



PUNJAB STATE TRANSMISSION CORPORATION LIMITED
Regd. Office: PSEB Head Office, The Mall Patiala-147001, Punjab, India.
Corporate Identity Number: U40109PB2010SGC033814 (www.pstcl.org)

(Office of Chief Accounts Officer (Finance & Audit), ARR Section
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To

Electric Power Transmission Association
F-1, The Mira Corporate Suites,
1&2 Ishwar Nagar, Mathura Road,
Okhla Crossing, New Delhi – 110065.

Memo No. 539 /CAO(F&A)/MYT-IIA

Dated: 07/02/2020

Subject: Comments on PSTCL's Petition for True up for FY 2018-19, Review of FY 2019-20 and MYT for Control Period from FY 2020-21 to FY 2022-23.

Ref: Your office Letter no. EPTA/MYT/2020/01/37 dated 28.01.2020

In response to letter under reference please find enclosed herewith the reply of the objections raised by your Association's on subject cited petition filed by PSTCL before PSERC.

DA/As Above

o/c CAO (Finance & Audit),
PSTCL Patiala.

540
07/02/2020
CC:

The Dy. Registrar, PSERC w.r.t. their office memo no. PSERC/Reg/2635 dated 31.01.2020.

DA/As Above

Objection No 2:-

Comments on PSTCL's petition for True up for FY 2018-19, Review of FY 2019-20 and MYT for control period from FY 2020-21 to FY 2022-23.

Punjab State Transmission Corporation Ltd. (PSTCL) has filed the MYT Petition (ARR and Tariff Proposal for three years w.e.f. FY 2020-21 to the FY 2022-23) and petition for true up of the Aggregate Revenue Requirement (ARR) and Transmission Business and State Load Dispatch centre (SLDC) for FY 2018-19, Annual (Mid-year) Performance Review for FY 2019-20 and determination of transmission tariff and SLDC charges for the FY 2020-21 with Hon'ble PSERC.

Section-I 0 Clause wise detailed Comments

1 Section: 3.3 and 4.3 – Transmission Losses

PSTCL has improved performance in terms of Transmission loss reduction from 3.12% in FY 2017-18 & 2.86% in FY 2018-19. Further, PSTCL has forecast of loss reduction trajectory over the three year Control Period of 2nd Control period is as shown below:

Particulars	2017-18 (Actuals)	2018-19 (Actuals)	2019-20 (Approved)	2019-20 (Proj.)	2020-21 (Proj.)	2021-22 (Proj.)	2022-23 (Proj.)
Transmission Loss (%)	3.12	2.86	2.5	3	3	3	3

Comment:

The past period performance of PSTCL indicates that Transmission loss has improved over the years, and in 2018-19, the actual loss achieved for 2.86%. PSTCL should be looking to take this performance forward, and target loss range loss range in 2.5% and less levels, rather than sticking to initial projections of 3%.

Reply of PSTCL

The transmission losses of PSTCL depend on the utilization of system which is mainly done by PSPCL. PSTCL has developed the 400 KV system in 2012 which was having an ideal capacity to meet future growth. Resulting into higher transmission losses due to some ideal system at that time. With increase in loading of this system in past years the available system has got fully loaded & as such the transmission losses have come down to the lowest level. Now to meet the projected load of 2023 of Peak Demand of 15200 MVA & Stringent N-1 criteria laid by CEA and NRLDC while allowing ATC/TTC Limit, 400 KV system is required to be added which shall rather give rise to the transmission losses marginally and as such the losses have been kept to the initial position of 3% which is much better than the average transmission losses of Northern Region which are beyond 3.5% as presented in Capital Investment Plan.

2. Section: 4.6 Capital Expenditure and Capitalisation:

The below table captures the projected versus actual capex for the past 3 years alongwith the projected CAPEX for next 3 years (FY 2020-21 to FY 2022-23).

Year	Projected Capex (Rs. Cr.)	Approved Capex (Rs. Cr.)	Actual Capex (Rs. Cr.)
2017-18	381.5	338.29	321.48
2018-19	310.72	258.19	261.74
2019-20	521.52	237.28	369.86
2020-21	729.49		
2021-22	747.83		
2022-23	689.75		

Comment:

In this petition, PSTCL has submitted its Capital investment Plan of Rs. 2536.93 cr. to be invested in a span of 4 years from FY 2019-20 to FY 2022-23, where a majority of the investment (86%) is to be made in next 3 years (FY 2020-21 to FY 2022-23).

It can be observed that the yearly projected CAPEX for next 3 years is – 70% more than the average actual yearly CAPEX spent from FY 2017-18 to FY 2019-20. Therefore, PSTCL's projections/planned Capex vis-à-vis the actual achievements for the previous period merits a relook.

Reply of PSTCL

Lot of new Transmission System is required to meet the projected demand of 2023 and also to meet the N-1 Stringent criteria the system has been planned based on load flow studies and loading condition of 2019 paddy. As per the required works, each work has qualified the criteria laid and has been approved by Hon'ble commission in the Capital Investment Plan for the second control period i.e. FY 2020-21 to FY 2022-23. The same CAPEX has been projected in the MYT. The Petition was filed on 30.11.2019 whereas PSERC pronounced the orders on BP on 03.12.2019 wherein the Capex for FY 2020-21 ,FY 2021-22 & FY 2022-23 has been approved for Rs. 705.26 Cr, Rs 731.48 Cr & Rs 677.30 Cr respectively.

3. Section: 4.7 Funding of Capital Expenditure

In this petition, PSTCL has submitted its Equity Plan of Rs. 650.13 cr. requirement in a span of 3 years from FY 2020-21 to FY 2022-23, (Debt-Equity ratio being 7:30), the below table captures the equity requirement projected versus the actual equity infused:

Year	Projected/Approved Equity Requirement (Rs. Cr.)	Actual Equity Infused (Rs. Cr.)
2017-18	101.49	96.92
2018-19	77.46	73.58
2019-20	71.18	110.96
2020-21	218.85	
2021-22	224.35	
2022-23	206.93	

Comment:

In the current MYT petition (FY 2020-21 to FY 2022-23), PSTCL has proposed total capex of Rs. 2,167 cr. out of which equity requirement is of Rs. 650.13 cr. (Debt –Equity ratio being 70:30. This is resulting in annual equity requirement of Rs. 200 cr. which is more than 200% of the current annual equity infusion planned of Rs. 110.96, and casts a doubt on the funds that are to be deployed by PSTCL/State Government.

Reply of PSTCL

PSTCL submits that, in the present Petition, it has considered the funding of capital expenditure as per normative debt:equity ratio of 70:30. PSTCL submits that Return on Equity approved for respective year is nothing but profit approved in regulatory books. For funding of capital expenditure, firstly Return on Equity approved for previous year will be and re-invested in transmission business rest will be funded through debt..

Section – II – General Comments

Need for Coordinated planning and packaging of Schemes:

PSTCL's CAPEX planned for investments in Transmission Line schemes are not made available publicly. Assuming that the details of the transmission schemes/works submitted by PSTCL are comprehensive independent schemes with individual utility and if such transmission elements are awarded as a composite scheme – comprising of complete scope at both the interconnection points including upstream/downstream elements and their associated bays- it would lead to better assessment of the project requirement, its timelines and its utilization once commissioned.

The Central Electricity Regulatory Commission (CERC) in its Advisory dated 14.10.2016 to the Ministry of Power (MoP) has advised that:

"in case of new transmission network, splitting the network into components and award of the project through TBCB complicates the execution of project. Therefore, it is advisable to identify

the entire network for development through TBCB, instead of comparatively smaller elements, commissioning of which depends upon commissioning of all upstream/downstream elements."

It is submitted that PSTCL should submit the end to end Transmission schemes planned to the Hon'ble commission and the same to be published in PSERC website as well.

Transmission Schemes above INR 50 cr. to be developed through TBCB mode

Given the above concerns in the Capital Investment Plan, the States Equity requirement burden can be eased by encouraging competition in the Transmission Schemes development. Competition will yield efficiency gains and result in improved quality of electricity supply to consumers at competitive rates.

PSERC in the order dated 18.10.2019 on the petition no. 14 of 2019, the commission had decided that

"Further, in view of the GoP's concurrence and the justification given by PSTCL, the commission also decides to relax the provisions of notification no. PSERC/Secy/132 dated 05.11.2018 to allow PSTCL to undertake construction of 400 KV sub-station at village Dhanansu through open tender instead of TBCB mode as a special case and as a onetime measure."

It is humbly requested that the Hon'ble Commission relook at the detailed PSTCL proposed schemes and ensure that the schemes have been submitted following the spirit and intent of the Threshold Limit Notification no. PSERC/Secy/132 dated 05.11.2018, to develop the schemes above the value of Rs. 50 crore through the competitive bidding route.

Reply of PSTCL

PSTCL CAPEX plan was submitted to PSERC scheme wise in the Capital Investment Plan which was duly published by the Hon'ble Commission and already stand approved after checking and looking into justifications.