

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

(Rs. Crore)

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

Commission's Analysis:

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

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

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

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

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

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

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

Table 83: Capitalization approved by the Commission for FY 2020-21**(Rs. Crore)**

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

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

Table 84: Capital Works in Progress approved by the Commission for FY 2020-21 and FY 2021-22**(Rs. Crore)**

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

4.5 Funding of Capital Expenditure

PSTCL's Submission:

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

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

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

Commission's Analysis:

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

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

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

4.5.4 Accordingly, the Commission allows the funding as under:

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

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

4.6 Operation and Maintenance Expenses

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

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

A. Employee Costs and A&G Expenses

PSTCL's Submission:

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

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

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

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

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

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

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

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

- 4.6.8 The Other Employee Cost worked out in Truing-up of FY 2019-20 has been taken as the base for computing normative Other Employee Cost for FY 2020-21. Further, the base value of FY 2020-21 is considered for computation of Other Employee Expenses for FY 2021-22. PSTCL has adopted the approach of considering Net Other Employee Cost as baseline for projection purposes. PSTCL has therefore, not considered any employee expenses capitalised for FY 2020-21 and FY 2021-22.
- 4.6.9 PSTCL has considered the Terminal Benefits of Rs. 322.65 Crore for FY 2020-21 and Rs. 328.96 Crore for FY 2021-22, as approved by The Commission vide MYT Order dated 1.6.2020.
- 4.6.10 Accordingly, PSTCL has calculated Total Normative Employee Cost for FY 2020-21 and FY 2021-22, after computing Net Other Employee Cost on the basis of CPI and WPI and Terminal Benefits as approved for respective years, as under:

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

(Rs. Crore)

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

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

(Rs. Crore)

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

- 4.6.11 The normative escalation hence has worked out to be 2.30% computed on the basis of CPI Index taken at 50% weightage. Similarly, considering the base A&G expenses of FY 2020-21, PSTCL has computed A&G expenses for FY 2021-22.
- 4.6.12 PSTCL has submitted that as per the methodology adopted by the Commission in previous Tariff Orders, PSTCL has additionally claimed Licence Fee and Audit Fee in line with the amounts approved by The Commission for FY 2020-21 and FY 2021-22 in the MYT Order dated 1.6.2020. The Commission vide Order dated October 29,

2020 has temporarily relaxed the quantum of fee on applications/petitions/review petitions as prescribed under Regulation 3 of PSERC (Fee) Regulations 2005 to 50% of the chargeable fee till 31.03.2021. Accordingly, PSTCL has reduced its claim for Tariff Determination fee for FY 2020-21. However, the claim for FY 2021-22 is kept same as the amounts approved in MYT Order dated 1.6.2020. The normative A&G expenses for FY 2020-21 and FY 2021-22 claimed by PSTCL is as under:

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

(Rs. Crore)

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

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

(Rs. Crore)

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

Commission’s Analysis:

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

$$\text{“(ii) } EMP_n + A\&G_n = (EMP_{n-1} + A\&G_{n-1}) * (INDEX_n / INDEX_{n-1})$$

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

$$INDEX_n = 0.50 * CPI_n + 0.50 * WPI_n$$

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

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

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

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

A. 1) Terminal Benefits

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

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

A. 2) Other Employee Cost

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

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

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

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

$$\text{INDEX } n/\text{INDEX } n-1 = (0.5*5.0202) + (0.5*(1.1987)) = \mathbf{3.1094\%}$$

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

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

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

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

B. Administration & General (A&G) Expenses

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

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

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

C. Repair & Maintenance (R&M)

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

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

PSTCL's Submission:

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

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

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

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

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

Commission's Analysis:

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

$$(i) R\&M_n = K * GFA * WPI_n / WPI_{n-1}$$

Where,

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

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

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

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

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

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

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

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

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

Accordingly, Inflation factor = $1+0.011987 = 1.011987$

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

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

(Rs. Crore)

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

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

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

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

(Rs. Crore)

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

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

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

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

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

4.7 Depreciation Charges

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

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

PSTCL's Submission:

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

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

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

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

(Rs. Crore)

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

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

(Rs. Crore)

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

Commission's Analysis:

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

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

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

Provided that the land, other than the land held under lease and land for reservoir in case of hydro generating station, shall not be a depreciable asset and its cost

shall be excluded from the capital cost while computing depreciable value of the assets:

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

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

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

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

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

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

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation/ put in use of the asset shall be spread over the balance useful life of the assets:

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

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

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

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

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

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

(Rs. Crore)

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

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

(Rs. Crore)

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