

Table 9: Capital Expenditure approved by the Commission for 1stMYT 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 2019-20 in 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. 226.48 Crore during FY 2019-20. This include capital expenditure to the tune of Rs.53.26 Crore on Contributory Works and of Rs. 11.95 Crore 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 2019-20 in 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 1 st 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:

$$(ii) EMP_n = (EMP_{n-1}) * (INDEX_n / INDEX_{n-1})$$