

Table 8: Capital Expenditure for FY 2020-21**(Rs. Crore)**

Sr. No.	Description	Approved in 2 nd CIP Order	Revised Capital Expenditure in Tariff Order for FY 2020-21	Revised Capital Expenditure in APR in Tariff Order for FY 2021-22	Capital Expenditure Submitted by PSTCL for true-up
1.	Transmission Business	612.78	374.78	187.39	221.78
2.	SLDC Business	25.22	25.22	12.61	0.99
3.	PSTCL	638.00	400.00	200.00	222.77

2.4.7 As per the details of Assets directly purchased and transferred to GFA, the Commission has observed that the total assets directly purchased for FY 2020-21 amounts to Rs. 4.00 Crore which includes an asset of Rs. 0.04 Crore which was transferred to SLDC Business.

2.4.8 The Commission observed that the Petitioner had submitted “Any Other” Works of Rs. 49.61 Crore as part of capital expenditure for Transmission Business of FY 2020-21. In response to Commission’s query regarding the details of “Any Other” Works, the Petitioner submitted that PSTCL has inadvertently included contributory works, work already approved in 2nd MYT Control Period, etc in “Any Other” Works. Further, PSTCL vide reply dated 12.02.2022 submitted the revised format T-15 providing the details of revised capital expenditure. In replies to queries asked by the Commission during the meeting with PSERC conducted on 11.02.2022 and 28.02.2022, PSTCL, vide email dated 14.02.2021 and 02.03.2022, has submitted the actual Capital Expenditure incurred in FY 2020-21 as under:

Table 9: Revised Capital expenditure as submitted by PSTCL for FY 2020-21**(Rs. Crore)**

Sr. No.	Description	Transmission	SLDC	PSTCL
	Capital Expenditure on Spillover schemes during FY 2020-21			
1a	Contributory works	89.80	0.00	89.80
1b	Works under PSDF Scheme	6.48	0.00	6.48
1c	Others	99.48	0.95	100.43
1	Total Capital Expenditure on Spillover schemes	195.75	0.95	196.71
2	Total Capital Expenditure on New	22.06	0.00	22.06

(Rs. Crore)

Sr. No.	Description	Transmission	SLDC	PSTCL
	schemes*			
3	Total Capital Expenditure during FY 2020-21 (1+2)	217.81	0.95	218.76
4	Add: Assets directly purchased and transferred to GFA	3.96	0.04	4.00
5	Total Capital Expenditure (3+4)	221.77	0.99	222.76

*includes the adjustment of Rs. 0.66 Crore

2.4.9 The Commission observes that PSTCL has claimed capital expenditure of Rs. 0.66 Crore towards HR, IT, S&D and miscellaneous works for FY 2020-21. Since, these expenditures are not part of the approved capital investment plan, the Commission disallows the same.

2.4.10 PSTCL vide reply dated 04.02.2022 has further submitted that “Any Other” works includes R&M works of Rs. 0.79 Crore which are not capital works. The Commission has disallowed the same. Accordingly, the Capital Expenditure as approved by the Commission for FY 2020-21 is as under:

Table 10: Capital expenditure as provisionally approved by the Commission for FY 2020-21

(Rs. Crore)

Sr. No.	Description	Transmission	SLDC	PSTCL
	Capital Expenditure on Spillover schemes during FY 2020-21			
1a	Contributory works	89.80	0.00	89.80
1b	Works under PSDF Scheme	6.48	0.00	6.48
1c	Others	98.69	0.95	99.64
1	Total Capital Expenditure on Spillover schemes	194.97	0.95	195.92
2	Total Capital Expenditure on New schemes*	22.06	0.00	22.06
3	Total Capital Expenditure during FY 2020-21 (1+2)	217.03	0.95	217.98
4	Add: Assets directly purchased and transferred to GFA	3.96	0.04	4.00
5	Total Capital Expenditure (3+4)	220.99	0.99	221.98

*includes the adjustment of Rs. 0.66 Crore

2.4.11 The Commission has observed that the total Capital Expenditure for FY 2020-21 is Rs. 121.70 Crore (excluding Capital Expenditure due to Contributory Works and

Works under PSDF Scheme) against the approved Capital Expenditure of Rs. 200 Crore in Tariff Order for FY 2021-22 dated 28.05.2021.

2.4.12 Thus, the Capital Expenditure provisionally approved by the Commission is Rs. 220.99 Crore for Transmission Business and Rs. 0.99 Crore for SLDC Business i.e. Rs. 221.98 Crore for PSTCL for FY 2020-21. The Capital Expenditure shall be trued-up as per actuals at the end of the Control Period.

2.5 Capitalization and Capital Works in Progress

PSTCL's Submission:

2.5.1 PSTCL has submitted that the Capital Expenditure on account of directly purchased assets was amounting to Rs. 25.86 Crore, Rs. 2.55 Crore and Rs. 13.45 Crore for FY 2017-18, 2018-19 and FY 2019-20, respectively. PSTCL has further submitted that the Commission has considered the amount of Rs. 25.86 Crore as Capital Expenditure for FY 2017-18. However, while calculating the Capital Works in Progress (CWIP) as on 31.03.2018, the Commission has not deducted the same on account of Capitalization (Table 14 of the Tariff Order for FY 2021-22 dated 28.05.2021). Although the Commission has allowed the directly purchased assets of Rs. 2.55 Crore and Rs. 13.45 Crore for FY 2018-19 and FY 2019-20 respectively, however the Commission has not considered the same while calculating closing CWIP for the respective years (Table 14 of Tariff Order dated 28.05.2021). Hence, there is difference in the closing balance of CWIP as on 31.03.2020. Accordingly, PSTCL has considered the opening balance of Rs. 282.70 Crore as per Financial Accounts as on 01.04.2020.

2.5.2 The details of Capitalization as submitted by PSTCL for FY 2020-21 is as under:

Table 11: Details of Capitalization submitted by PSTCL for FY 2020-21

(Rs. Crore)

Sr. No.	Description	Transmission	SLDC	PSTCL
	Capitalization on Spillover schemes during FY 2020-21			
1a	Contributory works	0.98	0.00	0.98
1b	Works under PSDF Scheme	6.04	0.00	6.04
1c	Others	176.23	4.82	181.05
1	Total Capitalization on Spillover schemes	183.25	4.82	188.07
2	Total Capitalization on New schemes	10.44	0.00	10.44
3	Total Capitalization during FY 2020-21 as per Accounts (1+2)	193.69	4.82	198.51
4	Add: Assets directly purchased and transferred to	3.96	0.04	4.00

(Rs. Crore)

Sr. No.	Description	Transmission	SLDC	PSTCL
	GFA			
5	Total Capitalization (3+4)	197.65	4.86	202.51

2.5.3 PSTCL has submitted that Opening Capital Work in Progress for FY 2020-21 as per audited accounts is Rs. 282.70 Crore. PSTCL had incurred capital expenditure of Rs. 222.77 Crore during FY 2020-21. An amount of Rs. 202.51 Crore has been capitalized and transferred to Fixed Assets during FY 2020-21. 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 as claimed by PSTCL are as under:

Table 12: Capital Works in Progress submitted by PSTCL for FY 2020-21

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Opening Capital Work in Progress	277.36	5.34	282.70
2	Add: Addition of Capital Expenditure during the year	221.78	0.99	222.77
3	Less: Transferred to GFA during the Year	197.65	4.86	202.51
4	Closing Capital Work in Progress	301.48	1.46	302.95

Commission's Analysis:

2.5.4 The Commission has observed that the Commission has not deducted Rs. 25.86 Crore during the year while calculating CWIP for FY 2017-18. The Commission has already considered Rs. 2.55 Crore and Rs.13.45 Crore for FY 2018-19 and FY 2019-20 while calculating CWIP for the respective years.

2.5.5 Accordingly, for Transmission and SLDC Business, the Opening CWIP for True Up of FY 2020-21 is considered as under:

Table 13: Opening CWIP of FY 2020-21 as determined by the Commission

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Closing CWIP of FY 2019-20 as approved in Tariff Order for FY 2021-22	305.16	5.31	310.47
2	Add: Asset directly transferred to GFA during FY 2017-18	25.86	-	25.86
3	Opening CWIP of FY 2020-21	331.02	5.31	336.33

- 2.5.6** The Commission notes that the Capital expenditure for Transmission Business for FY 2020-21 is Rs. 217.03 Crore (excluding capital expenditure of Rs. 3.96 Crore of assets directly capitalized).
- 2.5.7** Similarly, for SLDC Business, the Closing CWIP for True Up of FY 2019-20 of Rs 5.31 Crore as approved in of Tariff Order dated 28.05.2021 is considered as the Opening CWIP for FY 2020-21. The Commission notes that the Capital expenditure for FY 2020-21 is Rs. 0.95 Crore (excluding capital expenditure of Rs. 0.04 Crore of assets directly capitalized).
- 2.5.8** The Capitalization as per audited accounts of PSTCL is Rs. 198.51 Crore for FY 2020-21 excluding assets directly capitalized. PSTCL has directly capitalized the assets of Rs. 4.00 Crore. Therefore, Capitalization of Rs. 202.51 (198.51 + 4.00) Crore has been considered for PSTCL. For SLDC Business, PSTCL has submitted addition of GFA during the year as Rs. 4.86 Crore. After verifying the Trial Balance of SLDC submitted by PSTCL, the Commission has considered the addition of GFA during the year as Rs. 4.82 Crore for SLDC Business (excluding capital expenditure of Rs. 0.02 Crore of assets directly capitalized). Therefore, Capitalization of Rs. 4.86 (4.82 + 0.04) Crore has been considered for SLDC Business. Accordingly, the net transfer to GFA during FY 2020-21 is as under:

Table 14: Transfer to GFA considered by the Commission for CWIP of FY 2020-21

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Transferred to GFA during the Year as per audited accounts (excluding assets directly transferred to GFA)	193.69	4.82	198.51
2	Add: Capitalization of Assets directly transferred to GFA	3.96	0.04	4.00
3	Net Transferred to GFA during the Year	197.65	4.86	202.51

- 2.5.9** The details for Capital Works in Progress approved by the Commission for Transmission and SLDC Business are as under:

Table 15: Capital Works in Progress approved by the Commission for FY 2020-21**(Rs. Crore)**

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Opening Capital Work in Progress	331.02	5.31	336.33
2	Add: Capital Expenditure during the year	220.99	0.99	221.98
3	Less: Transferred to GFA during the Year	197.65	4.86	202.51
4	Closing Capital Work in Progress	354.36	1.44	355.80

2.6 Funding of Capital Expenditure**PSTCL's Submission:**

2.6.1 PSTCL has submitted the funding requirement for Capital Investment (Considering Capital Expenditure of Spill over Schemes and Capitalization of New Schemes as directed by the Commission vide order dated 01.06.2020) during FY 2020-21 for Transmission Business as Rs. 211.09 Crore (Rs. 196.68 Crore for Capital Expenditure of Spill over schemes, Rs. 10.44 Crore for Capitalization of New Schemes and Rs. 3.96 Crore for Directly Capitalized Asset). Funding requirement for Capital Investment for SLDC Business is Rs. 0.99 Crore (Rs. 0.95 Crore for Spill over schemes and Rs. 0.04 Crore for Directly Capitalised Assets). Thus, the total funding for Capital Investment for PSTCL as a whole is Rs. 212.08 Crore during FY 2020-21.

2.6.2 PSTCL has considered the Capital Investment of Rs. 115.80 Crore for the purpose of funding from Loan and Equity which includes Rs. 114.81 Crore for Transmission Business and Rs. 0.99 Crore in SLDC Business. During FY 2020-21, PSTCL has booked a profit of Rs. 20.66 Crore and the same has been considered to be reinvested into the Transmission Business as Equity and the balance Rs. 95.14 Crore is funded through Loans.

2.6.3 The Capital Investment claimed by PSTCL for funding through Loans and Equity for Transmission Business and SLDC Business for FY 2020-21 is as under:

Table 16: Funding Requirement for Capital Investment for FY 2020-21 as claimed by PSTCL

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21
A	Transmission	
1	Capital Expenditure of Spill over Schemes	196.68
2	Capitalization of New Schemes	10.44
3	Directly Capitalised	3.96
4	Total funding for Capital Expenditure	211.09
5	Less: Funding through Grant and Contribution	96.28
a	Funding through Equity	20.66
b	Funding through Loan	94.14
B	SLDC	
1	Capital Expenditure of Spill over Schemes	0.95
2	Capitalization of New Schemes	-
3	Directly Capitalised	0.04
4	Total funding for Capital Expenditure	0.99
5	Funding through Loan	0.99

Commission's Analysis:

2.6.4 In Tariff Order for FY 2020-21 dated 01.06.2020, 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.”

2.6.5 The Commission has considered the funding of Assets directed transferred to GFA as per capitalization.

2.6.6 Accordingly, the Funding requirement is as under:

Table 17: Funding Requirement for Capital Investment for FY 2020-21

(Rs. Crore)				
Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Capital Expenditure of Spill over Schemes	194.96	0.95	195.92
2	Less: Funding through Grant and Contribution	96.28	-	96.28
3	Total Funding Required for Capital Expenditure (1-2)	98.69	0.95	99.64
4	Funding required for Capitalization of New Schemes	10.44	-	10.44
5	Assets Directly Capitalised	3.96	0.04	4.00
6	Total Funding Required for Capitalization (4+5)	14.40	0.04	14.44
7	Total funding required (6+3)	113.09	0.99	114.08

2.6.7 Since PSTCL has booked a profit of Rs. 20.66 Crore in FY 2020-21, the Commission has considered the addition of equity of Rs. 20.66 Crore for Transmission Business of PSTCL.

2.6.8 The relevant section of Regulation 19.2 of PSERC MYT Regulation 2019 is as under:

“ 19. DEBT EQUITY RATIO

....

19.2. New Projects – For capital expenditure projects declared under commercial operation on or after the effective date:

(a) A Normative debt-equity ratio of 70:30 shall be considered for the purpose of determination of Tariff;

(b) In case the actual equity employed is in excess of 30%, the amount of equity for the purpose of tariff determination shall be limited to 30%, and the balance amount shall be considered as normative loan;

(c) In case, the actual equity employed is less than 30%, the actual debt-equity ratio shall be considered;

(d) The premium, if any raised by the Applicant while issuing share capital and investment of internal accruals created out of free reserve, shall also be reckoned as paid up capital for the purpose of computing return on equity subject to the normative debt-equity ratio of 70:30,

provided such premium amount and internal accruals are actually utilized for meeting capital expenditure of the Applicant's business.”

2.6.9 Accordingly, for new schemes, since the funding required is for Capitalization of Rs. 14.44 Crore, Rs. 4.32 Crore (30% of 14.44) is funded through equity and the rest i.e. Rs. 10.08 Crore is funded through loan. The remaining equity of Rs. 16.34

Crore is considered for funding of Spillover schemes of Transmission Business of FY 2020-21. The details of funding through loan and equity allowed by the Commission for FY 2020-21 are as under:

Table 18: Funding for Capital Investment allowed by the Commission for FY 2020-21

			(Rs. Crore)		
Sr. No.	Particulars		Transmission	SLDC	PSTCL
1	Spillover Schemes	Funding through Loan	82.35	0.95	83.30
2		Funding through Equity	16.34	0	16.34
3		Total funding required (1+2)	98.69	0.95	99.64
4	New Schemes	Funding through Loan	10.08	0.04	10.12
5		Funding through Equity	4.32	0.00	4.32
6		Total funding required (4+5)	14.40	0.04	14.44
7	Total	Funding through Loan	92.43	0.99	93.42
8		Funding through Equity	20.66	0.00	20.66
9		Total funding required (7+8)	113.09	0.99	114.08

2.7 Operation and Maintenance Expenses

A. Employee Expenses

2.7.1 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.

2.7.2 In the ARR Petition for FY 2021-22, PSTCL had projected employee expenses of Rs. 525.40 Crore for its Transmission Business and Rs. 7.16 Crore for its SLDC Business for FY 2020-21. The Commission had approved employee cost of Rs. 519.01 Crore for Transmission Business and Rs. 7.71 Crore for SLDC Business to PSTCL for FY 2020-21.

PSTCL's Submission:

2.7.3 PSTCL has calculated the Normative O&M expenses as per Regulation 26.1 of PSERC MYT Regulations, 2019.

2.7.4 PSTCL has considered the actual expenses of Rs. 190.44 Crore approved by the Commission as Other Employee Cost for Transmission Business and the

normative expenses of Rs. 7.00 Crore approved by the Commission for SLDC Business for FY 2019-20 since the normative employee cost of SLDC was lower than the actual employee cost of Rs. 7.48 Crore.

- 2.7.5** PSTCL has submitted that with effect from September 2019, Communication Wing, which was earlier a part of Transmission Business, was transferred to SLDC Business. The employee cost of this Wing was coming out to be Rs. 1.58 Crore for FY 2019-20. Since the employee cost of Communication Wing was not covered in the base normative SLDC expenses, this has led to disallowance of actual cost of inter-units transfers such as the Communication Wing. Therefore, PSTCL in its Review Petition on Tariff Order dated 28.05.2021 has requested the Commission to allow Rs. 1.58 Crore as an additional employee cost of SLDC over and above the normative employee cost approved.
- 2.7.6** PSTCL has further submitted that the Communication Wing was again transferred back to Transmission Business on 16.03.2021. Accordingly, the base employee expenses of Rs. 190.44 Crore of FY 2019-20 for Transmission Business have been revised to Rs. 192.02 Crore (adding the cost of employees of the Communication Wing of Rs. 1.58 Crore) and has been considered as a base for FY 2020-21. Accordingly, the base employee expenses for FY 2020-21 have been revised from Rs. 7.48 Crore to Rs. 5.90 Crore for SLDC Business.
- 2.7.7** PSTCL has thereafter applied the weighted average escalation of CPI and WPI indices escalation of 3.16% for FY 2020-21. The calculation for INDEX as submitted by PSTCL is as under:

Table 19: Calculation of Index of FY 2020-21

Sr. No.	Particulars	FY 2019-20	FY 2020-21	Increase (%)
1	CPI	322.50	338.69	5.02%
2	WPI	121.80	123.38	1.29%

$$INDEX\ n/INDEX\ n-1 = (0.5*5.02) + (0.5*1.29) = 3.16\%$$

- 2.7.8** Further, the Petitioner has considered the Terminal Liabilities on the basis of actuals. PSTCL has also claimed Rs. 2.57 Crore on account of Terminal Benefits relating to FY 2020-21 intimated by PSPCL as 11.36% share of PSTCL in Terminal Benefits after finalization of accounts. The amount stands paid to PSPCL.
- 2.7.9** The following table shows the actual amount of Terminal Benefits as submitted by PSTCL for FY 2020-21.

Table 20: Terminal Benefits submitted by PSTCL for FY 2020-21**(Rs. Crore)**

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Share of Pension Gratuity and Medical	296.58	-	296.58
2	Share of Leave Encashment	19.85	-	19.85
3	NPS, CPF, PF, LWF	5.88	0.35	6.23
4	Miscellaneous - P.F inspection fees, solatium, Memento etc.	0.29	0.01	0.30
5	Prior Period Adjustment related to Terminal Benefits	2.57	-	2.57
6	Total Terminal Liabilities	325.17	0.36	325.53

2.7.10 PSTCL has computed the Normative Employee Costs for FY 2020-21 as shown in the following table:

Table 21: Normative Employee Costs for FY 2020-21 as submitted by PSTCL**(Rs. Crore)**

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Net Other Employee Cost for FY 2019-20	192.02	5.90	197.92
2	Escalation Factor (CPI: WPI: 50:50)	3.16%	3.16%	
3	Net Other Employee Cost for FY 2020-21	198.08	6.09	204.17
4	Terminal Benefits	325.17	0.36	325.53
5	Normative Employee Cost	523.25	6.45	529.70

Commission's Analysis:**A. 1) Terminal Benefits**

2.7.11 The Terminal benefits expenses are to be determined as per Regulation 26.1 of PSERC MYT Regulations, 2019. Relevant notes of Regulation 26 of MYT Regulations, 2019 are reproduced below for reference:

"Note-4: Terminal Liabilities such as death-cum-retirement gratuity, Ex-Gratia, pension including family pension, commuted pension, leave encashment, LTC, medical reimbursement including fixed medical allowance in respect of the State PSU / Government 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.”

2.7.12 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 benefit claimed as Rs. 296.58 Crore is allowed.

2.7.13 In addition to the above, an amount of Rs. 19.85 Crore of terminal benefits towards share of Earned leave encashment, an amount of Rs. 0.30 Crore of 'other terminal benefits' relating to Miscellaneous-P.F. inspection fees, Solatium, Memento, etc. and an amount of Rs. 6.23 Crore of terminal benefits towards NPS, CPF, PL and LWF are also allowed for FY 2020-21.

2.7.14 PSTCL has not claimed 'Provision for Gratuity & leave encashment for employees recruited by PSTCL amounting to Rs. 5.90 Crore as per Annual Audited Accounts. The Commission shall allow this expenditure on "Pay as you go" basis when it is actually paid out.

2.7.15 The Terminal benefits allowed by the Commission are as under:

Table 22: Terminal Benefits approved by the Commission for FY 2020-21

(Rs. Crore)				
Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Share of Pension Gratuity and Medical	296.58	-	296.58
2	Share of Leave Encashment	19.85	-	19.85
3	NPS, CPF, PF, LWF	5.88	0.35	6.23
4	Miscellaneous - P.F inspection fees, solatium, Memento etc.	0.29	0.01	0.30
5	Prior Period Adjustment related to Terminal Benefits	2.57	-	2.57
6	Total Terminal Liabilities	325.17	0.36	325.53

Therefore, the Commission allows terminal benefits of Rs. 325.17 Crore for Transmission Business and Rs. 0.36 Crore for SLDC Business for FY 2020-21 i.e. a total of Rs. 325.53 Crore for PSTCL.

A. 2) Other Employee Cost

2.7.16 The Employee Costs are determined as per Regulation 26.1 of PSERC MYT Regulations, 2019. Relevant sections of Regulation 26.1 of MYT Regulations, 2019 are reproduced below for reference:

“26.1. The O&M expenses for the nth year of the Control Period shall be approved based on the formula shown below:

$$O\&Mn = (R\&Mn + EMPn + A\&Gn) \times (1-Xn)$$

Where,

- *R&Mn –Repair and Maintenance Costs of the Applicant for the nth year;*
- *EMPn –Employee Cost of the Applicant for the nth year;*
- *A&Gn –Administrative and General Costs of the Applicant for the nth year;*

It should be ensured that all such expenses capitalized should not form a part of the O&M expenses being specified here. The above components shall be computed in the manner specified below:

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$$(ii) EMPn + A\&Gn = (EMPn-1 + A\&Gn-1) \times (INDEX\ n / INDEX\ n-1)$$

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

$$INDEXn = 0.50 \times CPI_n + 0.50 \times WPI_n$$

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

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

2.7.17 The Commission vide order dated 28.05.2021 had considered the actual employee cost of Rs. 190.44 Crore for Transmission Business and Rs. 7.48 Crore for SLDC Business i.e. a total of Rs. 197.92 Crore for PSTCL. Further, the Commission vide order dated 10.12.2021 in Review Petition No. 3 of 2021 has accepted that the employee expenses of Communication Wing of Rs.1.58 Crore is to be considered in Transmission Business for FY 2019-20 and not in SLDC Business and had allowed the employee cost of Rs. 0.48 Crore. Accordingly, the Commission has now considered the actual Other employee cost of Rs. 189.34 Crore (Rs.190.44 Crore + Rs. 0.48 Crore - Rs. 1.58 Crore) for Transmission Business and Rs. 8.58 Crore (Rs.7.48 Crore - Rs. 0.48 Crore + Rs. 1.58 Crore) for SLDC Business of FY 2019-20.

2.7.18 Further, the Commission has calculated the **INDEX** as under:

Table 23: Calculation of INDEX

Sr. No.	Particulars	FY 2019-20	FY 2020-21	Increase (%)
1	CPI	322.50	338.69	5.02
2	WPI	121.80	123.38	1.29

$$INDEX\ n/INDEX\ n-1 = (0.5*5.02) + (0.5*1.29) = 3.16\%$$

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

Table 24: Normative Other Employee Cost calculations

(Rs. Crore)				
Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Other Employee Cost for FY 2019-20	189.34	8.58	197.92
2.	Escalation Factor (CPI:WPI::50:50)	3.16%	3.16%	3.16%
3.	Other Employee Cost for FY 2020-21	195.32	8.85	204.17

2.7.20 Accordingly, the Commission approves “Other employee cost” of Rs. 195.32 Crore for Transmission Business and Rs. 8.85 Crore for SLDC Business i.e. R. 204.17 Crore for PSTCL for FY 2020-21.

2.7.21 The total employee cost of PSTCL approved by the Commission is as under:

Table 25: Employee Cost allowed by the Commission for FY 2020-21

(Rs. Crore)				
Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Other Employee Cost	195.32	8.85	204.17
2	Terminal Benefits	325.17	0.36	325.53
3	Total Employee Cost	520.49	9.21	529.70

2.7.22 Accordingly, the Commission allows Employee Cost of Rs. 520.49 (195.32 + 325.17) Crore for Transmission Business and Rs. 9.21 (8.85 + 0.36) Crore for SLDC Business for FY 2020-21 i.e. Employee Cost of Rs. 529.70 Crore for PSTCL.

B. A&G Expenses

2.7.23 In the ARR Petition for FY 2020-21, PSTCL had projected A&G expenses of Rs. 27.97 Crore for its Transmission Business and Rs. 0.80 Crore for its SLDC Business for FY 2020-21. The Commission had approved A&G expenses of Rs. 27.37 Crore for Transmission Business and Rs. 1.02 Crore for SLDC Business to PSTCL for FY 2020-21.

2.7.24 In the ARR Petition for FY 2021-22, PSTCL had projected A&G expenses of Rs. 26.68 Crore for its Transmission Business and Rs. 0.80 Crore for its SLDC Business for FY 2020-21. The Commission had approved A&G expenses of Rs.

26.32 Crore for Transmission Business and Rs. 0.80 Crore for SLDC Business to PSTCL for FY 2020-21.

PSTCL's Submission:

2.7.25 PSTCL has submitted that the Commission in its Tariff Order dated 28.05.2021, approved A&G Expenses of Rs. 27.12 Crore for FY 2020-21. PSTCL in its Petition for True-up of FY 2019-20 had claimed Rs. 0.81 Crore of Lease charges in interest charges. However, the Commission in its Tariff Order dated 28.05.2021 specified that as per Regulations these are a part of A&G expenses. Accordingly, the Commission had approved Rs 0.81 Crore of Lease charges as part of A&G Expenses for FY 2019-20. Further, PSTCL observed that the Commission has inadvertently not considered Rs. 0.81 Crore in A&G expenses for FY 2019-20 in computation of A&G expenses of APR for FY 2020-21. Therefore, PSTCL has considered A&G Expense of FY 2019-20 including Interest on Lease liabilities of Rs. 0.81 Crore for calculating the Normative A&G expenses for FY 2020-21.

2.7.26 PSTCL has applied the weighted average escalation of CPI and WPI indices of 3.16% and claimed the Normative A&G Expenses for FY 2020-21 as follows:

Table 26: Normative A&G Expenses as claimed by PSTCL for FY 2020-21

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	A&G Expenses – Baseline (FY 2019-20)	25.78	0.78	26.56
2	Escalation Factor	3.16%	3.16%	
3	A&G Expenses	26.59	0.80	27.39
4	Add: License and Tariff Determination Fee	0.41	-	0.41
5	Add: Audit Fee	0.06	-	0.06
6	Total	27.06	0.80	27.86

Commission's Analysis:

2.7.27 The A&G expenses are to be determined as per Regulation 26.1 of PSERC MYT Regulations, 2019. The relevant sections are as given in para 2.7.16.

2.7.28 The Commission vide order dated 10.12.2021 in Review Petition No. 3 of 2021 has approved as under:

“Commission's Analysis

The Commission while determining the baseline values of A&G expenses for FY 2020-21 to 2022-23 had inadvertently not considered interest on lease assets of Rs. 0.81 Crore incurred during FY 2019-20 in the base value of A&G expenses for 2nd Control Period i.e. FY 2020-21 to FY 2022-23. The Commission allows Rs. 0.81 Crore as interest on lease assets in the baseline values of A&G expenses for FY 2020-21. The norms for A&G expenses will be revised in the subsequent tariff order and its impact along with carrying cost will also be considered.”