



TAMIL NADU ELECTRICITY REGULATORY COMMISSION

**Approval of True Up of TANTRANSCO
For FY 2021-22**

Order dated 10 October 2024 on M.P. No. 20 of 2024



TAMIL NADU ELECTRICITY REGULATORY COMMISSION

(Constituted under Section 82(1) of Electricity Act, 2003)

(Central Act 36 of 2003)

PRESENT:

Thiru. K.Venkatesan– Member

Thiru. B.Mohan – Member (Legal)

Order dated 10 October 2024 on M.P. No. 20 of 2024

In the matter of: Approval of True Up of TANTRANSCO for FY 2021-22

In exercise of the powers conferred by Section 62 and Clause (a) of sub-section (1) of Section 86 of the Electricity Act 2003 (Central Act 36 of 2003) and all other powers hereunto enabling in that behalf and after considering suggestions and objections received from the public, as per sub-section (3) of Section 64 of the said Act, the Tamil Nadu Electricity Regulatory Commission hereby passes this Order for Approval of True-Up of TANTRANSCO for FY 2021-22.

**Sd/-
(B.Mohan)
Member (Legal)**

**Sd/-
(K.Venkatesan)
Member**

(By Order of the Commission)



**(Dr. C.Veeramani)
Secretary**

LIST OF ABBREVIATIONS

A&G	Administration and General
APR	Annual Performance Review
APTEL	Appellate Tribunal for Electricity
ARR	Aggregate Revenue Requirement
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CIP	Capital Investment Plan
CPS	Contributory Pension Scheme
CWIP	Capital Work in Progress
DA	Dearness Allowance
DLMS	Device Language Message Specification
DSM	Deviation Settlement Mechanism
EA	Electricity Act
FY	Financial Year
GFA	Gross Fixed Assets
G.O.	Government Order
GPF	General Provident Fund
GoTN	Government of Tamil Nadu
HT	High Tension
IoWC	Interest on Working Capital
kWh	kilo-Watt hour
LT	Low Tension
MU	Million Units
MW	Mega-Watt
MYT	Multi-Year Tariff
O&M	Operation & Maintenance
R&M	Repair & Maintenance
RoE	Return on Equity

SBI PLR	State Bank of India Prime Lending Rate
SLDC	State Load Despatch Centre
T&D	Transmission & Distribution
TANGEDCO	Tamil Nadu Generation and Distribution Corporation Ltd.
TANTRANSCO	Tamil Nadu Transmission Corporation Ltd.
TNEB	Tamil Nadu Electricity Board
TNEGC	Tamil Nadu Electricity Grid Code
TNERC	Tamil Nadu Electricity Regulatory Commission
ToD	Time of Day
TP	Tariff Policy

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1 INTRODUCTION

1.1 PREAMBLE

- 1.1.1 Consequent to the enactment of the Electricity Regulatory Commissions Act, 1998 (Central Act 14 of 1998), the Government of Tamil Nadu (GoTN) constituted the Tamil Nadu Electricity Regulatory Commission (TNERC or Commission) vide G.O.Ms. No.58, Energy (A1) Department, dated March 17, 1999.
- 1.1.2 The Commission issued its first Tariff Order under Section 29 of the Electricity Regulatory Commissions Act, 1998, on March 15, 2003 based on the Petition filed by the erstwhile Tamil Nadu Electricity Board (TNEB) on September 25, 2002.
- 1.1.3 The Electricity Regulatory Commissions Act, 1998 was repealed and the Electricity Act, 2003 (Central Act 36 of 2003) (hereinafter referred as “the EA, 2003” or “the Act”) was enacted with effect from June 10, 2003.
- 1.1.4 The Commission notified the Tamil Nadu Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 (herein after called Tariff Regulations) on August 3, 2005, under Section 61 read with Section 181 of the Act.
- 1.1.5 The Commission issued its **first Order** (Order No. 2 of 2006) on Transmission Charges, Wheeling Charges, Cross Subsidy Surcharge (CSS) and Additional Surcharge on May 15, 2006, based on the Petition filed by the erstwhile TNEB on September 26, 2005, under Section 42 of the Act.
- 1.1.6 The Commission notified the TNERC (Terms and Conditions for Determination of Tariff for Intra-State Transmission/Distribution of Electricity under MYT Framework) Regulations, 2009 (herein after called MYT Regulations) on February 11, 2009.
- 1.1.7 Subsequently, TNEB filed an Application for determination of Aggregate Revenue Requirement (ARR) with Tariff for all functions on January 18, 2010, which was admitted by the Commission after initial scrutiny on February 9, 2010. The Commission issued its second Retail Tariff Order on July 31, 2010 (Order No. 3 of 2010).
- 1.1.8 The erstwhile TNEB was formed as a statutory body by GoTN on July 1, 1957, under the Electricity (Supply) Act, 1948. TNEB was primarily responsible for generation, transmission, distribution and supply of electricity in the State of Tamil Nadu.
- 1.1.9 GoTN, vide G.O (Ms.) No. 114 Energy Department, dated October 8, 2008 accorded in-principle approval for the re-organisation of TNEB by establishment of a holding Company, namely TNEB Ltd. and two subsidiary companies, namely Tamil Nadu Transmission Corporation Ltd. (TANTRANSCO or the Petitioner) and Tamil Nadu

Generation and Distribution Corporation Ltd. (hereinafter referred as TANGEDCO) with the stipulation that the aforementioned Companies shall be fully owned by the Government.

1.2 REGULATORY FRAMEWORK

- 1.2.1 TNERC notified its MYT Regulations, which specifies the factors that will guide the Commission in determination of True-up, the relevant extract of which is reproduced below:

“3(vii). True up of variations in revenue and cost

The variations on account of controllable factors like sales and power purchase shall be reviewed at the end of each year of the Control Period based on audited accounts of the licensee and prudence checks by the Commission.”

1.3 TARIFF FILING

- 1.3.1 TANTRANSCO was incorporated on June 15, 2009 and started functioning as such with effect from November 1, 2010. Post restructuring, TANTRANSCO was provided with the function of transmission of electricity in the State of Tamil Nadu. Being STU, TANTRANSCO has been vested with the functions of State Load Dispatch Centre till further orders of the GoTN from the date of transfer.
- 1.3.2 Subsequent to the filing of Tariff Petition by TANTRANSCO for determination of Intra-State Transmission Tariff for FY 2012-13, the Commission scrutinized and reviewed the same. After a thorough review, **the second Order** (Order No. 2 of 2012) of the Commission on Intra-State Transmission Tariff and other related charges was passed on March 30, 2012.
- 1.3.3 TANTRANSCO filed its Application before the Commission for determination of Intra-State Transmission Tariff for FY 2013-14. Based on the Petition and after considering views of the State Advisory Committee and the public, the Commission passed **the third Order** on June 20, 2013 and directed TANTRANSCO to file a separate Petition for SLDC's ARR in accordance with the Tariff Regulations.
- 1.3.4 Subsequently, in the event of TANTRANSCO not filing the ARR and Tariff Petition for FY 2014-15, the Commission initiated Suo-motu proceedings for tariff determination in accordance with Section 64 of the Act. After a thorough review of the available information, **the fourth Order** of the Commission on determination of Intra-State Transmission Tariff and other related Charges was passed on December 11, 2014.
- 1.3.5 TANTRANSCO filed a Petition for True-up for the period from FY 2011-12 to FY 2015-16 and approval of Aggregate Revenue Requirement (ARR) for the Control

Period from FY 2016-17 to FY 2018-19 and determination of Intra-State Transmission Tariff for FY 2017-18. This was processed and approved as **the fifth Order** of the Commission on determination of Intra-State Transmission Tariff and other related Charges, passed on 11th August 2017.

- 1.3.6 TANTRANSCO filed a Petition for True-up for the period from FY 2016-17 to FY 2020-21 and Annual Performance Review for FY 2021-22, Approval of Aggregate Revenue Requirement for the period from FY 2022-23 to FY 2026-27, and Determination of Intra-State Transmission Tariff and other related Charges for the period from FY 2022-23 to FY 2026-27. This was processed and approved as **the sixth Order** of the Commission on determination of Intra-State Transmission Tariff and other related Charges, passed on 09th September 2022, in which the true-up was done till FY 2019-20 and provisional true-up was done for FY 2020-21.
- 1.3.7 TANTRANSCO filed a Petition for True-up for FY 2020-21. This was processed and approved as **the seventh Order** of the Commission on approval of True up for FY 2020-21, passed on 13th August 2024.
- 1.3.8 In this instant Order, the Commission has undertaken the final true-up for FY 2021-22 based on audited accounts, in accordance with the provisions of the Tariff Regulations and MYT Regulations, and their subsequent amendments.
- 1.3.9 Based on the Petition and after considering views of the public, the Commission hereby passes the **eighth Order** on the true-up of TANTRANSCO for FY 2021-22.

1.4 PETITION FILING

- 1.4.1 On May 16, 2024, TANTRANSCO filed the Petition for True-Up for FY 2021-22 and the same was admitted as MP No. 20 of 2024. In the Petition, TANTRANSCO has stated that the True-Up for FY 2021-22 has been submitted based on audited accounts for FY 2021-22 prepared based on the IndAS principles.
- 1.4.2 However, as per the Commission's Order in T.P.No:3 of 2017 dated August 11, 2017 for SLDC function, the opening balance sheet as on 1.4.2017 has been prepared for SLDC function separately.
- 1.4.3 A separate Profit & Loss account for FY 2017-18, FY 2018-19, FY 2019-20, FY 2020-21, and FY 2021-22 has been prepared for SLDC function separately. Hence, the bifurcated figures of annual accounts for FY 2021-22 (after adjusting SLDC figures) for TANTRANSCO is the basis for the True-up of FY 2021-22.
- 1.4.4 The Commission has reviewed the data available thoroughly regarding the Petition filed by TANTRANSCO. After undertaking due process, the Commission hereby passes this order on True-Up of ARR for FY 2021-22 for TANTRANSCO.

1.5 PROCEDURE ADOPTED

- 1.5.1 In the Commission's Daily Order dated May 23, 2024, the Commission directed TANTRANSCO to host the Petition for seeking comments from the Stakeholders with a time limit of 30 days. The Commission further directed TANTRANSCO to file the comments received from the Stakeholders along with the replies by way of an affidavit.
- 1.5.2 TANTRANSCO has published the copy of the Petition on its website on June 6, 2024, inviting comments from Stakeholders.
- 1.5.3 The Commission has provided sufficient time to Stakeholders for submission of written comments and suggestions on the Petition filed by TANTRANSCO.
- 1.5.4 In the Commission's Hearing dated September 19, 2024, arguments of all sides were heard and the Order was reserved.
- 1.5.5 In Commission's Daily Order dated September 19, 2024, the Commission observed that the final Order would be passed after taking into consideration all objections / submissions made by the stakeholders and the replies filed by TANTRANSCO thereto.
- 1.5.6 The summary of objections / suggestions / views along with TANTRANSCO's Replies and the Commission's ruling on each issue, are included in **Annexure-I**.

1.6 TRANSFER SCHEME

- 1.6.1 The Assets Transfer and Employee Transfer called as Tamil Nadu Electricity Board (Reorganization and Reforms) Transfer Scheme, 2010 was notified by GoTN vide G.O. (Ms) No.100 Energy (B2) Department dated October 19, 2010 with the effective date of implementation as November 1, 2010. Based on the above notification, TNEB was re-organized with effect from November 1, 2010.
- 1.6.2 As per the Transfer Scheme, the provisional period for transfer of assets and employees was 1 year and 3 years, respectively. From November 1, 2010 onwards, the services of all the employees of the erstwhile TNEB stood transferred to and absorbed in TANGEDCO on a provisional basis and assigned to the services of the relevant transferee, viz., TANTRANSCO, on deputation on "as-is-where-is" basis until further notice for permanent absorption into respective entities.
- 1.6.3 At the time of issue of Suo-Motu Tariff Order dated December 11, 2014, the Transfer Scheme was not finalised. Therefore, the Commission had stated the following regarding the provisional Transfer Scheme:

"This Transfer Scheme is provisional and addresses various issues like transfer of assets, revaluation of assets and partly addresses the issue of accumulated losses. This Transfer Scheme envisages deployment of staff of the erstwhile TNEB to TANGEDCO and TANTRANSCO. The Commission in its earlier Tariff Order

No. 3 of 2010 dated 31-07-2010 had suggested in line with the National Electricity Policy (para 5.4.3) and Tariff Policy that the accumulated losses should not be passed on to the successor entities and financial restructuring has to be resorted to clean up the Balance Sheet of the successor companies and allow them to start on a clean slate so that the successor entities could start performing better. The statutory advices that have been sent to the Government of Tamil Nadu in this regard are appended as Annexure V. The Commission has also issued a statutory advice with regard to the establishment of a separate Generating Company and establishment of four Distribution Companies so that the performance of these companies can be improved and efficiently monitored, which will enable proper investments and growth of the individual company. This document is appended as Annexure VI.

Subsequently, as per the request of TNEB Limited, the second provisional transfer scheme was notified by the State Government vide G.O. (Ms.) No.2, Energy (B2) department, dated 2nd January 2012 with amendment in the restructuring of Balance Sheet of TNEB for the successor entities i.e. TANGEDCO and TANTRANSCO, considering the audited balance sheet of TNEB for FY 2009-10 and it had extended the provisional time for final transfer of assets and liabilities to the successor entities of erstwhile TNEB up to 31st October 2012. The same has been appended as Annexure VII.

This Transfer Scheme is also provisional and is subject to revision. The transactions for 7 months i.e. from 1st April 2010 to 30th October, 2010 do not get reflected in the opening balance sheet of the TANGEDCO as specified in the Transfer Scheme. ”

- 1.6.4 GoTN vide the Gazette Notification G.O. (Ms) No. 49 dated August 13, 2015, issued the final Transfer Scheme. The relevant extracts of the final Transfer Scheme are reproduced below:

“In the Government order first read above, Government have notified the Tamil Nadu Electricity (Re-organisation and Reforms) Transfer Scheme, 2010. The erstwhile Tamil Nadu Electricity Board has been reorganized with effect from 01.11.2010, as per the provisions of the Electricity Act, 2003. In the above transfer scheme, the assets and liabilities were segregated based on the available unaudited balance sheet of erstwhile Tamil Nadu Electricity Board as on 31.03.2009 instead of balance sheet as on 31.10.2010 which was not ready at that time and stated that this shall be provisional for a period of one year from the respective date of transfer as per the clause 9(1) of the said scheme (i.e., upto 31.10.2011).

Now, the Chairman and Managing Director, Tamil Nadu Generation and Distribution Corporation Limited has stated that as the audited balance sheet as on 31.10.2010 is ready, it is essential to issue notification for the final amendment to the earlier transfer scheme notified in Government Order 2nd read above for giving effect to the transfer of assets and liabilities to successor entities of erstwhile Tamil Nadu Electricity Board as on 01.11.2010.

Amendment to the existing Tamil Nadu Electricity (Reorganisation and Reforms) Transfer Scheme, 2010 notified in G.O.Ms.No.100, dated 19.10.2010, subsequently amended in G. O. (Ms.) No. 2, Energy (B2) Department, dated 02.01.2012 by issuing Notification for giving effect to transfer of assets and liabilities to successor entities of erstwhile Tamil Nadu Electricity Board Limited as on 01.11.2010 be issued.

The Notification appended to this order will be published in the Tamil Nadu Government Gazette, Extraordinary, dated 13.08.2015.”

- 1.6.5 The transfer value of the Fixed Assets forming part of Schedules A, B and C of the respective Transferees have been done at book values, excluding the land, buildings, plant and machineries, lines, cables and network, which are revalued based on the guideline value resulting into Revaluation Reserve of Rs. 7164 Crore for TANTRANSCO.
- 1.6.6 Post restructuring, TANTRANSCO as per the Notification was provided with the function of transmission of electricity in the State of Tamil Nadu. TANTRANSCO has been vested with the State Load Despatch functions till further orders of the State Government from the date of transfer.
- 1.6.7 TANTRANSCO has submitted the impact of the Final Transfer Scheme as under:
 - a. For the Purpose of Return on Equity, Equity Capital of Rs. 1506.15 Crore has been considered as per the final Transfer Scheme.
 - b. Long Term Loan has been considered as Rs. 12695 Crore in line with the notified Balance Sheet and interest has been calculated on actual basis as accrued from November 1, 2010 to March 31, 2011 and the differential treatment between provisional and final Transfer Scheme has been adjusted in FY 2015-16. Some of the generic loans such as bonds, loan from HUDCO, LIC, Tamil Nadu Powerfin and Medium-Term Loan were availed by erstwhile TNEB and have been considered as the long-term loan of TANTRANSCO.
 - c. The allocation of fixed assets and Loans are similar and have been transferred under the Final Transfer scheme resulting in additional burden of the debt obligation on TANTRANSCO.

- d. The transfer value of the fixed assets is determined based on revenue potentials of the asset and in line with the provisions of the Act.
- e. The Opening Balance Sheet of TANTRANSCO includes assets and liabilities of SLDC.
- f. The impact of the final Transfer Scheme has been carried out under prior period items in FY 2015-16.

1.7 INSASCONVERSION

- 1.7.1 It may be noted that when Transfer Scheme for TANGEDCO and TANTRANSCO were finalized in 2015, the Commission in its subsequent Orders had decided to ignore the revaluation of assets, as the process of revaluation pertains only to book entry and has no material significance in regulatory process. Using the logic, the Commission has previously considered only book values, after removing the impact of revaluation, while undertaking True-Up.
- 1.7.2 A similar question has arisen due to the impact of various revaluation and adjustments undertaken by TANTRANSCO in its accounts, for the conversion from IGAAP to Ind AS. While the Commission is fully mindful of the need for standardization, book level revaluation of assets, which were already being financed by consumers of the State cannot be used to load additional burden on the consumers, and has hence, not been considered for the purpose of ARR and Tariff determination.

1.8 APPLICABILITY OF ORDER

- 1.8.1 This Order will come into effect on and from the date of issue.

1.9 LAYOUT OF THE ORDER

- 1.9.1 This Order is organized into following Chapters:
 - a. **Chapter 1** provides introduction, process and the approach of the Order;
 - b. **Chapter 2** provides details / analysis of the True-Up of ARR of TANTRANSCO for FY 2021-22;
 - c. **Chapter 3** provides a list of directives issued by the Commission to TANTRANSCO.
- 1.9.2 The Order contains the Annexure also, summarising the comments received from the stakeholders, TANTRANSCO's replies, and Commission's views on the same, which forms part of the Order.

1.10 APPROACH OF THE ORDER

- 1.10.1 The Commission has taken into consideration the final Transfer Scheme notified by GoTN vide G.O. (Ms.) No.49, Energy (B1) Department, dated August 13, 2015 with amendment in the restructuring of Balance Sheet of TNEB for TANGEDCO and TANTRANSCO.
- 1.10.2 The Commission has referred to the Audited Accounts of TANTRANSCO for truing up the expenses for FY 2021-22 in accordance with the Tariff Regulations, 2005 and MYT Regulations, 2009. Based on the prudence check of the expenses and revenue reported in the Audited Accounts of TANTRANSCO, the Commission has arrived at the allowable ARR and revenue recovered by the utility.

2 APPROVAL OF FINAL TRUE-UP FOR FY 2021-22

2.1 Background

- 2.1.1 TANTRANSCO, in its Petition, has sought approval for True Up for FY 2021-22. In this Section, the Commission has analysed all the elements of expenses and revenue for FY 2021-22 as per Audited Accounts and has undertaken the truing up of expenses and revenue after due prudence check.
- 2.1.2 The Commission asked TANTRANSCO to reconcile the various expenses/income claimed in the Petition with the amount reported in the Audited Accounts. TANTRANSCO has submitted that the Audited Accounts in respect of TANTRANSCO is inclusive of annual accounts of both TANTRANSCO and SLDC. Hence, the bifurcated figures of annual accounts for FY 2021-22 (after adjusting the SLDC figures) for TANTRANSCO is the basis for the True-up of FY 2021-22.

2.2 Employee Expenses

TANTRANSCO's Submission

- 2.2.1 TANTRANSCO has stated that employee expenses comprise Basic Salary, Dearness Allowance, Bonuses, Medical expense reimbursement, Terminal Benefits, etc.
- 2.2.2 TANTRANSCO submitted that employee expenses fall under the category of uncontrollable costs in line with the provisions of sub-clause 5 of Regulation 14 of the Tariff Regulations. TANTRANSCO submitted that the variation in employee expenses from previously approved values is primarily on account of terminal benefits. Hence, the actual employee expenses incurred are in excess of the value approved by the Commission.
- 2.2.3 TANTRANSCO submitted that the employee expenses claimed in the Petition are based on the actuals as per the audited accounts as shown in the table below:

Table 2-1: Employee Expenses submitted by TANTRANSCO for FY 2021-22 (Rs. Crore)

Particulars	Approved earlier in APR	TANTRANSCO filing
Salary and DA		
Salaries (Basic)		804.42
DA		165.04
Total		969.45
Terminal benefits and pension contribution		
Terminal Benefits		313.51
Board's Contribution to CPS		30.49