

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%, 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 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 PSTCL 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 clearly 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 through 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), Charatrapur, 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 shall 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 an 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 2.50% 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 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

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:

<i>Table 83: Transmission loss Trajectory provisionally approved by The Commission for the 2nd MYT Control Period Particulars</i>	<i>FY 2020-21</i>	<i>FY 2021-22</i>	<i>FY 2022-23</i>
<i>I</i>	<i>II</i>	<i>III</i>	<i>IV</i>
<i>Transmission Loss (%)</i>	<i>2.48%</i>	<i>2.46%</i>	<i>2.44%</i>

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:

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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.

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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 realised 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 remain 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:

As per monthly MOD data being issued by CE/PPR						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 Mohabba t -PSPCL	GGSTP Ropar -PSPCL	Month	Nabha Power Rajpura -IPP	Talwandi Sabo Power-IPP	GVK -Goindwal Sahib IPP	GHTP Lehra Mohabba t -PSPCL	GGSTP Ropar -PSPCL
2019-20						2019-20					
Nov-19	3.10	3.43	4.04	4.42	4.98	Nov-19	3.10	3.43	4.04	3.72	3.24
Dec-19	2.96	3.62	3.67	4.44	3.87	Dec-19	2.96	3.62	3.67	3.72	3.24
Jan-20	2.76	3.57	4.13	4.22	4.23	Jan-20	2.76	3.57	4.13	3.72	3.24
Feb-20	2.87	3.41	4.13	4.18	4.23	Feb-20	2.87	3.41	4.13	3.72	3.24
Mar-20	3.00	3.33	4.13	4.17	4.23	Mar-20	3.00	3.33	4.13	3.72	3.24
2020-21						2020-21					
Apr-20	3.00	3.33	4.13	4.17	4.23	Apr-20	3.00	3.33	4.13	3.84	3.79
May-20	2.93	3.42	4.14	4.17	4.21	May-20	2.93	3.42	4.14	3.84	3.79
Jun-20	2.96	3.14	3.88	4.21	4.25	Jun-20	2.96	3.14	3.88	3.84	3.79
Jul-20	3.02	3.36	3.94	4.05	4.18	Jul-20	3.02	3.36	3.94	3.84	3.79
Aug-20	2.91	3.32	3.76	4.10	4.19	Aug-20	2.91	3.32	3.76	3.84	3.79
Sep-20	2.90	3.41	3.68	3.96	4.20	Sep-20	2.90	3.41	3.68	3.84	3.79
Oct-20	2.97	3.47	3.95	4.21	4.22	Oct-20	2.97	3.47	3.95	3.84	3.79
Nov-20	2.98	3.61	3.69	4.08	4.21	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 ARR's 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.