



**COMMISSION'S ORDER**

**ON**

**TRUE UP FOR FY 2022-23, ANNUAL (MID YEAR) PERFORMANCE REVIEW  
OF FY 2023-24 AND DETERMINATION OF AGGREGATE REVENUE  
REQUIREMENT AND SLDC CHARGES FOR HARYANA VIDYUT PRASARAN  
NIGAM LIMITED (HVPNL) FOR THE FY 2024-25**

**HERC/PETITION NO. 68 OF 2023**

**16.02.2024**

**HARYANA ELECTRICITY REGULATORY COMMISSION  
BAYS 33-36, SECTOR-4, PANCHKULA-134112, HARYANA**

**<https://herc.gov.in>**

---

---

## CONTENTS

<b>CHAPTER 1</b> .....	<b>5</b>
1.1 PETITION FILED BY HVPNL (TRANSMISSION AND SLDC) .....	5
1.2 TRUE-UP OF SLDC BUSINESS ARR FOR FY 2022-23 .....	6
1.3 ANNUAL PERFORMANCE REVIEW (APR) FOR FY 2023-24 .....	6
1.4 PROPOSED ANNUAL REVENUE REQUIREMENT FOR FY 2024-25 .....	8
1.5 ANNUAL TRANSMISSION TARIFF AND SLDC CHARGES.....	9
1.6 SHORT-TERM OPEN ACCESS CHARGES (STOAC).....	10
<b>CHAPTER 2</b> .....	<b>11</b>
2.1 PUBLIC PROCEEDINGS.....	11
2.2 PUBLIC HEARING.....	11
2.3 STATE ADVISORY COMMITTEE (SAC).....	13
<b>CHAPTER 3</b> .....	<b>15</b>
3.1 TRUE-UP OF ARR FOR THE FY 2022-23 .....	15
3.1.1 OPERATIONS AND MAINTENANCE EXPENSES.....	15
3.1.2 CAPITALIZATION OF ASSETS FOR THE FY 2022-23 .....	21
3.1.3 DEPRECIATION FOR THE FY 2022-23 .....	21
3.1.4 INTEREST AND FINANCE CHARGES FY 2022-23 .....	22
3.1.5 INTEREST ON WORKING CAPITAL FOR THE FY 2022-23 .....	23
3.1.6 RETURN ON EQUITY (ROE) FOR THE FY 2022-23 .....	24
3.1.7 INCENTIVES AND PENALTY: SYSTEM AVAILABILITY FOR FY 2022-23 .....	25
3.1.8 FOREIGN EXCHANGE RATE VARIATION (FERV) .....	27
3.1.9 NON-TARIFF INCOME FOR FY 2022-23 .....	28
3.2 REVENUE FROM TRANSMISSION TARIFF.....	29
3.3 UNITARY CHARGES FOR JKTPL .....	29
3.4 ULDC CHARGES.....	30
3.5 PROPOSED AND APPROVED ARR FOR TRUE-UP .....	30
3.6 TRUE-UP OF SLDC BUSINESS.....	31
3.7 ANNUAL (MID YEAR) REVIEW PERFORMANCE OF ARR FY 2023-24 .....	32
3.8 REVISED CAPITAL EXPENDITURE AND CAPITALIZATION FOR FY 2023-24 AND PROPOSED CAPITAL EXPENDITURE PLAN FOR CONTROL PERIOD FY 2024-25 .....	33
A. TRANSMISSION SYSTEM BUSINESS .....	33
B. SUBSTATIONS.....	34
C. TRANSMISSION LINES.....	34
D. INFORMATION TECHNOLOGY.....	35
E. LAND.....	35
F. S Mast & OPGW PROJECTS .....	35
G. SLDC .....	35
H. MISCELLANEOUS ITEMS .....	35
I. FUNDING PATTERN.....	35

---

J. INTRA-STATE TRANSMISSION LOSSES.....	37
K. TRENDS IN TRANSMISSION LOSSES .....	37
L. TRANSMISSION SYSTEM AVAILABILITY .....	38
M. FATAL AND NON-FATAL ACCIDENTS.....	44
N. PLANS FOR IMPROVING THE SYSTEM POWER FACTOR .....	45
O. ENERGY ACCOUNTING .....	46
3.9 EMPLOYEE RECRUITMENT AND RETIREMENT .....	48
3.10 AGGREGATE REVENUE REQUIREMENT .....	49
3.11 REVENUE GAP AND CARRYING COST .....	49
3.12 REVIEW OF SLDC CHARGES.....	50
CHAPTER 4 .....	51
4.1. BRIEF BACKGROUND .....	51
4.2. OPERATION & MAINTENANCE EXPENSES (O&M) .....	51
A. EMPLOYEE COST.....	51
B. REPAIR AND MAINTENANCE EXPENSES (R&M).....	52
C. ADMINISTRATIVE & GENERAL EXPENSES (A&G).....	52
4.3. DEPRECIATION .....	53
4.4. INTEREST & FINANCE CHARGES.....	54
4.5. INTEREST ON WORKING CAPITAL .....	55
4.6. RETURN ON EQUITY (TRANSMISSION BUSINESS).....	55
4.7. NON-TARIFF INCOME.....	56
4.8. ARR FOR THE FY 2024-25 .....	
4.9. UNITARY CHARGES.....	56
4.10. YEARLY TRANSMISSION CHARGES (YTC) FOR TRANSMISSION LINES INCIDENTAL TO INTER-STATE TRANSMISSION (ISTS) OF ELECTRICITY .....	57
4.11. AGGREGATE REVENUE REQUIREMENT .....	58
4.12. SLDC ARR (FY 2024-25) .....	58
CHAPTER 5 .....	60
5.1. ANNUAL TRANSMISSION CHARGES AND SLDC CHARGES .....	60
5.2. SHARE OF SLDC CHARGES AS PER HERC MYT REGULATIONS 2019.....	61
5.3. PROSPECTIVE SHORT-TERM OPEN ACCESS CHARGES (STOA).....	62
5.4. RECOVERY OF SLDC CHARGES FROM SHORT TERM OPEN ACCESS CONSUMERS .....	62
5.5. REACTIVE ENERGY CHARGES:.....	63

**BEFORE THE HARYANA ELECTRICITY REGULATORY COMMISSION  
BAYS NO. 33-36, SECTOR-4, PANCHKULA-134112  
HERC / PETITION NO - 68 OF 2022**

**IN THE MATTER OF**

Petition filed by Haryana Vidyut Prasaran Nigam Limited (herein after referred to as HVPNL or the Petitioner or the Licensee) for approval of True up for FY 2022-23, Annual Performance Review of FY 2023-24 and Aggregate Revenue Requirement and Tariff Petition for FY 2024-25.

**QUORUM**

**Shri Naresh Sardana**

**Member**

**ORDER**

The present petition has been filed by HVPNL i.e. the Transmission Licensee also notified by the Haryana Government as the State Transmission Utility (STU) and State Load Dispatch Centre (SLDC), under section 26 (7) of the Haryana Electricity Reform Act, 1997 read with applicable provisions of the license, the MYT Regulations along with section 32 (3) section 62 and section 64 of the Electricity Act, 2003, for consideration and approval of the Commission.

The Commission, in exercise of powers vested in it under section 62 of the Electricity Act, 2003 and section 26 of the Haryana Electricity Reforms Act, 1997 and all other powers enabling it in this behalf, has admitted the petition filed by HVPNL for True-Up of the Aggregate Revenue Requirement (ARR) for Transmission Business and State Load Dispatch Centre (SLDC) for the FY 2022-23, Annual (Mid-Year) Performance review for the FY 2023-24, Determination of Transmission Tariff and SLDC charges for the FY 2024-25, in line with the Haryana Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Generation, Transmission, Wheeling and Distribution & Retail Supply under Multi Year Tariff Framework) Regulations, 2019 ("MYT Regulations 2019") notified on October, 31, 2019.

The petition filed by HVPNL for its Transmission Business and SLDC charges as well as public proceedings, consultation with State Advisory Committee and the Commission analysis and order thereto are enumerated in the paragraphs that follow: -

---

## CHAPTER 1

### 1.1 PETITION FILED BY HVPNL (TRANSMISSION AND SLDC)

At the onset, the Commission observes that the order for the FY 2022-23 (now being taken up for 'true-up') was passed in accordance with the applicable provisions of the HERC MYT Regulations, 2019. Accordingly, the 'true-up', for the FY 2022-23 shall be carried out as per the provisions and principles specified therein.

The Transmission ARR / SLDC charges for the FY 2024-25 shall also be considered and determined in accordance with the provisions of the MYT Regulations, 2019 including its subsequent amendments.

The ARR approved by the Commission and revised ARR submitted for True up for its transmission business for the FY 2022-23, are as under: -

#### Proposed True Up of Transmission Business ARR for FY 2022-23 (Rs. Millions)

Particulars	FY 2022-23		
	Approved vide HERC order dated 02.03.2022	True Up FY 2022-23	Gap Surplus/ (Deficit)
<b>Expenditure</b>			
<b>O&amp;M expenses</b>	<b>8906.99</b>	<b>9663.89</b>	<b>-756.90</b>
<i>Employee Expenses</i>	4578.85	5230.97	-652.12
<i>Terminal Benefits</i>	3443.90	3571.67	-127.77
<i>A&amp;G Expenses</i>	312.58	398.26	-85.70
<i>R&amp;M Expenses</i>	571.66	462.98	108.68
<b>Depreciation</b>	5091.50	4531.14	560.36
<b>Interest on term Loans</b>	2928.11	2397.19	530.92
<b>Impact of Foreign Exchange Risk Variation</b>	0.00	255.81	-255.81
<b>Interest on working Capital</b>	316.19	59.39	256.80
<b>Total Expenditure</b>	<b>17242.79</b>	<b>16907.41</b>	<b>335.38</b>
<b>Return on Equity</b>	2678.82	2884.00	-205.18
<b>Less: Non Tariff Income</b>	-222.80	-746.06	523.26
<b>Annual Transmission Charges</b>	<b>19698.81</b>	<b>19045.36</b>	<b>653.45</b>
<b>Add: Incentive for TSA</b>	0.00	80.72	-80.72
Add: Sharing of Benefits @ 60% - IoWC		169.43	-169.43
<b>Net ARR</b>	<b>19,698.81</b>	<b>19,295.50</b>	<b>403.31</b>
Add: Revenue Gap 2019-20	1884.43	1884.43	0.00
Add: Carrying cost on above	0.00	0.00	0.00
Add: Carrying cost on above	0.00		0.00
<b>Aggregate Revenue Requirement</b>	<b>21583.24</b>	<b>21179.93</b>	<b>403.31</b>
ULDC Charges	0.00	125.65	-125.65
R&M Expenses 21-22 as per review order	0.00	27.45	-27.45
CSR (NTI) as per review order	0.00	1.15	-1.15
Transmission Share of SLDC Charges	13.17	10.57	2.60
Unitary Charges for JKTPPL	488.76	503.55	-14.79
Less YTC for Lines Operating As ISTS Lines FY 22-23	0.00	0.30	-0.30
<b>Total Transmission Charges</b>	<b>22085.17</b>	<b>21848.00</b>	<b>237.17</b>

It is evident from the table above that the claim for true-up amounting to Rs. 237.17 Million, based on the Audited Accounts of the FY 2022-23, has been filed by the petitioner. The major portion of the true-up sought comprises of terminal liabilities (part of employee cost) and Return on Equity.

## 1.2 TRUE-UP OF SLDC BUSINESS ARR FOR FY 2022-23

The SLDC ARR approved by the Commission and the actual expenditure incurred during the FY 2022-23, as per the Audited Accounts, of the SLDC business and filed for true-up by the petitioner, is as under:

### Proposed True Up Requirement of SLDC Business for FY 2022-23 (Rs. Millions)

S. No	SLDC Business	Approved vide HERC Dated 02.03.2022	True up	Gap (-) /Surplus
1	Employee Expense	54.55	62.705	-8.155
2	Terminal Benefits	0	0	0
3	A&G Expense	9.14	9.925	-0.785
4	R&M Expense	7.05	12.218	-5.168
5	Depreciation	67.98	48.767	19.213
6	Interest on Loan	24.81	0	24.81
7	Interest on Working Capital	2.57	2.619	-0.049
8	Return on Equity	0	0	0
9	Less: Non-Tariff Income	-1.45	-4.099	2.649
10	Add: Revenue Gap/ Surplus Refund	0	0	0
11	Carrying Cost	0	0	0
12	<b>TOTAL</b>	<b>164.65</b>	<b>132.13</b>	<b>32.52</b>

As evident from the table above, the actual expenditure for operating the State Load Dispatch Centre in the FY 2022-23 was Rs. 132.13 Million as against Rs. 164.65 Million approved by the Commission. The difference between the amount approved by the Commission and that reflected in the Audited Accounts of the licensee, is primarily on account of interest on term loan and depreciation.

## 1.3 ANNUAL PERFORMANCE REVIEW (APR) FOR FY 2023-24

The table below summarizes the revised estimates of transmission ARR submitted by the transmission licensee vis-e-vis that approved by the Commission.

### Transmission ARR for FY 2023-24 (Rs. Million)

Particulars	Approved by HERC order dated 30.01.2023	Proposed for APR FY-2023-24	Gap Surplus/ (Deficit)
<b>Expenditure</b>			
<b>O&amp;M expenses</b>	<b>8838.07</b>	<b>9371.91</b>	<b>-533.84</b>
<i>Employee Expenses</i>	5003.32	5523.00	-519.68
<i>Terminal Benefits</i>	2814.80	2814.80	0.00
<i>A&amp;G Expenses</i>	428.21	409.95	18.26
<i>R&amp;M Expenses</i>	591.74	624.17	-32.43

Depreciation	4761.80	5026.12	-264.32
Interest on term Loans	2983.42	3294.19	-310.77
Impact of Foreign Exchange Risk Variation	0.00	0.00	0.00
Interest on working Capital	314.65	392.58	-77.93
<b>Total Expenditure</b>	<b>16897.94</b>	<b>18084.81</b>	<b>-1186.87</b>
Return on Equity	2998.97	2783.16	215.81
Less: Non-Tariff Income	-222.80	-222.80	0.00
<b>Annual Transmission Charges</b>	<b>19674.11</b>	<b>20645.17</b>	<b>-971.06</b>
Add: Revenue Gap 2021-22	2457.59	2457.59	0.00
Add: Carrying cost on above	0.00	0.00	0.00
<b>Aggregate Revenue Requirement</b>	<b>22131.70</b>	<b>23102.76</b>	<b>-971.06</b>
<b>ULDC Charges for FY 2023-24</b>	<b>0.00</b>	<b>84.58</b>	<b>-84.58</b>
Transmission Share of SLDC Charges	18.66	10.48	8.18
Unitary Charges for JKTPL	506.32	498.75	7.57
Less YTC for lines Operating as ISTS Lines for FY 2023-24	3.47	3.47	0.00
<b>Total Transmission Charges</b>	<b>22653.21</b>	<b>23693.10</b>	<b>-1039.89</b>

HVPNL has submitted that in line with the methodology adopted by the Hon'ble Commission in the earlier tariff orders, the Petitioner in this instant tariff petition is submitting the Annual Performance Review of the FY 2023-24. However, the impact of revenue gap as estimated in the Annual Performance Review and carrying cost thereto is not being considered in the projection of ARR for the FY 2024-25. The revised financial impact of FY 2023-24 will be taken by the petitioner in next tariff petition as 'true-up' once the audited annual accounts for FY 2023-24 are available.

A snapshot of the true-up sought by HVPNL for the FY 2022-23, revised estimates for the FY 2023-24 and projected ARR for the FY 2024-25 for their transmission and SLDC business is presented in the table that follows: -

**Proposed Revenue Gap with Carrying Cost for FY 2022-23, 2023-24 and FY 2024-25**  
(in Rs. Million)

Particulars	FY 2022-23	FY 2023-24	FY 2024-25
Approved ARR	22,085.17	22,653.21	22,449.19
Proposed Revised ARR	21,848.00	23,693.10	22,449.19
Opening Revenue Gap	-	(247.32)	(272.05)
Addition in Revenue Gap	(237.17)	-	-
Closing Revenue Gap	(237.17)	(247.32)	(272.05)
Interest Rate	8.50%	10.00%	10.000%
Carrying Cost	(10.08)	(24.73)	(13.60)
Closing Revenue Gap with Carrying Cost	(247.32)	(272.05)	(285.65)

**Proposed Aggregate Revenue Requirement of SLDC for FY 2023-24 (in Rs. Million)**

S. No	SLDC Business	FY 2023-24
	Particulars	APR
1	Employee Expense	64.54
2	Terminal Benefits	0.00

3	A&G Expense	10.22
4	R&M Expense	5.05
5	Depreciation	49.69
6	Interest on Loan	0.00
7	Interest on Working Capital	2.97
8	Return on Equity	0.00
9	Less: Non-Tariff Income	-1.45
10	Add: Revenue Gap/ Surplus Refund	0.00
11	Carrying Cost	0.00
	<b>TOTAL</b>	<b>131.01</b>

#### 1.4 PROPOSED ANNUAL REVENUE REQUIREMENT FOR FY 2024-25

##### Proposed Transmission ARR for FY 2024-25 (in Rs. Million)

Particulars	2024-25
<b>Expenditure</b>	
<b>O&amp;M expenses</b>	<b>9277.76</b>
<i>Employee Expenses</i>	5637.11
<i>Terminal Benefits</i>	1957.80
<i>A&amp;G Expenses</i>	421.96
<i>R&amp;M Expenses</i>	1260.89
<b>Depreciation</b>	<b>5440.72</b>
<b>Interest on term Loans</b>	<b>4326.97</b>
<b>Impact of Foreign Exchange Risk Variation</b>	0.00
<b>Interest on working Capital</b>	<b>403.29</b>
<b>Total Expenditure</b>	<b>19448.75</b>
<b>Return on Equity</b>	<b>2968.80</b>
<b>Less: Non-Tariff Income</b>	-222.80
<b>Annual Transmission Charges</b>	<b>22194.75</b>
Add: Surplus for 2022-23	-237.17
Add: Carrying cost on above	0.00
<b>Aggregate Revenue Requirement</b>	<b>21957.57</b>
<b>ULDC Charges FY 2024-25</b>	<b>0.00</b>
Transmission Share of SLDC Charges	10.66
Unitary Charges for JKTPPL	480.95
Less YTC for Lines Operating as ISTS Lines for FY 2024-25	0.00
<b>Total Transmission Charges</b>	<b>22449.19</b>

The licensee, as per the details presented in the table above, has proposed ARR for its transmission business, including the revenue gap (on proposed true-up) carried forward, of Rs. 22449.19 Million to be recovered through transmission tariff in the FY 2024-25 from the beneficiaries of transmission services of HVPNL.

As HVPNL also manages and operates the State Load Dispatch Centre (SLDC) at Sewah / Panipat, they have proposed the SLDC ARR as follows: -

##### Proposed Aggregate Revenue Requirement for SLDC for FY 2024-25 (in Rs. Million)

S. No	SLDC Business	FY 24-25
1	Employee Expense	66.43
2	Terminal Benefits	0.00
3	A&G Expense	10.52
4	R&M Expense	5.05
5	Depreciation	49.69



6	Interest on Loan	0.00
7	Interest on Working Capital	3.04
8	Return on Equity	0.00
9	Less: Non-Tariff Income	-1.45
<b>10</b>	<b>TOTAL</b>	<b>133.27</b>

## 1.5 ANNUAL TRANSMISSION TARIFF AND SLDC CHARGES

In accordance with the projected ARR for the FY 2024-25 for the Transmission business, the licensee has proposed Annual Transmission Tariff / Charges recoverable from the beneficiaries of the Transmission System as under: -

### Proposed Annual Transmission Charges for FY 2024-25 (In Rs. Million)

<b>Annual Revenue Requirement for FY 2024-25</b>	<b>Rs. Million</b>	22194.75
Rev Gap of FY 2022-23	Rs. Million	-237.17
<b>Aggregate Revenue Requirement</b>	<b>Rs. Million</b>	<b>21957.57</b>
Transmission Share of SLDC Charges	Rs. Million	10.66
Unitary Charges for JKTPL	Rs. Million	480.95
Less YTC for Lines Operating as ISTS Lines FY 2023-24	Rs. Million	0.00
<b>Total Transmission Charges</b>	<b>Rs. Million</b>	<b>22449.19</b>
Monthly Transmission Tariff	Rs. Million	1870.77
Monthly Transmission Charges UHBVNL	45.5653%	852.42
Monthly Transmission Charges DHBVNL	52.9380%	990.35
Monthly Transmission Charges TPTCL	0.4177%	7.81
Monthly Transmission Charges NTPC	0.0168%	0.32
Monthly Transmission Charges CRPCPL	0.0025%	0.05
Monthly Transmission Charges Northern Railways	1.0597%	19.82

It has been submitted that in case of any addition of new beneficiary during the financial year, the transmission charges shall be levied in proportion to their respective allotted transformation capacity / installed capacity.

### Proposed SLDC Charges for FY 2024-25 (in Rs. Million)

Beneficiaries	SLDC charges to be recovered Rs. 133.27 million	Amount (in Rs Million)	Total (Rs. Millions) FY 2024-25
<b>HVPN @ 8% (Transmission Business)</b>	-	<b>Amount</b>	<b>10.6616</b>
<b>Generating Companies &amp; Sellers @ 46%</b>	<b>Installed Capacity / Capacity (in MW)</b>	<b>Amount</b>	<b>61.3044</b>
HPGCL	2,582.40	Sub-Amount	34.6216
Faridabad Gas Power Plant	432.00		5.7917
Mahatma Gandhi Super Thermal Power Station	1,320.00		17.6969
Gemco Biomass	8.00		0.1073
Star Wire India Ltd	9.90		0.1327
Sri Jyoti	9.50		0.1274
Shahbad Co-operative Sugar Mills	24.00		0.3218
Naraingarh Sugar Mill	22.40		0.3003
Amplus Sun Solutions Pvt Ltd.	50.00		0.6703
JBM Environment Pvt Ltd	8.00		0.1073
Deepan Godara S/o Sh Dalip Singh	0.25	0.0034	

Raj Waste Treat Pvt Ltd	2.00		0.0268
Hind Samachar Ltd	15.00		0.2011
SAEL Ltd	15.00		0.2011
LR Energy Ltd	20.00		0.2681
Avaada Green HN Project	50.00		0.6703
Mor Bio Energy Pvt LTd	1.20		0.0161
Giotech Power Pvt. Ltd.	1.00		0.0134
K2 Power Renewal Pvt. Ltd.	2.00		0.0268
<b>Distribution Licensees and Buyers @ 46%</b>	<b>Transformation Ratio (in %)</b>	<b>Amount</b>	<b>61.3044</b>
UHBVNL	45.5098%	Sub-Amount	27.8995
DHBVNL	52.8734%		32.4137
Tata Power Trading Company Limited	0.4172%		0.2557
NTPC	0.0168%		0.0103
CRPCPL	0.0025%		0.0015
Northern Railways	1.0584%		0.6488
Merino Panel Products	0.0168%		0.0103
Orbit Resorts Limited	0.0252%		0.0155
M/S Sky City Hotels Pvt. Ltd.	0.0017%		0.0010
M/s Asian Paints Limited	0.0168%		0.0103
M/s Goodrich Carbohydrates Ltd.	0.0081%		0.0049
M/s Dorset Industries Pvt. Ltd.	0.0030%		0.0019
M/s KRBL Ltd.	0.0045%		0.0028
M/s G. S. Spinning Mills	0.0034%		0.0021
M/s Garg Spinning Mills	0.0034%		0.0021
M/s Bhartiya Spinners Ltd.	0.0034%		0.0021
M/s Blow Pakaging	0.0020%		0.0012
M/s Rico Auto Industries Ltd	0.0336%		0.0206

HVPNL has submitted that in case of any addition of new beneficiary, the SLDC charges would be charged in proportion to the respective transformation capacity.

## 1.6 SHORT-TERM OPEN ACCESS CHARGES (STOAC)

HVPNL, for the consumers bringing in power under short-term open access mechanism as per the enabling provisions of the HERC Open Access Regulations in vogue, has proposed recovery of following charges:

### Proposed Transmission Charges to be recovered from STOAC

STOA Charges (Rs/ kWh)	Amount
Transmission Cost for FY 2024-25 (Rs in millions)	22449.19
Total energy transmitted by HVPNL for FY 2022-23 (MUs)	60719.636
Proposed Charges (Rs/ kWh)	0.37

## CHAPTER 2

### PROCEDURAL ASPECTS OF THE ARR FILING

#### 2.1 PUBLIC PROCEEDINGS

In compliance of section 64 (2) of the Electricity Act, 2003, the petitioner i.e. HVPNL, published its petition in an abridged form for inviting comments/objections from the stakeholders/ general public. The public notice was issued by the HVPNL in 'The Tribune' (English) dated 01.12.2023 and 'Dainik Jagran' (Hindi) dated 01.12.2023.

Subsequently, the Commission issued public notice in The Tribune (English) dated 13.12.2023 and Dainik Bhaskar (Hindi) dated 14.12.2023 inviting comments / objections from the stakeholders / general public. The date of public hearing in the matter was also specified therein.

#### 2.2 PUBLIC HEARING

The Commission, in order to afford an opportunity to the stakeholders / interested persons to present their case in person, held a public hearing on the petition filed by HVPNL after publishing the date of public hearing in the newspapers. The date of the public hearing was also posted on the website of the Commission under the heading 'Schedule of Hearing'.

The public hearing was held on 09.01.2024 at 10:00 AM, as scheduled. The petitioner made a detailed presentation in the hearing and also responded to various queries / clarifications sought by the Hon'ble Commission. Further, in response to the public notice the Commission received objections from the following interveners: -

##### 1. **Sh. Pankaj Bhalotia, R/o Imperial Tower, Sector-82, Faridabad**

The issues raised by the above intervener, and Commission's view are as follows: -

1. Despite HERC rescinding the HVPNL Memo No. Ch-40/DSO-434/Vol.III/RAU/F-136 dated 04.09.2014 and declaring it Null and Void from the date of its issue vide its decision in Appeal No. HERC/PRO 8, 10 & 11 of 2015 on 21.09.2015, the officials of HVPNL are still demanding the share cost under the said Memo No. Ch-40/DSO-434/Vol.III/RAU/F-136 dated 04.09.2014. Isn't it reflect the apathetic approach of the HVPNL towards the electricity consumer and tantamount to lack of knowledge and overlooking the decision of HERC and various Rules and Regulations in place by the officials of HVPNL and causing unnecessary harassment, poor service, mental agony etc that despite the said Memo was rescinded and declared as Null and Void by HERC on

21.09.2015, HVPNL is still continuing and demanding the share cost in terms of said Memo No. Ch-40/DSO-434/Vol.III/RAU/F-136 dated 04.09.2014. The HERC direction was clear in the said Appeal No. HERC/PRO 8, 10 & 11 of 2015 on 21.09.2015 that the Share Cost shall only and only be payable in terms of provisions of HERC (Duty to supply electricity on request, Power to recover expenditure incurred in providing supply) Regulations, 2005 along with its amendments and not in terms of any other notification/circular/guideline whatsoever of HVPNL or DHBVN.

2. It reflects the apathetic approach of the HVPNL towards the electricity consumer and tantamount to harassment, mental agony, lack of knowledge and poor service by the officials of HVPNL by adding more than one consumer to an existing Independent Feeder by overlooking and contravening the provisions of Regulation 4.8.2 (i) to (ix) of the HERC (Duty to supply electricity on request, Power to recover expenditure incurred in providing supply) Regulations, 2016 along with its amendments by adding two (2) additional consumers (one on 13.07.2019 and another one in March 2021) were connected to the Independent Feeder of Original Consumer who has actually paid all the charges and get the independent Feeder erected and all work done under self-execution scheme. A second or more consumers can only be connected to an existing Independent Feeder as envisaged in Regulations 4.8.2 (i) to (ix) of the HERC (Duty to supply electricity on request, Power to recover expenditure incurred in providing supply) Regulations, 2016 along with its amendments and not in any other circumstances whatsoever, but officials of HVPNL overlooked and contravened the said Regulation and Procedure in place and allowed adding two (2) more consumers to an existing Independent Feeder of DHBVN Electricity Account No. 2202690000. Not a single regulation between Regulation 4.8.2 (i) to (ix) of the HERC (Duty to supply electricity on request, Power to recover expenditure incurred in providing supply) Regulations, 2016 was followed and complied with while connecting two (2) more consumers to the existing Independent Feeder. A clear gross negligence on the part of HVPNL in joining hands with DHBVN and allowed both the connections to get added to the Independent Feeder of original consumer having DHBVN Electricity Account No. 2202690000.

**Commission's view:**

The Commission has perused the objections filed by Shri Bhalotia. It is observed that he has raised following two issues: -

- i) Share cost demanded by HVPNL
- ii) Adding additional consumer to an existing independent feeder.

The intervener herein needs to note that the scope of present proceedings is for determination of transmission tariff and SLDC charges in accordance with the provisions of the HERC MYT Regulations and its subsequent amendments occupying the filed. The issue raised herein clearly falls outside the scope of the present proceedings. Hence, the Commission is not expressing any views on the same.

## 2. **Sh. Anagha Pujari, 3, Guruprasanna, Ramnagar, Dombivli East**

### **Intervener's views:**

1. **Current Initiatives:** What AI/ML analytics technologies are currently in use across various departments? Examples include Deviation Pool Optimization, Data Integration at SLDC, Asset Predictive Analytics, etc. Whether these costs are being considered in Opex or any specific Capex project has been approved.
2. **Future Plans and Roadmap:** Whether any Capex projects have been approved/proposed in this regard for the years in contention? What is HVPN's vision for incorporating advanced analytics in the future? Does it have any road map in this regard? Please provide insights into the planned initiatives, technologies, and a roadmap for their implementation.
3. **Cross-Departmental Implementation:** It would be valuable to know whether analytics technologies are being utilized uniformly across different departments within HVPN or if there are plans to expand their usage.
4. **Setting up a Center of Excellence (CoE):** Considering the breadth and depth of **analytics** applications, Is HVPN contemplating establishing a Center of Excellence dedicated to analytics? Has HVPN carried out any feasibility study for setting up such a center for comprehensive Data driven Decision-Making?

### **Commission's view:**

The Commission has perused the above comments / information sought. Despite the fact that in the present context, the answers sought are not directly relevant, the intervener may note that the transmission system in the backbone of the power system, hence, efforts are made to absorb new and emerging technologies including AI.

## 2.3 **STATE ADVISORY COMMITTEE (SAC)**

The meeting of the State Advisory Committee, constituted under the provisions of section 87 of the Electricity Act, 2003, was held on 09.02.2024 to seek suggestions /

comments from the State Advisory Committee Members on the ARR / Tariff proposal of the Haryana Power Utilities including the petitioner herein i.e. HVPNL.

The suggestions of all the members were noted. The Commission will keep the views of SAC Members in mind while issuing the ARR / Tariff orders.

Haryana  
Electricity  
Regulatory  
Commission

## CHAPTER 3

### COMMISSION'S ANALYSIS AND ORDER

#### 3.1 TRUE-UP OF ARR FOR THE FY 2022-23

Regulation 13 of the HERC Multi Year Tariff Regulations, 2019 provides for 'True Up' of the previous year ARR based on the audited accounts. Further, Regulation 8 of the said Tariff Regulations, 2019 provides that the baseline values for various financial and operational parameters of the ARR, for the control period, shall be determined after considering the figures approved by the Commission in the past, actual average figures of last three years, audited accounts and estimated figures for the relevant year.

The Commission has dealt with various components of the ARR for ascertaining the amount eligible for 'true- up' for the FY 2022-23 based on the statute occupying the field and the audited accounts for the year placed on record by the petitioner in the ensuing paragraphs.

##### 3.1.1 OPERATIONS AND MAINTENANCE EXPENSES

Operations and Maintenance (O&M) Expenses of the petitioner consist of the following elements:

- A. Employee Expenses including retiral benefits
- B. Repairs and Maintenance Costs (R&M)
- C. Administrative and General Expenses (A&G)

The employee expenses include salary, dearness allowance, leave encashment and staff welfare expenses etc. Administrative expenses mainly comprise of rents, telephone and other communication expenses, professional charges, conveyance and travelling allowances, other debits etc. Repairs and Maintenance Expenses include day to day upkeep of the transmission network and form an integral part of the petitioner's efforts towards reliable and quality power supply along with reduction of losses in the system. Terminal Liability/retiral benefits consist of pensions and other post retirement compensation to the staff. The dispensation on O & M is governed by the Regulation 45.3 of the HERC MYT Regulations 2019 occupying the field. A comparison of approved and actual (O&M) expenses, as per the audited accounts, for the financial year 2022-23 is as follows:

#### Proposed True Up of O&M Expenses for FY 2022-23 (Rs. Million)

Sr. No.	Particulars	Approved by HERC	Actual	Difference Surplus/(Deficit)
1	<b>O&amp;M expenses</b>	<b>8,906.99</b>	<b>9,663.89</b>	<b>(756.90)</b>
1a.	R&M Expenses	571.66	462.97	108.69
1b.	Employee Expenses	4,578.85	5,230.97	(652.12)
1c.	Terminal Benefits	3,443.90	3,571.67	(127.77)

1d.	A&G Expenses	312.58	398.29	(85.71)
-----	--------------	--------	--------	---------

The Commission has dealt with the submissions of the petitioner under each head of O&M expenses in the following paragraphs: -

#### A. Employee Expenses

A comparison of the approved and actual employee expenses incurred during the FY 2022-23, as filed by HVPNL, is summarized in the table below. The actual figures have been derived and prepared by the petitioner from the Audited Accounts of the FY 2022-23.

#### Proposed True Up of Employee Expenses for FY 2022-23 (Rs. Millions)

Particulars	Approved by HERC	Actual	Difference Surplus/(Deficit)
Salaries and Wages	<b>4,578.85</b>	3,863.84	<b>(652.12)</b>
Other Staff Cost		1,285.85	
Staff Welfare Expenses		143.98	
Benefit from Staff Loans		-	
Less: Employee Benefit for SLDC		62.71	
<b>Total Employee Cost</b>	<b>4,578.85</b>	<b>5,230.97</b>	<b>(652.12)</b>

It is evident from the table above that as against the Commission's approved employees cost amounting to Rs. 4,578.85 Million, the actual amount incurred by the licensee was higher by Rs. 652.12 million.

HVPNL has prayed that the Hon'ble Commission may consider the actual employee expenses of FY 2022-23, as per in the annual audited accounts, which may be approved and set as a base for the projection of employee expenses for the FY 2024-25. While approving employee cost for the FY 2022-23 by the Hon'ble Commission (in its order Dated 02.03.2022) the Commission has relied on projections based on the relevant Regulations. However, the actual audited employee cost (Rs. 5230.97 million) which is higher than the approved Employee cost (Rs. 4578.85 million) in Tariff order dated 02.03.2022. The increase in employee cost is because of the increase in number of retirees and the new incumbents. Further, there is an increase of the Dearness allowance of 8 % during the year 2022-23 as against the projected 3.54 % over projected employee cost for FY 2021-22. It has been prayed that amount now proposed may be approved and also be set as a base for projecting employee cost for the ensuing control period.

The Commission has considered the submissions of the petitioner as 'un-controllable' in terms of the MYT Regulations. Hence, the Commission approves Rs. 5230.97 million i.e. the actual employees cost of the FY 2022-23. The differences shall be trued-up in line with the HERC MYT Regulations in vogue.

Having approved the "True up" proposed, the Commission is of the considered view that the licensee ought not to lose sight of the Commission's order dated 09.03.2021, as reproduced below: -



**“Employees Rationalization:** As pointed out earlier also, the sub-station automation system has been embarked upon in all the new / upcoming sub-stations of HVPNL. Resultantly, the manpower required for manning such sub-stations would reduce to a certain extent. Hence, keeping in view modernization and automation, HVPNL was directed to undertake manpower planning & rationalizations to rein in employees’ cost. In this regard, HVPNL submitted that a proposal has been prepared by Technical Committee and considered by the Whole Time Directors, HVPNL in its meeting held on 21.12.2017. Now, the agenda is being put-up for consideration of the BODs, HVPNL. **In this regard, HVPNL is directed to submit the final report to the Commission within one month.”**

The aforesaid direction was reiterated in order dated 21.05.2020 as under:

*“The Commission observes that with advancements in technology, a proper long-term manpower planning / budgeting, re-skilling / re-deployment including those from other Power Utilities ought to be undertaken in order to ensure that human resources are gainfully utilized and the overall employees cost in the power sector in Haryana is reined in.”*

In this regard HVPNL i.e. the petitioner, vide its office memo dated 22.07.2020 and 07.11.2020 has made the following submissions: -

- a) The Board of Directors, HVPNL in its meeting held on 13.12.2019 decided that the restructuring of manpower is required, keeping in view the vacancy position, digitalization, new technology for root survey of transmission lines, cyber security, networking, other new age jobs and desired that necessary steps be initiated so that restructuring exercise with proper justification of each post after having discussion with the concerned employee unions be completed within two months. Accordingly, draft restructuring proposal was prepared and appraised to the Board in its meeting held on 12.06.2020.
- b) Based, on the above appraisal, the board of directors, HVPNL decided to constitute a sub-committee of the members of the board to examine the proposed restructuring policy and submit the report in one month. Accordingly, a sub-committee has been constituted vide office order no. 848/CS/HVPNL/Misc-18/Vol-III dated 30.06.2020.
- c) After constitution of the Sub Committee of Board members, following meetings were held to finalize the restructuring of manpower in HVPNL.

Sr. No.	Number of meeting	Meeting held on
1	1st Meeting	08.07.2020
2	2 <sup>nd</sup> Meeting	22.08.2020
3	3 <sup>rd</sup> Meeting	03.09.2020
4	4 <sup>th</sup> Meeting	14.09.2020
5	5 <sup>th</sup> Meeting	03.10.2020

- d) The Sub-Committee of Board members in its 5th meeting held on 03.10.2020 concluded that the draft report of restructuring of manpower in HVPNL be deliberated with the Management before proceeding further in the matter.
- e) It has been submitted that the draft report submitted by the Sub-Committee of the Board Members is under active consideration of the HVPNL management.

The Commission is constrained to observe that the transmission licensee has not taken the directive in right earnest. The licensee may note that the directives issued by the Commission are well thought out and are intended to provide appropriate direction to the operations of the licensee. Tardy implementation of these directives issued by the Commission from time to time is detrimental not only to the interest of HVPNL but to the power sector as a whole. This has also led to a gap in the projected costs and revenue thereby leading to an additional cost on the approved ARR that may be allowed by the Commission in the trueing up. The entire effort ought to have been directed towards reigning in the cost of employee with proper manpower planning and budgeting. HVPNL should keep the basic objective of restructuring of manpower in mind. **As a last opportunity, the Commission allows a months' time to the licensee to submit the final report, action(s) taken as well as the benefits flowing from the same. Further, the licensee is advised to improve upon its Human Resource Management practices besides imparting regular training at all levels.**

#### **B. Terminal Benefits (FY 2022-23)**

Regulation 8.3.8 (b) of the HERC MYT Regulations 2019 provides that the terminal liability is an 'uncontrollable' element of the ARR. The petitioner has submitted that the Hon'ble Appellate Tribunal in its order dated 30<sup>th</sup> April 2013 in the matter of Appeal No. 100 of 2012, has held that the 'terminal benefits' may be trueed up based on the actual as per the annual audited accounts. Accordingly, the petitioner has sought 'true up' of the terminal liability based on the actual terminal benefits expenses incurred as under:

#### **Proposed True Up of Terminal Liabilities for FY 2022-23 (Rs. Million)**

<b>Particulars</b>	<b>Approved by HERC</b>	<b>Actual</b>	<b>Gap Surplus/ (Deficit)</b>
Terminal Benefits	3,443.90	3,571.67	(127.77)

The Commission has considered the submissions of the petitioner and in accordance with the audited accounts, approves Rs. 3,571.67 million towards terminal benefits for the FY 2022-23. The Commission observes that there ought not to be any significant difference between what is proposed and the actual as per the audited accounts, as most of the parameters are known in advance with a fair degree of accuracy.

The Commission reiterates the directive on payment to pension trust issued vide order dated 07.03.2019 as under:

*“The Commission directs the licensee to seek prior approval of the Commission for contribution to the pension trust in excess of that proposed by it in the ARR in future in view of the fact that there is no legal hitch in deferring the payment to the trust funds as demonstrated by the proposal of the licensee for the FY 2016-17. The Commission further directs the Licensee to ensure that any payment approved by the Commission in its order towards terminal benefits is duly paid within time and before the close of the relevant financial year.”*

Accordingly, the Commission observes that though the terminal benefits cost actually incurred by the licensee is approved for true up, no carrying cost shall be allowed on the difference between the approved cost and the pass-through cost in the light of the ibid directive issued by the Commission to pay only the approved cost during the year. Needless to add that any contribution to the pension trust in excess of the amount approved, has to be with prior approval of the Commission.

### C. Administrative and General Expenses (A&G) for the FY 2022-23

The detailed submission of the petitioner for claiming true-up of A&G expenses based on the audited accounts is as under: -

#### Proposed True Up of A&G Expenses for FY 2022-23 (Rs. Million)

Particulars	Approved by HERC	Actual	Gap Surplus/ (Deficit)
<b>Administration Expenses</b>			
Rent (Including Lease Rent)		1.75	
Insurance		2.85	
Rates and taxes		61.49	
Telephone charges, Postage, Telegram and Telex Charges		4.69	
Mobile sets Charges		12.92	
Legal and professional		37.72	
Payments to auditors (Including out of pocket expenses)		0.80	
Consultancy charges		13.74	
Professional charges		15.16	
Service charges for computerisation		2.59	
Conference Expenses		0.01	
Training Expenses		27.66	
Travelling and conveyance		147.16	
Other Expenses		69.20	
<b>Sub-Total of Administrative Expenses</b>		<b>397.74</b>	
<b>Other Charges</b>			
Material Related Expenses		8.93	
Expenses on Photostat on Contract Basis		1.53	
Impairment loss		-	
<b>Sub-Total of other charges</b>		<b>10.46</b>	
<b>Less: A&amp;G Expenses against SLDC</b>		<b>9.93</b>	
<b>Total Charges</b>	<b>312.58</b>	<b>398.28</b>	<b>(85.70)</b>

The Commission has examined the true-up of A&G expenses proposed by the licensee as per their Audited Accounts for the FY 2022-23. The Commission approves Rs. 370.54

million towards A&G expenses for the FY 2022-23. The Commission acceding to the request of HVPNL, vide its memo no. 3316 dated 11.10.2022, had allowed it to meet training expenses of its staff from the funds available in reactive energy pool account. Therefore, the expenses booked in training are disallowed as the same were required to be borne out of the reactive energy charges pool account. Further, training expenses claimed by HVPNL is Rs. 27.66 million which is highly disproportionate as compared to the amount allowed by the Commission i.e. Rs. 4.80 million, without substantiating the same. In the absence of the details, the same has not been considered.

Additionally, the licensee is advised to rein in expenses on account of litigation (legal and professional) as well as on travelling, communication etc. The licensee is advised to exercise due diligence in litigation and avoid frivolous litigations.

#### **D. Repairs and Maintenance Expenses (R&M) for the FY 2022-23**

The following table provides a comparison of approved and actual R&M Expenses filed by HVPNL based on the audited account for the FY 2022-23.

##### **Proposed True Up of R&M Expenses for FY 2022-23 (Rs. Millions)**

<b>Particulars</b>	<b>Approved by HERC</b>	<b>Actual</b>	<b>Difference Surplus/(Deficit)</b>
Plant and Machinery		224.03	
Building		153.90	
Civil Works		37.36	
Lines, Cables Net Works etc.		42.03	
Vehicles		8.17	
Furniture and Fixtures		0.41	
Other Office Equipment's		9.29	
<b>Total</b>		<b>475.20</b>	
Less: SLDC		<b>12.22</b>	
<b>Total R &amp; M Cost</b>	<b>571.66</b>	<b>462.98</b>	<b>108.68</b>

The petitioner has submitted that R&M expenses during 2022-23 have been lower than the normative R&M expenses. Further, after considering the actual GFA for FY 2022-23 as per the audited accounts and the inflation factor for FY 2022-23 worked out as per the prescribed formula specified in the MYT Regulations, 2019, the actual R&M expenses are within the prescribed limits.

**The Commission has examined the true-up of R&M expenses proposed by the licensee as per their Audited Accounts for the FY 2022-23. The Commission approves Rs. 462.98 million towards R&M expenses for the FY 2022-23.**

**The licensee is advised to take up preventive and predictive R&M works so as to ensure that the transmission assets are maintained in perfect condition for providing seamless transmission services to the beneficiaries. HVPNL is advised to undertake a**

third party technical audit of its transmission system to identify the weak links and under-utilized assets.

### 3.1.2 Capitalization of Assets for the FY 2022-23

The Commission observes that 'capitalization of Assets' i.e. transfers of assets from Capital Works in Progress (CWIP) to Fixed Assets, as the assets enter into revenue earning stream, has a direct bearing on the ARR since the amount capitalized goes into the base capital / GFA on which RoE, Depreciation, R&M etc. are computed. It is noted that during the FY 2022-23 Rs. 7,193.71 million has been capitalized and added to the Gross Fixed Asset / Capital Base of the Transmission Business. The details, as provided by the petitioner, are as under: -

#### Additions to GFA for FY 2022-23 (Rs. Million)

Particulars	At Beginning of Year	Addition During Year	Adjustments & Deduction	At End of Year
Land	4,028.95	89.77	0.04	4,118.68
Building	6,520.10	638.82	-	7,158.92
Plant & Machinery	95,256.39	6,459.78	163.05	1,01,553.12
Furniture & Fixtures	294.91	17.02	0.02	311.91
Vehicles	119.33	24.31	3.81	139.83
Less Generation Assets BBMB	6,041.24	-	-	6,041.24
Less: SLDC assets	910.25	36.00	1.06	945.18
<b>Total</b>	<b>1,05,309.43</b>	<b>7,193.71</b>	<b>165.85</b>	<b>1,12,337.28</b>

### 3.1.3 Depreciation for the FY 2022-23

The following table provide the details of depreciation amount for the FY 2022-23 as per the audited accounts.

#### Proposed True Up of Depreciation for Transmission Business for FY 2022-23 (Rs. Millions)

Particulars	Provision for Depreciation			
	At Beginning of Year	Addition During Year	Adjustments & Deduction	Depreciation at End of Year
Land	-	-	-	-
Building	2,421.03	228.53	-	2,649.56
Plant & Machinery	40,643.20	4,664.02	72.19	45,235.04
Furniture & Fixtures	173.34	13.93	0.02	187.25
Vehicles	95.42	3.22	3.43	95.21
Less: Generation Assets - BBMB	-	173.77	-	173.77
Less: Consumers Contribution for Depreciation	-	329.79	-	329.79
Less: SLDC assets	266.68	48.77	0.93	314.52
<b>Total</b>	<b>43,066.31</b>	<b>4,531.14</b>	<b>74.70</b>	<b>47,587.33</b>

The petitioner has submitted that the actual average rate of depreciation is different from average depreciation rate considered by the Hon'ble Commission, mainly due to the change in composition of assets with varying life and depreciation rates i.e. substantial share

of assets added during the year are depreciable at rate of 5.28% as provided in MYT Regulations 2019.

Further, the impact of actual asset addition being different from the approved asset addition on a projected basis, is evident as the actual depreciation rate during the FY 2022-23 is marginally higher than that approved. While projecting depreciation for FY 2022-23 on the audited figures of FY 2019-20 in the order dated 09.03.2021, the average rate of depreciation was considered by the Hon'ble Commission @ 4.59%, whereas the actual average rate of depreciation for the FY-2021-22, as per the Audited Accounts of the licensee, works out to 4.466%.

The Commission has considered the submissions and observes that the petitioner has followed the methodology adopted by the Commission in its True up order and deducted the depreciation chargeable to SLDC assets, generation assets and towards assets financed through consumer contribution and has prayed that this Commission may approve the depreciation for the FY 2022-23 on actual basis, as detailed in the table above.

The Commission after due deliberations approves Rs. 4531.14 million i.e. the actual depreciation of the FY 2022-23 as per the audited accounts for the said year.

### 3.1.4 INTEREST AND FINANCE CHARGES FY 2022-23

The following table provides a comparison of approved and actual interest and finance charges incurred in the FY 2022-23, as submitted by the petitioner.

#### Proposed True Up of Interest and finance charges for FY 2022-23 (Rs. Million)

	Particulars	FY 2022-23		
		Approved by HERC	Actuals	Gap / Surplus (Deficit)
	<b>Interest and Finance Charges on Long Term Loans / Credits from the FIs/banks/organisations approved by the State Government</b>			
A	i Rural Electrification Corp.	2,049.49	1,516.71	(601.94)
	ii Interest on Medium Term Loan from REC			
	iii Power Finance Corp.		419.59	
	iv Interest on loan from National Capital Region Plg Board			
	v Interest on loan from NABARD		268.24	
	vi Interest on loan from Market Committee			
	vii Interest on World Bank Loan through State Govt. (WB)		417.01	
	viii Interest on loan from PNB		28.28	
	ix Loan Processing Fee-World Bank Loan		1.61	
	<b>Total of A</b>	<b>2,049.49</b>	<b>2,651.43</b>	<b>(601.94)</b>
B	Interest on Loan on New Capex (Net of Repayments)	878.62	1.56	877.06
	<b>Total of B</b>	<b>878.62</b>	<b>1.56</b>	<b>877.06</b>
C	<b>Grand Total of Interest &amp; Finance Charges: A + B</b>	<b>2,928.11</b>	<b>2,652.99</b>	

D		<b>Less: Interest &amp; Finance Charges Chargeable to Capital Account</b>		(255.80)	
		<b>Net Total of Interest &amp; Finance Charges: For Revenue Account: C-D</b>	2,928.11	2,397.19	530.92
		<b>Net Interest on Loan</b>	<b>2,928.11</b>	<b>2,397.19</b>	<b>530.92</b>

As per the details of term loans provided by HVPNL, an additional loan for Rs. 7924.70 Million was obtained during the FY 2022-23; whereas, addition to fixed asset during the FY 2022-23 is Rs. 7235.08 million.

Accordingly, the addition on term loan is to be allowed to extent of addition to fixed assets and the Balance Amount of 689.62 million is disallowed for the purpose of calculating interest of term loan.

Accordingly, interest on term loan of Rs. 55.72 Million (on Rs. 689.62 million at the rate of average rate of interest submitted by HVPNL i.e. 8.08%), is disallowed.

<b>Interest and Finance Charges for the FY 2022-23</b>			
<b>Particulars</b>	<b>Approved By HERC</b>	<b>Actual 2022-23</b>	<b>Revised approved by HERC</b>
Rural Electrification Corp.		1516.71	1516.71
Power Finance Corp.		419.59	419.59
Interest on loan from NABARAD		268.24	268.24
Interest on World Bank Loan through State Govt. (WB)		417.01	417.01
Interest on loan from PNB		28.28	28.28
Interest on Loan on new capax (Net of Repayments)		1.56	1.56
Loan Processing Fee World Bank Loan		1.61	1.61
<b>Sub Total</b>		<b>2653</b>	<b>2653</b>
Less: Interest & Finance Charges Chargeable to Capital Account		255.80	255.80
<b>Net Interest on Loan</b>	<b>2928.11</b>	<b>2397.20</b>	<b>2397.20</b>
Less: Interest on term loan (Rs. 689.62 millions) disallowed			<b>55.72</b>
<b>Net Interest on Loan</b>	<b>2928.11</b>	<b>2397.20</b>	<b>2341.48</b>

**The Commission accordingly approves Rs. 2341.48 million as Interest and finance charges for the FY 2022-23 as the trued-up amount.**

### 3.1.5 Interest on Working Capital for the FY 2022-23

The following table provides a comparison of interest allowed by the Commission on Working Capital loan and interest thereto as per the HERC MYT Regulations 2019 in vogue for the FY 2022-23 i.e. on normative basis and the actual interest cost incurred by the licensee.

#### **Proposed Interest on Working Capital for FY 2022-23 (Rs. Millions)**

<b>Particulars</b>	<b>Approved by HERC</b>	<b>Actual</b>	<b>Gap /Surplus (Deficit)</b>
Interest on Working Capital	316.19	59.39	256.80

The petitioner has submitted that the interest on Working Capital approved by the Hon'ble Commission in the ARR was in line with the MYT Regulations 2019 as amended from

time to time. It is observed that the normative Interest on working capital, as approved by the Commission, is significantly higher than the amount actually incurred toward interest on working capital.

The petitioner has prayed that this Hon'ble Commission may approve the interest on Working Capital of Rs. 59.39 million actually incurred as per the audited accounts of the relevant year as well as the sharing of gains on account of efficiency in managing cash flows which has resulted in savings in Interest on Working Capital in 60:40 ratio between HVPNL and the beneficiaries of the transmission system.

The Interest on Working Capital for FY 2022-23, on normative basis as proposed by HVPNL is tabulated below:

**Normative Interest on Working Capital for FY 2022-23 (Rs. Million)**

Particulars	Normative
O&M for 1 Month	805.32
Maintenance spares @ 15% of Normative O&M	1,449.58
Receivables equivalent to 1 month of Fixed Costs	1,765.88
Total	4,020.78
Interest Rate	8.5000%
Interest on Working Capital	341.77

The sharing of 60% of the gains amounting to Rs. 282.38 Million for FY 2022-23 on account of Interest on Working Capital proposed by HVPNL is tabulated below:

**Sharing of Gains of Interest on Working Capital (Rs. Million)**

Particulars	Normative	Actual	Gap/ Surplus (Deficit)
Gain on interest on Working Capital	341.77	59.39	282.38

**The Commission, after due deliberations, approves the interest on working capital as per actual i.e. as reflected in the Audited Accounts. Hence, for the purpose of 'True-up' the same shall be pegged at Rs 59.39 Million.**

**The Commission observes that there is a large gap between working capital computed on normative basis and the actual working capital requirement of HVPNL. The licensee seems to have managed its working capital requirements (current assets current liabilities) well.**

**3.1.6 Return on Equity (ROE) for the FY 2022-23**

The petitioner has proposed RoE for the FY 2022-23 considering the average of opening and closing equity for the FY 2022-23 as mentioned in the HERC order dated 30.01.2023. The petitioner has estimated RoE in line with the HERC MYT Regulations 2019 and subsequent amendments and as per the methodology proposed in the tariff order. The equity portion of assets capitalized is considered for estimating the amount of equity eligible for a return. The petitioner has proposed a return on equity @ 11% for true up purposes,



justifying the same as being in line with the MYT Regulations, 2019 and subsequent amendments thereof. The computational details are as under: -

**Proposed RoE for FY 2022-23 (Rs. Million)**

Particulars	Approved by HERC	Actual	Gap / Surplus (Deficit)
Internal Accrual's to be considered for Transmission business (Opening)	<b>2,678.82</b>	25,498.84	<b>(205.18)</b>
Add: Internal Accrual's portion of GFA added		1,438.74	
Closing Internal Accrual's for RoE		26,937.58	
Average Equity		26,218.21	
Rate of Return		<b>11.00%</b>	
<b>RoE – Proposed</b>		<b>2,884.00</b>	

The petitioner has prayed that the Commission may allow the normative equity addition as well as return on equity for the FY 2022-23 as a part of the true up.

The Commission has examined the Return on Equity and approves as under: -

Particulars	Rs. In Millions		
	Approved by HERC	Claimed by HVPN	Revised approved by HERC
Paid up Equity Share Capital at the beginning of the year, considered for transmission business (31.03.2022)	25777.55	25498.84	25498.84
Additions:	2021.2	1438.74	0
Paid up Equity Share Capital at the end of the year, considered for transmission business (31.03.2023)	27798.75	26937.58	25498.84
Average Equity	26788.15	26218.21	25498.84
Rate of return as per order dated 02.03.2022	10%	11%	10%
RoE allowed for the FY 2022-23	2,678.82	2,884.00	2,549.88

The Commission accordingly approves Rs. 2549.88 million as Return on Equity for the FY 2022-23 as the trued-up amount as against Rs. 2678.82 million approved originally in the tariff order dated 02.03.2022. The rate of returns has to be same i.e. as allowed in the original order. The Commission note that the petitioner has claimed internal accrual amounting to Rs. 1438.79 crore for RoE. The internal accrual could arise because of operating profit, depreciation, (non-cash items), better management of working capital. This has spin off benefits in terms of no dilution of existing share and EPS thereto. However, it cannot be considered as equity for the purpose of RoE.

**3.1.7 INCENTIVES AND PENALTY: SYSTEM AVAILABILITY FOR FY 2022-23**

The Commission observes that Regulation 12.2 (c) (i) of the HERC MYT Regulations 2019 provides for the incentives and penalty mechanism linked to the transmission system availability.

Accordingly, 'availability' has been calculated by the petitioner, circle wise and month wise for all circles and then the average has been taken to arrive at the system availability for

the year. The month wise availability of each circle is calculated in line with the MYT Regulations in vogue as under: -

**Calculation of System Availability for FY 2022-23 and FY 2023-24 (H1)**

Sr. No.	Month	Hours in the month	No. of Transmission Lines (O)	No. of Power T/Fs (Q)	Availability of (O) number of AC lines (AVo)	Availability of (Q) number of Power Transformers (AVq)	Total Numerator (AVo*O+AVq*Q)	Total Denominator (O+Q)	Availability during month in percentage $\{(AVo*O+AVq*Q) / (O+Q)\} * 100$	Cumulative TSA (in %age)
1	Apr-22	720	990	1268	0.9896	0.9970	2243.9000	2258	99.3788	99.3788
2	May-22	744	993	1269	0.9887	0.9961	2245.8300	2262	99.2887	99.2468
3	Jun-22	720	999	1269	0.9938	0.9980	2259.2682	2268	99.6155	99.4395
4	Jul-22	744	1002	1272	0.9936	0.9955	2261.8632	2274	99.4657	99.3976
5	Aug-22	744	1002	1275	0.9963	0.9985	2271.3801	2277	99.7507	99.5280
6	Sep-22	720	1008	1275	0.9962	0.9977	2276.2371	2283	99.7043	99.5585
7	Oct-22	744	1009	1275	0.9963	0.9969	2276.3142	2284	99.6635	99.5769
8	Nov-22	720	1014	1273	0.9959	0.9964	2278.2598	2287	99.6210	99.5784
9	Dec-22	744	1018	1276	0.9928	0.9960	2281.5664	2294	99.4564	99.5307
10	Jan-23	744	1018	1276	0.9955	0.9964	2284.8254	2294	99.5987	99.5628
11	Feb-23	672	1019	1279	0.9957	0.9951	2287.3512	2298	99.5379	99.5606
12	Mar-23	744	1019	1280	0.9968	0.9960	2290.6192	2299	99.6355	99.5665
<b>Total FY 22</b>										
1	Apr-23	720	1021	1280	0.9956	0.9961	2291.5156	2301	99.5870	99.5870
2	May-23	744	1033	1281	0.9768	0.9979	2287.3443	2314	98.8481	99.2159
3	Jun-23	720	1037	1289	0.9952	0.9973	2317.5421	2326	99.6386	99.3456
4	Jul-23	744	1038	1290	0.9974	0.9988	2323.7490	2328	99.8174	99.4199
5	Aug-23	744	1040	1294	0.9972	0.9986	2329.2410	2334	99.7961	99.4746
<b>Total FY 23</b>										

The amount of incentive claimed by the petitioner is reproduced in the table below: -

**Incentive/ (Penalty) calculation for System Availability for FY 2022-23**

**(Rs. Million)**

Particulars	Formula	Figures
Annual Transmission Charges	ATC	21,848.00
Actual Transmission Availability	AA	99.5665%
Normative Transmission Availability	TA	99.20%
	$(AA-TA)/TA$	0.003695
<b>Incentives/(Penalties) (Rs. Mn)</b>	<b><math>ATC*(AA-TA)/TA</math></b>	<b>80.72</b>

The petitioner has submitted that the transmission system availability of 99.5665% was higher than the normative availability during the FY 2022-23, for which the incentive of Rs. 80.72 million for the FY 2022-23 has been claimed. The Commission has examined the calculations of incentive, based on the revised ARR for the FY 2022-23 approved by the Commission on true up. **Accordingly, the incentive amount for actual availability, reported by the petitioner, is approved at Rs. 77.97 million for the FY 2022-23 i.e. tried**

up Annual Transmission Charges (ATC) Rs 21103.65 million X 0.003695 (AA-TA)/TA = Rs. 77.97 million.

### 3.1.8 FOREIGN EXCHANGE RATE VARIATION (FERV)

The petitioner has proposed recovery of FERV, in line with the Commission's order dated 31.03.2016, para 3.4.11, whereby the principle of recovery based on cash loss due to FERV has been considered. The calculation of FERV, proposed for 'true up' by the licensee is as under: -

#### Proposed Calculation of FERV for FY 2022-23 (Rs. Millions)

Statement of Foreign exchange rate variation during FY 2022-23 (Rs. in crore)			
Year	FERV Capitalized	FERV Charged to P&L	Total FERV
2011-12	42.42	15.90	58.32
2012-13	27.77	6.60	34.37
2013-14	79.16	15.80	94.96
2014-15	30.72	13.43	44.15
2015-16	17.38	43.77	61.15
2016-17	(8.52)	(18.22)	-26.74
2017-18	3.29	9.93	13.22
2018-19	-	80.18	80.18
2019-20	-	112.57	112.57
2020-21	-	(39.46)	-39.46
2021-22	-	37.54	37.54
2022-23		77.68	
<b>Total</b>	<b>192.22</b>	<b>355.72</b>	<b>470.26</b>
Less recovered of Capitalized FERV from ARR up to 31.03.2022	75.04		
Balance amount of Capitalized FERV to be recovered from ARR	<b>117.18</b>		
Total FERV to be recovered in Current Year (for 33 instalments)	3.55		
<b>Calculation of FERV:</b>			
<b>FERV on instalment paid in 2022-23</b>			<b>Figures (in Million)</b>
Amount received (1 <sup>st</sup> instalment of loan drawl)		USD	27.61
Repayment-up to 31.03.2019		USD	27.61
Balance of 1 <sup>st</sup> instalment		USD	-
Amount received (2 <sup>nd</sup> Instalment of Loan drawl)		USD	21.40
Repayment-up to 31.03.2019		USD	8.23
Balance of 2 <sup>nd</sup> instalment		USD	13.17
Repayment upto 31.03.2020		USD	9.12
Balance of 2 <sup>nd</sup> instalment as on 31.03.2020		USD	4.05
Repayment 12 <sup>th</sup> Instalment 2020-21		USD	4.05
Balance of 2 <sup>nd</sup> instalment		USD	-
Amount received (3 <sup>rd</sup> Instalment of Loan drawl)		USD	14.29
Balance Repayment of 12 <sup>th</sup> Instalment 2020-21		USD	0.51
Repayment 13 <sup>th</sup> Instalment 2020-21		USD	4.56
Balance repayment of 12 <sup>th</sup> and 13 <sup>th</sup> Instalment of 2020-21 after adjustment of 2 <sup>nd</sup> Instalment		USD	5.07
Balance of 3 <sup>rd</sup> instalment as on 31.03.2021		USD	9.22
Repayment during FY2020-21		USD	9.12
Balance of 3 <sup>rd</sup> instalment		USD	0.10
Amount received (4 <sup>th</sup> Instalment of Loan drawl)		USD	18.53

Repayment 14 <sup>th</sup> Instalment 2021-22		USD	4.56
Balance amount of 14 <sup>th</sup> Instalment) 2021-22		USD	4.46
Repayment 15 <sup>th</sup> Instalment 2021-22		USD	4.56
Balance of 3 <sup>rd</sup> instalment		USD	-
Balance of 4 <sup>th</sup> Instalment after adjustment of 2021-22		USD	9.51
Exchange Rate at the time of receipt of 3 <sup>rd</sup> instalment		INR	45.61
Exchange Rate at the time of receipt of 4 <sup>th</sup> instalment		INR	44.94
Repayment 16 <sup>th</sup> Instalment 2022-23		USD	4.56
Repayment 17 <sup>th</sup> Instalment 2022-23		USD	4.56
Balance of 4 <sup>th</sup> instalment after adjustment of 2022-23		USD	0.39
Exchange Rate at the time of payment of 16 <sup>th</sup> instalment - in FY 2022-23		INR	79.84
Exchange Rate at the time of payment of 17 <sup>th</sup> instalment - in FY 2022-23		INR	81.71
FERV on 16 <sup>th</sup> instalment		INR	159.13
FERV on 17 <sup>th</sup> instalment		INR	167.69
Less: Recovery of capitalized FERV		INR	71.02
<b>Net FERV on 16<sup>th</sup> and 17<sup>th</sup> instalment of loan</b>		INR	<b>255.81</b>

The Net FERV impact which is being claimed for True-up for the FY 2022-23 is Rs. 255.81 million. **The calculation of FERV, as submitted by the licensee, has been examined by the Commission and found in order. Hence, the same is being allowed as the true up amount.**

### 3.1.9 NON-TARIFF INCOME FOR FY 2022-23

The details of Non-tariff income submitted by the petitioner has been considered. The Commission observes that the proposed true up of non-tariff income is Rs. 746.06 million. The calculation of Non-Tariff Income, as submitted by the licensee, has been **examined by the Commission and found in order. Hence, the same is being allowed as the true up amount.**

Accordingly, the Non- tariff income is approved at Rs. 746.06 million for the FY 2022-23. The details of true up proposed and approved by the Commission are as under:

#### Non-Tariff Income Proposed for FY 2022-23 (Rs. Million)

	Particulars	Approved by HERC	Actual	Gap/ Surplus (Deficit)
<b>A</b>	<b>Income from Investment, Fixed &amp; Call Deposits</b>			
1	Interest Income from Investments			
2	Interest on fixed deposits		36.23	
3	Interest from banks other than fixed deposits		24.53	
4	Interest on IT Refund		9.25	
<b>I</b>	<b>Sub-Total</b>		<b>70.01</b>	
<b>B</b>	<b>Non-Tariff Income</b>			
1	Income from Trading (other than Electricity)		261.67	
2	Gain on Sale of Fixed Assets		80.46	
3	Income/Fee/Collection against staff welfare activities		0.93	
4	Miscellaneous receipts		332.41	
	Delayed payment surcharge/Interest from Discoms		-	

	Delayed payment surcharge/Interest from Others		-	
4	Penalty charges recovered from Contractors and Suppliers		4.67	
6	Meter Rent		-	
7	Misc. charges as per Schedule of General and Service Charges as applicable from consumers		-	
8	Income from Other Business		-	
9	Income from Disinvestment (if any)		-	
<b>II</b>	<b>Sub-Total</b>		<b>680.15</b>	
	Less: NTI from SLDC		4.10	
	<b>Total (I+II)</b>	<b>-222.80</b>	<b>746.06</b>	<b>523.26</b>

### 3.2 REVENUE FROM TRANSMISSION TARIFF

As per the audited accounts for the FY 2022-23, by implementing the Transmission Tariff approved by the Commission, the licensee has recovered the following amount from the beneficiaries of transmission system: -

#### Transmission Charges Recovered for the FY 2022-23

	As per HERC Order	As per Audited Accounts
Transmission charges	22085.17	21,085.18
Unitary charges received		9.18
Connectivity fee for Transmission system		1.74
Income from SLDC & STS charges for open access		8.11
Total Recovery for the credit of Long-Term Beneficiaries		21104.21

### 3.3 UNITARY CHARGES FOR JKTP

The Petitioner has submitted that HERC has granted transmission license to M/s Jhajjar KT Transco Private Ltd on 26th October 2010. The above transmission works stands completed and concessionaire has achieved the Commercial Operation Date on 12th March 2012. As per Transmission Agreement (clause 26.8.2); the applicable monthly Unitary Charges is being paid by HVPNL to the Concessionaire. The base Unitary Charge for the Accounting Year, in which COD occurs (i.e., 2011-12), was Rs. 4,50,00,000/-, and the same is being revised annually by decreasing the Base Unitary Charge for the immediately preceding Accounting Year by 3% thereof and to reflect 40% of the variation in WPI in accordance with the provisions of Transmission Agreement.

Accordingly, the Unitary Charges for FY 2022-23 as per the audited annual accounts comes out to be Rs. 503.55 million and the same may be approved by the Hon'ble Commission.

**The calculation of Unitary Charges, as submitted by the licensee, has been examined by the Commission and found in order. Hence, the same is being allowed as the true up amount.**

### 3.4 ULDC CHARGES

The Petitioner has submitted that no ULDC charges have been approved by the Hon'ble Commission for the FY 2022-23. It is further submitted that the ULDC charges (actuals as per audited accounts) for the FY 2021-22 and FY 2022-23 was unintentionally not taken in the respective year filings amounting to Rs. 125.65 Million (ULDC State portion and BBMB portion) which may be considered in the true up for the FY 2022-23 please.

**The calculation of ULDC Charges, as submitted by the licensee, has been examined by the Commission allowed to the extent of Rs. 69.20 million for the purpose & true-up. It needs to be noted that as far as the Commission is concerned true-up for the FY 2021-22 has reached finality and cannot be re-opened.**

### 3.5 PROPOSED AND APPROVED ARR FOR TRUE-UP

In accordance with the above analysis and decision of the Commission on various components of the of the ARR, the true-up proposed by the licensee and revised calculations based on the provisions of the MYT Regulations and previous orders of the Commission, the amount to be 'trued-up' is presented in the table below: -

**Revised ARR of Transmission Business for FY 2022-23 (Rs. Million)**

Particulars	Approved by HERC vide Order dated 002.03.2022	Proposed for True-Up FY 2022-23	Revised ARR approved by the Commission
O&M expenses	8,906.99	9,663.80	9,636.14
R&M Expenses	571.66	462.97	462.97
Employee Expenses	4,578.85	5,230.97	5,230.97
Terminal Benefits	3443.90	3,571.66	3,571.66
A&G Expenses	312.58	398.20	370.54
Depreciation	5,091.50	4,531.14	4531.14
Interest on Term Loans	2,928.11	2,397.20	2,341.48
Impact of Foreign Exchange rate variation	0	255.81	255.81
Interest on working Capital	316.19	59.39	59.39
Total Expenditure	17,242.79	16,907.34	16,823.95
Return on Equity	2,678.82	2,884.00	2,549.88
Less Non-Tariff Income	222.80	746.05	746.05
Annual Transmission Charges	19,698.81	19,045.29	18,627.79
Add: Incentive for TSA	-	80.72	77.97
Add: Sharing of Benefits @ 60% - IWC	-	169.43	0
Net ARR	19,698.81	19,295.44	18,705.76
Add: Revenue Gap for FY 2019-20 & 2020-21	1884.43	1884.43	1884.43
R&M Expenses 21-22 as per review order		27.45	27.45
CSR (NTI) as per review order		1.15	1.15
ULDC Charges	0	125.65	69.2
<b>Aggregate Revenue Requirement</b>	<b>21,583.24</b>	<b>21,334.12</b>	<b>20,686.84</b>
Transmission Share of SLDC	13.17	10.57	9.96
Unitary Charges for JKTPL	488.76	503.55	503.55
Transmission ARR	22,085.17	21,848.24	21,200.35
Less: YTC for Lines Operating As ISTS Lines	0	-0.30	-0.30