Regulation 54.2 and 54.3 provides for filing of Transmission Loss trajectory for the Control Period by the Licensee and accordingly approval of The Commission for the Control Period.

In accordance with the above provision, the Hon'ble Commission has already approved a trajectory for transmission loss for the Control Period FY 2020-21 to FY 2022-23 in MYT Order dated 01 June 2020.

PSTCL would like to submit that as per the meeting held on 22.01.2021 in Hon'ble PSERC Chandigarh, the netting of energy is required to be considered at I-T (Interstate PSTCL) & G-T (Generating-PSTCL) Boundary points for calculation of PSTCL Transmission Losses. In addition to it, the import energy at PSTCL-PSPCL Boundary Points (T-D) has also been considered in Input energy of PSTCL. Accordingly, SLDC has revised PSTCL's Transmission Losses for FY 2019-20, 2020-21. The Revised figures are as follows:

Month	FY 2019-20	FY 2020-21
April	3.41	2.29
May	2.09	2.43
June	3.32	2.38
July	2.65	2.48
August	2.44	2.45
September	1.95	2.57
October	2.67	2.44
November	3.13	2.58
December	3.15	2.51
January	3.19	
February	2.57	
March	2.38	
Aggregate Losses for FY	**2.694**	**2.47 (April 20-Dec. 20)**

Thus, PSTCL would like to submit that its trajectory of Transmission Losses submitted in the Petition for FY 2020-21 and FY 2021-22 are justified and request the Hon'ble Commission to approve the same as per petition.

Commission's View:

Please refer to the Tariff Order.

Issue No. 3& 4: Loan & Equity

The equity of GOP in PSTCL was Rs 605.38 Cr as per FRP between 2010-11 and 2016-17. PSTCL proposed funding of Capital Expenditure with normative 30% equity and 70% funding in 1st MYT control period starting from 2017-18 by manipulating MYT regulations though ARR figures dearly showed that PSTCL will raise funds for this equity contribution through loans or alleged reinvestment of Return on Equity of the previous period. It was pointed out that this ROE belongs to the GOP to which this equity belongs. Further, the issued and subscribed share capital as on 31.3.18, 31.3.19 and 31.3.20 remained same i.e. Rs 605.88 Cr in the Annual Financial Statements of the respective years. Thus, neither there was any investment in equity nor equity shares were issued to GOP. The Profit and Loss statement for these 3 years supplied with the ARRs indicated that PSTCL incurred net profit of Rs 4.03 Cr during 2017-18 and net loss of 8.23 Cr and 34.96 Cr during 2018-19 and 2019-20 respectively. There are no free reserves as per Annual Financial Statements. In spite of objections of stake holders, tariff order 2019-20 revealed that Hon'ble Commission allowed addition in equity of 96.92 Cr (30% of capex) in True up of 2017-18 raising the equity of GOP from 605.88 Cr to 702.80 Cr without any cash flow. This is clearly wrong as the amount was not invested in cash by GOP and funding was through redeployment of profit of Rs 4.03 Cr earned during the year and balance thro' loan. It is evident that the system is being mis-utilised by the Licensee to earn about 7% of difference of interest rate of loan (8 to 9%) and ROE rate of 15.5%. ROE could be retained by a company to meet losses, if in loss or to pay dividends, if in profit. Accepting the sentiments of consumers, similar demand in true up of 2018-19 seeking equity addition of 73.58 Cr was rejected by PSERC.

Now in the true up of 2019-20, PSTCL has again raised demand for addition of Rs 2.16 Cr in the equity based on the actual/trued up capex. We request the Hon'ble Commission to reject the argument of PSTCL and allow this amount in the capex loan of PSTCL. We also submit that normative equity of PSTCL be withdrawn while truing up the Capital Investment Plan for 1st MYT period since this is only paper adjustment and not appearing in the Balance Sheet of 2019-20. This will give relief to consumers as the ARR will be down by about 8 Cr. Hon'ble Commission lowered the Interest on Security (Consumption) of consumers from SBI rate plus 2% to RBI rate to lower the ARR of PSPCL though the interest was ultimately paid upfront by consumers in tariff and received back at the close of year. However, here PSERC has allowed PSTCL to earn Rs 8 Cr per year merely by relocating the figures from Loan to equity and this amount is just being retained by PSPCL for meeting approved expenditure without regulatory 1 scrutiny. Moreover, the practice which was illegal beyond and after MYT period cannot become legal for one year.

In this regard we submit that Regulation 19.2 of MYT Regulations 2019 reproduced in Para 4.7 of ARR is very clear that Sub Reg (d) is subject to Sub Reg (b) and (c) and Paid up capital will include investment from share premium and free reserves for the purpose of equity subject to normative debt equity i.e. only paid up equity will be considered and if it will be 30% or actuals whichever is lower.

PSTCL has to realise that the ROE is being retained by it and not being paid to GOP which has invested the equity. It should result in profit equivalent to ROE amount in the balance sheet of PSTCL whereas it has incurred losses indicating that it is over expanding or working inefficiently, and investments are not giving returns as projected. Instead of controlling its expenditure and operating efficiently, it is trying to manipulate the loopholes of the system to earn extra money through ROE which is ultimately going to raise the Tariff for consumers and also the subsidy of GOP. The tariff in Punjab including ED+IDF is already among the highest in the country and still higher tariff will force the consumers to consume less and industry will close down resulting in lower revenue and more increase in tariff.

PSERC is therefore requested to implement the provisions in true letter and spirit and do not allow conversion of loan into equity under these Regulations.

PSTCL's Reply:

PSTCL would like to submit that the Regulations provide for funding of capital expenditure as per normative debt: equity ratio of 70:30. Return on Equity approved for respective year is nothing, but profit approved in regulatory books. For funding of capital expenditure, PSTCL may utilize Return on Equity approved for previous year and re-invest in transmission business. The consideration of audited accounts for funding of capital expenditure would not be appropriate as actual accounts and regulatory accounts are different. The audited accounts include interest charges towards long term loan as well as short term loans/working capital loans. However, in the ARR, interest on working capital loan is approved on normative basis. The amount claimed until FY 2018-19 has been from reinvestment of amount of return on equity it earned in previous years. PSTCL would like to submit that it has liberty to invest its profit which is as per applicable MYT Regulations. PSTCL has considered the funding of Capital Expenditure entirely through loans in FY 2019-20 in this Petition which is in line with the methodology adopted by Hon'ble Commission in Truing-up of FY 2018-19.

With regards to the addition of Rs. 2.16 Crore in Equity balance, it is submitted that the addition in Equity is due to the Truing-up of Capital Expenditure for First Control Period, which is to be claimed in the Truing-up of last year of Control Period as per the Regulations.

Commission's View:

Please refer to the Tariff Order.

Issue No. 5: Return on Equity

As per Balance Sheet for 2019-20, PSTCL has Other Equity (Reserves and Surpluses) of Rs 2212.12 Cr and Equity of Rs 605.88 Cr, which works out to 3.65 times the equity amount. Consumers are being made to pay 15.5% ROE on the equity amount whereas Reserves and surplus are not earning any revenue for PSTCL or the consumers. Therefore, PSTCL should explore liquidation of some portion of equity back to GOP so that the burden of ROE is reduced, and Tariffs could be lowered.

PSTCL's Reply:

PSTCL would like to submit that the Return on Equity for FY 2019-20 as claimed in the Petition is on the basis of Closing Equity of last year as approved in Truing-up Order by the Hon'ble Commission. Comparing the Regulatory Equity with the actual Equity in Audited Accounts is not the right approach. The Hon'ble Commission has been approving Return on Equity of 15.5% on the Regulatory Equity of 605.88 Crore as per Regulations, which has no linkage to the Other Equity in the books of Accounts as mentioned by the Objector.

PSTCL is entitled to claim ROE on the Regulatory Equity approved by the Hon'ble Commission irrespective of whether there is any 'Other Equity' available in the books of Accounts or not.

Commission's View:

Return on equity is allowed as per the provisions of the PSERC Regulation 2014 and PSERC MYT Regulations 2019.

Issue No. 5(b): Other Issues

The input energy at Punjab Periphery for 2019-20 (Table 16) has been indicated as 62463.77 MUS. However, PSPCL in its ARR (Table D6) has worked out the energy input at state periphery as 57140.39 MUS. PSPCL has claimed combined actual T&D Loss of 14.69% for 2018-19 though separate Loss Levels have been approved for the utilities individually. This needs to be looked into and Energy availability need to count as per actual or approved trajectory separately for Transmission and distribution system.

PSTCL's Reply:

It is submitted that the energy input of 62463.77 MUs measured at Punjab periphery for FY 2019-20 (Table 16) is submitted in the Petition on the basis of actual metered energy measured at all interface / injection points of state periphery.

Commission's View:

Please refer to the Tariff Order.

Issue No. 6: Transmission Capacity

Total Transmission Capacity calculated as 13228.30 MW at Page 364 for 2020-21 is wrong and should be 11997.29 MW.

PSTCL's Reply:

PSTCL submits that 11997.29 MW is the Transmission Capacity with PSPCL at the end of FY 2019-20 as shown on Page 361 of the Petition. The Transmission capacity with PSPCL is expected to increase to 13228.30 MW in FY 2020-21 and 12876.33 MW in FY 2021-22 as shown on page 364 and page 367 respectively. The actual Transmission capacity for FY 2020-21 and FY 2021-22 can only be submitted at the time of Truing-up of respective years.

Commission's View:

PSTCL reply may be noted. The capacity will not change. The quantum of power transmitted may change.

Issue No. 7: Other Issues

The total contracted capacity of PSPCL in the year 2021-22 is given as 12876.33 MW in Table T 22. However, transformation capacity of PSTCL on 31.3.2020 is 37708.67 MVA which is 2.8 times the peak demand of 13600 MW met so far and 2.9 times of the contracted capacity. Capital investment plan of PSTCL need to be reviewed and either it should be commensurate with the reduction trajectory of Transmission loss to give relief to consumers. PSTCL/SLDC may also be directed to carry out TTC and ATC studies for the state system to determine the safe transfer capacity and publish it on web site.

PSTCL's Reply:

The objection with respect to Transformation Capacity of 37708.67 MVA against peak demand of 12876.33 MW is not tenable as the same has not been supported by any technical reasons. The transformation capacity of PSTCL is on lesser side as compared to the LGBR Report and National Power Portal as shown in the following table.

Description	LGBR Report of FY 2020-21 & National Power Portal	PSTCL
Transformation Capacity in the end of FY 2019-20	9,67,893 MVA	37708.67 MVA
Demand Met	1,82,533 MW	13600 MW

From the above comparison we can conclude that transformation capacity to peak demand ratio can be much higher to meet the demand. Transmission networks are not linear in nature and transmission capacities are planned keeping in mind all the variables of present and future. In addition to this, Transmission networks are planned to maintain (n-1) criteria, which specifies that alternate supply shall be available at all times if main supply is disrupted. So, transformation ratio always far outstrips peak demand or contracted capacity.

Commission's View:

The objector may note the reply of PSTCL.

Issue No. 8: Gross Employee Cost

As brought out on Page 30-31 and 59 of current ARR, PSTCL has some reservation on net or gross employee cost for calculation of Employee cost. PSTCL has raised issues with regard to MYT Regulations to work out higher normative Employee Cost and then has justified its actual employee cost. However, PSPCL has not raised any such issue in its Generation, Distribution and Retail Supply ARR. This issue was also raised by PSTCL last year also but was not agreed to by PSERC and as submitted by PSPCL in these paras of ARR. PSTCL has approached APTEL on the issue. PSERC is requested to implement MYT regulations as these have attained finality and matter need to be perused vigorously in APTEL.

It is also submitted that Hon'ble Commission should also file SLP's in Hon'ble Supreme Court in cases where its orders are reversed by APTEL as is being done by the PSPCL/PSTCL who are approaching Supreme Court against PSERC.

PSTCL's Reply:

It is submitted that PSTCL has worked out the normative O&M expenses (including employee expenses) for FY 2019-20, on the basis of MYT Regulations, 2014 amended from time to time, while it has claimed the normative O&M expenses for FY 2020-21 and FY 2021-22 in line with the provisions of MYT Regulations, 2019.

PSTCL has claimed the actual O&M expenses (including employee expenses) in Truing-up of FY 2019-20, since it is lower than the normative O&M expenses which is computed in line with the Regulations. The approach is in accordance with the methodology adopted by the Hon'ble Commission in previous Truing-up Orders.

Commission's View:

The utility has a right to appeal against the orders passed by the Commission. These orders are suitably defended by PSERC in the concerned courts.

Objection No 2: Siel Chemical Complex (Mawana Sugars Ltd), Charatrampur, Village Khadaul/Sardargarh, Post Box No. 52, Rajpura, Dist-Patiala(PB) – 140401

Issue No. 1: RoE

The Hon'ble Commission has approved 15.5% Return on Equity since 2010-11 purportedly as per PSERC Regulations as per the FRP approved by GOP increasing the cost of assets by their revaluation and merging the Consumer Contribution, Subsidies and Grants into the equity of GOP resulting in artificial increase in the equity share capital of PSTCL from Rs 328.50 Cr to Rs 605 88 Cr as per FRP and ROE has been increased from Rs 45.99 Cr to Rs. 93.91 Cr i.e. an increase of 204% in both the figures, without any fresh investment or infusion of cash by GOP In fact cost of lines deposited by consumers for release of load was treated as cash investment by GOP against the settled accounting standards. Similar is the case of PSPCL where the equity base was increased from 2617.81 crore to 6081.43 crore which has led to increase of ROE from 405.73 Crore to 942.62 Crore i.e. an increase of 232%. This matter was appealed in APTEL and Hon'ble Tribunal has already directed PSERC to reconsider the issue vide judgment Dated 17-12-14 in Appeal No. 168 and 142 of 2013 as under

> *"48. - We direct the State Commission to adjust the excess amount of ROE in the impugned order from the FY 2011-12 onwards in the ARR True up for the year to provide relief to the consumers.*
>
> ---
>
> *"Issue No (W) Relating to Return on Equity. Consumers Contributions Grunts, Subsidies etc.*
> *50.3 The findings of this Tribunal in Appeal no. 46 of 2014 shail squarely apply to the present case, The State Commission shall re-determine the ROE as per our directions and the excess amount allowed to the distribution licensee with carrying cost shall be adjusted in the next ARR of the respondent no 2.*

As the PSPCL has filed Appeal in Supreme Court and the order of APTEL is under stay, we request The Commission to record our objection on the issue and the tariff orders from 2011-12 will be subject to review as per the orders of the Supreme Court.

PSTCL's Reply:

It is submitted that the judgment of Hon'ble APTEL in Appeal No. 168 and 142 of 2013 referred to by the stakeholder pertains to several Industries versus Hon'ble PSERC and PSPCL. PSTCL is not a party to the referred judgment of Hon'ble APTEL and therefore it has no comments to offer in this regard. However, action of allowing/disallowing of ROE on in increase of equity share capital should be dealt according to the decision of Hon'ble Supreme Court as & when it is pronounced.

Commission's View:

The Order of the Hon'ble Supreme Court shall be implemented on receipt of the same.

Issue No. 2: Transmission loss trajectory

PSPCL and PSTCL were constituted in 4/2010 as successor companies to PSEB and since then Transmission losses for PSTCL system were being assumed as 2.5% on notional basis. PSTCL stated in MYT ARR for 2017-18 to 2019-20 that the Transmission Losses during the period July 16 to March 16 varied between 2.76 to 7.09. There were large scale variations and PSTCL was directed to stabilise the data and Hon'ble Commission ordered as under: -

> *As such, The Commission approves the Transmission losses at 2.5%, 2.40% and 2.30% for FY 2017-18, FY 2018-19 and FY 2019-20 respectively. The Commission would revisit the Transmission losses during review true up for FY 2017-18, FY 2018-19 and FY 2019-20, on the basis of stabilized transmission loss data for full year*

In the ARR for 2018-19, PSTCL submitted the Transmission Loss of 2.80% for 2017-18 and 2.60% for 2018-19 for approval, in the Tariff Order for 2018-19, Commission decided for 2017-18 (RE), 2018-19 (Proj) as under: -

> *The Commission observes that although PSTCL has completed Intra-State Boundary metering cum Transmission Level Energy Scheme, the data is yet to be stabilized. The Commission observes that it is allowing the Capital Investment Plan as projected asked for by PSTCL since last many years and in Petition No 44 of 2016 for approval of Capital Investment Plan of PSTCL for MYT Control Period has allowed 338.29 crore and 2258.01 crore for FY2017-18 and FY 2018-19 respectively, which is almost as per the projections made by PSTCL Thus, there is no reason to deviate from its earlier targets for transmission loss. As such, The Commission provisionally retains the transmission loss level at 250% for FY 2017-18 and 2.40% for FY 2018-19 as approved in the Tariff Order for FY 2017-18.*

Thereafter, in the ARR for 2019-20, PSTCL submitted Transmission loss of 3.12% (actual). 2.80% (RE) and 2.70% (Proj) for 2017-18, 2018-19 and 2019-20 respectively Hon'ble Commission after analysing the data decided as under:-

True Up 2017-18

Therefore, The Commission is of the view that the actual transmission loss could not be assessed in the absence of truly stabilised data. As such, The Commission retains the transmission toss at 2.50% as approved in Tariff order for FY 2017-18

RE 2018-19 and Projections 2019-20

As the baseline figure of transmission loss of PSTCL is yet to be ascertained, The Commission is of the view that it would not be fair to fix the trajectory for reduction of transmission loss. As such, The Commission approves the transmission loss level of 2.50% for FY 2018-19 and for FY 2019-20 and it would re-visit the transmission losses on the basis of stabilized transmission loss data for the full year during true up for these years

However, PSTCL continued with its earlier approach and in its ARR for 2018-19 True up), 2019-20 (RE{ and Projections for MYT Control Period FY2021 to 2023 submitted Transmission Loss as 2.86% as per Actuals for 2018-19 and 3% for 2019-20 to 2022-23 for approval. PSTCL also brought on record losses of many other states to justify its transmission loss levels. Hon'ble Commission decided in TO 2020-21 as under:-

True up of 2018-19

PSTCL has changed the methodology of calculating the transmission losses from net input/output of energy to gross input/output of energy after the first quarter of FY 2018-19 Therefore the above losses in different months are based on different methodologies. As the true picture of losses for the whole year is not yet available, The Commission decides to consider the transmission loss level of 2.50% for true-up of FY 2018-19, as approved in the Tariff Order for FY 2019-20."

RE for 2019-20

The Commission observes that the actual Transmission loss reported by PSTCL on December of FY 2019-20 is coming to 2.22%. Since losses in the lean months (Jari March) are observed to be comparatively higher, The Commission decides to provisionally retain the transmission loss level at 2.50% as approved in the Tariff Order of FY 2019-20. The transmission losses for FY 2019-20 shall be revisited based on the data of actual losses for the full year during the True Up of the year.

Projections for MYT period FY 2020-21. 2021-22 and 2022-23

In the Business Plan Order including the Capital Investment Plan dated 03rd December 2019, The Commission has approved the Transmission loss trajectory of reduction of 0.02% every year for 2nd MYT Control Period. The Commission stated that the Transmission losses for the Control Period shall be specified accordingly on the basis the actual losses for FY 2019-20.

Since the actual losses of FY 2019-20 shall be available after the True-Up of FY 2019-20, therefore, keeping in view the transmission loss level of 2.50% approved for FY 2019-20 in this Tariff Order, The Commission decides to provisionally set the trajectory as given below:

Table 83: Transmission loss Trajectory provisionally approved by The Commission for the 2nd MYT Control Period Particulars	*FY 2020-21*	*FY 2021-22*	*FY 2022-23*
I	*II*	*III*	*IV*
Transmission Loss (%)	*2.48%*	*2.46%*	*2.44%*

Now, PSTCL in the current ARR has submitted that Transmission Loss actually achieved is 2.217% for 2019-20 and 2.143% for first 6 months of 2020-21. However, in spite of actuals being available and much lower than the trajectory fixed by Commission on wrong representations in the previous years, PSTCL has proposed to retain the trajectory levels of 2.48% and 2.46% for 2020-21 and 2021-22 respectively,

It is pointed out with regard to ARR for the current year as under:-

a) in view of the actual month wise transmission losses available for 18 months now, Hon'ble Commission may determine the transmission loss trajectory for the 2nd control period of 2020-21 to 2022-23 and approve the ARR accordingly.

b) The actual loss level achieved indicates that PSTCL had been projecting wrong figures since 2010-11 and consumers have been made to pay higher tariff in view of higher than actual Transmission loss levels claimed and allowed to PSTCL (2.5% loss throughout). We request to revisit the earlier tariff orders, re-determine the transmission loss in view of actuals of 18 months period and grant relief to consumers. If consumers are liable for coal washing charges of PSPCL along with interest for previous period, then they are entitled to relief for previous periods also

c) PSTCL has taken input energy at Punjab Periphery for 2019-20 (Table 16) as 62463.77 MUS. However, PSPCL in its ARR (Table D6) has worked out the energy input at state periphery as 57140.39 MUS. PSPCL has claimed combined actual T&D Loss of 14.69% for 2018-19 though separate Loss Levels have been approved for the utilities individually. This needs to be looked into and Transmission losses need to be revisited whereas distribution loss of PSPCL needs to be taken as per Trajectory

PSTCL's Reply:

Regulation 54.2 and 54.3 provides for filing of Transmission Loss trajectory for the Control Period by the Licensee and accordingly approval of The Commission for the Control Period.

In accordance with the above provision, the Hon'ble Commission has already approved a trajectory for transmission loss for the Control Period FY 2020-21 to FY 2022-23 in MYT Order dated 01 June 2020.

PSTCL would like to submit that as per meeting held on dated 22.01.2021 in Hon'ble PSERC Chandigarh, the netting of energy is required to be considered at I-T (Interstate PSTCL) & G-T (Generating-PSTCL) Boundary points for calculation of PSTCL Transmission Losses. In addition to it. In addition to it, the import energy at PSTCL-PSPCL Boundary Points (T-D) has also been considered in Input energy of PSTCL. Accordingly, SLDC have revised PSTCL's Transmission Losses for FY 2019-20, 2020-21. The Revised figures are as follows:

Month	**FY 2019-20**	**FY 2020-21**
April	3.41	2.29
May	2.09	2.43
June	3.32	2.38
July	2.65	2.48
August	2.44	2.45
September	1.95	2.57
October	2.67	2.44
November	3.13	2.58
December	3.15	2.51
January	3.19	
February	2.57	
March	2.38	
Aggregate Losses for FY	**2.694**	**2.47 (April 20-Dec. 20)**

Thus, PSTCL would like to submit that its trajectory of Transmission Losses submitted in the Petition for FY 2020-21 and FY 2021-22 are justified and request the Hon'ble Commission to approve the same as petition.

It is submitted that the energy input of 62463.77 MUs measured at Punjab periphery for FY 2019-20 (Table 16) is submitted in the Petition on the basis of actual metered energy measured at all interface / injection points of state periphery.

Commission's View:

Please refer to the Tariff Order.

Issue No. 3: Other Issues

The actual transmission loss level is much below the previous years. Further, the total contracted capacity of PSPCL in the year 2021-22 is projected as 12876.33 MW (Table T 22) whereas total transformation capacity as on 31.3.2020 is 37708.67 MVA. The max demand observed during July 2019 was 13606 MW and in July 2020 was 13148 MW. In view of the Transmission system capacity being 2.87 times the peak demand met and 2.93 times the contracted capacity, the capital investment plan for new additions of transmission components need to be reviewed to give relief to consumers by reducing capital expenditure and consequent interest costs.

PSTCL's Reply:

The objection with respect to Transformation Capacity of 37708.67 MVA against peak demand of 12876.33 MW is not tenable as the same has not been supported by any technical reasons. The transformation capacity of PSTCL is on lesser side as compared to the LGBR Report and National Power Portal as shown in the following table.

Description	LGBR Report of FY 2020-21 & National Power Portal	PSTCL
Transformation Capacity in the end of FY 2019-20	9,67,893 MVA	37708.67 MVA
Demand Met	1,82,533 MW	13600 MW

From the above comparison we can conclude that transformation capacity to peak demand ratio can be much higher to meet the demand. Transmission networks are not linear in nature and transmission capacities are planned keeping in mind all the variables of present and future. In addition to this, Transmission networks are planned to maintain (n-1) criteria, which specifies that alternate supply shall be available at all times if main supply is disrupted. So, transformation ratio always far outstrips peak demand or contracted capacity.

Commission's View:

The objector may note the reply of PSTCL.

Issue No. 4: Gross employee cost

It is seen that PSTCL has some reservation on net or gross employee cost for calculation of Employee cost which have been brought out on Page 30-31 and 59 of current ARR. PSTCL has raised issues with regard to MYT Regulations to work out higher normative Employee Cost and then has justified its actual employee cost. However, PSPCL has not raised any such issue in its Generation, Distribution and Retail Supply ARR. This issue was also raised by PSTCL last year also but was not agreed to by PSERC and PSTCL has approached APTEL on the issue as submitted by PSPCL in these paras of ARR. This needs to be dealt strictly as per MYT regulations and followed up vigorously in APTEL. It is also to be seen whether the appeal was to be filed in High Court or in APTEL as any challenge to Regulations lies in HC. It is also submitted that Hon'ble Commission should invariably approach Supreme Court where its orders are reversed by APTEL or HC as is being done by the PSPCL/PSTCL who are approaching Supreme Court against PSERC

PSTCL's Reply:

It is submitted that PSTCL has worked out the normative O&M expenses (including employee expenses) for FY 2019-20, on the basis of MYT Regulations, 2014 amended from time to time, while it has claimed the normative O&M expenses for FY 2020-21 and FY 2021-22 in line with the provisions of MYT Regulations, 2019.

PSTCL has claimed the actual O&M expenses (including employee expenses) in Truing-up of FY 2019-20, since it is lower than the normative O&M expenses which is computed in line with the Regulations. The approach is in accordance with the methodology adopted by the Hon'ble Commission in previous Truing-up Orders.

Commission's View:

Please refer to the Tariff order.

Issue No. 5: Loan & Equity

PSTCL had equity of Rs 605.38 Cr as per FRP which continued up to 2016-17 PSTCL considered funding of Capital Expenditure with normative 30% equity and 70% funding in 1st MYT control period starting from 2017-18 using a loop hole in MYT regulations and Hon'ble Commission also allowed normative funding of Capex through equity (Paper Adjustment) and loan. However, ARR figures revealed that PSTCL is funding this equity through loans or purported redeployment of Return on Equity earned during the period whereas this Return on Equity actually belonged to the GOP which has invested equity in PSTCL. Further, the paid up, issued and subscribed share capital as on 31.3.18, 31.3.19 as well as on 31.3.20 remained same i.e. Rs 605.88 Cr as per relevant note 17 of the Annual Financial Statements of the respective years. Thus, neither there is any approval of GOP to invest in equity nor have equity shares been issued to GOP on account of investment.

The Profit and loss statement of Annual Financial Statements of PSTCL for 2017-18, 2018-19 and 2019-20 supplied with the ARRs state that the company has incurred net profit of Rs 4.03 Cr in the year 2017-18 and net loss of 8.23 Cr and 34.96 Cr in the years 2018-19 and 2019-20 respectively. Balance sheets state that the paid up equity capital of PSTCL for the year 2017-18 to 2019-20 remain the same i.e. 605.88 Cr. There are no free reserves as per Note 18 of the Annual Financial Statement but only General and Capital Reserves.

However, as per tariff order 2020-21, while allowing True up for 2017-18, Hon'ble Commission allowed addition in equity of 96.92 Cr (30% of capex) raising the equity of GOP from 605.88 Cr to 702.80 Cr without any cash flow. This was objected to by stake holders as the amount was not invested in cash by GOP and funding was through redeployment of ROE or raising loan ROE could be retained by a company to meet losses, it in loss or to pay dividends. it in profit. was evident that the system is being mis-utilised by the Licensee to earn about 7% of difference of interest rate of loan (8 to 9%) and ROE rate of 15.5%. Accepting the sentiments of consumers, similar demand in true up of 2018-19 seeking equity addition of 73.58 Cr was rejected by PSERC. Now in the true up of 2019-20, PSTCL has again raised demand for addition of Rs 2.16 Cr in the equity based on the actual/lived up capex. We request the Hon'ble Commission to increase the capex loan of PSTCL by Rs 95.92 Cr (If justified) + 2.16 Cr = Rs 99.08 Cr and withdraw the equity permitted in 2017-18 and grant relief to consumers. This will bring down the ARR by about 8 Cr.

Regulation 19.2 of MYT Regulations 2019 reproduced in Para 4.7 of ARR is very clear that Sub Reg (d) is subject to Sub Reg (b) and (c) and Paid up capital will include investment from share premium and free reserves for the purpose of equity subject to normative debt equity i.e. only paid up equity will be considered and if it will be 30% or actuals whichever is lower PSERC is requested to implement the provisions in true letter and spirit and do not allow conversion of loan into equity under these Regulations.

PSTCL has torealise that the ROE is being retained by it and not being paid to GOP which has invested the equity. It should result in profit equivalent to ROE amount in the balance sheet of PSTCL whereas it has incurred losses indicating that it is over expanding or working inefficiently and investments are not giving returns as projected Instead of controlling its expenditure and operating efficiently, it is trying to manipulate the loop holes of the system to earn extra money through ROE which is ultimately going to raise the Tariff for consumers and also the subsidy of GOP. The tariff in Punjab including ED+IDF is already among the highest in the country and still higher tariff will force the consumers to consume less and industry will close down resulting in lower revenue and more increase in tariff.

PSTCL’s Reply:

PSTCL would like to submit that the Regulations provide for funding of capital expenditure as per normative debt: equity ratio of 70:30. Return on Equity approved for respective year is nothing, but profit approved in regulatory books. For funding of capital expenditure, PSTCL may utilize Return on Equity approved for previous year and re-invest in transmission business. The consideration of audited accounts for funding of capital expenditure would not be appropriate as actual accounts and regulatory accounts are different. The audited accounts include interest charges towards long term loan as well as short term loans/working capital loans. However, in the ARR, interest on working capital loan is approved on normative basis, which is based on normative closing loan approved by Hon’ble Commission in previous True-up. The amount of ROE claimed by PSTCL is based on the Equity balance approved by the Hon’ble Commission in past Tariff Orders. PSTCL would like to submit that it has liberty to invest its profit which is as per applicable MYT Regulations. In case of Truing-up of FY 2019-20, PSTCL has considered the funding of Capital Expenditure entirely through loans which is in line with the methodology adopted by Hon’ble Commission in Truing-up of FY 2018-19.

With regards to the addition of Rs. 2.16 Crore in Equity balance, it is submitted that the addition in Equity is due to the Truing-up of Capital Expenditure for First Control Period, which is to be claimed in the Truing-up of last year of Control Period as per the Regulations

Commission’s View:

Please refer the Tariff Order.

Issue No. 6: Return on Equity

As per Balance Sheet for 2019-20, PSTCL has Other Equity (Reserves and Surpluses) of Rs 2212.12 Cr and Equity of Rs 605.88 Cr. which works out to 3.65 times the equity amount Consumers are being made to pay 15.5% ROE on the equity amount whereas Reserves and surplus are not earning any revenue for PSTCL or the consumers. Therefore, PSTCL should explore liquidation of some portion of equity back to GOP so that the burden of ROE is reduced and Tariffs could be lowered.

PSTCL’s Reply:

PSTCL would like to submit that the Return on Equity for FY 2019-20 as claimed in the Petition is on the basis of Closing Equity of last year as approved in Truing-up Order by the Hon’ble Commission. Comparing the Regulatory Equity with the actual Equity in Audited Accounts is not the right approach. The Hon’ble Commission has been approving Return on Equity of 15.5% on the Regulatory Equity of 605.88 Crore as per Regulations, which has no linkage to the Other Equity in the books of Accounts as mentioned by the Objector.

PSTCL is entitled to claim ROE on the Regulatory Equity approved by the Hon’ble Commission irrespective of whether there is any ‘Other Equity’ available in the books of Accounts or not.

Commission's View:
ROE is allowed as per the as per the provisions of the PSERC Regulation 2014 and PSERC MYT Regulations 2019.

Issue No. 7: Capital Expenditure
The capital expenditure proposed for 2020-21 and 2021-22 in Table 39 is as per approved in MYT order. The self-discipline of the PSTCL in controlling the expenditure is appreciable.
PSTCL's Reply:
PSTCL has no comments to offer in this regard
Commission's View:
Noted.

Issue No. 8: Transmission capacity
Total Transmission Capacity calculated as 13228.30 MW at Page 364 for 2020-21 is wrong and should be 11997.29 MW. Further, this is not the transmission capacity but long term contracted power of PSPCL and transmission capacity is bound to be more than this to permit long / Medium / short term transfer power (Like Railway short term purchase by PSPCL during Paddy and open access customers purchasing power from Power Exchange etc.) PSTCL/SLDC need to carry out TTC and ATC studies for the state system to determine the safe transfer capacity of Punjab Transmission system and declare the same on SLDC web site on RLDC pattern.
PSTCL's Reply:
PSTCL submits that 11997.29 MW is the Transmission Capacity with PSPCL at the end of FY 2019-20 as shown on Page 361 of the Petition. The Transmission capacity with PSPCL is expected to increase to 13228.30 MW in FY 2020-21 and 12876.33 MW in FY 2021-22 as shown on page 364 and page 367 respectively. The actual Transmission capacity for FY 2020-21 and FY 2021-22 can only be submitted at the time of Truing-up of respective years.
Commission's View:
PSTCL reply may be noted. The capacity will not change. The quantum of power transmitted may change.

Issue No. 9: Non-Tariff Income
Para 3.13, 4.13 and Format T-28: Year wise Non-Tariff income figures in Format T-28 are not tallying with figures in tables appearing in Para 3.13 and 4.13 of ARR. Further, Non-Tariff income for 2021-22 need to be increased on normative basis.
Licensee has to understand that the exercise of ARR and determination of tariff is not an exercise to recover each and every expenditure from the consumers but only legitimate and justified revenue requirement as permissible under MYT regulations. PSTCL has to realise that the ultimate tariff payable by consumers cannot be increased infinitely and it has to be competitive with regard to neighbouring states.
We request the Hon'ble Commission to allow only prudent costs and revenue requirement strictly in accordance with MYT regulations
PSTCL's Reply:
PSTCL would like to submit that it had claimed Non-tariff income as per PSERC MYT Regulations, 2014 and 2019 and as per approach adopted by The Commission in previous years. The reason for every variation between T28 format and in the figures in the petition is discussed below.

Income from Investment, Fixed & Call Deposits	As per T-28	As per 3.13	Remarks
Interest Income from Investments	-		
Interest Income from Fixed Deposits	0.05	0	Income from Fixed Deposits are not actually earnings made on surplus amounts available with PSTCL, whereas these are Fixed Deposits made so as to issue Letter of Credit for availing Cash Credit facility and the cost of funds is more than the interest earned.

Income from Investment, Fixed & Call Deposits	As per T-28	As per 3.13	Remarks
Interest Income from Banks other than from Fixed Deposits	4.34	0	Income of Rs. 4.34 Crore towards interest received on refund of Income Tax has not been considered because the Hon'ble Commission neither allowed expenses under the head of Income Tax nor interest on amount deducted as TDS.
Interest Income from any other source	-		
Sub-Total	4.39	0	
Other Non-Tariff Income	-		
Interest on Loans and Advances to Staff	-		
Interest on Loans and Advances to Licensee	-		
Interest on Loans and Advances to Lessors	-		
Interest on Advances to Suppliers / Contractors	-		
Gain on Sale of Land - Additional Compensation	0.13	0.13	
Gain on Sale of Fixed Assets	3.67	3.67	
Income/Fee/Collection against Staff Welfare Activities	0.01	0.01	
Miscellaneous Receipts	-		
Rental for staff quarters	0.36	0.36	
Sale of tender forms	-		
NOC charges from open access customers	0.17	0.17	
Credit balance written back:	-		
-Sundry creditors	0.07	0.07	
- Other sundry credit balance	1.53	1.53	
-Security Deposits/EMD	1.35	1.35	
Rebate on early payment to NRLDC	0.07	0.07	
Income from O&M of bays of PGCIL	2.67	2.67	
Miscellaneous income	7.17	7.17	
Operating Charges from Open Access Consumers	0.27	0	PSTCL has claimed this income under separate head in tariff petition in Para 3.14
Transmission Charges from Open Access Consumers	1.39	0	PSTCL has claimed this income under separate head in tariff petition in Para 3.14
Delayed Payment Charges from Consumers	13.30	4.27	PSTCL has considered the adjustment in financing cost on Late Payment Surcharge of Rs. 9.04 Crore
Penalty imposed on suppliers/contractors	2.23	2.23	

Income from Investment, Fixed & Call Deposits	As per T-28	As per 3.13	Remarks
Income from Other Business - Sale of Scrap	2.76	2.76	
Excess Provision of Income tax withdrawn	-		
Reversal of excess provision of Impairment Loss	3.29	0	
Any other income - Provisions withdrawn on unserviceable / obsolete items &losses under investigation	0.05	0	
Prior Period Income	-		
Less: Interest received on refund of Income tax	4.34		Already considered
Less: Provision withdrawn on unserviceable/obsolete items & losses under investigation	0.05		Already considered
Less: Reversal of excess provision of impairment loss	3.29		Already considered
Less Financing Cost of Late Payment Surcharge (Applicable on Principal Amount of Delayed Payment)	9.04		Already considered
Less Income from Fixed Deposits made for Letter of Credit	0.05		Already considered
Sub-Total	**23.71**	**26.46**	
Total	**28.10**	**26.46**	

For the above reasons there is a slight difference in Non-Tariff Income claimed in Para 4.13 and Non-Tariff Income submitted in T-28.

Commission's View:

The Commission has approved Non-Tariff Income as per the provision of PSERC Regulation 2014 and PSERC MYT Regulations 2019.

Objection No 3: Steel Furnace Association of India

Issue No. 1: Balance sheets and ARR are designed for two different purposes and should not be mixed

The 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 and Regulations 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/audited expenditure and approved expenditure of the Board.

PSTCL's Reply:

PSTCL submits it has filed its tariff petition as per PSERC MYT regulations, 2014 and 2019. PSTCL has considered the same methodology as adopted by the Hon'ble Commission in previous Tariff Orders for computation of ARR.

Commission's View:
Noted.

Issue No. 3: Closing down old GGSSTP plant to create demand supply balance to reduce overall average cost of supply

As demand for electricity is not likely to see significant increase overall in the State though some segments like LS segment may grow by 6%-7%, it is desirable to reduce the power generation cost to the extent possible. In this regard, it is submitted that GGSSTP, which is very old plant and two units out of 4 units are already closed, may be shut down permanently. As admitted by PSPCL also that 4 units (Commissioned during 1988 to 1993) shall remains operational only partially mainly to cater paddy season demand and cost about Rs.1380 crore and average power cost is Rs.12/unit. It would help saving Rs.1000 crore even after fully adjusting the employee cost for the transition period of one or two year. The discom may be asked to submit detailed program for the same.

MOD operation of PSPCL Plants

It is also found that GGSSTP plant's variable cost as approved by PSERC is lower but when power is to be scheduled on monthly MOD basis, the variable cost of GVK plant is found to be lower. As a result, power is drawn from GVK power plant. The comparison seems to be drawn between GGSSTP plant variable cost as worked out by PSPCL and not as approved by PSERC at the time of MOD. For some months, the same situation is observed for GHTP also. Comparison of variable cost as approved by PSERC for IPPs & State Discom in Tariff Orders, as presented by PSPCL in ARR and as declared by PSPCL in monthly MOD for different thermal plants is given hereunder:

MOD Comparison

As per monthly MOD data being issued by CE/PPR					
Month	Nabha Power Rajpura –IPP	Talwandi Sabo Power – IPP	GVK –Goindwal Sahib IPP	GHTP Lehra Mohabbat – PSPCL	GGSTP Ropar – PSPCL
2019-20					
Nov-19	3.10	3.43	4.04	4.42	4.98
Dec-19	2.96	3.62	3.67	4.44	3.87
Jan-20	2.76	3.57	4.13	4.22	4.23
Feb-20	2.87	3.41	4.13	4.18	4.23
Mar-20	3.00	3.33	4.13	4.17	4.23
2020-21					
Apr-20	3.00	3.33	4.13	4.17	4.23
May-20	2.93	3.42	4.14	4.17	4.21
Jun-20	2.96	3.14	3.88	4.21	4.25
Jul-20	3.02	3.36	3.94	4.05	4.18
Aug-20	2.91	3.32	3.76	4.10	4.19
Sep-20	2.90	3.41	3.68	3.96	4.20
Oct-20	2.97	3.47	3.95	4.21	4.22
Nov-20	2.98	3.61	3.69	4.08	4.21

As per MOD for IPPs and as per TO issued by PSERC for 2020-21 for PSPCL plants					
Month	Nabha Power Rajpura –IPP	Talwandi Sabo Power – IPP	GVK –Goindwal Sahib IPP	GHTP Lehra Mohabbat – PSPCL	GGSTP Ropar – PSPCL
2019-20					
Nov-19	3.10	3.43	4.04	3.72	3.24
Dec-19	2.96	3.62	3.67	3.72	3.24
Jan-20	2.76	3.57	4.13	3.72	3.24
Feb-20	2.87	3.41	4.13	3.72	3.24
Mar-20	3.00	3.33	4.13	3.72	3.24
2020-21					
Apr-20	3.00	3.33	4.13	3.84	3.79
May-20	2.93	3.42	4.14	3.84	3.79
Jun-20	2.96	3.14	3.88	3.84	3.79
Jul-20	3.02	3.36	3.94	3.84	3.79
Aug-20	2.91	3.32	3.76	3.84	3.79
Sep-20	2.90	3.41	3.68	3.84	3.79
Oct-20	2.97	3.47	3.95	3.84	3.79
Nov-20	2.98	3.61	3.69	3.84	3.79
As per MOD for TPPs and Tables 7.8, 14 and 15 of Tariff Order 2020-21					

As per ARR for 2021-22 submitted by PSPCL					
Month	Nabha Power Rajpura –IPP	Talwandi Sabo Power – IPP	GVK –Goindwal Sahib IPP	GHTP Lehra Mohabbat – PSPCL	GGSTP Ropar – PSPCL
2019-20 (TU)	3.03	3.52	3.69	3.72	3.24
2020-21 (H1)	2.92	3.37	3.80	3.58	3.69
2020-21 (H2	2.90	3.41	3.63	3.52	3.59
20-21 (H1+H2)	2.92	3.37	3.80	3.54	3.62
2021-22 (Proj)	3.20	3.73	3.81	3.43	3.76

Therefore, to end this confusion, it is submitted that PSPCL may not be given fixed charges for the same. After a stabilization period of one or half year of relocating power sourced from GGSSTP to elsewhere (GVK or power purchase from outside or other stations), even GVK power cost be compared with other options and sourced only if it is competitive. It is learnt that GVK plant is a negotiated tariff plant and need to be continued based on competitive power bidding only. Cheaper power from other sources may be explored to reduce the power cost of Discom.

In the same spirit, Rs. 43.5 crore expenses claimed as capital expenditure (table 11, page 45 of the ARR) for GGSSTP in FY 19-20 may also be disallowed.

PSTCL's Reply:

It is submitted that the objection relates to PSPCL (State Generating Company). PSTCL is in the business of transmission of energy and therefore it has no comments to offer.

PSPCL's Reply:

PSPCL would like to submit that the variable charges per unit / Energy charges (EC) are intimated by the concerned thermal plants to this office time to time. The rates of plants i.e GGSSTP, RTP & GHTP. LEHRA indicated in MOD are the cost/unit occurred to PSPCL on actual basis, Same for own thermal plants has already been submitted in ARR by thermal Plants separately. However, it is informed that while approving Energy charges (EC) in Tariff Order (TO) Hon'ble PSERC considers normative parameters of plants which is lower than the actual cost/unit of plants. Hence due to the reason that any additional cost/unit expenditure on generation of GGSSTP, Ropar and GHTP, LehraMohhabat then the approved rate by Hon'ble commission is a visible commercial loss to PSPCL. So sources cheaper than these cost of these plants on actual basis are utilized accordingly. PSPCL is already utilizing the opportunities available viz-a-viz prices discovered in RTM & other arrangements like DAM/TAM available through exchanges. Prices of other sources available at its disposal whether within state arrangements or outside state subject to various operation system constraints. It is submitted that the GGSSTP units 3,4,5 and 6 are to be run only during peak paddy/ summer Season when the power demand is maximum and import of power at that time is limited due to Available Transmission Capacity (ATC) constraints. More over for better voltage profile control of this area, the operation of thermal units of GGSSTP is very much required. There is no proposal as of now, to close down the GGSSTP Plant.

Commission's View:

The objector may note the response of PSPCL.

Issue No. 19: Return on equity claimed by PSTCL should not be allowed on increased equity as no fresh equity is infused in the PSTCL

PSTCL had equity of Rs 605.38 Cr as per FRP which continued up to 2016-17. PSTCL considered funding of Capital Expenditure with normative 30% equity and 70% funding in 1st MYT control period starting from 2017-18 using a loop hole in MYT regulations and Hon'ble Commission also allowed normative funding of Capex through equity (Paper Adjustment) and loan. However, ARR figures revealed that PSTCL is funding this equity through loans or purported redeployment of Return on Equity earned during the period.

whereas this Return on Equity actually belonged to the GOP which has invested equity in PSTCL. Further, the paid up, issued and subscribed share capital as on 31.3.18, 31.3.19 as well as on 31.3.20 remained same i.e. Rs 605.88 Cr as per relevant note 17 of the Annual Financial Statements of the respective years.

Thus, neither there is any approval of GOP to invest in equity nor have equity shares been issued to GOP on account of investment. The Profit and loss statement of Annual Financial Statements of PSTCL for 2017-18, 2018-19 and 2019-20 supplied with the ARRs state that the company has incurred net profit of Rs 4.03 Cr in the year 2017-18 and net loss of 8.23 Cr and 34.96 Cr in the years 2018-19 and 2019-20 respectively. Balance sheets state that the paid-up equity capital of PSTCL for the year 2017-18 to 2019-20 remain the same i.e. 605.88 Cr. There are no free reserves as per Note 18 of the Annual Financial Statement but only General and Capital Reserves.

However, as per tariff order 2020-21, while allowing True up for 2017-18, Hon'ble Commission allowed addition in equity of 96.92 Cr (30% of capex) raising the equity of GOP from 605.88 Cr to 702.80 Cr without any cash flow. This was objected to by stake holders as the amount was not invested in cash by GOP and funding was through redeployment of ROE or raising loan. ROE could be retained by a company to meet losses, if in loss or to pay dividends, if in profit. It was evident that the system is being mis-utilised by the Licensee to earn about 7% of difference of interest rate of loan (8 to 9%) and ROE rate of 15.5%. Accepting the sentiments of consumers, similar demand in true up of 2018-19 seeking equity addition of 73.58 Cr was rejected by PSERC. Now in the true up of 2019-20, PSTCL has again raised demand for addition of Rs 2.16 Cr in the equity based on the actual/trued up capex. We request the Hon'ble Commission to increase the capex loan of PSTCL by Rs 96.92 Cr (If justified) + 2.16 Cr = Rs 99.08 Cr and withdraw the equity permitted in 2017-18 and grant relief to consumers. This will bring down the ARR by about 8 Cr.

Regulation 19.2 of MYT Regulations 2019 reproduced in Para 4.7 of ARR is very clear that Sub Reg (d) is subject to Sub Reg (b) and (c) and Paid-up capital will include investment from share premium and free reserves for the purpose of equity subject to normative debt equity i.e. only paid up equity will be considered and if it will be 30% or actuals whichever is lower. PSERC is requested to implement the provisions in true letter and spirit and do not allow conversion of loan into equity under these Regulations.

PSTCL has torealise that the ROE is being retained by it and not being paid to GOP which has invested the equity. It should result in profit equivalent to ROE amount in the balance sheet of PSTCL whereas it has incurred losses indicating that it is over expanding or working inefficiently and investments are not giving returns as projected. Instead of controlling its expenditure and operating efficiently, it is trying to manipulate the loop holes of the system to earn extra money through ROE which is ultimately going to raise the Tariff for consumers and also the subsidy of GOP. The tariff in Punjab including ED+IDF is already among the highest in the country and still higher tariff will force the consumers to consume less and industry will close down resulting in lower revenue and more increase in tariff.a

PSTCL's Reply:

PSTCL would like to submit that the Regulations provide for funding of capital expenditure as per normative debt: equity ratio of 70:30. Return on Equity approved for respective year is nothing, but profit approved in regulatory books. For funding of capital expenditure, PSTCL may utilize Return on Equity approved for previous year and re-invest in transmission business. The consideration of audited accounts for funding of capital expenditure would not be appropriate as actual accounts and regulatory accounts are different. The audited accounts include interest charges towards long term loan as well as short term loans/working capital loans. However, in the ARR, interest on working capital loan is approved on normative basis. PSTCL would like to submit that it has liberty to invest its profit which is as per applicable MYT Regulations. PSTCL has considered the funding of Capital Expenditure entirely through loans in FY 2019-20 in this Petition which is in line with the methodology adopted by Hon'ble Commission in Truing-up of FY 2018-19.

With regards to the addition of Rs. 2.16 Crore in Equity balance, it is submitted that the addition in Equity is due to the Truing-up of Capital Expenditure for First Control Period, which is to be claimed in the Truing-up of last year of Control Period as per the Regulationsa

Commission's View:

Please refer to the Tariff Order.

Issue No. 2 and Issue No. 4 to 18 relate to PSPCL.

Objection No 4: Cycle Trade Union (REGD), AIRI Cycles, 110-111, New Cycle Market, Gill road, Miller Ganj, Ludhiana – 141003

Issue No. 1:
In reply, Our Association strongly oppose and resent any increase in tariff as well as fixed charges for all types of consumers of PSTCL of Punjab because we do not trust your inflated, enhanced, created as well as fabricated shown figures in your above said Petition without the production of Audited-Certified balance sheet of PSTCL for the year FY 2019-20 and 2020-21 to check the in depth truth and irregularities of PSTCL.
Moreover, the Tariff of Punjab and fixed charges are already unbearable. PSTCL is a white elephant of Punjab. This should be handed over to the private players as is done by the Central Government.
PSTCL's Reply:
PSTCL would like to submit that the Audited Accounts for FY 2019-20 are already submitted along with the Petition. PSTCL has filed for Truing-up of FY 2019-20 based on the numbers reflecting in audited accounts of FY 2019-20 and in line with the Regulation specified by the Hon'ble Commission. Moreover, FY 2020-21 is ongoing and hence Audited Accounts cannot be produced at this point of time. PSTCL has submitted the Annual Performance Review for FY 2020-21 for approval of the Hon'ble Commission and the same is subject to True-up on the basis of Audited Accounts which would be available next year.
Further, it is submitted that PSTCL has claimed a reduction in Transmission Charges from existing tariff of Rs. 91,963.63/MW/month to Rs. 91,330.97/MW/month as claimed in the Petition. Hence there is no tariff increase proposed by PSTCL.
Commission's View:
The objector may note the response of PSTCL and refer to the Tariff Order.

Objection No 5: PSEB Engineers Association (Regd.), 45, Ranjit Bagh, Near Modi Mandir, Passey Road, Patiala.

Issue No. 1: Prudence check on capital cost of Power Transformers
It is stated by PSTCL that the approved vis-a-vis actual capital expenditure for first control period is given in Annexure-1.
1.1 Annexure-1 is at Page 542 to 582
The list of capital works relating to power transformers of 100 MVA, 160 MVA (220/66 kV) and 500 MVA (400/220 kV) is extracted for Annexure-1, as under.
As per this list, power transformer have been constructed at following grid sub stations. The following details may be supplied by PSTCL for each power transformer.
(i) Present status: Whether completed and commissioned or whether work is yet to be completed.
(ii) Actual or expected date of commissioning
(iii) Actual or estimated completion cost.
The list of power transformer in Annexure-1 is as under.

TF MVA	Sub Station
100	Dharamkot
500	Dhuri
160	Ladowal
100	Maur
160	Hosiarpur
100	Bagha Purana
100	Kanjali
100	Verpal
100	Mahilpur
100	Ablowal
100	Badhnikalan
100	Alwalpur
100	Talwandi Bhai
160	Amloh
160	Mansa

TF MVA	Sub Station
160	Kartarpur
500	Muktsar
100	Dera Bassi
500	Makhu
100	Bangan
100	Rajla
100	Jamsher
100	Gubhaya
160	Chogawan
100	Badal
100	Dasuya
100	Banga
160	Sherpur
160	Lalru
100	Tibber
160	Udhoke
160	Hosiarpur
100	Bhawanigarh
160	Jadla
160	Botianwala
100	Majitha

Summary	MVA
100 MVA Transformers 21 No.	2100
160 MVA Transformers 13 No.	1920
500 MVA Transformers 3 No.	1500

The Augmentation of Transformers capacity is seen as 1500 MVA for 400 kV and 4020 MVA for 220 kV.

This augmentation is compared with existing Transformers capacity as on 31.3.2020 as under.

	Existing	Augmentation	Augmentation%
400 kV	4890	1500	30.7
220 kV	28440	4020	14.1

For prudence check on capital cost, the capital cost of various 100 MVA Transformers may be tabulated and compared and similarly for 160 MVA Transformers. For new 500 MVA Transformers 400 kV the capital cost may be compared with existing Transformers.

PSTCL's Reply:

Details of Capital Cost of Various Power transformers present status, Actual or expected date of commissioning, Actual or estimated completion cost are provided as under:

Detail of PTF Installed/Augmented During 2017-20 1st MYT Period

Sr. No.	MYT Sr. No.	Name of Sub Station	Capacity	Present Status as on 31.03.2020	Actual OR expected date of commissioning	Expenditure in Crores Incurred/ Expected
1	1	220 KV S/S Dharmkot	100 MVA 200/66 KV	Work completed	14.07.2017	7.04
2	8	400 KV S/S Dhuri	500 MVA 400/220 KVA	Work completed	21.07.2017	22.52
3	21	220 KV S/S Ladowal	160 MVA 220/66 KV	Work completed	15.03.2019	24.31
4	24	220 KV S/S Maur	100 MVA 220/132KV	Work completed	22.06.2017	14.57

Sr. No.	MYT Sr. No.	Name of Sub Station	Capacity	Present Status as on 31.03.2020	Actual OR expected date of commissioning	Expenditure in Crores Incurred/ Expected
5	27	220 KV S/S Hoshiarpur	160 MVA 220/66KV	Work completed	20.06.2018	20.73
6	28	220 KV S/S Baghapurana	100 MVA 220/66KV	Work completed	22.06.2017	7.72
7	29	220 KV S/S Kanjali	100 MVA 220/66KV	Work completed	28.11.2017	6.44
8	76	220 KV S/S Verpal	100 MVA 220/66KV	Work completed	21.05.2018	8.00
9	32	220 KV S/S Mahilpur	100 MVA 220/66KV	Work completed	21.07.2017	5.43
10	33	220 KV S/S Ablowal	100 MVA 220/66KV	Work completed	27.03.2017	2.98
11	44	220 KV S/S Badhnai Kalan	100 MVA 220/66KV	Work completed	11.03.2019	14.55
12	46	220 KV S/S Allawalpur	100 MVA 220/66KV	Work completed	13.06.2019	8.90
13	48	220 KV S/S Talwandi Bhai	160 MVA 220/66KV	Work completed	30.09.2017	9.66
14	49	220 KV S/S Amloh	160 MVA 220/66KV	Work completed	13.06.2019	9.98
15	50	220 KV S/S Mansa	160 MVA 220/66KV	Work completed	15.03.2018	8.05
16	51	220 KV S/S Kartarpur	160 MVA 220/66KV	Work completed	18.04.2018	7.89
17	55	400 KV S/S Mukatsar	500 MVA 400/220KV	Work completed	28.08.2019	27.72
18	60	220 KV S/S Dera Bassi/Saidpur	100 MVA 220/66KV	Work completed	29.12.2017	6.77
19	62	400 KV S/S Makhu	Addl. 500 MVA 400/220KV	Work in progress	30.06.2021	28.00
20	75	220 KV S/S Bangan	100 MVA 220/66KV	Work in progress	20.05.2020	7.21
21	76	220 KV S/S Rajla	160 MVA 220/66KV	Work completed	30.03.2018	8.07
22	109	220 KV S/S Jamsher	160 MVA 220/66KV	Work completed	30.04.2019	9.72
23	110	220 KV S/S Ghubaya	160 MVA 220/66KV	Work completed	06.03.2020	7.73
24	112	220 KV S/S Chogawan	160 MVA 220/66KV	Work completed	02.08.2019	11.37
25	113	220 KV S/S Badal	100 MVA 220/66KV	Work completed	19.06.2019	9.42
26	114	220 KV S/S Dasuya	100 MVA 220/66KV	Work in progress	30.09.2021	4.21
27	116	220 KV S/S Banga (U/G from 132 KV)	100 MVA 220/132KV	Work in progress	31.03.2021	8.19
28	120	220 KV S/S Sherpur (Focal point) (U/G from 66 KV grid with 220 KV Side GIS and	1x160 MVA 220/66KV T/F	Not yet start	31.03.2022	10.20 (Excluding civil work)

Sr. No.	MYT Sr. No.	Name of Sub Station	Capacity	Present Status as on 31.03.2020	Actual OR expected date of commissioning	Expenditure in Crores Incurred/ Expected
		66 KV side)				
29	148	220 KV S/S Lalru	160 MVA 220/66KV	Work completed	30.01.2019	4.01
30	149	220 KV S/S Tibber	Addl. 2nd 100 MVA 220/66KV	Work in progress	31.03.2022	7.01
31	150	220 KV S/S Udhoke	Addl. 2nd 160 MVA 220/66KV	Work in progress	31.03.2022	9.94
32	151	220 KV Hoshiarpur	160 MVA 220/66KV	Work completed	23.12.2019	11.89
33	166	220 KV S/S Bhawanigarh	Addl. 2nd 100 MVA 220/66KV	Not yet start	31.03.2022	7.44
34	167	220 KV S/S Jadla	Addl. 2nd 100 MVA	Not yet start	31.03.2022	7.44
35	168	220 KV S/S Botianwala (Thatha Sahib)	Addl. 3rd 160 MVA 220/66KV	Not yet start	31.03.2022	10.1
36	169	220 KV S/S Majitha	Addl. 2nd 100 MVA 220/66KV	Not yet start	31.03.2022	7.44

Commission's View:
PSTCL's reply may be noted.

Issue No. 2: Substation bays
At para 3.2 the description of transmission system of PSTCL is given as on 1-4-2019 and as on 31.3.2020.
The details of transmission bays do not mention 66 kV bays. The figures of 220 and 66 kV bays are given at page 355 and 516 of petition.
The particulars of substation bays at page 516 are as under

	1-4-2019	31-3-2020
400 kV	62	72
220 kV	681	703
132 kV	505	505
66 kV	1168	1196
33 kV	12	12

At page 25 of petition 220 kV bays are stated as 669 whereas the substation bays at page 516 are 681.
66 kV bays have been excluded from summary in table 14 at page 25. The particulars at Table 14 page 25 should include total number of 66 kV and 33 kV bays as shown at page 516.
It is stated that PSTCL grid substations mostly include 220/66kV Transformers, 66 kV is bus bars and 66 kV outgoing circuit breakers (bays). The entire 66 kV equipment located with the premises of substation are of PTCL and the O&M is done by PSTCL, and these bays should be included in table 14.
PSTCL's Reply:
Reconciliation of 66 kV bays and 220 kV sub-station bays submitted as under:

Particulars	Previous year				Current year			Control Period Projections					
	FY 2019-20				FY 2020-21			FY 2020-21			FY 2021-22		
	Actual as on 31.03.2020				(Actual in H1) 30.09.2020			(Projected in H2)			Projected		
	At the start of year	Additions during the year	Withdrawal from service	At the end of year	Additions during the year	Withdrawal from service	At the end of year	Additions during the year	Withdrawal from service	At the end of year	Additions during the year	Withdrawal from service	At the end of year
Number of Bays at PSTCL													
i) 400 KV Sub-station	62	10	0	72	0	0	72	4	0	76	2	0	78
ii) 220 KV Sub-station	681	22	0	703	2	0	705	40	0	745	12	0	757
iii) 132 KV Sub-station	505	0	0	505	3	0	508	6	0	514	0	0	514
iii) 66 KV Sub-station	1168	28	0	1196	9	0	1205	1	0	1206	12	0	1218

Commission's View:
PSTCL's reply may be noted.

Issue No. 3:O&M Expenses

ARR Table, Table 34 (Page 49) gives the true-up figures for 2019-20 (Transmission business as under).

	Rs. Crore
Employee Cost	500.10
R&M, A&G	55.68
Total O&M	555.78

PSTCL's Reply:

No comments against this as these are submissions of PSTCL in the petition.

Commission's View:
Please refer to the Tariff Order.

Issue No. 4: O&M expenses as per CERC norms

The O&M charges as per CERC norms are worked out as per transmission system date of PSTCL and applying CERC norms. The summary is as under.

	Rs. Lacs
Substation MVA	9791.19
Substation Bays	45687.3
Transmission lines	3143.4
Total O&M As per CERC	58621.89

Comparison of PSTCL actual for O&M with CERC norms for 2019-20.

	Rs. Crore
PSTCL Actual	555.78
As per CERC Norms	586.2

The Actual of O&M expenses are thus Rs. 30.4 Crore less than CERC norms. ARR for 2020-21 and revised ARR for 2021-22.

PSTCL's Reply:

PSTCL appreciates objector's comparison of applicable O&M cost according to CERC norms but would like to submit that costs are claimed as per the PSERC MYT regulations and other regulations as applicable in the state.

Commission's View:
The Commission has determined the O&M cost in line with Regulation 26 of PSERC MYT Regulations 2019.
Issue No. 5: Bays

Para 4.3 description of transmission system
The details / particulars of 66 kV bays should be given in respect of 66 kV bays located in PSTCL substations at the details given in page 517 give the details as on 30.9.2020.

400 kV bays	72
220 kV bays	704
132 kV bays	508
66 kV bays	1205
33 kV bays	12

PSTCL's Reply:
Reconciliation of 66 kV bays and 220 kV sub-station bays submitted is as under:

Particulars	Previous year				Current year			Control Period Projections					
	FY 2019-20				FY 2020-21			FY 2020-21			FY 2021-22		
	Actual as on 31.03.2020				(Actual in H1) 30.09.2020			(Projected in H2)			Projected		
	At the start of year	Additions during the year	Withdrawal from service	At the end of year	Additions during the year	Withdrawal from service	At the end of year	Additions during the year	Withdrawal from service	At the end of year	Additions during the year	Withdrawal from service	At the end of year
Number of Bays at PSTCL													
i) 400 KV Sub-station	**62**	**10**	**0**	**72**	**0**	**0**	**72**	**4**	**0**	**76**	**2**	**0**	**78**
ii)220 KV Sub-station	**681**	**22**	**0**	**703**	**2**	**0**	**705**	**40**	**0**	**745**	**12**	**0**	**757**
iii) 132 KV Sub-station	**505**	**0**	**0**	**505**	**3**	**0**	**508**	**6**	**0**	**514**	**0**	**0**	**514**
Iv) 66 KV Sub-station	**1168**	**28**	**0**	**1196**	**9**	**0**	**1205**	**1**	**0**	**1206**	**12**	**0**	**1218**

Commission's View:
The Commission notes the Objection and PSTCL's reply.

Issue No. 6: Capital Expenditure
Loan – Equity ratio Table 40
In case of CERC regulations, with 70:30 loans-equity ratio in case actual equity is more than 30% then the excess above 30% is treated as normative loan on which interest is allowed. To treat 100% capital cost as loan and 0% as equity is not justified.
PSTCL's Reply:
The Capital Expenditure is claimed to be funded through 100% loan in FY 19-20 which is in line with the approach adopted by the Hon'ble Commission in previous Tariff Orders.
Commission's View:
Please refer to the Tariff Order.

Issue No. 7: O&M Expenses
Para 4.7 O&M Expenses
As per calculations for 2019-20 (actual) with CERC norms and O&M admissible for PSTCL is Rs. 586.2 Crore as against actual (audited) of Rs. 555.78 Crore which is about Rs. 30 Crore lower.

The same pattern is expected for 2020-21, 2021-22 also the comparative figure as (transmission business)

	19-20	20-21	21-22
Employee	500.10	525.4	536.37 Rs. Cr.
R&M A&G	55.68	61.65	62.9 Rs. Cr.
Total O&M	555.78	587.05	599.27 Rs. Cr.

PSTCL's Reply:
PSTCL appreciates the objector's comparison of applicable O&M cost according to CERC norms but would like to submit that same PSERC MYT regulations and other regulations as applicable in the state.
Commission's View:
The Commission has determined the O&M cost in line with Regulation 26 of PSERC MYT Regulations 2019.

Issue No. 8: Compliance to Directives
Chapter 6 Page 82 compliance to directives
Sr. 5.3 Page 83 loading status of PSTCL transmission lines and substations.
The loading status is gives on Annexure A
PSTCL may give details
a) Conductor of 220kV PGCIL – Kartarpur circuit 1,2 is to be augmented (Page 186). The status / estimate of augmentation may be given
(b) Vide page 188-189 it is stated that conductor of Gobindgarh Rajpura 220 kV ckts 1,2 is to be augmented as these liens get overloaded when only 1 unit is running at Ropar thermal, Status time frame of conductor augmentation may be given by PSTCL.
c) At page 189 PSTCL has stated that there is overloading problem of 66 kV system at 220 kV substation Ferozepur since there is space constraint at 220 kV substation Ferozepur and addl 220/66 k V power transformer cannot be installed.
PSTCL has stated the possibility of new 220kV substation at Jhoke Harihar which can then supply 66 kV load of Ferozepur. PSTCL may give status of 220 kV proposed substation at Jhoke Harihar which will be the long-term solution for overloading of 66 kV System at Ferozepur.
PSTCL's Reply:
PSTCL would like to submit that for issues listed as (a) & (b), the conductor of these lines is planned to be augmented with HTLS conductor & since PSDF schemes are available for augmentation of conductor to HTLS, the BOD's of PSTCL had decided to augment conductor of these lines after taking PSDF grants.
The DPR for PSDF grants stands submitted and the projects shall be under taken after approvals of grants.
No time frame can be given as no time frame is available to PSTCL w.r.t. approval of PSDF grants.
However it is confirmed that these conductor shall be augmented with in a year of approval of PSDF grant.
For issues listed in (c), PSTCL would like to submit that the overloading of 220 KV S/S Ferozepur can be controlled by converting 66 KV S/S Jhoke Harihar to 220 KV S/S which is already under study & have been projected in MYT as S/S to be augmented under study. The augmentation is not being planned hurriedly as there is no upcoming load in that area and PSPCL has been asked to study shifting of some 66 KV load from 220 KV S/S Ferozepur to some other nearby 66 KV S/S. by exploring the possibility of 66 KV links. The report of PSPCL is awaited to take the final decision.
Commission's View:
The objector may note the response of PSTCL.

Issue No. 9: Suggested directive to monitor overloading of PGCIL lines
The directions given by Commission relate to overloading of PSTCL lines and substations. However, there is no system to check or monitor the overloading of PGCIL system, particularly.
(i) PGCIL 400 kV lines supplying sub stations in Punjab.
(ii) PGCIL power transformers of 315 MVA 400/220 kV and 500 MVA 400/220 kV.
It is suggested that Commission may issue direction to SLDC to monitor and give status report on loading of PGCIL 400 kV line and 400/220 kV transformers. Since SLDC has to oversee the operation

of 400 kV system this includes monitoring of loading condition of 400 kV lines and transformers and so SLDC could be assigned task of monitoring the overloading of 400 kV system of PGCIL that is supplying power to Punjab.
Alternately, since PSTCL is also the STU, State Transmission Utility, it has the duty under Electricity Act 2003 to coordinate with PGCIL which is the CTU.

PSTCL's Reply:

No Comments.

Commission's View:

PSTCL should regularly take up the matter with PGCIL for timely upkeep of transmission lines for any augmentation / replacement of conductor keeping in view the loading conditions.

Objection No 6: Siel Chemical Complex (Mawana Sugars Ltd), Charatrampur, Village Khadaul/Sardargarh, Post Box No. 52, Rajpura, Dist-Patiala(PB) – 140401

Issue No. 1: Transmission Loss trajectory

A. Transmission Losses for PSTCL:

PSTCL has now submitted the actual transmission losses for the first 8 months of the FY 2020-21 vide their reply dated 29-1-21 uploaded on the website. These are as under:

Month	PSTCL Transmission Losses (%age)
April, 2020	1.83
May, 2020	2.03
June, 2020	2.10
August, 2020	2.19
September, 2020	2.16
Average for 6 Months	2.30
October, 2020	2.10
November, 2020	2.08
Average for 8 months	2.10

However, the actual average transmission loss for the year 2019-20 were indicated as 2.217% (Table 10 of ARR of PSTCL) and actuals for the first 6 months of 2020-21 have been shown as 2.14% (Table 37 of ARR) (Actually, it works out as 2.10%).

PSTCL has requested for approving 2.48% transmission loss for FY21-22 and 2.44% for 2022-23 in-spite of the actuals being much lower.
We request that the trajectory of transmission losses be revisited as per actuals of FY 2019-20 and first eight months of FY 2020-21 and pass on the benefit to the consumers who have suffered losses in the covid era.

PSTCL's Reply:

PSTCL would like to submit that as per meeting held on dated 22.01.2021 in Hon'ble PSERC Chandigarh, the netting of energy is required to be considered at I-T (Interstate PSTCL) & G-T (Generating-PSTCL) Boundary points for calculation of PSTCL Transmission Losses. In addition to it. In addition to it, the import energy at PSTCL-PSPCL Boundary Points (T-D) has also been considered in Input energy of PSTCL. Accordingly, SLDC have revised PSTCL's Transmission Losses for FY 2019-20, 2020-21. The Revised figures are as follows:

Month	FY 2019-20	FY 2020-21
April	3.41	2.29
May	2.09	2.43
June	3.32	2.38
July	2.65	2.48
August	2.44	2.45
September	1.95	2.57
October	2.67	2.44

Month	FY 2019-20	FY 2020-21
November	3.13	2.58
December	3.15	2.51
January	3.19	
February	2.57	
March	2.38	
Aggregate Losses for FY	**2.694**	**2.47 (April 20-Dec. 20)**

Thus, PSTCL would like to submit that its trajectory of Transmission Losses submitted in the Petition for FY 2020-21 and FY 2021-22 are justified and request the Hon'ble Commission to approve the same as per the petition.
Regulation 54.2 and 54.3 provides for filing of Transmission Loss trajectory for the Control Period by the Licensee and accordingly approval of The Commission for the Control Period.
In accordance with the above provision, the Hon'ble Commission has already approved a trajectory for transmission loss for the Control Period FY 2020-21 to FY 2022-23 in MYT Order dated 01 June 2020.
Commission's View:
Please refer the Tariff Order.

Objection No 7: M/s Omaxe New Chandigarh Developers Pvt. Ltd

Issues:
It is most respectfully submitted as under:-

1) That the present company is a Real Estate Company involved into the business of Real Estate Development having national and international repute. The project undertaken by the company is in accordance with the Mega Township Policy of the State Government of Punjab.
2) That the Company had signed a Franchise Agreement with Punjab State Power Corporation Limited for supplying electricity, for the consumption of Residential and Commercial purposes, in the integrated Residential Township been developed by the company in the region of New Chandigarh SAS Nagar Mohali, Ludhiana, Village Jamari Derabassi and Commercial projects as per the approvals given by the concerned government authorities.

Challenges being faced by the company for implementation of the Franchise Agreement are as follows:

1. Non submission of the A&A forms by the clients even after the disconnection of the electricity as per the orders of this Hon'ble Commission. Some of the allottees are still not submitting the A & A forms and they are requested to submit the A & A form they argue that it should not be done as the supply of electricity falls under essential services even if they do-not submit the A&A form.
2. As per the clause no. 15 of franchisee agreement the company is entitled to get a rebate of 12% on domestic and 10% on commercial connections respectively as a part of the Franchisee Agreement but the company has been restricted to take this benefit.
3. The bill format has been approved by the PSPCL authority and the company is raising bills for electricity consumption as per the formats approved by the PSPCL authority, but the clients are still challenging that they have been billed on wrong bill formats.
4. The tariff rates are charged in accordance to the latest tariff order issued by the PSPCL authority, but clients are challenging that the tariff orders shared with them are not correct.
5. We are raising separate bills for electricity and for other services as per the directions of this Hon'ble commission but the clients on one pretext or another are challenging that too.
6. Under single point connection the company has to provide services to its residents such as street lights, common area lights, STP, WTP, garden and parks lights etc. and tariff plan for the above services are not mentioned separately. The company is being charged at highest tariff rate and the same are also been realized from the company, even then PSPCL is making out UUE cases against the company.
7. Some of the allottees are installing and/or intend to Install Solar Power Panels over their roof tops. The allottees are enquiring from the company w.r.t. the Credit to be issued for the no of units up-loaded in the Grid System, produced through their Solar Power Panel but the Franchise Agreement is silent over the said issue. Hence specific guidelines/instructions are required.

8. We have installed Dual supply smart meters which are capable for doing Pre-Paid Billing but we are not able to initiate this system as the Franchise Agreement is silent over the said issue. Hence specific guidelines/instructions are required.
9. We are being charged at the highest tariff rate over the complete consumption, but the factual position is that the supply is being used for various purposes like DS, NRS and towards common area services such as Street lights, WTP, STP etc. The tariffs for the difference modes of consumption are different but we are being charged at the highest tariff. You are humbly requested to kindly direct that necessary Credit on account of the above said different consumptions may kindly be given to the company.

Hence in the light of the aforesaid points it is humbly prayed that rules may kindly be formed so as to bring clarity over the above issues and pass any such orders as the Hon'ble Commission may deem appropriate.

PSTCL's Reply:

No point relates to PSTCL.

Commission's View:

This issue relates to PSPCL and is not a tariff matter.

Objection No 8: Government of Punjab, Department of Power (Power Reforms Wing), Chandigarh

Issue No. 1:

In the Revised Estimates for FY 2019-20, PSTCL has depicted revenue gap as Rs.83.93Croreapproximately including carrying cost. The increase in the gap is mainly because of increase in employee cost, depreciation charges etc.

Issue No. 2:

The Commission while determining tariff has been making some disallowances. These have been mainly related to employee costs and interest charges. Disallowance in actual expenses such as employee cost, interest charges etc. affects financial position of utility and erode its capacity to make investments that would help it provide quality and affordable power to the consumers in the State.

Issue No. 3:

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. Further, the employees who are retiring are also contributing to increase in employee cost of PSTCL by way of payment of gratuity, pension etc.The actual employee cost should be allowed as pass through as it is a legitimate historical component of the cost of supply anda committed liability of PSTCL.

PSTCL has proposed employees cost for 2021-22 atRs.543.69Crore.PSTCL is striving hard to reduce employee cost and bring in efficiency, but it will take time for PSTCL 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 keeping in view the genuine requirements which are statutory in nature. Therefore, Commission is requested to allow employee cost as projected by PSTCL.

Issue No. 4:

The PSTCL has submitted the Administration & General (A&G) expenses and Repair & Maintenance (R&M) expenses and to provide quality, uninterrupted and affordable power to its valuable consumers in the State, special Repair & Maintenance works in addition to General Repair& Maintenance that has to be carried out. The State Government is very much concerned for providing quality, uninterrupted and affordable power to its valuable consumers in the State and the transmission system needs to maintain at its best. Repair & Maintenance of Transmission System with appropriate replacements of equipments and renovation is of great importance so that uninterrupted supply can be maintained and grid failure be avoided. The Commission is requested to allow Administration & General (A&G) expenses and Repair & Maintenance (R&M) Expenses as submitted by PSTCL.

Issue No. 5:
The PSTCL has submitted Capital Expenditure of Rs.400Croreduring FY 2020-21 which includes works related with construction of new Sub-Stations, new lines, addition and augmentation of transmission system to cope up with the growing demand etc., laying of transmission network for evacuation of power from generation projects in the State as well as for evacuation of power share of Punjab from various Central Sector Projects.

Because of the capacity addition in the State generation, appropriate transmission capacity is also required to be created. The Commission is requested to allow these expenses keeping in view the overall expenditure of the utility.

Issue No. 6:
The Commission is requested to approve the Transmission losses taking into consideration the Transmission losses for other State utilities or benchmarking with CERC norms.

Issue No. 7:
The SLDC is pivotal to the State's power sector. Its financial, operational and technical viability has to be maintained at every cost. PSTCL has submitted the revised estimates for SLDC to the tune of Rs.23.24Crorefor FY 2021-22. The Commission is requested to approve the expenditure as detailed in the ARR for smooth functioning of SLDC.

Issue No. 8:
The Inter-State Transmission Charges have been increased by around 45% in the last three years, resulting to hike in tariff for electricity consumers. Therefore, the Commission should raise the issue in Forum of Regulators or at suitable platforms for reduction in Inter-State Transmission Charges for a distance of 500 KM and above.

Issue No. 9:
The Commission is requested to keep in view above aspects, overall expenditure of the utility and various guidelines/instructions issued by Ministry of Power, Government of India and other Courts so that a financial, operational and technical viability of PSTCL is maintained while finalizing the tariff for FY 2021-22.

Commission's View: -
All these issues have already been duly considered and dealt with in accordance with the applicable Regulations.

Annexure-III

Minutes of the Meeting of PSERC State Advisory Committee, Chandigarh held on 27th January, 2021.

A meeting of the PSERC, State Advisory Committee was held in the office of the Commission at Chandigarh on **27th January, 2021.** PSERC had invited comments of the members on the Petitions for True up of FY 2019-20, then Annual performance Reviews (APR) for FY 2020-21and the ARR Requirements and Tariff Proposal for FY 2021-22(2nd control period from FY 2020-21 to FY 2022-23),respectively of Punjab State Power Corporation Ltd. (PSPCL),Punjab State Transmission Corporation Ltd. (PSTCL) and on the agenda items as proposed by some of the members of PSERC State Advisory Committee. The following were present/represented in person/through video-conferencing in the meeting: -

Sr. No.	Name and Address	Designation
1.	Ms. Kusumjit Sidhu Chairperson, PSERC, Site No.3, Sector-18-A, Chandigarh.	Ex-officio Chairperson
2.	Ms. Anjuli Chandra Member, PSERC, Site No.3, Sector-18-A, Chandigarh.	Ex-officio Member
3.	Sh. Paramjeet Singh Member, PSERC, Site No.3 Sector-18-A, Chandigarh.	Ex-officio Member
4.	Additional Chief Secretary Department of Power,Government of Punjab,Chandigarh	Member
5.	Principal Secretary New and Renewable Sources of Energy (NRSE), Govt. of Punjab, Chandigarh	Member
6.	Smt. Parneet Mahal Suri, Secretary, PSERC, Site No.3, Sector-18-A, Chandigarh.	Ex-officio Secretary
7.	Chairman-cum-Managing Director, PSPCL, The Mall, Patiala.	Member
8.	Chairman-cum-Managing Director, PSTCL, The Mall, Patiala	Member
9.	Labour Commissioner, Deptt. of Labour & Employment, Government of Punjab, Chandigarh	Member
10.	Chairman, PHDCCI, Punjab Committee, Sector 31-A, Chandigarh	Member
11.	Dr. Harish Anand, H.No.59, Sector-39, Chandigarh Road, Ludhiana	Member
12.	Chief Engineer, Punjab Agriculture University, Ludhiana	Member
13.	Director, Local Govt. Department(Punjab), Chandigarh.	Member
14.	Sh. Vijay Talwar, State vice-President-cum-Co Chairman, National Power Committee, Laghu Udyog Bharti (Pb. Chapter) 1051, Dada Colony, Industrial area, Jalandhar-144004	Member
15.	Sh. P.S. Virdi, President, The Consumer Protection Federation (Regd.), Kothi No. 555, Phase-1, Sector-55, Mohali.	Member

Sr. No.	Name and Address	Designation
16.	Mr. Nitin Bhatt, Regional Manager – Punjab/Haryana,Chandigarh. Energy Efficiency Services Limited, 4th floor, IWAI Building, A-13, Sector-1, Noida-201301	Member
17.	Indian Energy Exchange Limited, Fourth Floor, TDI Centre, Plot No.-7, Jasola, New Delhi-110025	Member
18.	Dr. Sat Bhushan Pandhi, H.No.55, Partap Colony Model Gram, Ludhiana	Member
19.	Sh. Kamal Dalmia, Chairman, Focal Point Industries Association (Regd), Amritsar	**Special Invitee**
20.	Sh. Bhagwan Bansal, President of Punjab Cotton & Ginners Association (Regd.) Shop No.109, New Grain Market, Muktsar	**Special Invitee**

At the outset, the Chairperson, PSERC welcomed the members to the meeting of the newly constituted State Advisory Committee. The Chairperson thereafter, requested the members to offer suggestions/comments on the Petitions for True up of FY 2019-20 then Annual performance Reviews (APR) for FY 2020-21 and the ARR Requirements and Tariff Proposal for FY 2021-22(2nd control period from FY 2020-21 to FY 2022-23), respectively filed by Punjab State Power Corporation Ltd. (PSPCL), Punjab State Transmission Corporation Ltd. (PSTCL) and the agenda items as proposed by some of the members of PSERC State Advisory Committee. It was also brought to the notice of the members that Govt. of India had issued ‘Electricity (Rights of Consumers) Rules, 2020’and suggestions on the same were also invited. Thereafter, the members gave their comments/suggestions/views as under: -

1. Sh. R.S. Sachdeva, Chairman/PHDCCI stated that:

i) PSPCL has submitted ARR to the tune of Rs.47460 Cr comprising of projected Net ARR for the FY2021-22 as Rs.37653 Cr and a revenue gap of Rs.9807 Cr including carrying cost. The revenue gap projected by PSPCL is increasing every year in ARR whereas generally surplus is being determined by the Commission. It appears that either the figures are being inflated or the extensive exercise taken up by PSERC for determining the revenue requirement and pegging of expenditure by PSERC has no consideration for PSPCL and they are incurring expenditure at their will. Moreover, this expenditure is being incurred by PSPCL by drawing interest bearing working capital loans from various sources and incurring finance charges on arranging loans which speaks of the total financial indiscipline.

ii) The power supplied to the agriculture sector has been growing consistently at very high rate due to increase in capacity of tube wells due to depletion of water table which is leading to serious financial crisis for the PSPCL. This will ultimately affect the interest of industrial consumers in the State, who are already reeling under recession. Further, Industrial Consumers have to bear fixed charges and ED+IDF in addition to Energy Charges which are not applicable for agriculture consumers.

Therefore, it is imperative to cap the maximum amount of power year wise & approved by the commission, that can be supplied to agriculture sector at the subsidized rate inclusive of additional connections projected in a year and the power supplied above that limit should be billed as per Cost of Supply for agriculture power as worked out in ARR.

iii) It has been observed that PSTCL had been claiming higher Transmission Losses since 2010 resulting in higher tariff for consumers since 2010-11. Accordingly, the trajectory of PSTCL should be revisited keeping in view the actuals for 2019-20 and H1 of 2020-21 for true up of energy required for 2019-20, RE 2020-21 as well as Projections 2021-22.

iv) The Distribution Losses in some of the areas of PSPCL are on the higher side and PSPCL is simply loading the theft of power in these areas onto the honest consumers. The Commission may direct PSPCL to control the theft or such losses be passed on to PSPCL.

v) PSPCL has been admitting to raising short term loans to meet the revenue shortfall arising out of dis-allowances of ARR components, non-receipt of subsidy from the Government and delayed payments from consumers etc. It is submitted that interest on delayed receipt of subsidy is being loaded to the State Govt. while determining the subsidy amount in the tariff orders. Further, PSERC is allowing the carrying cost on difference in revenue and ARR amount including delay in recovery of revenue from consumers.

vi) For late payments by consumers, PSPCL is getting Late Payment Surcharge. Therefore, working capital interest should be allowed on normative basis and after deducting the Advance Consumption Deposit (Security) parked with PSPCL as per Regulations and practice being followed by the Commission so far.

vii) PSPCL has claimed ROE for 2020-21 and 2021-22 for Rs 21710 Cr by converting the whole Loan amount of Rs.15628 Cr taken over by GOP in 2014-15 under UDAY scheme into equity of GOP in PSPCL on 31.3.2020. Further, the said equity has been shown as paid up and subscribed by GOP and shares issued to GOP in PSPCL although there is no cash flow and it is sheer manipulation of figures.

The total ROE which was Rs 942.63 say Rs.943 Cr in 2019-20 has increased to Rs 3423 Cr in 2020-21 and 2021-22. Thus, additional ROE of Rs 2480 Cr will result in an increase of tariff by about 53 paisa per unit. The increase will be 63 paisa with ED+IDF. This should not be allowed and Commission needs to protect the interests of consumers as per Electricity Act-2003.

viii) GOI / MOP announced various rebates and financial assistance in the wake of Covid-19 epidemic to State Discoms like reduction of ROE, exemption of railway freight advance, reduction in interest on loans by banks, special financial assistance for payments of CGS and CTU etc. PSERC also allowed reduction of interest and RPO to discom. The Commission may ensure that all these are accounted for in the tariff order.

ix) It has been observed that huge arrears are outstanding against Govt. Departments which are increasing every year. Strict measure should be taken to recover these outstanding amounts and as a preventive measure to check such default in future, Prepaid Meters should be provided in all such Departments and office buildings.

x) Commission should carry forward the rationalization of Electricity Tariff towards reduction of cross subsidy in a phased manner and move towards fixing tariffs on the basis of realistic category wise cost of supply principle as early as possible.

❖ **Issues regarding welfare/grievance redressal of Electricity Consumers of Punjab**

There is in general grievance of Industrial Consumers of Punjab that huge penalties are imposed by Enforcement/Audit wing of PSPCL in cases of wrong CT/PT connection, carbonization of joints in case of LT CT meters, CT/PT phase missing, wrong application of Tariff or multiplication factor which are entirely due to the negligence of PSPCL official/officer and the consumer is nowhere at fault. In such cases, the consumer should not be penalized and recovery should be affected from the concerned official/ officer at fault so that they may also feel a sense of accountability.

2. Dr. Harish Anand of CII, Punjab State Council

The following suggestions were made:

- After signing of Paris agreement, India has committed itself to generate more power through non fossil fuel and renewable sources. Under National Determined Contribution, Government of India planned to increase New and Renewable power capacity from the present level of 93 GW to 175 GW by 2022 and 420 GW subsequently by 2030. As a result, it is expected that RPO obligation may increase for Discom resulting in pressure on average cost of supply in years to come. Though, it is matter of relief that Solar and Non Solar REC's which were trading at the power exchange @ Rs.2400/- and 2200/- per REC of 1000 KWH respectively in January 2020 came down to Rs 1000/- per REC in June 2020after which trading has been stayed as per orders of APTEL. The rate is set to further reduce which will reduce the cost of meeting RPO obligation.
- With the Indian economy projected to grow at more than 10% in FY 2021-22 linked with lower base, there would be spurt in manufacturing activities in the country. Keeping the power cost competitive in the State of Punjab, Discom may look forward to increase in power consumption especially in PIU sector, which is the only healthy growth segment from the power consumption point of view.
- With peak consumption during paddy season hovering around 13000 MW in the State and no sign of shift in cropping pattern, the load curve is likely to vacillate between 4000 MW to 15000 MW having adverse consequences for optimum utilization of power generation capacity in the State. The surrender of power may continue at about Rs.2000 crore of associated fixed costs.
- The T&D losses, which are (50%-97%) in border and other areas as also delineated in PSPCL's ARR and outstanding towards Government departments (Rs.2000-2200 crore) are a matter of concern.
- PSPCL has claimed additional Rs. 15628 crore as new equity converting UDAY loan of GOP into equity raising the total equity of GOP to Rs. 21709 crore and Return on equity sought @15.5% for generation business and 16% for Distribution business. It is highly preposterous and against MYT regulations. In order dated 26th May 2006 and related appeal no 4 of 2005, APTEL has dealt with diversion of funds by PSERC based on net fixed assets, which are

financed through equity and loans. Accordingly, APTEL has calculated net fixed assets at Rs. 7646.58 crore after excluding consumer contribution and grant and subsidy towards cost of capital. Diversion of funds may be trued up based on APTEL formula to correct the above estimate and only thereafter the interest on existing loan should be allowed.

A. Specific suggestions

- **Closing down old GGSSTP plant to create demand supply balance to reduce overall average cost of supply**

  As demand for electricity is not likely to see significant increase overall in the State though some segments like LS segment may grow by 6%-7%.PSPCL that 4 Thermal units (Commissioned during 1988 to 1993) to remain operational to cater paddy season demand and cost about Rs.1380 crore with average generation cost as Rs.12/unit. It would help in saving Rs.1000 crore after adjusting employee cost for the transition period of one or two years. PSPCL may be asked to submit a detailed plan for the same.

- **MOD operation of PSPCL Plants**

  GGSSTP plant's variable cost as approved by PSERC is lower but when power is to be scheduled on monthly MOD basis, the variable cost of GVK plant is found to be lower. As a result, power is drawn from GVK power plant. The comparison seems to be drawn between GGSSTP plant variable cost as worked out by PSPCL and not as approved by PSERC at the time of MOD. GVK plant is a negotiated tariff plant and need to be continued based on competitive power bidding only. Cheaper power from other sources may be explored to reduce the power cost of Discom.

- **Reducing finance cost of Discom**

  PSPCL has claimed interest on working capital about Rs.6657 crore as on 31st March 2020. Interest rate as claimed by PSPCL on an average is taken as 11.50%. Therefore, it is submitted that PSPCL may take advance for future electricity bill from consumers at a rate of interest of 8.5% and may save interest of about 2.5% to 3%. Interest rate of 8.5% is based on 3 years average SBI MCLR, which works around 8% and therefore 50 points are added to make it attractive for depositors.

❖ **Allowing bank guarantee and refund of security consumption deposited**

As an exercise of ***Ease of Doing Business*** in electricity related business in Punjab, industrial consumers may be allowed to deposit security consumption in the form of Bank Guarantee.

❖ **Threshold consumption and TOD scheme be continued**

Threshold consumption and TOD scheme may be continued for the industry in the State as it has given rich dividends to the Discom.

❖ PIU tariff may be fixed at par for general industry in case PIU consumer controls harmonics within limits prescribed by PSERC Harmonics regulations. There is no reason for having a differential tariff.

❖ **One time settlement of long pending legal cases to reduce litigation burden**

It is to mention that PSPCL is engaged for years in litigation. Some arrangement of Lok Adalat can be worked out with the help of PSERC, Ministry of Power, Punjab and PSPCL. All disputes of commercial nature more than 5-7 or 10 years old may be taken to such forum for settlement. Delhi Discom experience is worth mentioning, where the Discom has sorted out more than 3000 cases in special court set up by Delhi Legal Service Authority-DLSA.

❖ **Supply Code amendment proposed by Discom**, in case of industrial consumers, Bank Guarantee (BG) in lieu of Security (consumption) may be permitted. The matter may be discussed in the Supply Code Review Panel meeting, It was further submitted that the proposal for amendments in the Supply Code should be accompanied by the relevant Regulations of other States as well as international practices on the subject to give better insight to the members for making effective contribution.

3. **Sh. Bhagwan Bansal - President, Punjab Cotton & Ginners Association, Muktsar** has given the following suggestions.

- Power-com should immediately file a petition for early clearance of MSME OTS policy to revive sick units. CMD, PSPCL directed the concerned officer to file the petition at the earliest.
- Cotton ginning and oil mill is a seasonal industry and fixed charges for nine months are difficult to be paid since, cotton crop production has fallen in

Punjab. In the year 2007-2008, there were around 422 units operational and now only 72 units are there.The suggestion is to fix a fourmonth period and make MMC compulsory for rest of the period on actual consumption. There is a need to change the old methodology to charge tariff on cotton ginning industry. Farmers are interested to grow paddy and basmati and not cotton crop.

- On a trial basis, shift one grid from within the old city to outside the city by using extra modern techniques in the grid. City land be auctioned with the help of PUDA or PPP public privatization participation be encouraged. PSPCL will be benefitted by such monetisation.
- Every year,10divisional/Sub-Divisional offices be modernized with latest facilities like new computer, furniture AC's and good sitting arrangements for public. Simultaneously, every year twenty offices should be modernized at rural areas.
- If we plan to install smart meters for urban areas why not smart offices at Distt. H.Q. can also be set up.
- Chief Engineers' level Committee (Zonal level) comprising of SE/XEN/SDO's be empowered to decide commercial matters amounting to Rs.2-5 lacs. Public should not be harassed for any dispute relating commercial/financial matters.
- PSPCL should not charge interest @ 18% when RBI reduced the rates of interest on Fixed deposits/CC Limits/ Housing loans/Term loans/Business loans. It should be reduced to 12%.
- Documentation for new connection for Industry should be minimized and simplified for public convenience.

4. Er. P.S. Virdi, President, The Consumers Protection Federation(Regd.) Mohali

His comments were as under: -

- Most of the consumers in the State are getting free electricity. It would be reasonable to consider only small farmers (up to 2.5 to 5 acres) for subsidy and not medium & rich farmers with 5 to 10 acres of land& above. These freebees lead to misuse of power for houses, AC's, heaters, more than one motor and also misuseby way of sale of water. Subsidy should be in the form of units through meters& not for free connections. Each farmer be charged for extra consumption. Out of 14.5 lac tube wells connections having free power in Punjab, small farmer beneficiaries are only 19% and 81% are larger/rich and Medium farmers. The Commission should watch the interests of other consumers as well as PSPCL.

- Illegal Tube well connections add additional load on Pb. Govt. exchequer. Recently, more than 100 illegal tube well connections were caught during checking/raid, in Bathinda District alone, where some old documents have also been found tampered with and missing. This practice should be curbed.
- Huge amount is still pending against the various Departments of Punjab Govt. The financial position of the Corporation would improve if these are recovered by PSPCL by taking requisite steps.
- T&D losses in certain pockets of the State are on the higher side. To control the same, thehelp of local Welfare Associations at the district level may be taken.
- Punjab Govt. is encouraging Solar power. On the other hand, PSPCL is harassing by not issuing proper Bills to Solar power consumers and other domestic consumers in Mohali from the last one year or more. This requires attention.
- The burden of installing smart meters should not be passed on to the consumer

5. Dr. Sat Bhushan Pandhi, Ludhiana:--

i. He thanked PSPCL for un-interrupted power supply to Consumers during COVID period despite non-payment of electricity bills due to loss of business during the lock-down. However, during COVID period, PSPCL had sent N-code bills to commercial and industrial units based on Corresponding month consumption of the previous years. Collecting huge amounts from consumers by applying this formula, was not a right step as all commercial and industrial activities came to a standstill during this lock-down period. This un-due harassment by imposing high amounts of arrears, could have been avoided by PSPCL. Now to rectify it, PSPCL be asked to check and correct all such bills issued during COVID period and should adjust the excess amounts so paid in the current bills of consumers.

ii. During lock-down, Tentative bills on N-code basis were uploaded on the portal which showed "High readings" in the columns of "Current Reading". This fictitious and provisional reading of a consumer, later on can created a mess when his O-code bill is uploaded in which Actual Current reading is less than the Current reading shown in his previous month's N-code bill. In such cases, sometimes, PSPCL imposes unreasonable cases of theft on the consumer claiming that consumer has reversed his meter with the help of the meter reader or so. It is suggested that **“In N-Code bill, column of current reading**

should be kept blank and number of units consumed should be taken in round figures, say 400 units or 500 units roughly as per consumption in the immediate previous bill. Later on, when the O-code bill is generated, **the difference between the two consecutive O-Code bills with actual readings, should be taken as the actual total consumption** during N-Code bill period, and adjustment of the previously received amounts during N-Code bills be adjusted in this last O-Code bill."

iii. When a particular amount is deposited by a consumer in a particular month as advance or as regular payment, this amount does not tally with the amount shown in Previous Adjustments column "F". Billing department should make it sure that these two figures should match EXACTLY with each other.

Looking at the above points, it is suggested that the Bill Making Software MUST be changed and updated immediately.

iv. PSPCL has shifted most of the meters to outside the premises of consumers. However, in the bills of some consumers, the status of the meter location is found different. For this, Meter readers should be asked to cross check location status of meters and get the corrections made in cases where the meter location is found different.

v. Meters are the property of the PSPCL and these meters have been installed outside the premises by PSPCL at their own. PSPCL should take care of its property and responsibility of it should not be passed over to consumers. PSPCL is charging meter rent from the consumers. When a meter is burnt/damaged, PSPCL should replace the same immediately. For replacement of such burnt meters, PSPCL have no right to charge cost of burnt meter from the consumers and this mal-practice be stopped.

vi. PSPCL is planning to install Smart Meters. If PSPCL is going to charge an amount of Rs.7000/- per meter from the consumers, then monthly rent for these meters should not be charged from the consumers. Otherwise, PSPCL to continue charging meter rent as before. PSPCL has no right to charge cost of these smart meters from consumers since the same will bemerely replacement of old electronic or static meters with Smart meters for up-dation only.

vii. To give some genuine relief to consumers, there is a need to revise the Fixed Charges formula. The electronic meters give MDI reading which indicates the Maximum Load availed in between two consecutive bills. Instead of calculating

Fixed Charges on the basis of the Sanctioned Load, it should be calculated on the basis of Maximum Consumed Load in a particular bill period. This formula is obviously a more appropriate and more genuine formula and will make the consumers happy.

viii. CGRF was made functional at Ludhiana in 2019. It has been seen that most of the cases were awarded in favour of PSPCL itself. It is felt that such the Chairman of CGRF and the members are mostly from PSPCL's own departments, judgements are sometimes biased and genuine consumers do not get justice. It is suggested that these members should be selected from other departments, or from some related NGOs.

ix. Sometimes it has been seen that some unreasonable theft cases are also imposed on some consumers and FIR is also lodged immediately against the consumer. When an FIR is lodged, consumer has to deposit a compounding fee of Rs.25,000 immediately. Further, in such cases, consumer cannot go to Consumer Courts but he has to file case in the Special court by hiring an advocate by paying huge amounts. Also, the consumer has to deposit 50% of the disputed amount before filing the case. It is suggested that ifa case is proved as a fake case, the concerned JE or senior officer should be made accountable and since some clause should he made for imposing heavy fines on the concerned staff and officers for un-necessarily harassing a genuine consumer.

6. Kamal Dalmia, Chairman, Focal Point Industries Association, (Regd) Amritsar,
He made the following suggestions in writing:

➢ **Increase in Electricity Tariff.**

- Every year PSPCL submits data for increase in tariff rate but never requested that tariff to be reduced. To increase power tariff due to inefficient working of PSPCL is not the solution. The power rate of PSPCL is higher as compared to rate of other states. The Industry has to compete with other states. If our cost of production will be more, we will be unable to sell the product which will ultimately lead to closure of the Industry.

- Punjab Govt. is not making timely payment to PSPCL against the free Electricity Supply. This is also going to impact on the cost of electricity.

- There should be another Power Supplier in Punjab for Healthy Competition with PSPCL.

- **<u>Single Point Supply Consumer to sign Franchisee Agreement.</u>**

- As per CC 58/2016 dated 14.12.2016, Single Point Consumer has to sign Franchisee Agreement with PSPCL. As per the Circular, A & A Form is to be submitted to PSPCL by the Franchisee for every consumer.
- Officials of PSPCL are not clear about the CC58/2016 dated 14.12.2016 and particularly about clause 3 of the Memo 593 – 597 dated 30.05.2017 attached to Circular 8/2018 dated 13.02.2018. The PSPCL is recovering the amount from the Franchisee as per reading of the main meter. As per Franchisee Agreement, the franchisee is to recover the amount from the consumer as per Category & Tariff applicable to consumer.
- PSPCL officials are issuing letter to Franchisee to issue bill to consumer as per format issued by PSPCL whereas PSPCL has not signed the agreement so far.

- **<u>Decision of Consumer Grievance Redressal Forum (CGRM).</u>**

- It has been observed that decisions of Consumer Redressal Forum are not implemented within the scheduled time of 30 days in a number of cases and remain pending for months together**.**
- Further, in order to ensure independence of the CGRF, independent Members should be taken in the CGRF. CGRF should submit implementation report to the Regulatory Commission every month.

- **<u>Unpaid Electricity Bills to be adjusted against Security Deposit.</u>**
- A number of consumers have closed their business and surrendered electricity connections due to COVID-19/financial constraints, being unable to pay the bills. They have requested PSPCL to adjust their outstanding bills against security deposit whereas PSPCL is pressuring for clearance of outstanding amount against unpaid bill. Unpaid bill should be adjusted against the Security Deposit.
- **<u>Speaking order by Dispute Settlement Committee</u>.**

- Dispute Settlement Committee should pass clear & speaking order without any ambiguity. Financial quantum should be properly spell out so that it should not take time in implementation level. The Order should be easy to understand and so that its interpretation is not according to their sweet will and understanding.

- **<u>Updating of Security Deposit in the records of PSPCL.</u>**

- Security already deposited with the PSPCL needs updating in the record. The consumer is entitled to interest on the security as per Supply code 2014. The Chief Engineer Commercial, Patiala has issued MemoNo. 1038/43 dated 15.05.2019 and Memo No. 49/54 dated 08.01.2020 in which clear instructions were given to update security deposits in the PSPCL records within three months, which has not been done till date. Instructions should be implemented strictly so that consumers get interest on correct security deposit at the end of every year.

➢ **Penal Interest on delayed payments by PSPCL.**

- Supply code 2007 & 2014 provides for payment of interest. For any delay in payment of interest, the distribution license holder has to pay interest at twice the Base Rate of State Bank of India (SBI) for the delayed period. Consumer Grievance Redressal Forum has disallowed the payment of Penal Interest keeping in view of the decision in Appeal No. 45/2018 by the Court of Lokpal (Ombudsman). Whereas on the other hand, PSPCL is charging penal interest. If the consumer fails to make payment in time. penal interest should also be paid to the consumer for the late payment of interest by the PSPCL, since PSPCL is charging penal interest.

➢ **Prepaid Electricity Meter.**

- Prepaid Electricity Meters are to be installed for all category of consumers in phased manner and rebate to be given to all such consumers as mentioned in electricity policy of the Central Govt. & Supply Code 2014.No Security Deposit is required from those consumers who opt for the prepaid electricity meters. There are number of consumers who are interested to opt for the said meters but no action has been taken in this regard till date by PSPCL.

➢ **RTGS/ On line payments.**

- Payments made on the last day through RTGS/Online by the consumer, is debited to their account on the same day by the bank whereas it is credited by PSPCL in the account of the consumer on next day after getting confirmation from the bank. Accordingly, bill remains unpaid on the last day (due date) & penalty is levied for non-payment whereas payment has been made in time. In such cases, no penalty should be levied. Further, PSPCL should work out some system that payment is credited to consumers account on the same very day.

➢ **Sub-station at Old Focal Point, Amritsar.**

- There is a long pending demand for Sub-station at Old Focal Point, Amritsar despite the fact that one plot is lying reserved for this purpose for the last 30 years. PSPCL should build the sub-station without any further loss of time for uninterrupted electricity supply to Industry.

➢ **<u>Wrong Billing</u>.**

- Wrong billing is very common in PSPCL. Records are not corrected even after making numerous requests, in writing. In certain cases, bill is rectified manually and payment of that bill is accepted However, official record is not properly updated. Penalty is imposed in the subsequent bill leading to lot of harassment and litigation to the consumers in getting refund. This should be looked into.

➢ **<u>Improve Working/ Efficiency.</u>**

- Loss to PSPCL due to their inefficient working/ pilferage leads to increase in cost of electricity generation which is ultimately recovered from the consumers. PSPCL should improve its working with the help of experts and minimize its losses. Comparative Cost Study should be made and loop holes should be plugged which leads to huge losses. Increasing the rates every year is no solution.

➢ **<u>Frequent Interaction with Consumer.</u>**

- Chief Engineer & SE should have regular meetings with consumers to know their difficulties & solve their problem(s) on the spot or at the earliest.

➢ **<u>Block Disputed Amount.</u>**

- The disputed amount is automatically added to the regular bill without giving any notice to the consumer. Once the amount is added to the bill, only option left with consumer is to pay the bill. In case of non-payment of bill, interest/ penalty is charged till bill is paid.It is suggested that in case of disputed amount, notice should be issued to the consumer. Further till a decisionis taken, the amount should not be charged in the bill.

➢ **<u>Cost of Distribution Sub-station Transformer.</u>**

- As per the supply code, in case of LT Category of connection no cost of transformer shall be charged whereas the PSPCL is charging the same from the consumer.

- It was brought out that although the developers have submitted the signed franchisee agreement but these have not been received back after signing of the agreement by PSPCL officer.

- The security (consumption) is not being updated by PSPCL and in some cases interest is not paid.
- PSPCL should be directed to introduce pre-paid metering.
- No penalty shall be imposed if a consumer makes the payment through digital means before due date.
- Healthy competition needs to be introduced in the power sector.

7. **Sh. Nitin Bhatt, Regional Manager(Punjab/Haryana, Chandigarh) Energy Efficiency Services Limited, Noida has brought out that:-**

- Energy Efficiency Services Limited (EESL), a JV set up under the Ministry of Power, Govt. of India, is a Super Energy Service Company (ESCO), which enables consumers, industries and governments to effectively manage their energy needs through energy efficient technologies. EESL has always been driven by the passion for enabling transformative and innovative solutions.
- Govt. of India is launching a scheme to provide 3 LEDs bulbs per house hold @ Rs. 10 per bulb in the villages. It was further informed that EESL shall be distributing 7-star air conditioner at a discounted price of 20% and the energy saving upto 30% shall be achieved
- In the back-drop of Covid-19 and other communicable infections in the country, there is currently a need to look at ways to improve indoor air quality in public buildings. Most of the work-force in our country spends nearly 80% of their time confined to indoor spaces where the indoor air quality maybe as bad as 10 times worse than outdoors. Scientific studies have linked poor IAQ with poor analytical and cognitive behavior of people and Environment Protection Agency (EPA) lists poor IAQ as one of the top 5 reasons for poor public health.
- As part of our endeavor to develop sustainable solutions for clients, a nationwide program termed as RAISE - acronym for Retrofit of Air-Conditioning to improve Indoor Air Quality (IAQ) for Safety & Efficiency has been initiated to cater to the growing concerns of poor IAQ in public buildings. RAISE program hasbeen successfully implemented at our Corporate office in Scope Complex where improvement in indoor air quality to the extent of 90% has been reported. Through RAISE, EESL not only enables safe and cleaner working environments for valued customers but also enable them in

achieving energy savings through be-spoke solutions such as equipment retrofits, fine-tuning the air- conditioning system amongst others. RAISE program was launched on 20th July 2020 by Hon'ble Minister of Power, Govt. of India.

- The main objectives of RAISE are to enhance ventilation system, augment filtration system, use UVCGI lamps for circumventing microbial growth and real time monitoring of key IAQ parameters. The project is currently being implemented at NTPC Corporate office, Scope Complex.
- EESL strongly believe that RAISE program will be pivotal for children & staff to act as ambassadors for promoting good IAQ and energy conservation.
- This information should made available to all Govt. departments of Punjab so as to implement this project. For Financial & Technical information about the scheme, representatives of EESL remain always available for service.

8. Sh. Rohit Bajaj, Indian Energy Exchange

- The representative of Indian Energy Exchange highlighted the benefits of Real Time Market (RTM) and Green Term Ahead Market (GTAM) and listed out the opportunities for optimization of power purchase cost through power point presentation.

9. Sh. Vijay Talwar, Vice President Laghu Udyog Bharti:- He stated as under:-

A. Non-compliance of regulations, orders, directions issued by PSERC:

- He suggested that action should be taken by the Commission to ask the Distribution Licensee to honour the orders/directions and Regulations issued by the Commission from time to time by exercising their powers vested under Electricity Act-2003.

B. Cost of inefficiency should not be passed on consumer tariff:

- Hon'blePunjabandHaryanaHighCourtinCWPNo.20687of2016decidedon 03-10-2016 has held that "the Commission has been constituted to keep watch on the working of the electricity generating and supplying companies so that they are efficient in their working and do not pass on the cost of inefficiency to the consumers".
- In a majority of cases decided by Hon'ble Punjab and Haryana High Court, CGRF (Patiala), CGRF (Ludhiana), Ombudsman (Electricity Punjab), Civil

Courts, CDSC, ZDSC, DDSC, Permanent Lok Adalats, Consumer forums etc. It has been held that due to negligence of PSPCL officers / officials for not following the Regulations, Instructions and Act, quashed / set-aside / reduced the demand raised against consumers by stating that consumer can't be penalized for not following statutory provisions and duties by PSPCL officers / officials and directed to take action on delinquent officers / officials. However, instead of taking action against the delinquent officers / officials of PSPCL for recovering the loss suffered by PSPCL, this loss is burdened on consumers by increasing the tariff. All the orders passed by Hon'ble Punjab and Haryana High Court, CGRF (Patiala), CGRF (Ludhiana), Ombudsman (Electricity Punjab), Civil Courts, CDSC, ZDSC, Permanent Lok Adalats, Consumer forums etc. should be scrutinized and loss suffered by PSPCL due to violation of Act, Regulations and Instructions of PSPCL should not burden the consumer.

C. Violation of supply code regulations, orders and directions issued by Hon'ble Commission causing loss to PSPCL, avoidable harassment to consumers causing unwanted increase in tariff:

- As per Supply Code Regulations (2014), in cases where PSPCL fails to release new connections or extension in load / demand beyond the period as specified in Regulation 8 of Supply Code Regulations (2014), it is mandatory for the distribution licensee to pay interest on Security Works for the period of delay at SBI base rate prevalent on first of April of relevant year plus 2%. In many of the cases, PSPCL is not releasing the connections in time and is also not implementing this instruction, which causes not only harassment to the consumers but also causes financial loss to the consumers as well as to PSPCL. Otherwise also this is a big reason for not utilizing surplus power ultimately resulting unnecessary increase in tariff rate.
- The Commission has passed orders to implement the provisions of Supply Code Regulations (2014). However, PSPCL is not preparing detailed accounts even after release of connection. There may be some cases in which PSPCL has spent more expenses than Security Works deposited and there can also be many cases where actual expanses are less than Security Consumption. PSPCL is violating this clause.
- As per Supply Code Regulations (2014), it is mandatory for PSPCL to standardize Application & Agreement (A&A) Form for various categories of

consumers with the approval of the Commission. However, PSPCL has not sought any approval till now. PSPCL should be directed to adhere to Supply Code Regulations (2014) Clause 5 and should get A&A (Application and Agreement) Form approved.

- As per Supply Code Regulations (2014), PSPCL has the option to appoint a franchisee, but Application and Agreement (A&A) Form applicable for franchisee is to be approved by the Commission as per Supply Code Regulations (2014) Clause 5. The same Form has not been approved by the Commission.
- This clearly means that, franchisee is to distribute electricity on and on behalf of distribution licensee in a particular area within the distribution area of supply. Thus, no franchisee can distribute electricity beyond the area allotted to him and franchisee can't charge in excess of tariff approved by the Commission. PSPCL should get franchisee Application and Agreement approved from the Commission and ensure that, every person who is owner/occupier of any premises in the area of franchisee (colonizer) should get electric connection under the provision of section 43 of electricity act 2003 and shall get the same facility, service and tariff as is applicable to other consumers in the area of distribution licensee.
- It is mandatory for PSPCL to refund / adjust excess Security Consumption to consumers under the provisions of Supply Code Regulations (2014).However, PSPCL (Distribution Licensee) is neither updating Security Deposit on consumer bills nor adjusting excess Security Consumption. Suitable compensation for such type of deficiency in service be provided in Standard of Performance Regulations.
- As per Supply Code Regulations (2014) Clause 16. Security Consumption for 1.5 months consumption is required to be deposited by every consumer. Net sale of energy is shown as Rs: 34,304 Crore in Tariff Petition. Thus, 1.5 – month Security Consumption comes to Rs: 4,288 Crore. But PSPCL is not showing correct Security Consumption in Tariff Petition. Further no interest on working capital should be allowed for the sale amount of electricity equal to 1.5 months sale.
- As per Supply Code Regulations (2014) Clause 17, it is mandatory for PSPCL to pay interest on Security Consumption/ Security Meter at bank rate and to

credit the same in the account of consumer annually on 1st April each year by adjusting/ paying the same in 1st bill raised after 1st April every year. However, PSPCL is neither following this instruction, nor paying penal interest as per Supply Code Regulations (2014). The Chief Engineer/Commercial also reiterated same time and again through various memos. However, the requisite instructions are not being complied with, resulting number of cases coming to Hon'ble Punjab and Haryana High Court, CGRF (Patiala), CGRF (Ludhiana), Ombudsman (Electricity Punjab),Civil Courts, CDSC, ZDSC, DDSC, Permanent Lok Adalats, Consumer forums, Audit Committees etc.

D. Violation to the meter Regulations (2006) and supply code Regulations (2014) made under the act

- As per Section 55 of Electricity Act 2003, it is mandatory for PSPCL (Distribution Licensee) to supply electricity (Sell Electricity to Consumers) by installing a correct meter in accordance to the regulations to be made by the authority (Central Electricity Authority) constituted under the provisions of Electricity Act 2003. But PSPCL (Distribution Licensee) is violating the Meter Regulations (2006) asunder:
- As per Section 4 of Meter Regulations (2006) it is mandatory for PSPCL (Distribution Licensee) to install static meters. But even after a lap of 15 years, Distribution Licensee fails to install meters as per Section 4 of Meter Regulations (2006),despite directions given by the Commission in every Tariff Order, Instructions notified by Distribution Licensee in their Sales Regulations, Electricity Supply Regulations, Electricity Supply Instructions Manual and Commercial Circulars. Distribution Licensee also admitted 75% losses in many divisions of PSPCL in the areas where old mechanical meters still exist which need to be replaced immediately with static meters U/S 4 of Meter Regulations (2006).
- As per Meter Regulations (2006) and Supply Code Regulations (2014), it is mandatory for PSPCL (Distribution Licensee) to take immediate action to get accreditation of existing meter testing laboratories from NABL, if not already done. Despite having passed 15years since the date of Meter Regulations (2006) came in force; PSPCL (Distribution Licensee) has not got the accreditation of their existing meter testing laboratories from NABL. This inefficiency of PSPCL (Distribution Licensee) is causing huge loss to the state exchequer resulting unnecessary increase in tariff rates.

- As per Section 18(2) of Meter Regulations (2006), it is mandatory for PSPCL (Distribution Licensee) to test consumer meters above 650 volts with its entire metering system including CTs, VTs through NABL accredited mobile laboratory atsite.Section18(2)of Meter Regulations (2006) states that "The testing for consumer meters above 650 volts should cover the entire metering system including CTs, VTs. Testing may be carried out through NABL accredited mobile laboratory using secondary injection kit, measuring unit and phantom loading or at any accredited test laboratory and recalibrated if required at manufacturer's works".
- PSPCL (Distribution Licensee) has no NABL Accredited Mobile Laboratory for testing meters above 650 volts at site as per procedure laid down in Meter Regulations (2006). All the connectionsabove650voltsareonHT/EHT supply and are big consumers. Non testing of their meters as per schedule prescribed in Supply Code Regulations (2014) and Meter Regulations (2006) is also cause for loss of revenue to PSPCL (Distribution Licensee) by losing the court cases.
- The Commission should watch the interest of consumers and pass orders after prudence check from all angels as per the Act and the Regulations after scrutinizing Tariff Petition and should get the Orders, Directions and Regulations implemented by exercising their powers vested under Electricity Act– 2003 in the interest of consumers, transparency and fairplay.

10. Director Local Government Punjab: Submitted that :

"Comprehensive review of the provisions governing supply Electricity to the residential colonies"

The Commission is receiving a number of petitions and complaints from the stakeholders regarding problems being faced w.r.t. Supply of electricity to the residential colonies covered under PSERC Regulations 6.6.1 and 6.7 of the Supply Code, 2014. Due to disputes between the developers and PSPCL on various issues, the consumers are facing lot of hardship in getting the new electricity connections and regular quality supply in some of these colonies. The Commission intends to carry out a comprehensive review of the provisions of the Regulations/instructions and procedure governing supply of electricity of these colonies. The numbers of State Advisory Committee may submit their views/comments on the issue." Hence it is suggested that the consumers/applicants who are constructing their Houses/Buildings after taking necessary approval from the Local Authority/ULB should be granted new electricity connections and regular quality supply should be ensured by the PSPCL as per procedure irrespective of any dispute between the developers and PSPCL in public interest.

11. Sh. A. Venu Prasad, CMD/PSPCL

While welcoming the feedback and suggestions of the Committee members CMD PSPCL stated as under:

- Long term loans have been converted from high-rate interest to low-rate interest and PFC has upgraded PSPCL rating from A to A+.
- Last year PSPCL was in loss, however the current year is expected toend in profit making because of the reduction in cost of borrowing and reduced cost of power purchase.
- PSPCL is an active participant on both power exchanges (IEX, EXIL). The problem in Punjab is mainly due to the consumption curve.The load varies from 3000 MW in winter to around 13000 MW in the Paddy season resulting in higher cost of power and fixed cost. With this type of load, it is difficult to optimize the generation capacity of own sources and Power procurement from other sources. Since, the TTC limit of Punjab is 6500 MW and even though the power is available in exchange in summer at lower rate. PSPCL cannot import more because of TTC limit as such Punjab requires generation of power within Punjab to meet the paddy season demand. However, efforts are being made to reduce the fixed cost. PSPCL is working on low Cost solar energy provision for Punjab State and a tender of 500 MW is being floated soon.
- Punjab Govt. has paid full subsidy for the current year but the arrears of previous years is pending.
- Shortages of manpower are being looked into. PSPCL is recruiting 1500 LDCs and 500 JEs who are likely to join in the month of February 2021. This shall result in proper upkeep of feeders resulting in better quality of Power for Consumers.
- PSPCL is making all out efforts for curbing malpractices, theft etc. to reduce T&D losses and recover arrears. Awareness camps for the consumers are stated to be organized.
- There is almost ‘nil’ growth in power consumption.

- It is mandatory that all new AP connections are released with five star rating motor.

The Chairperson thanked all the members for their valuable comments and suggestions.

The meeting ended with a vote of thanks to the chair.