PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SCO NO. 220-221, SECTOR 34 A, CHANDIGARH

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PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SCO NO. 220-221, SECTOR-34-A
CHANDIGARH

PETITION NO. 70 OF 2012

IN THE MATTER OF:

ANNUAL REVENUE REQUIREMENT

FILED BY THE PUNJAB STATE TRANSMISSION CORPORATION LIMITED

FOR THE FINANCIAL YEAR 2013-14

PRESENT : Ms. Romila Dubey, Chairperson

Er. Virinder Singh, Member

Er. Gurinder Jit Singh, Member

Date of Order: April 10, 2013

ORDER

The Punjab State Electricity Regulatory Commission (Commission), in exercise of powers vested in it under the Electricity Act, 2003 (Act) passes this order determining the Annual Revenue Requirement (ARR) and Tariff for transmission of electricity by the Punjab State Transmission Corporation Limited (PSTCL) for FY 2013-14. The ARR filed by the PSTCL, facts presented by the PSTCL in its various submissions, objections received by the Commission, issues raised by the public in hearings held at Bathinda, Chandigarh, Ludhiana and Jalandhar, the responses of PSTCL to the objections and observations of the Government of Punjab (GoP) and PSPCL in this respect have been considered. The State Advisory Committee constituted by the Commission under Section 87 of the Act has also been consulted and all other material on record and relevant facts have been perused before passing this Order.

1.1 Background

The Commission has in its previous ten Tariff Orders determined tariff in pursuance to the ARR and Tariff Applications submitted for the integrated utility by the Punjab State Electricity Board (Board) for FYs 2002-03 to 2006-07, 2008-09, 2009-10, 2010-11 and by Punjab State Transmission Corporation (PSTCL) for FYs 2011-12 and 2012-13. Tariff Order for the FY 2007-08 was passed by the Commission through a suo motu proceedings.

1.2 ARR for the FY 2013-14

PSTCL has filed the ARR petition for FY 2013-14 vide memo no. 2805 dated 27.11.2012. In this petition, PSTCL has submitted that it is one of the ‘successor entities’ of the erstwhile Punjab State Electricity Board (Board) duly constituted under the Companies Act, 1956, on 16.04.2010, under the “Punjab Power Sector Reforms Transfer Scheme” (Transfer Scheme). In the ARR petition for FY 2013-14, PSTCL has submitted that the Balance Sheet of PSTCL, ending March 31, 2009, appended to the Transfer Scheme, notified by GoP was provisional and till the date of filing of this Petition, GoP had not finalised the transfer of assets and liabilities to successor entities. In the absence of opening balances based on the final notification of GoP, the submission of ARR petition by PSTCL is based on certain assumptions as detailed in the petition. GoP has now finalized transfer of assets and liabilities to the successor entities vide notification No.1/4/04-EB(PR)/620 dated 24.12.2012 and notification No. 1/4/04-EB(PR)/632 dated 24.12.2012. PSTCL has, however, not submitted the audited accounts for FYs 2010-11 and 2011-12.

The Commission in its Tariff Order for FY 2012-13 had observed that the Provisional Balance Sheets, of the two successor entities, ending March 31, 2009, as appended to the above mentioned Transfer Scheme showed significant variations when compared to the audited balance sheet of the integrated utility. Therefore, the Commission deemed it proper to rely on the information filed by erstwhile Board in its ARR Petition for FY 2010-11 and not on the Provisional Balance Sheets for the purpose of tariff determination for FY 2011-12 and FY 2012-13. On the same lines, for FY 2013-14 also, the Commission has determined ARR and transmission tariff based on the submissions of PSTCL in its ARR Petition for FY 2013-14. The Commission has adhered to existing norms and principles for review of ARR for FY 2012-13.

PSTCL has filed an ARR for Review of its Transmission and SLDC business for FY 2012-13. The Commission had approved ARR for the Transmission business and SLDC business in the Tariff Order for FY 2012-13.

In the ARR petition for FY 2013-14, PSTCL has worked out a cumulative ARR of ₹1207.41 crore for Transmission business and ₹58.61 crore for SLDC business before GoP notifications dated 24.12.2012 and after notifications, PSTCL has worked out a cumulative ARR of ₹1673.49 crore for Transmission business and ₹55.15 crore for SLDC business for FY 2013-14 including gap of previous year. On scrutiny, it was noticed that the ARR was deficient in some respects. A deficiency letter was issued vide No.PSERC/Tariff/T/8315 dated 03.12.2012 and PSTCL replied to deficiency letter on 11.12.2012. The Commission took the ARR on record on 19.12.2012. The Commission sought additional information vide its communication dated 04.01.2013 which was supplied by PSTCL vide letter Nos.57 dated 07.01.2013 & 291/FA/ARR-303 dated 25.01.2013 and subsequent submissions.

The Annual Revenue Requirement determined by the Commission in this Tariff Order is based on the petition filed by PSTCL for transmission and SLDC functions separately. The determination of transmission tariff and SLDC charges by the Commission are based on the revised estimate of FY 2012-13 and projections for FY 2013-14 as submitted by PSTCL.

1.3 Objections and Public Hearings

A public notice was published by PSTCL in The Tribune, The Hindustan Times, Dainik Bhasker and Daily Ajit on 22.12.2012 and on 10/11.01.2013 after GoP notifications dated 24.12.2012, inviting objections from the general public on the ARR filed by the PSTCL. Copies of the ARR were made available on the website of the PSTCL and in the office of the Financial Advisor, PSTCL, Thermal Designs Shed No.6, Shakti Vihar, Patiala, Liaison Officer, PSTCL Guest House, near Yadvindra Public School, Phase-8, Ajitgarh (Mohali) and also in the offices of the Chief Engineer/P&M, PSTCL, Ludhiana and Superintending Engineers P&M Circles, Ludhiana, Patiala, Jalandhar, Amritsar and Bhatinda. In the public notice, objectors were advised to file their objections with the Secretary of the Commission by 28.01.2013 with an advance copy to PSTCL. The public notice also indicated that after perusing the objections received, the Commission will conduct public hearings on the dates which would be notified subsequently.

The Commission received 3 No. written objections after due date i.e. January 28, 2013. The Commission decided to take all these objections into consideration.

Number of objections received from various stakeholders are detailed below:

Sr. No.	Category	No. of Objections
1	PSEB Engineers/Employees Associations	1
2	Punjab State Power Corporation Limited	1
3	Govt. of Punjab (GoP)	1
	Total	**3**

The list of objectors is given in **Annexure-I** to this Tariff Order. PSTCL submitted its comments on the objections which were made available to the respective objector.

The Commission decided to hold public hearings at Bathinda, Chandigarh, Ludhiana and Jalandhar. A public notice to this effect was published on 17.01.2013 in Indian Express, Times of India, The Tribune, Punjabi Tribune and Amar Ujala as well as uploaded on the website of the Commission informing objectors, consumers and the general public in this respect as per details given hereunder :

Venue	Date & time of public hearing	Category of consumers to be heard
BATHINDA Conference Room, Guest House, Thermal Colony, PSPCL, Bathinda	**January 31, 2013** 11.30 AM to 1.30 PM (To be continued in the afternoon, if necessary)	All consumers/ organizations of the area
CHANDIGARH Commission office i.e. SCO 220-221, Sector 34-A, Chandigarh	**February 01, 2013** 11.00 AM to 1.30 PM	Industry
	3.00 P.M. onwards	Agricultural consumers and their unions
CHANDIGARH Commission office i.e. SCO 220-221, Sector 34-A, Chandigarh	**February 04, 2013** 11.00 AM to 1.30 PM	All consumers except Industry, Agricultural consumers and Officers'/ Staff Associations of PSPCL and PSTCL
	3.00 P.M. onwards	Officers' /Staff Associations of PSPCL and PSTCL and other Organizations
LUDHIANA Multi Purpose Hall, Power Colony, PSPCL, Opposite PAU, Ferozepur Road, Ludhiana	**February 06, 2013** 11.30 AM to 1.30 PM. (To be continued in the afternoon, if necessary)	All consumers / organizations of the area
JALANDHAR Conference Room, Office of Chief Engineer/Operation (North), PSPCL, Shakti Sadan, GT Road, Near Khalsa College, Jalandhar	**February 08, 2013** 11.30 AM to 1.30 PM (To be continued in the afternoon, if necessary)	All consumers / organizations of the area

Through the public notice, it was intimated that the Commission will conduct a public hearing at Chandigarh on February 20, 2013 in which PSTCL will reply to written objections of the public and other issues raised during public hearings in addition to presenting its own case.

The public hearings were held as per schedule and objectors, general public and PSTCL were heard by the Commission. A summary of the issues raised, the response of PSTCL and the views of the Commission are contained at **Annexure-II** to this Tariff Order.

1.4 The Government of Punjab (GoP) was approached by the Commission through DO letter nos. PSERC/Tariff/T/168/9112 dated 26.12.2012 and 9773 dated 10.01.2013 followed by letter no.11910 dated 28.02.2013 seeking its views on the ARR to which the GoP responded vide its letter No.1/3/2013-EB(PR)/226 dated 2^{nd} April, 2013. The same has been taken note of by the Commission.

1.5 State Advisory Committee

The State Advisory Committee set up under Section 87 of the Act, discussed the ARR of the PSTCL in a meeting convened for the purpose on 12.02.2013. The minutes of the meeting of the State Advisory Committee are enclosed at **Annexure–III** to this Order.

The Commission has thus taken the necessary steps to ensure that due process, as contemplated under the Act and Regulations framed by the Commission is followed and adequate opportunity given to all stakeholders in presenting their views.

1.6 Compliance of Directives

In its previous Tariff Orders, the Commission had issued certain directives to PSTCL in public interest. A summary of directives issued during FY 2012-13, status of compliance along with the directives of the Commission for FY 2013-14 is given at **Annexure-IV** to this Tariff Order.

Chapter - 2

True Up for FY 2010-11 and FY 2011-12

2.1 Background

2.1.1 FY 2010-11

The Commission had approved the ARR and Tariff for FY 2010-11 in its Tariff Order dated April 23, 2010, which was based on the costs and revenue estimated by erstwhile Punjab State Electricity Board (Board). The Tariff Order for FY 2010-11 contained approvals of costs and revenue projections based on the integrated utility estimates, for different items of costs to be incurred and revenue likely to accrue during the year.

PSTCL in its ARR Petiton for FY 2011-12 had submitted the revised estimates of costs and revenue pertaining to Transmission for FY 2010-11 (including SLDC functions). The costs relating to Employee cost, R&M expenses, A&G expenses, Depreciation, Interest and Finance Charges, Return on Equity etc., of the composite Board were to be apportioned between the two successor entities i.e. PSPCL and PSTCL. On April 16, 2010, the Board was unbundled into two successor entities PSPCL and PSTCL. PSPCL was entrusted with Generation, Trading and Distribution functions and PSTCL was entrusted with Transmission and Load Despatch functions. The total expenses were apportioned between these two entities, based on the functions entrusted to each entity. The Commission considered it appropriate and fair to re-visit and review the approvals granted by it for the Transmission function (including SLDC function) of the Board in the Tariff Order for FY 2011-12 with reference to the revised estimates made available by PSTCL, but without altering the principles and norms adopted earlier and accordingly, approved the revised ARR for FY 2010-11 in the Review.

PSTCL in its ARR for the year 2012-13 had submitted that auditing of accounts for FY 2010-11 was under process and would be finalized after notification of the opening balances as on April 16, 2010 by the GoP. PSTCL had not submitted requisite data for True up for FY 2010-11 in the petition. It was further submitted that the Truing up exercise may be undertaken by the Commission for FY 2010-11 after finalization of the Audited Accounts. Hence, the Commission had decided to undertake the True up for FY 2010-11 along with the PSTCL ARR Petition for

FY 2013-14, when the Audited Accounts for FY 2010-11 were likely to be made available.

2..1.2 FY 2011-12

The Commission had approved the ARR and Tariff for FY 2011-12 in its Tariff Order dated May 9, 2011 which was based on costs and revenue estimated by PSTCL.

PSTCL in its ARR for FY 2012-13 had submitted the revised estimates of costs and revenue pertaining to Transmission for FY 2011-12 (including SLDC functions). The Commission considered it appropriate and fair to re-visit and review the approvals granted by it for the Transmission function (including SLDC function) in the Tariff Order for FY 2012-13 with reference to the revised estimates made available by PSTCL but without altering the principles and norms adopted by the Commission earlier and accordingly, approved the revised ARR for FY 2011-12 in the Review.

2.2 True up for FY 2010-11 and FY 2011-12

PSTCL in its ARR for FY 2013-14 has submitted that the Truing up exercise for FYs 2010-11 & 2011-12 may be undertaken by the Commission after the finalization of the Audited Accounts. It has been further intimated that the auditing of accounts for FY 2010-11 and FY 2011-12 is under process on the basis of GoP notification dated 24.12.2012 whereby balance sheet as on 16.04.2010 has been notified by GoP. Hence, the Commission decides to undertake the True up for FY 2010-11 and FY 2011-12 alongwith ARR petition of PSTCL for FY 2014-15, when the Audited Accounts for FY 2010-11 and FY 2011-12 are likely to be made available.

Chapter - 3

Review for FY 2012-13

3.1 Background

The Commission had issued the Tariff Order for Transmission business and SLDC business of PSTCL for FY 2012-13. PSTCL has now submitted petition for determination of ARR and Transmission charges for FY 2013-14 for its Transmission business and SLDC business along with Review for FY 2012-13.

The Commission has analyzed each of the components of ARR for FY 2012-13 in the following sections of this chapter:

3.2 Transmission System Availability

3.2.1 PSTCL has submitted actual quarter-wise Transmission System Availability during FY 2012-13 (April to Sept.) as shown in Table 3.1.

Table 3.1: Transmission System Availability of PSTCL (in %)

Sr.No.	Voltage level	FY 2012-13	
		April – June	July – Sept.
1	2	3	4
1	220 kV	99.86	99.90
2	132 kV	99.50	99.84

3.2.2 PSTCL has requested an appropriate incentive for the performance of the transmission system in accordance with the PSERC Tariff Regulations, at the time of truing up of FY 2012-13.

The Commission has taken note of the transmission availability of PSTCL system and will consider for incentive at the time of True up as per PSERC Tariff Regulations.

3.3 Transmission Loss

PSTCL had projected the transmission loss at 4.5% for FY 2012-13 in its ARR for the same year and requested for approval of the same on the plea that it is comparable to the transmission loss of States of Maharashtra and Chhatisgarh.

The Commission had approved the transmission loss for PSTCL system provisionally at 2.5% for FY 2011-12 in the Tariff Order for FY 2011-12 after detailed deliberation on the issue by comparing the transmission losses with some of the utilities like Haryana Vidyut Prasaran Nigam Limited (HVPNL), West Bengal State Electricity

Transmission Corporation Limited (WBSETCL) and Chhatisgarh State Power Transmission Corporation Limited (CSPTCL), the losses in which ranged from 2.1% to 4.9%. The Commission had also ordered that it would review the loss level of 2.5%, after PSTCL instals meters at all points connecting with PSPCL system and conducts energy audit. The energy audit would quantify the transmission loss in the PSTCL system. Since PSTCL had not completed the boundary metering, the Commission retained the transmission loss at 2.5% for FY 2012-13, and at the same time ordered that the Commission would revisit the transmission loss in the review for FY 2012-13 after the boundary meters are provided and energy audit is conducted.

PSTCL has reiterated its stand, in the ARR for FY 2013-14, for higher transmission loss of 4.5% comparable with transmission loss in States such as Chhattisgarh and Maharashtra. PSTCL has submitted in the ARR that to meet with the State Grid Code (SGC) stipulations, it has ordered Intra-State Boundary Metering-cum-Transmission Level Energy Audit Scheme and major work in this respect is expected to be completed by March, 2013. Remaining works under this scheme shall be completed during FY 2013-14. PSTCL has submitted that with the commissioning of this scheme, PSTCL will be able to monitor Transmission System losses (line-wise, busbar-wise and transformer-wise) and other required grid parameters along with numerous types of reports and complete energy audit at transmission level. Since PSTCL is yet to provide boundary metering system, the Commission will be constrained to carry out the True up by assuming the transmission loss at 2.5%, in case the data for determining the transmission loss due to absence of boundary meters is not available at the time of True up for FY 2012-13.

Pending installation of Intra-State Boundary Metering-cum-Transmission Level Energy Audit Scheme necessary to arrive at accurate transmission loss, the Commission retains the transmission loss level at 2.5% as approved in the Tariff Order for FY 2012-13. This will be re-visited during True up after the boundary meters are made functional and energy audit is done.

3.4 Employee Cost

3.4.1 In the ARR Petition for FY 2012-13, PSTCL claimed employee cost of ₹229.15 crore for Transmission business and ₹8.89 crore for SLDC business against which the Commission approved a sum of ₹211.12 crore for Transmission business and ₹4.54 crore for SLDC business in the Tariff Order for FY 2012-13. PSTCL has now revised employee cost to ₹232.49 crore (inclusive of ₹23.45 crore on account of new employees) for Transmission business and ₹9.01 crore for SLDC business for FY 2012-13 in the ARR Petition for FY 2013-14. In response to the Commission letter no. PSERC/Sr.A.O/ARR-2013-14/130/9469 dated 04.01.2013 issued consequent upon GoP notification dated 24.12.2012, PSTCL vide letter no. 57 dated 07.01.2013 submitted a revised estimate of employee cost of ₹328.55 crore for Transmission business and ₹7.49 crore for SLDC business. This is inclusive of arrears of ₹12.87 crore for Transmission business and ₹0.65 crore for SLDC business as detailed in the Table 3.2.

Table: 3.2 Estimates of Employee Cost for Transmission Business and SLDC Business of PSTCL for FY 2012-13

(₹ crore)

Sr. No.	Particulars	2012-13(RE) Transmission business	2012-13 (RE) SLDC business
1	Basic Pay	84.41	3.47
2	Dearness Allowance	58.39	2.50
3	HRA, Fixed medical and other Allowances	22.16	0.85
4	Overtime	3.40	0.00
5	Medical Expenses Reimbursement	1.32	0.02
6	Total (1 to 5)	169.68	6.84
7	Terminal Benefits	170.00	0.00
	Total (6+7)	339.68	6.84
Less:	Amount capitalised	24.00	0.00
	Net amount	315.68	6.84
Add:	Arrears	12.87	0.65
	Net Employee Cost	328.55	7.49

3.4.2 PSTCL has submitted that in estimating the employee cost for FY 2012-13, it has made the following assumptions:

a) Basic salary of September 2012 has been considered constant for each month of H2 of FY 2012-13.

b) The Dearness allowance for H2 of FY 2012-13 has been considered at the rate of 72% of basic salary for existing and prospective employees.

3.4.3 The Commission in its earlier Tariff Orders has been observing that the Employee Cost of the Utility is one of the highest in the Country and urging the utility to take effective steps to contain employee cost. It is, now noted that as a result of repeated directives given by the Commission in this regard, some appropriate steps have been initiated by the Utility to enhance employee productivity. In its ARR, PSTCL has stated that it has initiated various steps to limit and reduce the employee cost. Some of the key initiatives undertaken by the utility are as under:

- Approved the norms of number of employees to be deployed at 132 kV, 220 kV and 400 kV sub-stations for optimization of employee expenses.
- Some of the non core activities have been outsourced.

- The employee strength reduced from 4037 (16.04.2010) to 3069 (30.09.2012).
- Introduction of IT.

3.4.4 The Commission notes that a study for rationalization of manpower by Pricewaterhouse Cooper (PwC) has been completed. Also, positive steps have been taken to rationalize manpower costs as detailed in para 3.4.3. Although it is a good start, the utility still needs to go a long way to contain employee cost. The Commission in line with its earlier observations in this respect is unable to fully accept the revised estimates of employee cost and considers it appropriate to determine such cost as per its Regulations.

The provisions of the amended Regulation 28(3) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005, (Second Amendment), provide for determination of employee cost in two parts.

- *Terminal benefits including BBMB share on actual basis.*
- *Increase in other employee expenses limited to average increase in Wholesale Price Index (WPI).*

Regulation 28(3)(b) also provides for consideration of any exceptional increase in employee cost on account of pay revision. Further, additional employee cost in case of New installations/network shall be considered separately by the Commission on case to case basis.

3.4.5 **PSTCL has estimated the terminal benefits at ₹170.00 crore for its Transmission business which are allowed by the Commission. No claim on account of terminal benefits for SLDC has been made by the utility.**

3.4.6 PSTCL has claimed ₹158.55 crore for Transmission business and ₹7.49 crore for SLDC business after excluding terminal benefits towards ‘other employee cost’ in the Revised Estimates (RE) for FY 2012-13. Regulation 28(3)(b) provides for increase in other employee expenses limited to an increase in Wholesale Price Index (WPI). Amended Regulation 28(2) provides for considering a base figure of FY 2011-12 (true up) for purposes of allowing WPI increase to arrive at allowable ‘other employee cost’ for FY 2012-13. Since the Annual Audited Accounts for FY 2011-12 have not been made available to the Commission by the utility, the Commission is left with no other alternative but to treat the approved ‘other employee cost’ in the RE of FY 2011-12 as the base expenses for purpose of ascertaining the allowable ‘other employee cost’ of PSTCL for FY 2012-13.

3.4.7 The approved 'other employee cost' in the RE of FY 2011-12(Review) in the Tariff Order for FY 2012-13 is ₹103.59 crore for transmission business and ₹2.74 crore for SLDC business. After allowing average WPI increase of 7.6% based on available WPI for 9 months (April 2012 to December 2012), **the allowable 'other employee cost' works out to ₹111.46 crore for Transmission business and ₹2.95 crore for SLDC business which is approved by the Commission.**

3.4.8 PSTCL has also claimed arrears of ₹12.87 crore for Transmission business and ₹0.65 crore for SLDC business on account of pay revision payable in FY 2012-13. The Commission in its previous Tariff Orders has been disallowing an amount of 28.48% of arrears being the disallowance of 'other employee cost' for FY 2007-08, FY 2008-09 and FY 2009-10 (Projections). The Commission had held that this disallowance was made to maintain a parity with the disallowances effected in 'other employee cost'. The Hon'ble APTEL in its order dated March 2, 2012 in Appeal No. 76 of 2011, filed by PSTCL, held that it did not find any logic behind reducing the arrears by 28.48%. The Commission's reasoning that in the past it had been reducing the figure by the said percentage was held to be no ground for maintaining that reduction particularly when the Appellant is a separate entity as per the GoP notification. The Hon'ble APTEL advised the Commission to examine the issue during the course of review which may happen after the expiry of FY 2011-12 and pass an appropriate Order.

In the Tariff Order for PSPCL and PSTCL for FY 2012-13 the Commission re-examined the issue and reduced the disallowance to 17.22% being the percentage of weighted disallowance of employee cost in the true-up for FY 2006-07, FY 2007-08 and FY 2008-09.

The Hon'ble APTEL, in its Judgement dated 18.10.2012 passed in Appeal Nos.7, 46 & 122 of 2011 filed by PSPCL against the Tartiff Orders for FYs 2009-10, 2010-11 and 2011-12, observed as under:

*"We do not find any logic behind reducing the arrears pay of ₹35.49 crore by 28.48%.............. **Again, reduction as usual on regular basis in terms of the practice of the past by 28.48% does not appear to be justified.** (emphasis supplied). Our findings on this issue is the same plus the observation that in course of true up in respect of the Tariff Order for 2011-12 the Commission will review the matter".*

The Hon'ble APTEL also relied upon the decision of the Apex Court in the case of West Bengal Electricity Regulatory Commission versus Central Electricity Regulatory Commission (2002) 8 SCC 715 wherein it has been held that when the utility needs to comply with lawful agreements entered into with the employees the same cannot be avoided and wriggled out.

The true up of FY 2011-12 is yet to take place for want of Audited Annual Accounts of PSTCL for FY 2011-12. However, keeping in view the observations of Hon'ble APTEL, **the Commission allows the claim for arrear of pay revision of ₹12.87 crore for Transmission business and ₹0.65 crore for SLDC business as projected by PSTCL.**

3.4.9 In the ARR petition for FY 2013-14, the utility has not filed a separate claim on account of pay revision. In response to a query in this regard, PSPCL submitted that no exact details of impact of pay revision of employee cost is available. However, an estimate in respect of impact of pay revision of PSPCL employees has already been supplied to the Commission vide office memo No. Spl.1/DTR/ Dy.C.A.O/234/ deficiencies dated 13.02.2012 during finalization of Tariff Order for FY 2012-13. Accordingly, an examination of the said letter was made. PSPCL had claimed ₹333.57 crore for FY 2012-13 inclusive of impact of pay revision of ₹26.44 crore relating to the employees of PSTCL which was also confirmed by PSTCL. This claim was calculated after considering an increase of 9% on account of pay/DA. The Commission observed that the WPI increase takes care of any escalation and thus ascertained the total claim of pay revision at ₹306.04 crore, inclusive of ₹24.26 crore pertaining to PSTCL. The pay revision impact for PSTCL was thus calculated at ₹24.26 crore. A WPI increase of 7.4% was allowed on this amount by the Commission to ascertain the impact of pay revision for PSTCL for FY 2012-13. Based on the WPI indices available for nine months (April, 2012 to December, 2012) the Commission has now ascertained the increase in WPI of 7.6% for FY 2012-13. Allowing a WPI increase of 7.6% on ₹ 24.26 crore (as discussed above), the impact of pay revision for PSTCL for FY 2012-13 works out to ₹26.10 crore. The Commission observes that there has been a positive improvement in employee cost parameters as discussed in para 3.4.3. **Accordingly, the Commission allows the impact of pay revision of ₹26.10 crore**.

3.4.10 In its ARR, PSTCL has also claimed additional employee cost of ₹23.45 crore on account of manpower required for new installations for FY 2012-13. The utility revised its claim on account of new employee cost to ₹19.00 crore vide letter No. 500/FA/ARR-303 dated 18.02.2013.

PSERC Tariff Regulations provide for allowing additional employee cost in case of new installations/network for the year of installation and such cost is to be considered separately by the Commission on case to case basis keeping in view the principles and methodologies enunciated in the Regulations.

PSTCL stated that it had planned to recruit 797 new employees in FY 2012-13 as per the approval of the State Government. This recruitment also included the requirement of personnel for operating 400 kV network which is to be commissioned in FY 2012-13. Considering the submissions of the utility and its requirement for new installations, the Commission considers it appropriate to allow the employee cost of ₹19 .00 crore for new employees for FY 2012-13.

Thus, the Commission approves employee cost for new installation at ₹19.00 crore for FY 2012-13.

Thus, the Commission allows the total employee cost of ₹339.43 (170.00+111.46+12.87+26.10+19.00) crore for Transmission business and ₹3.60 (2.95+0.65) crore for SLDC business for FY 2012-13.

3.5 Repair and Maintenance (R&M) Expenses

3.5.1 In the ARR Petition of FY 2012-13, PSTCL claimed R&M expenses of ₹120.12 crore (including ₹29.81 crore for assets added during the year) for its Transmission business and ₹3.19 crore (including ₹0.14 crore for assets added during the year) for its SLDC business for FY 2012-13 against which the Commission allowed R&M expenses of ₹68.89 crore for Transmission business and ₹0.18 crore for SLDC business.

In the ARR Petition for FY 2013-14, PSTCL has claimed R&M expenses of ₹69.38 crore (inclusive of ₹14.98 crore for assets added during the year) for its Transmission business and ₹4.08 crore (inclusive of ₹1.76 crore for assets added during the year) for its SLDC business. PSTCL has submitted that the transmission system of the State is very old and the same has to be maintained efficiently with appropriate replacement of equipment and renovation to ensure uninterrupted power transmission in the State. Therefore, PSTCL shall be carrying out special R&M works in addition to general Repair and Maintenance.

3.5.2 Amended Regulation 28 (4) (a) of the PSERC Tariff Regulations 2005 reads as under:

"The O&M expenses (except employee cost) for transmission licensee shall be allowed as per the provisions given in clause (2) above. The employee cost shall however, be determined keeping in view the provisions contained in clause (3)."

Clause (2) of Regulation 28 reads as under: -

"O&M expenses for distribution licensee(s) shall be determined by the Commission as follows:

(a) O&M expenses as approved by the Commission for the year 2011-12 (true up) shall be considered as base O&M expenses for determination of O&M expenses for subsequent years.

(b) Base O&M expenses (except employee cost) as above shall be adjusted according to variation in the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year to determine the O&M expenses for subsequent years.

Provided that any expenditure on account of license fee, initial or renewal, fee for determination of tariff and audit fee shall be allowed on actual basis over and above the A&G expenses approved by the Commission."

In the previous years, the Commission had allowed actual or normative expenses whichever are less holding that normative expenses were the maximum allowable expenses and could not be allowed over and above the claim of the utility. However, Hon'ble APTEL in its judgement dated 18.10.2012 passed in petition nos.7, 46 and 122 of 2011 filed by PSPCL against the Tariff Orders for FY 2009-10, FY 2010-11 and FY 2011-12 had observed that the PSERC Tariff Regulations provide for allowing R&M and A&G expenses on normative basis and not on normative or actual, whichever is less.

The Commission is also conscious of the fact that the PSERC Tariff Regulations provide for considering O&M (which includes R&M) expenses as approved by the Commission for the year 2011-12 (true up) to be considered as base O&M expenses for determination of O&M expenses for subsequent years. Since the true-up of FY 2011-12 is yet to be done for want of Audited Annual Accounts of PSTCL for FY 2011-12, the Commission decides to consider the normative R&M expenses worked out for FY 2011-12 as the base expenses for FY 2012-13 in line with the observations of Hon'ble APTEL mentioned supra.

Keeping in view the Regulations and the observations of the Hon'ble APTEL, the Commission has ascertained the expenses for FY 2011-12 to be taken as base for FY 2012-13 by re-working expenses on normative basis from FY 2005-06 onwards. Thus, the base expenses for FY 2012-13 for transmission business work out to ₹66.40 crore where ₹61.72 crore are the normative R&M expenses for FY 2011-12 and ₹4.68 crore represent additional R&M expenses for six months for asset addition during FY 2011-12. Besides, the base R&M expenses for SLDC business are ₹0.18 crore worked out on normative basis for FY 2011-12.

The actual increase in Wholesale Price Indices (WPI) available for nine months (April 2012 to December 2012) is 7.6%. After allowing WPI increase of 7.6% on the base figure of ₹66.40 crore, the R&M expenses for Transmission business for FY 2012-13 work out to ₹71.45 crore. Similarly, after allowing WPI increase of 7.6% on the base figure of ₹0.18 crore, the R&M expenses for SLDC for FY 2012-13 work out to ₹0.19 crore.

3.5.3 In the ARR petition for FY 2013-14, PSTCL has also claimed ₹14.98 crore towards R&M expenses on asset addition of ₹1541.96 crore during FY 2012-13. The utility has proposed to capitalize assets to the extent of ₹1541.96 crore in the RE for FY 2012-13 against the initial proposed Investment Plan of ₹1069.69 crore. However, based on the capital expenditure actually incurred up to December 2012, the Commission has approved the investment outlay of ₹800 crore for FY 2012-13 in para 3.8.3 of this Order. Accordingly capitalization works out to ₹1344.97 crore for FY 2012-13.

3.5.4 In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the R&M expenses are allowable for assets added during the year on pro-rata basis from the date of commissioning of assets. The percentage of approved R&M expenses of ₹71.45 crore vis-a-vis the Opening Gross Fixed Assets (GFA) of ₹2801.05 crore works out to 2.55%. Accordingly, the additional R&M expenses on the asset addition of ₹1344.97 crore work out to ₹17.15 crore, considering the asset addition for six months, on an average during the year and the same are allowed.

3.5.5 PSTCL has also claimed R&M expenses of ₹1.76 crore for addition of assets for its SLDC business for FY 2012-13. The percentage of approved R&M expenses of ₹0.19 crore vis-a-vis the Opening Gross Fixed Assets (GFA) of ₹7.57 crore works out to 2.51%. Accordingly the additional R&M expenses on the asset addition of ₹3.18 crore works out to ₹0.04 crore, considering the asset addition for six months, on an average during the year and the same are allowed.

Thus, the Commission approves the R&M expenses of ₹88.60 (71.45 + 17.15) crore for Transmission business and of ₹0.23 (0.19 + 0.04) crore for SLDC business of PSTCL for FY 2012-13.

3.6 Administration and General (A&G) Expenses

3.6.1 In the ARR petition for FY 2012-13, PSTCL claimed A&G expenses of ₹74.89 crore (including ₹18.59 crore for asset addition during the year). This claim was subsequently revised to ₹67.81 crore (including ₹11.51 crore for assets added during the year) for its Transmission business and ₹1.40 crore (including ₹0.137 crore for asset addition during the year) for its SLDC business for FY 2012-13 against which the Commission allowed A&G expenses of ₹13.79 crore for Transmission business and ₹0.032 crore for SLDC business.

3.6.2 In the ARR petition for FY 2013-14, PSTCL has revised its claim of A&G expenses for Transmission business to ₹32.06 crore which includes expenses of ₹6.91 crore for asset addition during the year and A&G expenses of ₹0.05 crore related to prior period. PSTCL has also revised the A&G expenses of its SLDC business to ₹1.75 crore which includes expenses of ₹0.76 crore for asset addition for FY 2012-13.

3.6.3 PSTCL has submitted that as a successor entity with an independent function of transmission, it has different business requirement when compared to the integrated utility. Further, there is an urgent need to strengthen the transmission system after the unbundling. It has further submitted that the security arrangements for vital electrical installation and substations of PSTCL are currently not adequate and need to be strengthened. PSTCL has also approved norms for number of security personnel for various installations considering the criticality of the situation.

3.6.4 As already discussed in para 3.5.2 of this Order, the Commission has ascertained the normative A&G expenses for FY 2011-12 by re-working expenses on normative basis from FY 2005-06 onwards. Thus, the expenses for FY 2011-12 work out to ₹15.29 crore for Gross Fixed Assets of ₹2801.05 crore for Transmission business where ₹14.21 crore are the normative A&G expenses for FY 2011-12 and ₹1.08 crore represents additional A&G expenses for six months for asset addition during FY 2011-12.

The Regulations allow for adjusting the base A&G expenses in proportion to increase in WPI. The actual increase in Wholesale Price Indices (WPI) available for nine months (April 2012 to December 2012) is 7.6%. After allowing WPI increase of 7.6% on the base figure of ₹15.29 crore, the A&G expenses for FY 2012-13 work out to ₹16.45 crore for Transmission business of PSTCL.

3.6.5 Similarly, the base A&G expenses for SLDC business for FY 2012-13 are ₹0.04 crore for the Gross Fixed Asset of ₹7.57 crore. After applying an increase in WPI of 7.6%

as above on the base expenses of ₹0.04 crore, the A&G expenses for FY 2012-13 work out to ₹0.04 crore for SLDC business of PSTCL.

3.6.6 PSTCL has claimed ₹6.91 crore towards A&G expenses on asset addition of ₹1541.96 crore against which the Commission in para 3.8.3 has approved asset addition of ₹1344.97 crore during the year for transmission business for FY 2012-13. PSTCL has also claimed asset addition of ₹11.38 crore for its SLDC business against which the Commission has approved asset addition of ₹3.18 crore for FY 2012-13 in para 3.8.4.

3.6.7 In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the A&G expenses are allowable for assets added during the year on pro-rata basis. The approved A&G expenses of ₹16.45 crore on the Gross Fixed Assets (GFA) of transmission business ₹2801.05 crore works out to 0.59%. Accordingly the additional A&G expenses on the approved asset addition of ₹1344.97 crore work out to ₹3.97 crore, considering the asset addition for six months on an average during the year. Similarly PSTCL has also claimed additional A&G expenses of ₹0.76 crore for assets of ₹11.38 crore added during the year for its SLDC business. Applying a similar principle, the additional A&G expenses on asset addition of ₹3.18 crore for FY 2012-13 works out to ₹0.008 (considered as 0.01) crore for SLDC business of PSTCL. Thus the total allowable A&G expenses work out to ₹20.42 (16.45+3.97) crore and ₹0.05 (0.04+0.01) crore for Transmission and SLDC business of PSTCL respectively for FY 2012-13.

3.6.8 The Commission observes that A&G expenses are being allowed on normative basis as provided in the PSERC Tariff Regulations, 2005. However, the Commission notes that the utility has paid an amount of ₹0.25 crore on account of annual license fee and ₹0.25 crore as processing fee for ARR FY 2013-14 during FY 2012-13 which is an allowable expense in line with the Regulations. The Commission, therefore, allows expenses of ₹0.50 crore on this account.

The Commission thus approves the A&G expenses of ₹20.92 (20.42 + 0.50) crore for Transmission business of PSTCL and ₹0.05 crore for SLDC business of PSTCL for FY 2012-13.

3.7 Depreciation Charges

3.7.1 In the ARR petition of FY 2012-13, PSTCL had claimed depreciation charges of ₹193.41 crore for FY 2012-13 for its Transmission business against which ₹147.90 crore was approved by the Commission in the Tariff Order for FY 2012-13. For its SLDC business, PSTCL had claimed ₹1.07 crore as depreciation for FY 2012-13 in the ARR petition for FY 2012-13 against which Commission had approved ₹0.40 crore for FY 2012-13.

3.7.2 PSTCL in its ARR petition for FY 2013-14 has revised depreciation charges for FY 2012-13 to ₹188.60 crore by applying an average rate of 5.28% on assets of ₹3572.03 crore which include assets of ₹1541.96 crore added during the year. Consequent upon notification dated 24.12.2012 whereby Gross Fixed Assets were revised, PSTCL has also revised the claim of depreciation to ₹160.71 crore for its Transmission business on the average asset value of ₹3043.66 crore [(2272.68+3814.64)/2]. The Commission is, however, conscious of the fact that the revised figures of fixed assets are subject to audit which is still pending. The Commission, therefore, considers it appropriate to adopt the original value of fixed assets i.e. ₹2801.05 crore for purposes of calculation of depreciation. This will be reconsidered after receipt of Audited Accounts of FYs 2010-11 & 2011-12.

3.7.3 PSTCL has also claimed depreciation charges of ₹0.63 crore for its SLDC business on the opening assets of ₹7.47 crore and has also considered asset addition of ₹11.38 crore for FY 2012-13. However, the Commission in the Tariff Order of FY 2012-13 had approved depreciation charges of ₹0.40 crore on the opening assets of ₹7.57 crore as on April 1, 2012. The Commission allows the same depreciation charges for FY 2012-13 in this Tariff Order.

The Commission also observes that no depreciation on assets added during the year is considered as the utility has not submitted Audited Accounts for FYs 2010-11 & 2011-12. Also, it is noted with concern that the Fixed Asset Register (FAR) is pending finalization despite clear directions in this regard by the Commission. Hence, depreciation on assets added during the year will be considered during True up. It may be pointed out that allowability of depreciation on opening Gross Fixed Assets (GFA) has been upheld by Hon'ble APTEL in its order in Appeal No. 76 of 2011 in the case of PSTCL.

3.7.4 Accordingly, the Commission determines depreciation charges for Transmission and SLDC businesses of PSTCL for FY 2012-13 as shown in Table 3.3.

Table 3.3: Depreciation Charges for Transmission business and SLDC business of PSTCL for FY 2012-13

(₹ crore)

Particulars	For Transmission business		For SLDC business	
	Estimates by PSTCL	Approved in Tariff Order	Estimates by PSTCL	Approved in Tariff Order
1	2	3	4	5
Depreciation	188.60	147.90	0.63	0.40

The Commission allows depreciation charges of ₹147.90 crore for Transmission business and ₹0.40 crore for SLDC business of PSTCL for FY 2012-13.

3.8 Interest and Finance Charges

3.8.1 In the ARR petition of FY 2012-13, PSTCL had claimed interest and finance charges of ₹251.58 crore for its Transmission Business against which the Commission allowed ₹244.85 crore. In the ARR petition of FY 2013-14, PSTCL has claimed interest and finance charges of ₹205.36 crore (net of capitalization of ₹40.00 crore and inclusive of ₹4.00 crore as guarantee fee/finance charges) for its Transmission Business. This claim was further revised to ₹294.49 crore vide memo no. 57 dated 07.01.2013.

3.8.2 Similarly, PSTCL had claimed interest and finance charges of ₹1.34 crore for SLDC business for FY 2012-13 against which the Commission had approved interest and finance charges of ₹1.65 crore. In the ARR petition of FY 2013-14, PSTCL has claimed interest charges of ₹0.71 crore.

The interest and finance charges allowable to PSTCL are discussed in the ensuing paragraphs.

3.8.3 Investment Plan for Transmission Business

In the ARR petition of FY 2012-13, PSTCL had estimated a capital expenditure of ₹1100.66 crore against which the Commission had approved an investment plan of ₹1100.00 crore for the Transmission business of PSTCL in Tariff Order of FY 2012-13. PSTCL has estimated the capital expenditure at ₹1069.69 crore for FY 2012-13 in the ARR petition of FY 2013-14.The details of capital expenditure submitted by PSTCL are shown in Table 3.4.

Table 3.4: Estimates of Capital Expenditure for Transmission business for 2012-13

(₹ crore)

Sr. No.	Particulars	Opening WIP* as on March 31, 2012	Expenditure during FY 2012-13	Transferred to Assets	Closing WIP* as on March 31, 2013
1	**2**	**3**	**4**	**5**	**6**
1	132 kV	35.97	31.49	67.47	0.00
2	220 kV	396.61	398.01	619.49	175.13
3	400 kV	608.72	620.19	835.00	393.91
4	General Equipments	0.00	20.00	20.00	0.00
	Total	**1041.31**	**1069.69**	**1541.96**	**569.04**

**Works in progress.*

The Commission observes that PSTCL has proposed an ambitious investment plan for its Transmission business for FY 2012-13. PSTCL has furnished the actual expenditure up to January, 2013 at ₹520.56 crore against proposed capital expenditure of ₹1069.69 crore in the RE for FY 2012-13. Based on the actual capital expenditure up to January 2013 and an enhancement due to extrapolation of expenditure, the Commission approves the capital expenditure at ₹800.00 crore for FY 2012-13. PSTCL has also shown consumer contribution of ₹9.56 crore. Thus, the loan required for Transmission business of PSTCL works out to ₹790.44 crore.

PSTCL has proposed to capitalize its assets to the extent of ₹1541.96 crore in the RE for FY 2012-13 against the proposed capital expenditure of ₹1069.69 crore. The Commission has approved an investment of ₹800 crore in the review and the corresponding capitalization works out to ₹1344.97 crore.

3.8.4 Investment Plan for SLDC business

In ARR petition of FY 2013-14, PSTCL has proposed an investment of ₹11.38 crore for SLDC Business for FY 2012-13 against ₹20.00 crore approved by the Commission in the Tariff order for FY 2012-13 as detailed in Table 3.5.

Table 3.5: Estimates of Capital Investment for SLDC business for FY 2012-13

(₹ crore)

Sr. No.	Particulars	Projected for SLDC
1	47 No. RTUs	2.50
2	Procurement of Additional RTUs for remaining/ upcoming substation of PSTCL	0.00
3	Replacement of existing RTUs	0.00
4	Implementation of Intrastate boundary metering scheme based upon ABT type energy meter	8.50
5	Upgradation/Renovation of SLDC building including energy centre building expenditure for energy centre	0.10
6	Purchase of computer items for SLDC	0.20
7	Furniture and Fixtures	0.03
8	Tools and plants (Frequency meters, etc.)	0.00
9	Building expenditure for energy centre.	0.05
10	**Total**	**11.38**

It is seen from Table 3.5 that the major item of expenditure of ₹8.50 crore is for Intra-State boundary metering scheme, against which payments are expected to be made in 2013-14. As per the record/ account statements of SLDC, it is observed that SLDC has made a payment of ₹0.75 crore upto January, 2013 for procurement of 12 RTUs. The Commission observes that there is a large gap between the investment outlay and the actual capital expenditure of PSTCL for its SLDC business. The Commission, therefore, considers it appropriate to allow investment expenditure of ₹1.00 crore for FY 2012-13 for SLDC business of PSTCL. Accordingly, the Commission approves an investment plan of ₹1.00 crore for SLDC business of PSTCL in the review for FY 2012-13. Considering the approved capital expenditure of ₹1.00 crore, the loan requirement for SLDC business of PSTCL works out to ₹1.00 crore.

PSTCL has submitted that it has proposed capitalization of ₹11.38 crore out of capital expenditure of ₹11.38 crore estimated for SLDC business. The Commission has approved an investment of ₹1.00 crore in the review and corresponding capitalization works out to ₹3.18 crore in the ratio of opening capital works in progress (CWIP) to total estimated/approved capital expenditure of PSTCL as determined by the Commission. Accordingly, Commission allows capitalization of expenditure of ₹3.18 crore for SLDC in the Review for FY 2012-13.

The Commission is also constrained to observe that the utility furnishes an ambitious investment plan which, it is unable to implement. The Commission observes that initial investment plan of Transmission and SLDC businesses as filed in the ARR petition of FY 2012-13 was ₹1100.66 crore and ₹24.28 crore against which the Commission had allowed ₹1100.00 crore and ₹20.00 crore respectively. In the ARR petition of FY 2013-14, the investment plan for Transmission and SLDC businesses for 2012-13 has been reduced by PSTCL to ₹1069.69 crore and ₹11.38 crore respectively which had to be further reduced to ₹800 crore and ₹1 crore respectively by the Commission as discussed above. The Commission advises the utility to ensure that a realistic investment plan is furnished in future.

3.8.5 PSTCL has shown the opening balance of loans as on April 1, 2012 as ₹1623.23 crore against ₹1716.05 crore approved in the Tariff Order for FY 2012-13. It appears that PSTCL has taken the opening balance of ₹1623.23 crore based on its accounts for FY 2011-12. The Commission, therefore, adopts the opening balance as on April 01, 2012 of ₹1623.23 crore for calculation of interest on loan. The figures would be trued up based on Audited Accounts of FY 2011-12.

PSTCL has claimed ₹205.36 crore (net of capitalization of ₹40.00 crore but inclusive of guarantee charges of ₹4.00 crore payable to GoP) towards interest on Loans [other than working capital loans (WCL)] of ₹1060.13 crore excluding consumer contribution of ₹9.56 crore for its Transmission business in the R.E for FY 2012-13. The interest on loans (other than working capital loan) is approved by the Commission after reducing consumer contribution of ₹9.56 crore. The interest allowable is worked out as briefed in Table 3.6.

Table 3.6: Interest on Loans (other than WCL) for Transmission business

(₹ crore)

Sr. No.	Particulars	Loans as on April 1, 2012	Receipt of loans during FY 2012-13	Repayment of loans during FY 2012-13	Loans as on March 31, 2013	Amount of Interest
1	**2**	**3**	**4**	**5**	**6**	**7**
1.	As per data furnished in ARR petition (other than WCL)	1623.23	1060.13	145.70	2537.67	241.36
2.	Approved by the Commission (other than WCL)	1623.23	790.44	145.70	2267.97	225.72

The Commission thus approves the interest on loans at ₹225.72 crore for the Transmission business of PSTCL for FY 2012-13.

3.8.6 PSTCL has claimed ₹0.71 crore towards interest on Loans (other than WCL) in the RE for FY 2012-13 for its SLDC business. The interest on allowable loans (other than Working Capital Loans) is worked out as detailed in Table 3.7.

Table 3.7: interest on Loans for SLDC (other than WCL)

(₹ crore)

Sr. No.	Particulars	Loans as on April 1, 2012	Receipt of loans during FY 2012-13	Repayment of loans during FY 2012-13	Loans as on March 31, 2013	Amount of Interest
1	**2**	**3**	**4**	**5**	**6**	**7**
1.	As per data furnished in ARR petition (other than WCL)	0.00	11.38	0.0	11.38	0.71
2.	Approved by the Commission (other than WCL)	0.00	1.00	0.00	1.00	0.06

The Commission approves the interest on loans at ₹0.06 crore for FY 2012-13 for the SLDC business of PSTCL.

3.8.7 Finance Charges

PSTCL has claimed guarantee / finance charges of ₹4.00 crore in the ARR petition of FY 2013-14. The Commission has been allowing finance charges in the ratio of finance charges claimed to the borrowings by utility. The allowable finance charges work out to ₹2.98 crore in the ratio of loan approved by the Commission and loan claimed by the utility for Transmission business. PSTCL has not claimed any finance/ guarantee charges for its SLDC Business and are hence not allowed.

3.8.8 Capitalization of Interest Charges

PSTCL has claimed ₹40.00 crore towards capitalization for its Transmission business. The Commission determines the capitalization of interest of ₹24.13 crore in the ratio of Work In Progress (WIP) and total WIP and GFA. The Commission approves capitalization of interest of ₹24.13 crore for the year in the review for FY 2012-13 for the Transmission business of PSTCL. PSTCL has claimed nil capitalization of interest charges for its SLDC business and hence not allowed.

3.8.9 Diversion of Capital Funds

The Commission, in paras 2.15.7 and 2.15.8 of the PSPCL Tariff Order for FY 2011-12, had determined the diversion of capital funds for revenue purposes at ₹2458.56 crore based on the erstwhile Board's Annual Audited Accounts for FY 2009-10. The amount of diverted funds carrying interest liability was worked out to ₹1821.21 crore. The Audited Accounts for FY 2010-11 and FY 2011-12 have not been made available to the Commission by PSTCL. Therefore, the amount of diverted funds of ₹1821.21 crore based on the Audited Accounts for FY 2009-10 as determined in the Tariff Order for FY 2011-12, is being considered for FY 2012-13. The interest on these diverted funds @ 13% being SBI advance rate as on April 01, 2011, works out to ₹236.76 crore. Out of this amount, the share of PSTCL works out to be ₹24.39 crore and the balance amount of ₹212.37 crore is the share of PSPCL. Thus ₹24.39 crore is disallowed from the approved interest charges for Transmission business.

Retaining the ratio of disallowance between PSTCL and GoP, the Commission disallows interest amount of ₹10.30 crore of PSTCL on account of deficiencies in its functioning and the balance amount of ₹14.09 crore is to the account of GoP. The total amount payable by GoP works out to ₹42.65 crore (14.47 +14.09 + 14.09) for FYs 2010-11, 2011-12 & 2012-13. However, the amount of diversion and interest thereon will be reconsidered by the Commission in the True up after receipt of Audited Accounts.

In the light of the above, the approved interest charges for Transmission business are shown in Table 3.8.

Table 3.8: Interest Charges for Transmission business for FY 2012-13

(₹ crore)

Sr. No.	Particulars	Loans as on April 01, 2012	Receipt of loans during FY 2012-13	Repayment of loans during FY 2012-13	Loans as on March 31, 2013	Amount of interest
1	2	3	4	5	6	7
1.	Interest on institutional loans	1623.23	790.44	145.70	2267.97	225.72
2.	Finance Charges					2.98
3.	Total (1+2)	1623.23	790.44	145.70	2267.97	228.70
4.	Less : Capitalization					24.13
5.	Net Interest Charges					204.57
6.	Less Interest disallowed on account of diversion of capital funds. a)PSTCL : ₹ 10.30 crore b)GoP : ₹14.09 crore					24.39
7.	Interest allowed (5-6)					180.18

The Commission, accordingly, approves the interest and finance charges of ₹180.18 crore for the Transmission business of PSTCL for FY 2012-13.

Similarly, the approved interest charges for SLDC business of PSTCL for FY 2012-13 are shown in Table 3.9.

Table 3.9: Interest Charges for SLDC business for FY 2012-13

(₹ crore)

Sr. No.	Particulars	Loans as on April 01, 2012	Receipt of loans during FY 2012-13	Repayment of loans during FY 2012-13	Loans as on March 31, 2013	Amount of interest
1	2	3	4	5	6	7
1.	Interest on institutional loans	0.00	1.00	0.00	1.00	0.06
2.	Finance Charges					0.00
3.	Total (1+2)	0.00	1.00	0.00	1.00	0.06
4.	Less : Capitalization					0.00
5.	Net Interest Charges					0.06

Accordingly, the Commission allows Interest Charges of ₹180.18 crore for the Transmission business and ₹0.06 crore for the SLDC business of PSTCL for FY 2012-13.

3.9 Interest on Working Capital

In the ARR petition for FY 2013-14, PSTCL has claimed interest on working capital at ₹31.19 crore on its Transmission business on normative basis as per PSERC Tariff Regulations on a total working capital of ₹211.46 crore.

The Commission has considered the working capital as per PSERC Tariff Regulations. The interest on working capital works out to ₹26.20 crore for FY 2012-13 by applying an interest rate of 10.93%, being the average rate of interest actually paid/payable by the utility on the loans availed by it, as detailed in Table 3.10.

Table 3.10 Interest on working capital for Transmission business for FY 2012-13

(₹ crore)

Sr. No.	Particulars	FY 2012-13	
		Projected by PSTCL in the RE	Approved in the Review
1	2	3	4
1.	Receivable equivalent to two months	133.55	134.95
2.	Maintenance spares @15% of operation and maintenance expenses	50.09	67.35
3.	Operation and maintenance expenses for one month	27.83	37.41
4.	Total working capital	211.46	**239.71**
5.	Rate of Interest	14.75 %	10.93 %
6.	Interest on Working capital	31.19	**26.20**

The Commission, thus, approves the Working capital of ₹239.71 crore and interest thereon of ₹26.20 crore for the Transmission business of PSTCL for FY 2012-13.

In the ARR petition for FY 2013-14, PSTCL has claimed interest on working capital of ₹1.21 crore on the total working capital of ₹8.23 crore for its SLDC business. Applying the principle used in Transmission business, the Commission works out the interest of ₹0.31 crore on working capital by applying a rate of 10.93% on total working capital of ₹2.87 crore as given in Table 3.11.

Table 3.11: Interest on Working Capital for SLDC business of PSTCL for FY 2012-13

(₹ crore)

Sr. No.	Particulars	FY 2012-13	
		Projected by PSTCL in the RE	Approved in the Review
1	2	3	4
1.	Receivable equivalent to two months	4.76	1.97
2.	Maintenance spares @ 15% of operation and maintenance expenses	2.23	0.58
3.	Operation and maintenance expenses for one month	1.24	0.32
4.	Total working capital	8.23	2.87
5.	Rate of Interest	14.75 %	10.93 %
6.	Interest on Working capital	1.21	0.31

The Commission, thus, approves the Working Capital of ₹2.87 crore and interest thereon of ₹0.31 crore for SLDC business of PSTCL for FY 2012-13.

3.10 Return on Equity (ROE)

In the ARR Petition for FY 2012-13, PSTCL had claimed Return on Equity (RoE) of ₹110.01 crore for its Transmission business for FY 2011-12 @ 15.5% (pre-tax) to be grossed up to 23.48% as per CERC Regulations on an opening equity of ₹468.51 crore. The Commission in the past, had been allowing 14% ROE as per CERC Regulations prior to amendment in 2009. In the 2009 amendment, CERC adopted a figure of 15.5% (pre-tax) for allowing ROE to power utilities which was to be grossed up as per tax paid by the utility. The Commission decided that as per its Regulations, it was laid down that 'CERC Regulations will be followed as far as possible' and refrained from adopting a figure of 15.5% (pre-tax) holding that Utility had not shown requisite improvement in critical parameters like employee cost. Subsequently the Hon'ble APTEL in its Order dated March 3, 2012 in Appeal No. 76 of 2011 in the case of PSTCL directed the Commission to adopt ROE of 15.5%, observing that:

"Since Regulation 25 of the State Regulations speaks of being guided by the Central Regulations as amended from time to time and as the CERC has framed new Regulations in 2009 (Regulation 15), the said Regulation 15 which is applicable in the instant case shall be applied sans the Regulation 7 of the Central Regulation, 2004 in as much as Regulation 15 of CERC Regulations, 2009 has abolished the provision of Regulation 7 of CERC Regulations, 2004 and there cannot be double advantage accruable to a transmission company who is of course entitled to the benefit of the CERC Regulations, 2009 (Regulation 15). ***Once we hold that Regulation 15 of the CERC Regulations, 2009 will become applicable it is implied as also it becomes explicit that tax***

on income cannot be a pass through to the beneficiaries" *(emphasis supplied).*

In compliance to the directions of Hon'ble APTEL, the Commission determined ROE of ₹50.92 crore @ 15.5% on the equity amount of ₹328.50 crore in the Tariff Order of 2012-13.

In the ARR of FY 2013-14, PSTCL filed its claim for Return on Equity of ₹75.38 crore on the equity amount of ₹328.50 crore. However, after the issuance of Govt. of Punjab notification dated 24.12.2012 allocating the opening balances of various assets and liabilities between the two Successor Entities (of PSEB) viz: PSPCL and PSTCL as on 16.04.2010, in reply to the Commission letter dated 04.01.2013, PSTCL in its letter dated 07.01.2013 has further revised the equity amount to ₹605.83 crore and claimed an enhanced Return on Equity of ₹139.01 crore (@ 22.95% grossed up) for the year 2012-13. In response to Commission's query dated 11.01.2013 about the basis of enhancement in the amount of equity invested, PSTCL in its letter dated 21.01.2013 stated:

"In the Transfer Scheme 2010 assets valued at ₹4114.28 crore have been vested in PSTCL. Pursuant to the issue of GoP Notification dated 24.12.2012 the said amount has been the full consideration for the transfer and vesting of PSTCL for which the State Government is entitled to fully paid up equity share capital of ₹605.83 crore.

In view of the above, it is submitted that PSTCL has not enhanced its Share Capital from ₹328.50 crore to ₹605.83 crore as the same has been fixed on account of the vesting of Transmission undertaking comprising assets and liabilities etc. by the State Government under a Statutory Transfer Scheme.

Accordingly, entire Share Capital of ₹605.83 crore is considered as the actual amount of equity employed for transferring and vesting the assets & liabilities with PSTCL as on 16.04.2010. PSTCL, thus treats this equity share capital being equity employed in creation of assets vested with PSTCL pursuant to the statutory Transfer Scheme mentioned above and have accordingly claimed ROE on the said amount for FY 2010-11 to FY 2013-14. It is also pertinent to mention that the Transfer Scheme notified by Government of Punjab to exercise the power under Section 131,132 etc. of the Electricity Act, 2003, is a statutory scheme and is binding."

PSTCL in its letter dated 3.4.2013 stated as under:

"*It is certified that the actual amount of equity employed in creation of assets is*

₹605.83 crore. Further, it is submitted that the enhanced equity has also contributed to the creation of assets. This is in line with Regulation 25(4) of PSERC (Terms and Conditions) for Determination of Tariff Regulations."

Therefore, in accordance with the PSERC Tariff Regulations, the Commission decides that the Return on Equity be allowed on the actual equity employed in the creation of assets viz the amount of equity vested with the utility by the GoP in the Transfer Scheme. The Commission will, however, revisit the issue after the Audited Annual Accounts of the utility become available.

Also, PSTCL has not claimed any expenses on account of payment of Income Tax during the year. The issue of allowability of RoE @ 15.5% instead of at the grossed-up rate has also been discussed at length in the Commission's Order dated 07.01.2013 in petition no.57 of 2012 (suo motu) passed in compliance to Hon'ble APTEL judgment dated 18.10.2012.

The Commission, thus, approves ROE of ₹93.90 crore @15.5% on the equity amount of ₹605.83 crore vested with the utility in the Transfer Scheme (notified by GoP) for FY 2012-13.

3.11 ULDC Charges

In the ARR for FY 2013-14, PSTCL has claimed ₹17.30 crore towards ULDC charges payable to PGCIL for its SLDC business during FY 2012-13 against ₹21.00 crore approved by the Commission in the Tariff Order for FY 2012-13. PSTCL vide its reply dated 11.12.2012 to the deficiencies pointed out by the Commission, has revised its claim to ₹13.30 crore. Since the ULDC charges are decided by CERC from time to time, **the Commission allows ₹13.30 crore as ULDC charges for FY 2012-13 as claimed by PSTCL**.

3.12 Non Tariff Income

3.12.1 In its ARR for FY 2012-13, PSTCL had not projected any non tariff income in respect of Transmission business for FY 2012-13. However, based on the non tariff income of ₹13.05 crore and Open Access (OA) charges of ₹23.93 crore in FY 2011-12, the Commission had approved ₹36.98 crore as non tariff income of Transmission business of PSTCL for FY 2012-13. PSTCL had also not projected any non-tariff income for SLDC business for FY 2012-13. Accordingly, the Commission had also considered the non tariff income for SLDC business as nil.

3.12.2 In the ARR for FY 2013-14, PSTCL has estimated non tariff income (other than income from OA consumers) of ₹5.76 crore based on income of ₹4.55 crore in H1 and ₹1.21 crore for H2 of FY 2012-13 in respect of Transmission business for FY 2012-13. Thus, the amount of ₹5.76 crore is treated as non tariff income of Transmission business of PSTCL.

3.12.3 Also, PSTCL has accounted for ₹31.87 crore as revenue from Open Access consumers during H1 of FY 2012-13. The revenue on this account for H2 of FY 2012-13 has been shown as nil. This amount has been accounted for under the head "Revenue from Tariff" for FY 2012-13. Amended Regulation 34 treats income on account of OA charges as non tariff income. Accordingly, the income from OA charges is being treated as non tariff income and is reduced to that extent from the head "Revenue from Tariff" to which it has been wrongly credited by the utility. As per information received from PSTCL vide its letter dated 21.02.2013, it has received transmission charges of ₹46.21 crore upto January, 2013. Placing reliance on the trend of revenue received during ten months of FY 2012-13, the total receipt on this account for the period 2012-13 is worked out to ₹55.45 crore. The Commission, in accordance with the Tariff Regulations accounts for OA charges of ₹55.45 crore towards Non Tariff Income for FY 2012-13. **Thus, the Commission approves ₹61.21 (5.76+ 55.45) crore as Non Tariff Income for Transmission business of PSTCL for FY 2012-13.**

3.12.4 In the ARR for FY 2013-14, PSTCL has estimated revenue from non tariff income of its SLDC business at ₹5.85 crore which includes income of ₹0.02 crore from investments and OA charges of ₹5.83 crore for FY 2012-13. **The Commission, accordingly, approves the non tariff income for SLDC business as ₹5.85 crore for FY 2012-13.**

3.13 Revenue from Tariff

PSTCL has shown revenue on account of transmission charges of ₹833.31 crore which includes ₹801.44 crore as transmission tariff and ₹31.87 crore from open access consumers for H1 of FY 2012-13. The revenue of ₹31.87 crore from Open Access consumers stands accounted for under the head Non Tariff Income, revenue from tariff is determined at ₹801.44 crore as per claim of the utility. **The Commission accordingly determines the revenue from transmission tariff ₹801.44 crore for the Transmission business of PSTCL for FY 2012-13.**

PSTCL has claimed revenue from tariff amounting to ₹28.57 crore for its SLDC business for FY 2012-13 which is approved by the Commission.

The Commission will reconsider quantum of revenue from tariff after receipt of Audited Accounts in the True up.

3.14 Annual Revenue Requirement

The summary of the Annual Revenue Requirement for SLDC business and Transmission business of PSTCL for FY 2012-13 is shown in Table 3.12.

Table 3.12 Annual Revenue Requirement for SLDC and Transmission Business of PSTCL for FY 2012-13

(₹ crore)

Sr. No	Particulars	For SLDC			For Transmission		
		Approved by the Commission for FY 2012-13	Estimates for FY 2012-13 (RE)	Approved by the Commission in the review for FY 2012-13	Approved in Tariff Order for FY 2012-13	Estimates for FY 2012-13 (RE)	Approved by the Commission in the review for FY 2012-13
1	**2**	**4**		**5**	**6**	**7**	**8**
1	Employee Cost	4.54	9.01	3.60	211.12	232.49	339.43
2	R&M expenses	0.18	4.08	0.23	68.89	69.38	88.60
3	Administration and General (A&G)expenses	0.03	1.75	0.05	13.79	32.06	20.92
4	Depreciation	0.40	0.63	0.40	147.90	188.60	147.90
5	Interest charges	1.65	0.71	0.06	244.85	205.36	180.18
6	Interest on Working Capital	0.77	1.21	0.31	25.15	31.19	26.20
7	Return on Equity	0	0	0	50.92	75.38	93.90
8	ULDC Charges	21.00	17.30	13.30	0	0	0
9	**Annual Revenue Requirement**	**28.57**	**34.70**	**17.95**	**762.62**	**834.48**	**897.13**
10	Less: Non tariff income	0	5.85	5.85	36.98	5.76	61.21
11	**Net Revenue Requirement (9-10)**	**28.57**	**28.86**	**12.10**	**725.64**	**828.72**	**835.92**
12	**Revenue from tariff**		**28.57**	**28.57**		**833.31**	**801.44**
13	**Revenue Gap-Surplus (+)/ Deficit (-) for FY 2012-13**		**(-) 0.29**	**(+) 16.47**		**(+) 4.59**	**(-) 34.48**
14	**Revenue gap carried forward for FY 2011-12**	**-**	**-**	**-**	**-**	**(-) 1.17**	**(-) 71.17**
15	**Carrying cost for Revenue Gap for FY 2011-12**	**-**	**-**	**-**	**-**	**(-) 4.63**	**0.00**
16	**Cumulative Gap : Surplus (+)/Deficit (-)**		**(-) 0.29**	**(+)16.47**		**(-) 71.21**	**(-) 105.65**

Thus, the Commission approves the Annual Revenue Requirement of ₹835.92 crore for Transmission business and ₹12.10 crore for SLDC business of PSTCL in the Review for FY 2012-13.

The summary of the Annual Revenue Requirement of PSTCL as a whole in the Review for FY 2012-13 is shown in Table 3.13

Table 3.13 Annual Revenue Requirement for PSTCL for FY 2012-13

(₹ crore)

Sr. No.	Particulars	For PSTCL		
		Approved in Tariff Order for FY 2012-13	Projected by PSTCL in RE for FY 2012-13	Approved in Review for FY 2012-13
1	2	3	4	5
1.	Employee Cost	215.66	241.51	343.03
2.	R&M expenses	69.07	73.46	88.83
3.	Administration and General expenses(A&G)	13.82	33.82	20.97
4.	Depreciation	148.30	189.24	148.30
5.	Interest charges	272.42	238.47	206.75
6.	Return on Equity	50.92	75.38	93.90
7.	ULDC Charges	21.00	17.30	13.30
8.	**Annual Revenue Requirement**	**791.19**	**869.18**	**915.08**
9.	Less: Non tariff income	36.98	11.61	67.06
10.	**Net Revenue Requirement (8-9)**	**754.21**	**857.57**	**848.02**
11.	Less Revenue from tariff	-	861.88	830.01
12.	Revenue Gap- Surplus (+)/ Deficit (-) for FY 2012-13		(+) 4.31	(-) 18.01
13.	Revenue gap carried forward for FY 2011-12	(-) 71.17	(-) 75.80	(-) 71.17
14.	Add Carrying Cost for Revenue Gap of ₹ 71.17 crore for FY 2011-12	(-) 4.63	00.00	00.00
15.	Cumulative Gap- Surplus (+)/ Deficit (-) upto FY 2012-13		(-) 71.49	(-) 89.18
16.	**Cumulative revenue requirement from tariff**	**830.01**	**929.06**	**919.19**

*Surplus (+)/deficit (-).

The ARR of ₹848.02 crore of PSTCL for FY 2012-13 are the Transmission charges payable by PSPCL for FY 2012-13. After taking into account the revenue gap (deficit) of ₹71.17 crore for the previous year, total ARR of PSTCL works out to ₹919.19 crore. However, the Commission approved the Transmission charges of ₹830.01 crore in the Tariff Order for FY 2012-13. As such, PSTCL will be receiving Transmission charges of ₹830.01 crore only from PSPCL for FY 2012-13. The gap (deficit) of ₹89.18 crore is being carried forward to Table 4.12 of this Tariff Order.

Chapter - 4

Annual Revenue Requirement for FY 2013-14

4.1 Introduction

PSTCL has projected the Annual Revenue Requirement (ARR) for FY 2013-14, separately for its Transmission business and SLDC business. The Commission has analysed the projections for each item and determined the ARR for FY 2013-14, separately, for Transmission business and SLDC business of PSTCL in this chapter.

4.2 Transmission System Capacity

4.2.1 PSTCL has projected the transmission capacity of the system as 13385.35 MW for FY 2013-14 based on the generating capacity connected / likely to be connected to the transmission system from the generating stations within the State and share from Central Generating Stations and others, in the ARR for FY 2013-14. On scrutiny of the details of transmission capacity submitted by PSTCL in the ARR, it was observed that complete details of generating stations have not been submitted. Further, the generating capacities intimated were gross generating capacities whereas these should have been net generating capacities. PSTCL was accordingly asked to supply the requisite details. PSTCL again submitted the gross generating capacities. The Commission has worked out the transmission capacity (net) of PSTCL system from the data submitted by PSPCL/PSTCL, as given in Table 4.1.

Table 4.1: Generating Capacity Connected to the Transmission System

Sr. No.	Generating Station	Capacity (Net) (MW)
1	2	3
1. NTPC		
1	Anta	45.53
2	Auraiya	77.14
3	Dadri	122.54
4	Singrauli	177.62
5	Rihand-I	96.37
6	Rihand-II	91.32
7	Rihand- III	59.98
8	Unchahar-I	31.36
9	Unchahar-II	52.26
10	Unchahar-III	14.82
11	Farakka (ER)	19.82

12	Kahalgaon-I (ER)	44.43
13	Kahalgaon-II (ER)	107.70
14	Barh-II	118.17
	Total NTPC	**1059.05**
2. NHPC		
15	Bairasuil	69.96
16	Salal	152.89
17	Tanakpur	14.07
18	Chamera-I	45.78
19	Chamera-II	30.57
20	Chamera-III	14.54
21	Uri	54.85
22	Uri-II	32.41
23	Dhauli Ganga	23.27
24	Dulhasti	26.84
25	Sewa-II	8.33
26	Parbati-III	66.47
	Total NHPC	**539.99**
3. NPC		
27	NAPP	43.09
28	RAPP-3 &4	84.51
29	RAPP-5 & 6	**38**.70
	Total NPC	**166.30**
4. Other Central Sectors		
30	Nathpa Jhakri HEP(SJVNL)	126.29
31	Tehri HEP (THDC)	72.84
32	Koteshwar HEP (THDC)	21.19
33	Durgapur TPS (DVC)	175.22
34	Raghunathpura TPS (DVC)	219.03
	Total Other Central sectors	**614.57**
5. Others		
35	Tala HEP (PTC)	24.98
36	Mallana-II (PTC)	82.35
37	Udipi TPP (UPCL)	107.43
38	Pragati-III Gas Plant Bawana (PPCL)	127.51
39	Mundra UMPP (CGPL)	427.70
40	Sasan UMPP (RPL)	502.55
	Total Others	**1272.53**
6. PSPCL Own Stations		
6a. Thermal		
41	GNDTP, Bhatinda	409.40
42	GGSSTP, Ropar	1152.90
43	GHTP, Lehra Mohabbat	841.80
	Total Thermal (Own)	**2404.10**
6b. Hydel		
44	Shanan HEP, Joginder Nagar	109.23

45	UBDC-I HEP, Malikpur	44.55
46	UBDC-II HEP, Malikpur	46.03
47	Ranjit Sagar HEP, Shahpurkandi*	447.88
48	ASHP, Anandpur Sahib	133.06
49	Mukerian HEP, Talwara	205.55
	Total Hydel (Own)	**986.29**
7. New stations (PSPCL)		
50	Talwandi Sabo TPS (Sterlite)	1811.70
51	Goindwal Sahib TPS (GVK)	494.10
52	Rajpura TPS (L&T)	640.50
	Total New stations (PSPCL)	2946.30
8. BBMB (Common Pool Stations (PSPCL share)		
53	BBMB share (including Bhakra HEP, Dehar HEP, Pong HEP) (Net Share)	1151.37
	Total BBMB (Common Pool Stations (PSPCL share)	**1151.37**
	Grand Total (Transmission Capacity)	**11140.51**

**After deducting 20% share of J&K and 4.6% share of HP*

The Commission, therefore, has worked out the transmission capacity of PSTCL transmission system as 11140.51 MW, which the Commission approves.

4.3 Transmission Loss

4.3.1 PSTCL has projected the transmission loss at 4.5% for FY 2013-14 in its ARR for FY 2013-14, and requested for approval of the same on the plea that it is comparable to the transmission loss of States of Maharashtra and Chhatisgarh.

In para 3.3 of this Tariff Order, the Commission has retained the transmission loss at 2.5% for FY 2012-13. Since PSTCL has not completed the boundary metering, **the Commission retains the transmission loss level at 2.5% for FY 2013-14. The Commission would revisit the transmission loss in the review/ true up for FY 2013-14, after the boundary meters are provided and energy audit is conducted.**

4.4 Employee Cost

4.4.1 In the ARR petition for FY 2013-14, PSTCL has projected employee expenses of ₹273.22 crore for Transmission business (net of capitalization of ₹26.40 crore) and ₹10.54 crore for SLDC business for FY 2013-14. Consequent upon the GoP notification dated 24.12.2012, in response to the Commission letter no. PSERC/Sr.A.O/ARR-2013-14/9469 dated 04.01.2013, FA/PSTCL vide his memo no. 57 dated 07.01.2013, submitted a revised projection of employee cost of ₹379.93 crore for Transmission business and ₹9.06 crore for SLDC business. This is inclusive of arrears of ₹12.87 crore for Transmission business and ₹0.65 crore for SLDC business. Employee cost projection by PSTCL for FY 2013-14, consequent upon GoP notification dated 24.12.2012, is detailed in Table 4.2.

Table 4.2: Employee Cost Projected by PSTCL for FY 2013-14

(₹ crore)

Sr. No.	**Particulars**	**Projected for Transmission business for FY 2013-14**	**Projected for SLDC business for FY 2013-14**
1	Basic Pay	95.27	3.96
2	Dearness Allowance	78.12	3.45
3	HRA, Fixed medical and other Allowance	30.76	0.95
4	Overtime	3.97	0.00
5	Medical Expenses Reimbursement	1.34	0.05
	Total (1 to 5)	**209.46**	**8.41**
	Terminal Benefits	184.00	0.00
	Total	**393.46**	**8.41**
Less:	Amount capitalised	26.40	------
	Net amount	**367.06**	**8.41**
Add:	Arrears	12.87	0.65
	Net Employee Cost	**379.93**	**9.06**

PSTCL has submitted that the employee cost of ₹28.99 on account of recruitment of new employees has also been included in the total employee cost projected for FY 2013-14.

4.4.2 In the ARR for FY 2013-14, PSTCL has submitted that:

a) For FY 2013-14, PSTCL has considered an escalation of 3 % over the actual employee expenses for FY 2012-13.

b) PSTCL has considered increase in Dearness Allowance of 10 % during FY 2013-14.

c) Third instalment of pay revision arrears has been considered in the employee cost for FY 2013-14.

4.4.3 The Commission in its earlier Tariff Orders has been observing that the Employee Cost of the Utility is one of the highest in the Country and urging the utility to take effective steps to contain employee cost. It is, now noted that as a result of repeated directives given by the Commission in this regard some steps have been initiated by the Utility to enhance employee productivity. In its ARR, PSTCL has stated that it has initiated various steps to limit and reduce the employee cost. Some of the key initiatives undertaken by the utility are as under:

- Approved the norms of number of employees to be deployed at 132 kV, 220 kV and 400 kV sub-stations for optimization of employee expenses.
- Some of the non core activities have been outsourced.
- The employee strength reduced from 4037 (16.04.2010) to 3069 (30.09.2012).
- Introduction of IT.

4.4.4 The Commission notes that a study for rationalization of manpower by Pricewaterhouse Cooper (PwC) has been completed. Also, positive steps have been taken to rationalize manpower costs as detailed in para 4.4.3. Although it is a good start, the utility still needs to go a long way to contain employee cost. The Commission in line with earlier observations in this respect is unable to fully accept the revised estimates of employee cost and considers it appropriate to determine such cost as per its Regulations.

The provisions of the amended Regulation 28(3) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005, (Second Amendment), provide for determination of employee cost in two parts.

- *Terminal benefits including BBMB share on actual basis*
- *Increase in other employee expenses limited to average increase in Wholesale Price Index (WPI).*

Regulation 28(3)(b) also provides for consideration of any exceptional increase in employee cost on account of pay revision.

4.4.5 PSTCL has **projected terminal benefits amounting to ₹184.00 crore for Transmission business which is allowed as per provisions of PSERC Regulations, 2005.** No separate claim on account of terminal benefits has been made for SLDC business of PSTCL for FY 2013-14, hence not allowed.

4.4.6 PSTCL has projected the ‘other employee cost’ at ₹183.06 crore for Transmission business and ₹8.41 for SLDC business for FY 2013-14 after excluding terminal benefits of ₹184.00 crore and arrears of pay of ₹12.87 crore for Transmission business and ₹0.65 crore for SLDC business. As per regulations, the approved ‘other employee cost’ for the previous year is to be considered as the base expense while allowing such cost in the succeeding year. Regulation 28(3)(b) provides for increase in other employee expenses limited to an increase in Wholesale Price Index (WPI). The average annual WPI increase for FY 2013-14 would only be available next year. Accordingly, based on the WPI available for 9 months (April 2012 to December

2012), the Commission has calculated the average WPI increase of 7.6 % which is adopted for purposes of calculation of allowable employee cost for FY 2013-14. The approved 'other employee cost' in the Review for FY 2012-13 in para 3.4.7 of this order is ₹111.46 crore for Transmission business and ₹2.95 crore for SLDC business. After applying the WPI increase of 7.6 %, the 'other employee cost' works out ₹119.93 crore for Transmission business and ₹3.17 crore for SLDC business for FY 2013-14.

Accordingly, the Commission approves 'Other Employee Cost' of ₹119.93 crore for Transmission business and ₹3.17 crore for SLDC business of PSTCL for FY 2013-14.

4.4.7 PSTCL has also claimed arrears of ₹12.87 crore for Transmission business and ₹0.65 crore for SLDC business on account of pay revision payable in FY 2013-14. **Accordingly,** t**he amount of arrears of ₹12.87 crore for Transmission business and ₹0.65 crore for SLDC business is allowed as discussed at length in para 3.4.8 of this Tariff Order.**

4.4.8 In the ARR Petition for FY 2013-14, the utility has not filed a separate claim on account of pay revision. On the basis of information filed by PSTCL in the ARR Petition for FY 2012-13, the Commission ascertained the impact of pay revision of ₹26.10 crore for FY 2012-13 as discussed in para 3.4.9 of this Tariff Order. However, no details regarding the impact of pay revision for FY 2013-14 have been filed by the utility. The Commission considers it appropriate to ascertain the impact of pay revision for FY 2013-14 by allowing a WPI increase of 7.6% on ₹26.10 crore, being the impact of pay revision determined by the Commission for FY 2012-13. Applying this WPI increase of 7.6% on ₹26.10 crore, **the Commission determines the impact of pay revision for PSTCL for FY 2013-14 at ₹28.08 crore and allows the same.**

4.4.9 In the ARR Petition for FY 2013-14, PSTCL has also claimed employee cost of ₹28.99 crore on account of employees likely to be recruited for new installations for FY 2013-14. The Commission had allowed the entire claim of ₹19.00 crore for new installations for FY 2012-13. The Commission considers it appropriate to allow an amount of ₹20.44 crore for FY 2013-14 after allowing a WPI increase of 7.6% on the amount allowed in FY 2012-13. **Accordingly, the Commission approves employee cost for new installations at ₹20.44 crore for FY 2013-14.**

Thus, the Commission approves the total employee cost of ₹365.32 (184.00+119.93+12.87+28.08+20.44) crore for Transmission business and ₹3.82 (3.17+0.65) crore for SLDC business for FY 2013-14.

4.5 Repair and Maintenance (R&M) Expenses

4.5.1 In the ARR petition of FY 2013-14, PSTCL has projected the R&M expenses of ₹70.03 crore for its Transmission business (which includes R&M expenses of ₹10.00 crore for assets likely to be added during the year) and ₹8.16 crore for its SLDC business (which includes R&M expenses of ₹5.04 crore on assets likely to be added during the year). In response to the Commission's deficiency letter dated 03.12.2012, PSTCL vide its letter dated 11.12.2012 revised the R&M expenses of ₹5.04 crore on assets added during the year to ₹2.52 crore for SLDC business. Thus, the claim of the utility for R&M expenses of its SLDC business is reduced to ₹5.64 crore for FY 2013-14.

As discussed in para 3.5.5 of this Order the normative base expense for allowing R&M expenses during FY 2013-14 for PSTCL's Transmission business is calculated at ₹105.75 (88.60+17.15) crore where ₹88.60 crore are the normative base R&M expenses for FY 2012-13 and ₹17.15 crore represent additional R&M expenses for six months for asset addition during FY 2012-13. Besides, the base R&M expenses for SLDC business are ₹0.27 (0.23+0.04) crore where ₹0.23 crore are the normative expenses for FY 2012-13 and ₹0.04 crore represents additional R&M expenses for six months for asset addition during FY 2012-13.

4.5.2 The Commission has been approving the R&M expenses in accordance with the provisions of Regulations 28(4)(b) of PSERC Tariff Regulations, 2005 by adjusting the base R&M expenses in proportion to the increase in WPI. The WPI increase for FY 2013-14 will only be available in the next year. Therefore, as per past practice, available WPI increase of 7.6 % (for April 2012 to December 2012) is being applied to arrive at the allowable R&M expenses for FY 2013-14. Applying WPI increase of 7.6%, allowable R&M expenses for Transmission business of PSTCL during FY 2013-14 work out to ₹113.79 crore. Similarly, the Commission allows WPI increase of 7.6 % for the SLDC business of PSTCL on the base R&M expenses of ₹0.27 crore. The R&M expenses for SLDC business of PSTCL, therefore, work out to ₹0.29 crore for FY 2013-14.

In the ARR petition for FY 2013-14, PSTCL has also claimed ₹10.00 crore towards R&M expenses on likely asset addition of ₹1446.35 crore for its Transmission business. Similarly PSTCL has claimed R&M expenses of ₹2.52 crore on asset addition of ₹18.40 crore for SLDC business during the FY 2013-14. As regards the claim of ₹10.00 crore and ₹2.52 crore on proposed addition of assets in terms of the PSERC Tariff Regulations, the Commission is of the view that the increase in R&M expenses demanded on this account cannot be allowed at this stage and will be considered at the time of review next year when more accurate figures of asset addition are available.

Thus, the Commission approves the R&M expenses of ₹113.79 crore for Transmission business and of ₹0.29 crore for SLDC business of PSTCL for FY 2013-14.

4.6 Administrative and General (A&G) Expenses

4.6.1 In the ARR petition for FY 2013-14, PSTCL has projected A&G expenses of ₹40.51 crore for its Transmission business which includes A&G expenses of ₹5.78 crore for asset addition during the year. In the ARR petition for FY 2013-14, PSTCL has also projected A&G expenses of ₹2.11 crore for its SLDC business which includes A&G expenses of ₹0.94 crore for asset addition during FY 2013-14.

4.6.2 PSTCL has submitted that it has different business requirements as compared to an entity with integrated function of generation, distribution and transmission. Further there is an urgent need to strengthen the Transmission System after unbundling of the erstwhile PSEB. PSTCL stated that it has considered ₹0.47 crore towards consultancy services for implementation of SAP and other initiatives. PSTCL has further submitted that the security arrangements for vital electrical installations and sub-stations and grid sub-stations are currently not adequate and need to be strengthened to ensure uninterrupted power supply in the region. In the ARR, PSTCL has also given norms for number of security personnel required for various types of installations. PSTCL has also submitted that it has estimated the A&G expenses for likely addition of new installations and considered increase in WPI for projecting A&G expenses of its SLDC business.

4.6.3 The Commission has been approving the A&G expenses in accordance with the provisions of Regulations 28(4)(b) of PSERC Tariff Regulations by adjusting the base A&G expenses in proportion to the increase in WPI.

The base normative A&G expenses for PSTCL's Transmission business of ₹24.39 crore (₹20.42 crore being approved as normative A&G expenses for FY 2012-13 and ₹3.97 crore being additional A&G expenses on asset addition during the year) are being considered for FY 2013-14. Applying the WPI increase of 7.6% (as discussed in para 4.5.2 of this Order), the allowable A&G expenses for FY 2013-14 work out to

₹26.24 crore for Transmission business of PSTCL.

The base normative A&G expenses of ₹0.05 crore [₹0.04 crore being approved normative A&G expenses for FY 2012-13 and ₹0.008 crore (already considered as ₹0.01 in para 3.6.7, hence not taken into account in this para), being additional A&G expenses on asset addition during the year] are being considered for FY 2013-14 for its SLDC business. Applying the WPI increase of 7.6% (as discussed in para 4.5.2 of this Order), the allowable A&G expenses for FY 2013-14 work out to ₹0.05 crore for SLDC business of PSTCL.

PSTCL has also claimed ₹5.78 crore towards A&G expenses for assets of ₹1446.35 crore likely to be added in Transmission business during FY 2013-14. PSTCL has further claimed ₹0.94 crore towards A&G expenses on likely asset addition of ₹18.40 crore for SLDC for FY 2013-14. As per past practice, the claim of A&G expenses on proposed asset addition in terms of the PSERC Tariff Regulations is not allowed at this stage but will be considered at the time of review next year when more accurate figures of asset addition are available.

The Commission, thus approves A&G expenses of ₹26.24 crore for Transmission business and ₹0.05 crore for SLDC business of PSTCL for FY 2013-14.

4.7 Depreciation Charges

4.7.1 PSTCL has projected depreciation charges of ₹267.49 crore for FY 2013-14 for its Transmission business on assets of ₹4343.01 crore as on April 1, 2013 and assets of ₹1446.35 crore likely to be added during the FY 2013-14. PSTCL has submitted that depreciation expenses for FY 2013-14 have been calculated on the average rate of depreciation of 5.28% which is applied across the asset classes on the average of opening and closing balance of assets for the year.

4.7.2 In the absence of Audited Accounts for FY 2011-12, the Commission adopted the asset value of ₹2801.05 crore as on April 1, 2012 as determined in Tariff Order for FY 2012-13. Taking into account the approved asset addition of ₹1344.97 crore during FY 2012-13 (para 3.5.3 and para 3.8.3), the asset value as on April 1, 2013 is considered at ₹4146.02 crore. Adopting the depreciation rate of 5.28%, as claimed by the utility, the allowable depreciation on opening balance of assets of ₹4146.02 crore for its Transamission business works out to ₹218.91 crore.

4.7.3 PSTCL has projected depreciation charges of ₹1.35 crore for its SLDC business for FY 2013-14. The Commission determines depreciation of ₹0.57 crore for FY 2013-14 on asset value of ₹10.75 crore as on April 1, 2013 (₹7.57 crore as on April 01, 2012 and ₹3.18 crore as asset addition during FY 2012-13) by applying rate of depreciation of 5.28% as claimed.

4.7.4 The Commission also observes that no depreciation on assets added during the year is considered as the utility has not submitted Audited Accounts for FYs 2010-11 & 2011-12. Also, it is noted with concern that the Fixed Asset Register (FAR) is pending finalization despite clear directions in this regard by the Commission. Hence, depreciation on assets added during the year will be considered during Review/True up. It may be pointed out that allowability of depreciation on opening Gross Fixed Assets (GFA) has been upheld by Hon'ble APTEL in its order in Appeal No.76 of 2011 in the case of PSTCL.

The Commission, accordingly, approves the depreciation charges of ₹218.91 crore for Transmission business and ₹0.57 crore for SLDC business of PSTCL for FY 2013-14.

4.8 Interest and Finance charges

4.8.1 In the ARR petition for FY 2013-14, PSTCL has claimed interest charges of ₹358.84 crore (net of Capitalization of ₹10.00 crore) for Transmission business and ₹2.57 crore for SLDC business. Consequent upon GoP notification 24.12.2012, the utility revised its interest claim to ₹441.67 crore for its Transmission business. However in the absence of Audited Accounts, Commission can not take cognizance of this revision.

The interest and finance charges are discussed in the ensuing paragraphs.

4.8.2 Investment Plan for Transmission Business

In the ARR petition for FY 2013-14, PSTCL has projected a capital expenditure of ₹990.18 crore for FY 2013-14 including consumer contribution of ₹8.60 crore. The details of capital expenditure and capitalization projected by PSTCL are given in Table 4.3.

Table 4.3: Capital Expenditure projected by PSTCL for its Transmission business for FY 2013-14

(₹ crore)

Sr. No.	Particulars	Expenditure during FY 2013-14	Transferred to Assets	Closing WIP* as on March 31, 2014
1	2	3	4	5
1	132 kV	30.23	30.23	0.00
2	220 kV	370.95	454.20	91.88
3	400 kV	559.00	931.91	21.00
4	Capital Expenditure for General Equipment	30.00	30.00	0.00
	Grand Total	990.18	1446.35	112.88

* *Works in progress*

PSTCL has submitted that it is executing two major 400 kV transmission schemes.

(i) 400 kV system for evacuation of power from Talwandi Sabo Thermal Power project of 1980 MWs (3 x 660 MWs).

(ii) 400 kV system for evacuation of power from Rajpura Thermal Power Project 1320 MWs (2 x 660 MWs).

Both the Power projects are being executed under private sector. The generation from Talwandi Sabo is likely to materialize during FY 2013-14. For evacuation of power of this generation project, 400 kV transmission lines have to be connected to major pockets of various load centres of Punjab from the new 400 kV grid substations at Dhuri, Nakodar, Makhu and Muktsar. Further the transmission system is to be integrated with Northern Regional system at Moga and Amritsar sub-stations of PGCIL for reliable operation of the power projects. The expected fund requirement for FY 2013-14 is ₹377.00 crore.

The generation from Rajpura is likely to come on stream during FY 2013-14. For evacuation of power from this generation project, 400 kV transmission lines have to be connected to major pockets of various load centres of Punjab from the newly constructed 400 kV grid substation at Rajpura. PSTCL has submitted that the expected fund requirement for FY 2013-14, is ₹161.00 crore. PSTCL has further submitted that during FY 2013-14, two no. 400 kV substations are planned at Amloh and Doraha (Machhiwara). The 400 kV Amloh substation is proposed to be fed from 400 kV sub-station Dhuri by erecting 400 kV double circuit line. The estimated cost of the work (sub-station including feeding line) is ₹200 crore. The 400 kV sub-station at Doraha (Machhiwara) is proposed to be fed by looping in and out of both the circuits of upcoming 400 kV line from Rajpura Thermal Plant to 400 kV Sub-Station Nakodar. The estimated cost of the work (sub-station including feeding line) is ₹175 crore.

For the aforesaid 400 kV schemes, PSTCL has proposed a capital expenditure of ₹559.00 crore during FY 2013-14. PSTCL has further proposed a capital expenditure of ₹370.95 crore for the 220 kV works and ₹30.23 crore for 132 kV works.

The Commission has examined the Investment Plan of ₹990.18 crore projected by PSTCL for FY 2013-14 and observes that establishment of 400 kV system for evacuation of power from Thermal Power Projects and other 220 kV and 132 kV transmission works are essential for increased/improved power supply in the State. Commission has also observed that capital expenditure actually incurred up to the end of January 2013, is ₹520.56 crore only against estimated capital expenditure of ₹1069.69 crore for FY 2012-13 as submitted by PSTCL. The Commission has estimated the capital expenditure at ₹800 crore for FY 2012-13 in para 3.8.3 of this Tariff Order. Based on actual expenditure incurred in FY 2012-13, approved investment plan for FY 2012-13 and projects planned for FY 2013-14, Commission considers it appropriate to allow an investment plan of ₹900 crore. Increase in Capital expenditure, if any, will be considered by the Commission during Review of FY 2013-14.

The Commission, accordingly, approves an Investment Plan of ₹900 crore for the Transmission business of PSTCL for FY 2013-14. Consumers' contribution of ₹8.60 crore is expected to be received by the utility during FY 2013-14. Accordingly, the loan requirement for the approved investment of ₹900 crore works out to ₹891.40 crore for FY 2013-14. This loan requirement is taken into consideration for computation of interest charges.

PSTCL has proposed to capitalize expenditure to the extent of ₹1446.35 crore for FY 2013-14. The Commission has approved an Investment Plan of ₹900 crore for FY 2013-14 and the corresponding capitalization works out to ₹1295.26 crore.

4.8.3 Investment Plan for SLDC Business

In the ARR petition for FY 2013-14, PSTCL has projected the capital expenditure of ₹18.40 crore for its SLDC business for FY 2013-14. The details of capital expenditure and capitalization projected by PSTCL for SLDC business are given in Table 4.4.

Table 4.4: Capital Expenditure projected by PSTCL for SLDC business for FY 2013-14

(₹ crore)

Sr. No.	Particulars	FY 2013-14 (Projected)
1	**2**	**3**
1	47 No. RTUs	3.50
2	Procurement of additional RTUs for remaining/ upcoming substation of PSTCL	5.00
3	Replacement of existing RTUs	4.00
4	Implementation of Intrastate boundary metering scheme based upon ABT type energy meter	3.50
5	Upgradation/Renovation of SLDC building including energy centre building expenditure for energy centre	2.00
6	Purchase of computer items for SLDC	0.30
7	Furniture and Fixtures	0.04
8	Tools and Plants (Frequency Meters, etc.)	0.06
9	**Total**	**18.40**

Capitalization for FY 2013-14

(₹ crore)

Sr.No.	Particulars	FY 2013-14
1	**2**	**3**
1	Capitalization	**18.40**

PSTCL has estimated capital expenditure of ₹18.40 crore and capitalization of ₹18.40 crore during FY 2013-14 as detailed above.

It is seen from Table 4.4 that the major component of projected expenditure is on account of 47 nos. RTUs, procurement of additional RTUs for remaining/upcoming substation, replacement of existing RTUs, implementation of Intra-state boundary metering scheme. Commission observes that procurement of RTUs is essential for systems stability and implementation of Intra-state Boundary Metering Scheme is essential for load flow studies and assessment of intra-state transmission losses. Further, PSTCL vide its memo no.516 dated 19.02.2013 has revised the total capital expenditure to be incurred for SLDC business during 2013-14 to ₹19.50 crore which includes cost of additional RTUs at ₹6.00 crore, Boundary Metering Scheme at ₹9.00 crore and Islanding Scheme at ₹4.50 crore and has withdrawn the cost of replacement of existing RTUs at ₹4.00 crore. PSTCL has reduced the cost of Boundary Metering Scheme from ₹12.00 crore (i.e. ₹8.50 crore in the Review of FY 2012-13 and ₹3.50 crore for FY 2013-14) to ₹9.00 crore.

Therefore, the Commission considers it appropriate to allow investment expenditure of ₹15.00 crore for FY 2013-14 for SLDC business of PSTCL. However**,** the actual investment expenditure shall be considered by the Commission at the time of Review/True up.

The Commission approves an Investment Plan of ₹15.00 crore for SLDC business of PSTCL and the corresponding capitalization works out to ₹13.61 crore which is approved.

4.8.4 The investment approval has been given in para 4.8.2 and 4.8.3 for FY 2013-14. However, prior approval for individual works shall be obtained by PSTCL from the Commission as laid down in Regulation 22 of the PSERC Tariff Regulations, 2005. Also, PSTCL is directed to execute only those Transmission Projects which are bare essential keeping in view the PSPCL objection (Issue No.4). PSTCL should ensure that it does not execute Transmission works in Punjab which are the responsibility of Power Grid Corporation of India Limited.

4.8.5 The interest on allowable loans (other than Working Capital Loans) is worked out for Transmission business as indicated in Table 4.5.

Table 4.5: Interest on Loans (Other than WCL) for Transmission business

(₹ crore)

Sr. No.	Particulars	Loans as on April 01, 2013	Receipt of loans during FY 2013-14	Repayment of loans during FY 2013-14	Loans as on March 31, 2014	Amount of Interest
1	**2**	**3**	**4**	**5**	**6**	**7**
1	As per data furnished by PSTCL in ARR Petition (other than WCL)	2537.67	981.58	150.04	3369.21	364.84
2	Approved by the Commission (other than WCL)	2267.97	891.40	150.04	3009.33	325.95

4.8.6 **The Commission thus, approves an interest of ₹325.95 crore on loans (other than working capital loans) for Transmission business of PSTCL for FY 2013-14.**

4.8.7 Similarly, PSTCL has projected interest and finance charges of ₹2.57 crore for SLDC business of PSTCL for FY 2013-14. The interest on allowable loans (other than working capital loans) is worked out as indicated in Table 4.6.

Table 4.6: Interest on Loans (Other than WCL) for SLDC

(₹ crore)

Sr. No.	Particulars	Loans as on April 1, 2013	Receipt of loans during FY 2013-14	Repayment of loans during FY 2013-14	Loans as on March 31, 2014	Amount of Interest
1	**2**	**3**	**4**	**5**	**6**	**7**
1	As per data furnished by PSTCL in ARR Petition (other than WCL)	11.38	18.40	0.00	29.78	2.57
2	Approved by the Commission (other than WCL)	1.00	15.00	0.00	16.00	1.06

The Commission, accordingly, approves an interest of ₹1.06 crore on loans (other than Working Capital Loans) for SLDC business of PSTCL for FY 2013-14.

4.8.8 **Finance Charges**

PSTCL has claimed guarantee / finance charges of ₹4.00 crore in the ARR Petition of FY 2013-14. The Commission has been allowing finance charges in the ratio of finance charges claimed to the borrowings by utility. Accordingly the allowable finance charges work out to ₹3.63 crore for Transmission business of the utility. PSTCL has not claimed any finance charges for its SLDC business and are hence not allowed.

4.8.9 **Capitalization of Interest Charges**

PSTCL has claimed ₹10.00 crore towards capitalization of interest charges for its Transmission business. The Commission approves the capitalization of interest of ₹5.94 crore in the ratio of net Works in Progress (WIP) to the expenditure for FY 2013-14 for the Transmission business of PSTCL. For its SLDC business, PSTCL has not claimed any capitalization interest charges. However as per norms, the Commission approves capitalization of interest charges of ₹0.09 crore for SLDC business of PSTCL for FY 2013-14.

4.8.10 **Diversion of Capital Funds**

The Commission, in paras 2.15.7 and 2.15.8 of the Tariff Order for FY 2011-12, had determined the diversion of capital funds for revenue purposes at ₹2458.56 crore based on the Board's Annual Audited Accounts for FY 2009-10. The amount of diverted funds carrying interest liability, was worked out to ₹1821.21 crore. The Audited Accounts for FYs 2010-11 and 2011-12 have not been made available to the Commission by PSTCL. Therefore, the amount of the diverted funds of ₹1821.21 crore based on the Audited Accounts for FY 2009-10, as determined in the Tariff Order for FY 2011-12, is being considered for FYs 2012-13 and 2013-14. The interest on these diverted funds @ 13%, being SBI advance rate as on April 01, 2011, works out to ₹236.76 crore. Of this amount, interest of ₹24.39 crore is to be considered in the Tariff Order for PSTCL and the balance amount of ₹212.37 crore is to be considered in the Tariff Order for PSPCL.

Retaining the ratio of disallowance between PSTCL and GoP, the Commission disallows interest amount of ₹10.30 crore of PSTCL on account of deficiencies in its functioning and the balance amount of ₹14.09 crore is to the account of GoP. However, the amount of diversion and interest thereon will be reconsidered by the Commission in the True up after receipt of Audited Accounts.

The Commission approves interest charges for PSTCL for its Transmission business for FY 2013-14 as shown in Table 4.7.

Table 4.7: Interest Charges for Transmission Business for FY 2013-14

(₹ crore)

Sr. No.	Particulars	Opening balance of loans as on April 01, 2013	Receipt of loans during FY 2013-14	Repayment of loans	Loans as on March 31, 2014	Interest charges approved by the Commission
1	2	3	4	5	6	7
1.	Interest on institutional loans	2267.97	891.40	150.04	3009.33	325.95
2.	Finance charges					3.63
3.	Total (1+2)	2267.97	891.40	150.04	3009.33	329.58
4.	Less: Capitalization					5.94
5.	Net Interest Charges					323.64
6.	Less Interest disallowed on account of diversion of capital funds a) PSTCL: ₹10.30 crore b) GoP : ₹14.09 crore					24.39
7.	**Interest allowed (5-6)**					**299.25**

The Commission, accordingly, approves the interest and finance charges of ₹299.25 crore for the Transmission business of PSTCL for FY 2013-14.

Besides, as discussed in para 5.4 of the Tariff Order for PSTCL for FY 2012-13 and in the above para of this Tariff Order, GoP is liable to pay an amount of ₹56.74 (42.65+14.09) crore upto March 31, 2014 on account of interest on capital fund diverted for revenue purposes. However, the amount of diversion and interest thereon will be reconsidered by the Commission in the True up after receipt of Audited Accounts.

The approved interest charges for SLDC business of PSTCL for FY 2013-14 are shown in Table 4.8.

Table 4.8: Interest Charges for SLDC business for FY 2013-14

(₹ crore)

Sr. No.	*Particulars*	**Opening balance of loans as on April 01, 2013**	**Receipt of loans during FY 2013-14**	**Repayment of loans**	**Loans as on March 31, 2014**	**Interest charges approved by the Commission**
1	**2**	**3**	**4**	**5**	**6**	**7**
1	Interest on institutional loans	1.00	15.00	0.00	16.00	1.06
2	Finance charges					0.00
3	Total (1+2)	1.00	15.00	0.00	16.00	1.06
4	Less: Capitalization					0.09
5	Net interest charges allowed					0.97

Accordingly, the Commission allows Interest Charges of ₹0.97 crore for the SLDC business of PSTCL for FY 2013-14.

4.9 Interest on Working Capital

In the ARR Petition for FY 2013-14, PSTCL has claimed interest on working capital of ₹42.89 crore for Transmission business, on normative basis, on a total working capital of ₹290.78 crore.

The Commission has considered the working capital as per PSERC Tariff Regulations. The interest on working capital of ₹303.19 crore works out to ₹33.14 crore for FY 2013-14 by applying an interest rate of 10.93%, being the average rate of interest actually payable by the utility on the loans availed by them during the year 2012-13 as detailed in Table 4.9.

Table 4.9: Interest on Working Capital for Transmission business of PSTCL for FY 2013-14

(₹ crore)

Sr. No.	**Particulars**	**Projected by the PSTCL**	**Approved by the Commission**
1	**2**	**3**	**4**
1.	Receivables equivalent to two months	201.23	185.28
2.	Maintenance spares @ 15% of operation and maintenance expenses	57.56	75.80
3.	Operation and Maintenance expenses for one month	31.98	42.11
4.	Total working capital	290.78	303.19
5.	Rate of Interest	14.75 %	10.93%
6.	Interest on Working Capital	42.89	33.14

The Commission, thus, approves the Working Capital of ₹303.19 crore and interest thereon of ₹33.14 crore for the Transmission business of PSTCL for FY 2013-14.

In the ARR petition for FY 2013-14, PSTCL has claimed interest on working capital of ₹2.16 crore for SLDC business on the total working capital of ₹14.63 crore. Applying the above principle, the Commission has worked out the interest on working capital by applying rate of 10.93%, being, the rate of interest payable by PSTCL on loans for FY 2013-14 as detailed in Table 4.10.

Table 4.10: Interest on Working Capital for SLDC business of PSTCL for FY 2013-14

(₹ crore)

Sr. No.	Particulars	Projected by the PSTCL	Approved by the Commission
1	2	3	4
1.	Receivables equivalent to two months	9.77	4.54
2.	Maintenance spares @ 15% of operation and maintenance expenses	3.12	0.62
3.	Operation and Maintenance expenses for one month	1.73	0.35
4.	Total working capital	14.63	5.51
5.	Rate of Interest	14.75 %	10.93 %
6.	Interest on working capital	2.16	0.60

The Commission, thus, approves the Working Capital of ₹5.51 crore and interest thereon of ₹0.60 crore for SLDC business of PSTCL for FY 2013-14.

4.10 Return on Equity (RoE)

In the ARR for FY 2013-14, PSTCL has claimed ₹75.38 crore towards RoE at 22.95% grossed up rate assuming the equity base of ₹328.50 crore. However, PSTCL in its reply dated 11.12.2012 to the deficiencies pointed out by the Commission, has revised its claim to 15.5% of equity (against 22.95% in view of amended Tariff Regulations notified on 17.09.2012). Consequent upon finalization of the Transfer Scheme notified by GoP on 24.12.2012, PSTCL further revised the amount of equity to ₹605.83 crore being the amount of equity employed in assets.

The issue of RoE has been discussed at length in para 3.10 of this order and the Commission after much deliberation allowed RoE of ₹93.90 crore @15.5% on the opening equity of ₹605.83 crore. Following the same principle, **the Commission allows RoE @ 15.5% on an equity amount of ₹605.83 crore which works out to ₹ 93.90 crore for FY 2013-14.**

4.11 ULDC Charges

PSTCL has claimed ₹31.40 crore towards ULDC charges for FY 2013-14 in the ARR for FY 2013-14. PSTCL vide its reply dated 11.12.2012 to the deficiencies pointed out by the Commission, has revised the claim of ULDC charges from ₹31.40 to ₹27.40 crore. Since the ULDC charges are decided by CERC from time to time, **the Commission allows ₹27.40 crore as ULDC charges for FY 2013-14 as claimed by PSTCL**.

4.12 Non Tariff Income

In its ARR for FY 2013-14, PSTCL has claimed receipts of ₹2.66 crore as non tariff income. PSTCL has also stated that the income from OA consumers being an infirm source of revenue cannot be estimated. It has further stated that the Commission may true-up the same during consideration of the true-up petition for FY 2013-14. The Commission is conscious of the fact that income from OA consumers is an infirm source of revenue. The Commission, therefore, assumes the Non Tariff Income (other than income from OA consumers) of the Utility at ₹5.76 crore at the previous year's level. **Accordingly, the Commission determines non tariff income of ₹5.76 crore for the Transmission business of PSTCL for FY 2013-14.**

The Commission will, however, reconsider quantum of Non Tariff Income after receipt of Audited Annual Accounts in the True up in respect of both Transmission and SLDC business of PSTCL.

4.13 Carrying cost for Revenue Gap

The Commission had determined a revenue gap of ₹71.17 crore in the review of FY 2011-12. The Commission had also allowed carrying cost of ₹4.63 crore @ 13% being Advance Rate of State Bank of India as on April 01, 2011 for six months of FY 2011-12 in the Tariff Order of FY 2012-13. The Audited Annual Accounts of PSTCL for FY 2011-12 are not available to the Commission. As such, the true-up for FY 2011-12 is pending. The carrying cost allowable on the actual gap based on the Audited Annual Accounts of PSTCL for FY 2011-12 will be re-considered at the time of true-up of FY 2011-12. Besides, in the review of FY 2012-13, the Commission has ascertained the revenue receipts of ₹830.01 crore against the net ARR of ₹848.02 crore for PSTCL. **As such, there is a revenue deficit of ₹18.01 crore for FY 2012-13**.

The Commission considers it appropriate to allow carrying cost on the revenue deficit of ₹18.01 crore @ 10.93% being the weighted average rate of interest on the loan port-folio of the utility. As the utility will be receiving this revenue towards the end of FY 2013-14, **the Commission approves the carrying cost of ₹1.97 crore considering the same for a period of six months each for FY 2012-13 and FY 2013-14.**

4.14 Annual Revenue Requirement

The Summary of the Annual Revenue Requirement for SLDC business and Transmission business of PSTCL for FY 2013-14 is shown in Table 4.11.

Table 4.11: Annual Revenue Requirement for SLDC and Transmission business of PSTCL for FY 2013-14

(₹ crore)

Sr. No.	Particulars	For SLDC		For Transmission	
		Projected for FY 2013-14	**Approved by the Commission for FY 2013-14**	**Projected for FY 2013-14**	**Approved by the Commission for FY 2013-14**
1	**2**	**3**	**4**	**5**	**6**
1	Employee costs	10.54	3.82	273.22	365.32
2	R&M expenses	8.16	0.29	70.03	113.79
3	Administration and General expenses	2.11	0.05	40.51	26.24
4	Depreciation	1.35	0.57	267.49	218.91
5	Interest charges	2.57	0.97	358.84	299.25
6	Interest on working capital	2.16	0.60	42.89	33.14
7	Return on Equity	0.00	0.00	75.38	93.90
8	ULDC Charges	31.40	27.40	00.00	00.00
9	**Annual Revenue Requirement**	**58.30**	**33.70**	**1128.36**	**1150.55**
10	Less: Non tariff income	0.02	0.00	2.66	5.76
11	**Net Revenue Requirement (10-11)**	**58.28**	**33.70**	**1125.70**	**1144.79**
12	Revenue gap carried forward (with carrying cost)	0.33	-	81.71	-
13	Cumulative Revenue Requirement	58.61	-	1207.41	-

Thus, the Commission approves the Annual Revenue Requirement of ₹1144.79 crore for Transmission business and ₹33.70 crore for SLDC business of PSTCL for FY 2013-14.

The summary of the Annual Revenue Requirement of PSTCL as a whole for FY 2013-14 is shown in Table 4.12.

Table 4.12: Annual Revenue Requirement for PSTCL for FY 2013-14

(₹ crore)

Sr. No.	Particulars	For PSTCL	
		Projected by PSTCL for FY 2013-14	Approved by the Commission for FY 2013-14
1	**2**	**3**	**4**
1	Employee cost	283.76	369.14
2	R&M expenses	78.20	114.08
3	Administration and General (A&G) expenses	42.62	26.29
4	Depreciation	268.85	219.48
5	Interest charges	406.46	333.96
6	Return on Equity	75.38	93.90
7	ULDC Charges	31.40	27.40
8	**Annual Revenue Requirement**	**1186.66**	**1184.25**
9	Less: Non tariff income	2.68	5.76
10	**Net Revenue Requirement (9-10)**	**1183.98**	**1178.49**
11	Add: Revenue gap carried forward (upto FY 2012-13)	82.04	89.18
12	Add: Carrying Cost for Revenue Gap of ₹18.01 crore for FY 2012-13	00.00	1.97
13	**Cumulative Revenue Requirement**	**1266.02**	**1269.64**

The ARR of ₹1269.64 crore of PSTCL for FY 2013-14 are the Transmission and SLDC charges payable by PSPCL during FY 2013-14. Hence this amount is carried forward to Table 4.33 of the Tariff Order of PSPCL for FY 2013-14.

Chapter - 5
Determination of Transmission and SLDC Charges

5.1 Annual Revenue Requirement

The Commission has determined the ARR for PSTCL for FY 2013-14 at ₹1269.64 crore. Out of ₹1269.64 crore, the ARR approved for Transmission business is ₹1235.94 crore and the ARR approved for SLDC business of PSTCL is ₹33.70 crore.

5.2 Determination of Transmission Tariff

5.2.1 PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 specify that transmission tariff will have the following components:

i) SLDC Operation Charges,
ii) Reactive Energy Charges,
iii) Charges for use of network.

5.2.2 The Commission has approved the ARR of SLDC business for FY 2013-14 as ₹33.70 crore against ₹58.28 crore projected by PSTCL, as shown in Table 4.11 of this Tariff Order. The transmission system capacity projected by PSTCL for FY 2013-14 in Table 4 of the ARR is 13385.35 MW, which is the sum of installed capacity in MW of all generating stations connected to the transmission system of PSTCL and the contracted capacities in MW of other long-term transactions to be handled by the transmission system of PSTCL. These generating/allocated capacities are gross i.e. inclusive of transformation losses & auxiliary consumption and inter state transmission loss. The Commission has worked out the generation (net) capacity connected to the transmission system of PSTCL in Table 4.1 as 11140.51 MW. Since, at present, there is only one Distribution Licensee in the State of Punjab, thus, whole of the SLDC charges will be borne by PSPCL, which works out to ₹2.81 crore per month. **Thus, the Commission approves SLDC charges at the rate of ₹2.81 crore per month for PSPCL and for long term / medium term open access customers at the rate of ₹2520.83/MW/month of the contracted capacity.**

5.2.3 As provided in Regulation 24 (2) (c) of the Open Access Regulations, notified by the Commission, Short Term Open Access customers shall pay to the SLDC composite operating charge at the rate of ₹2000 per day or part of the day for each transaction.

5.2.4 The reactive energy charges raised by NRLDC on PSTCL will be directly recoverable by PSTCL from PSPCL.

5.2.5 The ARR for Transmission business of PSTCL for FY 2013-14 has been approved at ₹1144.79 crore, as shown in Table 4.11 of this Tariff Order. Taking into account the revenue gap of ₹89.18 crore at the end of FY 2012-13 and ₹1.97 crore towards carrying cost of revenue gap of ₹18.01 crore as shown in Table 4.12, the ARR of PSTCL works out to ₹1235.94 crore. The Commission, for determining charges for use of the transmission network, has considered the fact that the ARR of Transmission business of PSTCL is 'fixed' in nature. Hence, the Commission decides that the entire ARR for Transmission business of PSTCL be recovered through a demand charge based on the transmission system capacity. The Commission has worked out in para 5.2.2, the transmission capacity of PSTCL as 11140.51 MW (net).

The Commission determines the transmission charges at the rate of ₹103.00 crore per month payable by PSPCL.

5.3 Determination of Open Access Transmission Charges

5.3.1 The Open Access Transmission Charges for Long-term Open Access during FY 2013-14 as per the Open Access Regulations notified by the Commission, are computed in Table 5.1.

Table 5.1: Long-term Open Access Transmission Charges for FY 2013-14

Sr.No.	Particulars	Quantum
1	**2**	**3**
1	Annual Revenue Requirement (ARR) (₹ crore)	1235.94
2	Transmission System Capacity (MW) (net)	11140.51
3	Transmission Tariff (₹/MW/month)	92451
4	Long Term and Medium term Open Access Charges ₹/MW/Month) of the contracted capacity (same as above)	92451
5	Transmission Charges based on 46605 MU of energy at transmission boundary for sale in the State, as approved in Table 4.5 of PSPCL Order for FY 2013-14 (paise/unit)	27

5.3.2 As per clause (2) (b) of Regulation 23 of the Open Access Regulations, 2011, full Open Access Transmission charges for Short-term Open Access will be levied, which works out to 27 paise per unit for FY 2013-14. For Long Term and Medium Term Open Access customers, these charges shall be ₹92451/MW/Month of the contracted capacity.

5.4 Amount payable by GoP to PSTCL on account of interest disallowed for diversion of capital funds

In para 5.4 of the Tariff Order of FY 2012-13, the Commission has determined total amount of ₹42.65 crore as payable by GoP to PSTCL up to FY 2012-13 on account of diversion of capital funds for revenue purposes. In para 3.8.9 of this Tariff Order, the Commission has retained the diversion of capital funds for revenue purposes at ₹42.65 crore for FY 2012-13. Further, in para 4.8.10 of this Tariff Order, GoP has also been held liable to pay an amount of ₹14.09 crore to PSTCL for the same reason, for FY 2013-14. **Thus, GoP is liable to pay total amount of ₹56.74 (42.65 + 14.09) crore to PSTCL during FY 2013-14.**

5.5 Payment Security Mechanism for payment of Transmission Charges

PSTCL, in para 18.1.1 of its ARR for FY 2013-14, has requested the Commission to order continuation of the Payment Security Mechanism as approved in the last Tariff Order. The Commission has detailed the Payment Security Mechanism for payment of Transmission Charges by PSPCL to PSTCL in para 5.5 of the Tariff Order for FY 2012-13.

Accordingly, the Commission reiterates its direction to PSTCL to coordinate with PSPCL to collect Inter-state Transmission Charges. Further, the Commission directs PSPCL to provide an irrevocable and revolving Letter of Credit (LC) to PSTCL for Intra-state Transmission Charges.

5.6 Date of Effect

The Commission notes that the ARR Petition of PSTCL for FY 2013-14 covers the complete financial year. The recovery of transmission charges, therefore, has to be such that the total revenue requirement of PSTCL for FY 2013-14 is recovered in this period.

The Commission, therefore, decides to make the transmission charges and SLDC charges applicable from April 01, 2013 and the charges determined above shall remain operative till March 31, 2014.

This Order is signed and issued by the Punjab State Electricity Regulatory Commission on this, the 10th day of April, 2013.

Date: April 10, 2013

Place: CHANDIGARH

Sd/-	Sd/-	Sd/-
(GURINDER JIT SINGH) MEMBER	(VIRINDER SINGH) MEMBER	(ROMILA DUBEY) CHAIRPERSON

Certified

Sd/-
Secretary
Punjab State Electricity Regulatory Commission
Chandigarh.

ANNEXURE- I

List of Objectors

Objector No.	Name and Address of the Objector
1	PSEB Engineers' Association 45, Ranjit Bagh, Passey Road, Patiala.
2	Punjab State Power Corporation Ltd. (PSPCL), The Mall, Patiala.
3	Government of Punjab (GoP)

ANNEXURE-II

Summary of issues raised by Objectors, response of PSTCL and views of the Commission

Objection No. 1: PSEB Engineers' Association

Issue No. 1: True Up for 2010-11 and 2011-12

Govt. of Punjab has amended the transfer scheme and PSTCL has amended the ARR for 2013-14 except for value of Depreciation.

The true up exercise could be carried out on the basis of notified data of amended transfer scheme, subject to further modifications when the audited accounts are made available.

a) The equity capital has been increased from ₹328.5 crore to ₹605.83 crore. The claim of increase in RoE is clearly identified, which can be decided even if the accounts are yet to be finalised.

b) The increase in ARR of PSTCL will in turn impact the ARR of PSPCL. For this reason also, true up of PSTCL is to be done simultaneously with PSPCL.

Reply of PSTCL

a) PSTCL has already filed the revised figures on the basis of Punjab Govt. Notification dated 24.12.2012 with the Hon'ble Commission.

b) No action required from PSTCL.

View of the Commission

Regulations provide for true up on receipt of Audited Accounts. Accordingly, true up of FY 2010-11 and FY 2011-12 will be done on receipt of Audited Accounts.

Issue No. 2: Transmission System Capacity

For computing transmission system capacity, the net generation capacity of thermal and hydro stations should be taken, as it is the net MW exclusive of auxiliary consumption that is to be transmitted. Also, capacity of PEDA and micro Hydel Projects should be excluded as the power is transmitted over 11 kV or 66 kV systems.

a) Details of C/Sector capacity of 2087 MW may be provided.

b) Details of new projects of capacity 6046 MW, indicating project-wise commissioning date/expected commissioning date, may be supplied. In case a project is being commissioned in say December 2013, it would not be correct to include this capacity for 2013-14.

Reply of PSTCL

Details of Central Sector projects of capacity 2087 MW, new projects of capacity 6046 MW and capacity of PEDA and micro Hydel projects have been supplied to the objector as well as to the Commission.

View of the Commission

The net generation capacity has been taken. Refer Para 4.2 of this Tariff Order.

Issue No. 3: **Transmission Loss**

PSTCL has quoted clause 7.2 (2) of tariff policy which specifies about studies to be carried out for establishing the allowable level of loss. Commission may direct PSTCL to carry out load flow studies, which would accurately identify the %age transmission losses. The load flow studies may be carried out for different loading conditions such as;

a) Paddy season (max loading) conditions (June to September).

b) Lean season conditions (March/April).

c) Winter loading conditions (with morning and evening peaks).

On the basis of load flow studies, the seasonal loss figures could then be combined for assessment of annual loss figures.

Reply of PSTCL

Load flow study for peak load conditions (i.e. paddy season) of 2011-12 has already been done and on the basis of load flow study, transmission losses of Punjab Transmission System come to be approx. 3.2% of peak load. However, load flow study for different loading conditions as mentioned in b & c can also be done as per the requirement.

View of the Commission

Refer Directive no. 4 at Annexure-IV of this Tariff Order.

Issue No. 4: Transmission Capital Expenditure

4.1 Talwandi Sabo Transmission Project

a) Target date of 400 kV S/S Nakodar is shown as 31-3-2013 while target date of Talwandi Sabo-Nakodar line is given as 31-1-2013. This implies that line would remain idle for 2 months.

b) While the status of 400/220 kV substation has been given, the details of 220 kV lines for dispersal of power has not been given. PSTCL may give the details of 220 kV lines and the target dates for commissioning.

c) Transmission system is to be commissioned with respect to commissioning schedule of 3x660 MW Talwandi Sabo TPS. PSTCL may supply the latest/revised commissioning schedule of 3x660 MW Talwandi Sabo units, since the coordination/matching of transmission with generation is to be ensured.

4.2 400 kV Rajpura Transmission System

a) Latest/revised commissioning schedule of 2x700 MW units at Rajpura may be informed, as these dates are essential for coordinating transmission system with generation.

b) Target dates of 400 kV Rajpura TPS-Rajpura, Dhuri-Rajpura & Makhu-Nakodar lines have been shown as 31.1.2013. The actual commissioning dates may be informed.

c) With commissioning target of 30-6-2013 for 2x500 MVA Rajpura Substation, the details of 220 kV lines to disperse the power may be given.

d) Work of 400 kV Amloh and 400 kV Doraha substation have been proposed, it may be confirmed if this work is to be taken up by PSTCL or by Power Grid Corporation of India Limited (PGCIL).

Reply of PSTCL

Talwandi Sabo Transmission System

a) As per present status, the work of 400 kV Talwandi Sabo-Nakodar line & 400 kV Nakodar Substation is likely to be completed by 30.06.2013.

b) The status of 220 kV lines for dispersal of Power has been supplied to the objector.

c) Transmission system is required to be commissioned with respect to the back-up power required for the Thermal Power Station. Accordingly, the works on 400 kV Talwandi Sabo-Dhuri Line & 400 kV S/S at Dhuri have already been completed.

Rajpura Transmission System

(a) As per the co-ordination meeting held on 29.11.2012, the date for back up power has not been fixed. However transmission system to give back up power is likely to be completed by 31.03.2013.

(b) The target dates for completion of 400 kV lines, i.e. Rajpura TPS-Rajpura, Rajpura-Dhuri & Makhu-Nakodar has been supplied to the objector.

(c) The details of 220 kV lines for dispersal of power have been supplied to the objector.
(d) It is planned that the works of 400 kV Substation Amloh & 400 kV Sub Station Doraha will be taken up by PSTCL.

View of the Commission

Project wise detail has been provided by PSTCL in its reply above.

Issue No. 5: Employee Strength

With transfer of 66 kV systems to PSPCL, the sanctioned strength of employees was reduced from 6697 to 5602, and actual (present) strength also reduced from 4032 to 3122.

a) This is indicative of the inter changeability of employees between PSPCL and PSTCL.
b) To maintain the structure of "common cadre" it is stressed that the proposed recruitment of 797 employees should be carried out by PSPCL so that the newly recruited employees can be included in the common cadre. The actual process of selection/test etc. can be carried out by PSTCL, but the common cadre is required to be maintained.
c) The norms for 400 kV substations have been given. PSTCL may indicate the actual deployment of staff at the commissioned/to be commissioned 400 kV substation at Dhuri, Rajpura, Makhu and Nakodar.
d) PSTCL may inform if the O&M of new 400 kV substations is to be done by PGCIL initially and then taken over by PSTCL or whether the O&M of the 400 kV grid Substations is to be carried out by PSTCL from the initial stage itself.
e) PSTCL may give the details of training given/to be given for engineers and staff for the upcoming 400 kV grid substation and lines.

Reply of PSTCL

a) No reply.
b) No reply.
c) 400 kV Substation Dhuri has been commissioned and following staff has been deployed there. The Staff at other 400 kV S/S will be deployed at the time of their commissioning.

Sr. No.	**Description**	**Number of Employee**
1.	Sr. XEN	1
2.	AEE	1
3.	AE	4
4.	JE-I (S/Stn.)	5
5.	SSA	4
6.	UDC	1
	TOTAL	16

d) The O&M of 400 kV Grid Substations will be carried out by PSTCL from initial stage itself.
e) Training Programme for O&M of 400 kV system has already been executed by PGCIL to almost all the newly recruits as well to the existing staff/officers.

View of the Commission

The allocation of employees and employee cost has been made by the Govt. of Punjab in its Notification dated 24.12.2012.

Issue No. 6: Capital Expenditure

PSTCL may give details of co-ordination with PSPCL for utilisation/dispersal of power from 3960 MVA of Transformation Capacity to be added in 2012-13 and 3180 MVA in 2013-14.

Reply of PSTCL

As far as Co-ordination with PSPCL is concerned, it is intimated that "Coordination Committee on Power System Planning" has already been constituted vide o/o No. 1 Dt.

01.01.2013. However, transmission planning for the year 2012-17 and other amendments being done from time to time, are regularly being forwarded to PSPCL (i.e. CE/Planning, PSPCL) for planning of matching 66 kV grids and erecting/ strengthening of 66 kV lines. Similarly planning of matching 66 kV transmission lines and grids with matching 3960 MVA capacity of 2012-13 & 3180 MVA in 2013-14 is still awaited from PSPCL end.

View of the Commission

A Coordination Committee is in place to coordinate details of utilisation/dispersal of power and other planning issues. Refer Directive No. 7 at Annexure-IV of this Tariff Order.

Issue No. 7: Interest on Loan and Depreciation

The amount of loan as on 1.4.12, 1.4.13 and 1.4.14 is ₹1623 crore, ₹2538 crore and ₹3369 crore respectively which shows that loan amount has doubled in two years. The interest on loan as claimed for FY 2012-13 and FY 2013-14 is ₹201 & ₹355 crore and loan repayment indicated is ₹145.7 crore in 2012-13 and ₹150 core in 2013-14. Depreciation claimed is ₹189 crore and ₹267 crore during the year 2012-13 & 2013-14. This shows that depreciation amount claimed is sufficient to meet the repayment of loan.

Reply of PSTCL

No further action is required from PSTCL.

View of the Commission

The interest and finance charges are allowed as per notified Tariff Regulations of the Commission.

Issue No. 8: Return on Equity

Equity base has been increased from ₹ 328.5 crore to ₹ 605.83 crore as per amendment in the Transfer Scheme. RoE is to be calculated on ₹ 605.83 crore with RoE rate 15.5%.

Reply of PSTCL

PSTCL has already filed the revised figures with the Hon'ble Commission on the basis of Punjab Govt. Notification dt. 24.12.2012.

View of the Commission

Refer para 3.10 and 4.10 of this Tariff Order.

Issue No. 9: Revised ARR Figures

ARR figures have been revised from ₹ 1266.02 crore to ₹1728.64 crore due to revision in capital base and equity as per amended Transfer Scheme. Since the ARR figure of PSTCL is to be reflected in ARR of PSPCL, it would be necessary to first finalise the ARR of PSTCL.

Reply of PSTCL

No action required from PSTCL.

View of the Commission

All filings by the utility are considered by the Commission for finalisation of this Tariff Order.

Issue No. 10: Transmission and Open Access Charges

The transmission and open access charges would be higher on account of two facts.

a) Net ARR would be ₹ 1673.49 crore instead of ₹ 1257.41 crore.

b) Capacity in MW would be lower than 13385 MW as submitted earlier.

Reply of PSTCL

No action required from PSTCL.

Views of the Commission

Refer para 5.2 & 5.3 of this Tariff Order.

Objection No. 2: Punjab State Power Corporation Ltd. (PSPCL)

Issue No. 1: True up for FY 2010-11 &2011-12

PSTCL has requested for deferment of true up of 2010-11 and 2011-12 whereas it is requested that the same may be carried out on the basis of provisional accounts as that will affect the PSPCL provisional true up for the same years.

Reply of PSTCL

It is reiterated that true up exercise may be undertaken by the Hon'ble Commission as per provisions of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time.

View of the Commission

Refer to Commission's view on Issue No.1 of Objection No.1.

Issue No. 2: Transmission System Capacity

(i) The transmission capacity shall have been taken as net generation capacity exclusive of auxiliary for Thermal & Hydro Stations.

(ii) The capacity of new projects have been taken as 6046 MW which means that the full capacity for all the projects which are to be commissioned in 2013-14 has also been included whereas the target dates for such projects are as delayed as in March, 2014. Accordingly, it is not correct to add full capacity of such projects for 2013-14. The unrestricted demand of PSPCL is 12096 MW only as was projected in Petition No. 74 of 2012 before Hon'ble Commission which included the short term purchase also. Accordingly the transmission capacity of 13385 MW taken by the Transmission Wing is too much on the higher side.

Reply of PSTCL

Gross and Net Transmission Capacity has already been supplied to Hon'ble Commission. This information has been collected from CE/PP&R, PSPCL.

View of the Commission

Refer Commission's view on issue no. 2 of objection no.1.

Issue No. 3: **Transmission Loss**

Transmission losses as claimed by PSPCL as per Tariff Policy clause 7.2 needs to be checked and changed by carrying out actual load flow studies which would identify the actual percentage of transmission losses. The above exercise is necessary pending installation of all boundary meters.

Reply of PSTCL

Load flow study for peak load conditions (i.e. paddy season) of 2011-12 has already been done and on the basis of output file, transmission losses of Punjab System comes to be approx. 3.2% of peak load. However, load flow study for different loading conditions can also be done as per the requirement.

View of the Commission

Refer Commission's view on issue no.3 objection no.1.

Issue No. 4: Transmission Capital Expenditure

As per the Transmission Capital Expenditure, PSTCL has projected the revised cost of transmission of Talwandi Sabo as ₹1250 crore which contains 513.9 Km of transmission line whereas the Rajpura Project transmission costs ₹516 crore which includes 285.28 Km of transmission lines. The excess cost of Talwandi Sabo transmission line project needs to be justified by PSTCL as the same is ultimately going to be levied to PSPCL.

Further with respect to the above cited two projects of generation capacity (1980 MW+ 1320 MW) i.e. 3300 MW, T/F capacity of 3890 MVA has already been proposed at five 400 kV substations which are already under construction. Accordingly the need of two more 400 kV substations is not justified as there is no more generation available in the State of Punjab on 400 kV and already proposed T/F capacity meets the N-1 criteria laid by Central Electricity Authority. The additional power which is likely to be purchased from out of the State Projects is going to flow through the PGCIL network for which PGCIL has already installed a huge network in Punjab. Furthermore, in case PSTCL starts doing the job which is otherwise the responsibility of the PGCIL, PSPCL shall be unnecessarily burdened due to the unfruitful capital expenditure made by PSTCL.

Reply of PSTCL

The scope of Transmission works for Talwandi Sabo Thermal Project includes 400 kV transmission lines of length 513.6 Km, 4 nos. new 400 kV Sub-Stations at Dhuri , Muktsar, Makhu and Nakodar along with extension of bays at Moga & Amritsar sub-stations of PGCIL whereas the scope of Transmission works for Rajpura Thermal Project includes 400 kV transmission lines of length 285.28 Km, 1 no. new 400 kV Sub-Stations at Rajpura along with extension of bays at Nakodar, Dhuri & Makhu sub-stations. Due to this difference in the scope of work for both the projects, the difference in the expenditure is evident.

For 3300 MW (1980 MW Talwandi Sabo & 1320 MW Rajpura TPS) the transformation capacity of 3890 MVA provided at 5 Nos. 400 kV grids is quite adequate. However in view of enhancement of generation at Talwandi Sabo TPS, from 3x660 MW to 4x660 MW and from 2x700 MW to 3x700 MW at Rajpura TPS based on MOU signed by PSPCL, two number additional 400 kV grids, (one 400 kV grid at Doraha and other 400 kV grid at Amloh) have been planned with a capacity of 2x500 MVA, 400/220 kV ICTs each. As 400 kV PGCIL Ludhiana, which is having 3x315 MVA, 400/220 kV ICTs will become fully loaded in near future and due to congestion in the area, no extra 220 kV lines can be erected from PGCIL Ludhiana. Therefore another 400 kV grid near Ludhiana i.e. Doraha (near Machiwara) has been planned. Similarly 400 kV grid Amloh shall take care of Gobindgarh area.

View of the Commission

Commission has directed both the utilities that the Capital Investment Schemes for development of Transmission System should be submitted after approval of the ‘Transmission Planning Committee’ as per the provisions of Punjab State Grid Code and the proposal for Capital Expenditure should be comprehensive giving complete information in respect of the load flow studies and cost factors. PSTCL is directed to execute only those projects which are bare essential and ensure that it does not execute those Transmission works in Punjab which are the responsibility of the PGCIL.

Issue No. 5: **Operation & Maintenance Expenses**

(i) PSTCL has shown the employees norms for 132 kV, 220 kV & 400 kV substations. The perusal of the same reveals that employee norms of 220 & 132 kV substations are on higher side than proposed for 400 kV substations which are not justified.

(ii) PSTCL has included the employee cost for new 400 kV installations and a huge cost has been added for financial year 2012-13 even when no new 400 kV installation have been commissioned and only few new 220 kV installations have been commissioned and accordingly such costs should be allowed only after the date of commissioning.

(iii) On the same grounds R&M and A&G expenses for the new installations have been added for 2012-13 which are totally unjustified as the installations which are being commissioned later in the year 2012-13 need not to be included in the same.

Reply of PSTCL

There is 22, 23 & 18 Nos. of sanctioned posts for 400 kV, 220 kV &132 kV substations respectively. The posts of Chowkidar, Crane Operator, Mali & Sweeper are not got sanctioned for 400 kV new substations. No crane operator is required as there is no crane system at these stations. The work of maintenance of lawns and plants will be outsourced.

The cleaning work will be outsourced or Part Time Sweeper may be deployed. For security the PESCO Guards will be deployed instead of posting regular Chowkidars.

View of the Commission

O&M expenses are approved as per notified Regulations.

Issue No. 6: Maintenance of 400kV Sub-Stations and Lines

PSTCL need to inform PSPCL and should have included in ARR statement about the maintenance of 400 kV lines and 400 kV substations and its proposal to maintain the same by PSTCL themselves or through PGCIL. The above decision shall affect PSPCL as cost of O&M through PGCIL shall be very high which shall be passed on to PSPCL actually.

Reply of PSTCL

400 kV S/S Dhuri and Talwandi Sabo-Dhuri transmission line is already being operated & maintained by P&M organization of PSTCL. The O&M of upcoming 400 kV substations & Transmission lines will also be done departmentally.

View of the Commission

PSTCL's reply meets with the concern of the objector.

Issue No. 7: True Up of Capital Expenditure

While true up, actual capital expenditure should be allowed for the installations, which have been discussed and cleared by the Co-ordination Committee as otherwise, the installations which are not even required shall be burdened on to PSPCL. Hon'ble Commission shall check all the expenses projected by PSTCL prudently and allow the same as per Regulations.

Reply of PSTCL

True up of actual expenditure will be considered by Hon'ble Commission in accordance with the provision of PSERC (Terms and Conditions for Determination of Tariff), Regulations, 2005. The Co-ordination Committee which has already been framed shall coordinate the planning of Transmission and sub-transmission works of both PSTCL and PSPCL.

View of the Commission

Approval of investment plan in the Tariff Order is based on the Actual Capital Expenditure of previous years. Refer Directive No.7 of this Tariff Order.

Objection No.3: Government of Punjab

Department of Power, GoP has conveyed its observations on the ARR of PSTCL in its letter dated 2-4-2013 which are summarized hereunder, along with the view of the Commission.

Issue No. 1: Employee Cost

Government of Punjab vide Notification No.1/4/04-EB (PR)/620 dated 24.12.2012 and Notification No.1/4/04-EB (PR)/632 dated 24.12.2012 has notified the Punjab Power Sector Reforms Transfer (First Amendment) Scheme, 2012 and Opening Balance Sheets of PSPCL and PSTCL. Accordingly, PSTCL is liable to pay towards the Terminal Liability to PSPCL as per the Notification and Opening Balance Sheet.

In the past also, the State Government had been supporting the PSTCL's contention that actual employee cost should be allowed as pass through as it is a legitimate historical component of the cost of supply and a committed liability of PSTCL. The Employee Cost is the genuine cost of the Utility, which can in no way be reduced as the Terms & Conditions of an employee can in no way be changed to his disadvantage during the course of his service. Therefore, Commission is requested to approve the Employee Cost as submitted by PSTCL.

View of the Commission

Employee Cost is allowed as per notified Regulations wherein terminal benefits are allowed on actual basis and increase in other expenses is limited to average increase in WPI. The cognizance of the Transfer scheme has been taken while allowing the claim of terminal benefits. Refer para 3.4 and 4.4 of Tariff Order.

Issue No. 2: A&G Expenses

PSTCL has planned to implement SAP-ERP in its organization to facilitate planning and optimization of its operations. The implementation of SAP-ERP shall aide faster Data retrieval, Manpower rationalization & quicker Decision Making. PSTCL has considered various expenses like license Fees, Audit Fees, Expenses incurred on security of the substations, ARR and Tariff Petition Fees, Consultancy Charges, Electrical and Water Charges, Lease Rentals, Outsourcing Expenses etc. to project A&G Expenses in future.

Since PSTCL has estimated the Administration and General (A&G) Expenses on a realistic basis therefore Commission is requested to allow these expenses.

View of the Commission

A&G expenses have been allowed in line with notified Regulations. The Commission also allows expenditure on account of license fee and fee for determination of Tariff. Refer para 3.6 and 4.6 of this Tariff Order.

Issue No. 3: R&M Expenses

The transmission system of the State is very old and the same has to be maintained efficiently with appropriate replacements of equipments and renovations so that uninterrupted supply can be maintained and grid failure be avoided. Commission is requested to allow Repair & Maintenance (R&M) Expenses.

View of the Commission

R&M expenses are allowed by the Commission as per notified Regulations. Refer para 3.5 and 4.5 of this Tariff Order.

Issue No. 4: Capital Expenditure

PSTCL has submitted Capital Expenditure of ₹1100 crore during FY 2012-13 as the PSTCL is undertaking 400 kV Transmission works related to Talwandi Sabo Power Project and Rajpura Thermal Power Project and the Transmission System has accordingly been planned to cater to the major load growth centers in Punjab by formation of a 400 kV main ring in the State. Because of the capacity addition in the State Generation capacity, appropriate Transmission capacity is also required to be created, so the Commission is requested to allow these expenses keeping in view the overall utility of the expenditure.

View of the Commission

The Commission while approving the investment plan of the utility takes cognizance of the level of actual expenditure incurred during the relevant years and the preceding year apart from the physical progress achieved in the previous years. Refer para 3.8.3 & para 4.8.2 of this Tariff Order.

Issue No. 5: Transmission Losses

The Commission is further requested to approve the Transmission losses taking into consideration the Transmission losses for other State utilities or benchmarking with CERC norms.

View of the Commission

Refer para 3.3 & 4.3 of this Tariff Order.

Issue No. 6: Secure Payment Mechanism

PSTCL has requested the Commission that as per the revised guidelines/instructions issued in the matter of payment of Inter-state Transmission Charges the same is payable directly by PSPCL to PGCIL and PSPCL is also required to open Letter of Credit directly in favour of PGCIL. PSTCL, therefore, has intimated that it is no more involved in such transactions.

The Commission is requested to approve the proposal of PSTCL on Inter-State Transmission Charges Payment Security Mechanism on merits.

View of the Commission

PSTCL in para 18.1.1 of its ARR for FY 2013-14 has requested the Commission to continue the Payment Security Mechanism as approved in the Tariff order for FY 2012-13. The Commission has detailed the Payment Security Mechanism for payment of Transmission

Charges by PSPCL to PSTCL in para 5.5 of the Tariff Order for FY 2012-13. Similar directions have been given in para 5.5 of this Tariff Order.

Issue No. 7: SLDC Fund

PSTCL is discharging the statutory functions of the SLDC in the State of Punjab. State Load Despatch Centre in Punjab has started working independently since FY 2011-12. SLDC of Punjab is at nascent stage of being established as an independent unit. The SLDC is pivotal to the State's power sector. Its financial, operational and technical viability has to be maintained at every cost. The Commission is requested to approve the expenditure as detailed in the ARR for smooth functioning of SLDC.

View of the Commission

The Commission is conscious of the fact that SLDC is pivotal to the state's power sector. The expenses of SLDC under various heads are allowed in line with Tariff Regulations.

ANNEXURE- III

Minutes of the Meeting of State Advisory Committee of the Punjab State Electricity Regulatory Commission held on February 12, 2013.

The meeting of the PSERC, State Advisory Committee was held in the office of the Commission at Chandigarh on February 12, 2013 to discuss ARRs and Tariff Petitions for FY 2013-14 filed by PSPCL and PSTCL. The following were present:

1.	Mrs. Romila Dubey, Chairperson, PSERC,	Ex-officio Chairperson
2.	Er.Virinder Singh, Member, PSERC,	Ex-officio Member
3.	Er.Gurinderjit Singh, Member, PSERC,	Ex-officio Member
4.	Smt. Hargunjit Kaur, Jt. Secy. on behalf of Secretary, Food & Supplies and Consumer Affairs, Pb.	Ex-officio Member
5.	Shri Anirudh Tiwari, Secretary/Power, Govt. of Punjab	Member
6.	Shri Jacob Pratap, Dy. Labour Commissioner, on behalf of Labour Commissioner, Pb.	Member
7.	Shri Amarjit Goyal on behalf of Chairman, PHDCCI,	Member
8.	Shri D.L Sharma, on behalf of Chairperson, CII,	Member
9.	Er. R.K. Saxena, Chief.Elec..Distri. Eng. on behalf of Chief Elec. Engineer, Northern Railways	Member
10.	Er. D.R Kataria, Jt. Director, Agriculture, on behalf of Director/Agriculture	Member
11.	Sh. Vinod Bansal, Financial Advisor on behalf of Director, Finance & Commercial, PSTCL	Member
12.	Er. A.K.Verma, Director/Distribution, PSPCL	Member
13.	Er. G.S Kohli, Chief Engineer, ARR & TR, PSPCL	Member

14.	Er. S.K.Anand, Ex-Member Distribution, PSEB	Member
15.	Shri Jaspal Singh, CE, on behalf of Vice Chancellor, PAU	Member
16.	Prof. R. S. Ghuman, Chair Professor, .Nehru SAIL Chair and Head Panchayati Raj Unit, CRRID	Member
17.	Shri Bhagwan Bansal Punjab Cotton Factory, Ginners Association	Member
18.	Sh. Jagtar Singh, Director, Social Work &Rural Development Centre	Member
19.	Shri Avtar Singh Nijjar, Secretary, National Rural Development Society,	Member
20.	Shri T.P.S Sidhu, Chief Executive Officer, PEDA,	Member
21.	Shri Pishora Singh, President, BKU (EKTA), Sidhupur	Spl. Invitee
22.	Er.P.P. Garg, Secretary, PSERC	Ex-officio Secretary

The Chairperson welcomed the Members of the State Advisory Committee and thanked everyone present for having spared time to attend the meeting. The Chairperson thereafter requested the Members to offer their suggestions/comments on the Annual Revenue Requirement and Tariff Petitions for FY 2013-14 filed by PSPCL and PSTCL.

1. <u>Er. S.K. Anand</u>

Er. S.K Anand appreciated PSERC for its role in tariff regulation and inputs in improving the working of the utilities. He, however, stressed the fact that the financial position of PSPCL is deteriorating. He was of the view that the Consumers, PSERC, PSPCL and the State Govt. should think and work jointly to improve the financial health of PSPCL. The industrial growth in the State is stagnant. The consumption for AP category has increased from 5000 MU in 2000 to 12000 MU in 2013-14 (as per projections of PSPCL in the ARR). The consumption for AP category has increased by 120% (on account of paddy growth) whereas the consumption for the industrial sector has increased by 64% only during this period. The AP tariff is minimal in the State. Paddy is eating into the vitals of PSPCL and the State Govt. He pointed out that the Govt. of Haryana is giving AP subsidy at cost of supply whereas PSERC has determined the subsidy with reference to the tariff determined for the AP category. Interest burden of the utility is also increasing every year.

He was of the view that there should be differentiation in the cost of supply for various categories being supplied power at the same voltage level i.e. cost of supply should be different for LT urban, LT rural, LT paddy supply/AP. He pointed out that the capacity additions by PSTCL should be done on holistic basis after carrying out system studies.

He opined that in case of AP HVDS, the transformer should be installed and maintained by the consumer or PSPCL would be faced with huge task of maintaining about 11 lac transformers meant for AP HVDS category.

Er. Anand was of the view that the present set up does not encourage engineering inputs in distribution system. The system should be organized on the Korean, African or English models. To begin with, Patiala model should be implemented across the State of Punjab after including D&C (Design and Construction) wing along with O&M and Commercial wings in each DS division.

2. <u>Sh. Amarjit Goyal, PHD Chamber of Commerce & Industry</u>

Sh. Goyal complimented the PSERC on the transparency in its working during the last nine years. He also appreciated the shifting of meters outside the consumer premises, controlling theft, reduction in employee strength etc. At the same time he was of the view that the policies of the PSPCL are not friendly to the industry. He suggested that Tariff be designed on cost of supply basis and not on average cost basis. Cross subsidy should be abolished which has increased to 88 paise/unit. He was of the view that the financial health of PSPCL should improve. Shri Goyal stated that the industry does not want to procure power through open access but on account of high tariffs they are forced to go for open access power.

Regarding Two Part Tariff, he pointed out that in the earlier Two Part Tariff system, average rate of tariff was less with increase in the consumption but in the present proposal of PSPCL, the tariff rises after 40% utilization factor. Further, there are different tariffs for general industry and PIU industry. Two Part Tariff proposal should be on cost of supply basis and not on average cost of supply basis. He further stated that in the present proposal of PSPCL, Railways have been benefitted a lot.

He also suggested that the supply to AP should be metered as there is a lot of theft in agriculture supply. Sh. Goyal stated that the industry was installing its own systems (substations etc.) at the time of obtaining connections but the tariff to this category was the highest. He, therefore, requested that the tariff to industrial category should not be increased.

3. <u>Sh. D.L. Sharma, CII</u>

Sh. Sharma stated that there is no growth in industrial sector in the State of Punjab. The cost of power is a major/ significant input. He stated that there is no minimum supply guaranteed for industrial consumers in the State. Further, high cost of power in the State with load restrictions and power cuts imposed on the industrial supply forces the consumers to avail open access. But with continuous increase in the wheeling and cross subsidy surcharge even open access is becoming unviable. Open access charges and cross subsidy surcharge are highest in the State of Punjab as compared to other States. To elucidate his point, he quoted comparative figures of cross subsidy charges stating that these are 88.08 paise/unit in Punjab,18 paise/unit in Rajasthan, 0 paise/unit in U.P.,1.18 paise/unit in Chhatisgarh, 52 paise in Maharashtra,0 paise/unit for EHT in Himachal Pradesh and 39 paise/unit in Gujarat. In Haryana, the cross subsidy surcharge is restricted to 60% of the cross subsidy paid by the relevant category. As for wheeling charges, these are 124 paise/unit in Punjab, 22 paise/unit in Madhya Pradesh,11 paise/unit in Gujarat, 51 paise/unit in Haryana, 23.27 paise in Tamil Nadu,11 paise in Maharashtra, 1 paise for EHT in Rajasthan, 8 paise in U.P. and 18.95 paise/unit in Chhattisgarh. He was of the view that these charges should be reasonable.

Sh. Sharma pointed out that the average cost of tariff for the industrial category has gone up by 50%. He appreciated the reduction in T&D losses as well as employee strength but struck a note of concern stating that the employee cost and the interest cost were increasing and needed to be controlled.

4. <u>Sh. Pishora Singh</u>

Sh. Pishora Singh suggested an increase in the system capacity. He opined that the whole burden of the gap projected in the ARR should not be passed on to the consumers. Theft should be stopped whether it is by AP category or industry. Sh. Pishora Singh suggested the introduction of VDS for AP category for which the farmers should not be charged. Shri Pishora Singh desired that the verification of test reports for AP category should be done away. He also demanded that circular forcing farmers to install 4 star motors should be withdrawn as these motors were not available in the market.

Sh. Pishora Singh stressed the need for the Govt. of Punjab to pay the balance subsidy. He also requested for power supply to the AP group in two shifts, 50% during day and 50% during night.

5. <u>Er. D.R. Kataria, Jt. Dir/Agriculture, Pb</u>.

Er. Kataria advocated diversification of cropping pattern as the power position and ground water conditions were deteriorating on account of paddy crops. He also advocated metered supply to AP category.

6. <u>Sh. Avtar Singh, Secy. National Rural Development Society</u>

Sh. Avtar Singh opposed installation and maintenance of transformers by AP consumers as advocated by Er. S.K Anand, as there was a lot of theft of transformers, oil, copper etc. He clarified that no free supply is given to AP category, rather Govt. is paying for it and it should be continued for sustaining agriculture sector. He said that this sector was highly subsidized even in western countries.

He opined that PSPCL as a service provider should reduce the time to rectify line/transformer faults. He suggested that the consumers should be informed through SMS in case of breakdown of the system for long periods.

7. <u>Er. R.K. Saxena, Northern Railway</u>

Er. Saxena pointed out that the Northern Railway was availing power in different states but power tariff in Punjab is the highest among them. He cited comparative figures of tariff saying that it was Rs.6.14/unit in Punjab as compared to Rs.6.00/unit in Delhi, Rs.5.66/unit in Haryana, Rs.4.71/unit in Uttarakhand and Rs.4.90/unit in U.P. He also intimated that the Railway is getting supply only at 220 KV/ 132 KV, where the transmission losses are minimum and there is no possibility of pilferage/theft. Therefore, tariff should be reduced.

Chairperson/PSERC clarified that during 2012-13, Railway tariff has increased only by 2.90% vis-à-vis average tariff increase of 12.08%.

Er. Saxena pointed out that the cross subsidy is maximum in the case of Railways. Incentive for improvement of power factor is given to Railways, if the power factor is more than 0.95, whereas in case of other categories, incentive is given if power factor is greater than 0.90. He further said that in Punjab, the incentive for higher power factor is 0.25% on energy charges for each 0.01 increase in power factor above 0.95 for Railway Traction whereas it is 0.5% for every 0.01 increase in power factor above 0.90 in Haryana. He also stressed that the Railways should be exempted from security for new connection/ extension of load as it is a Central Govt.

department. He reinforced his plea stating that in some States like Rajasthan, West Bengal, Railways is exempted from payment of Security Deposit and in some States there is provision of Consumption Security through Bank Guarantee like UPPCL, Maharashtra and Kerala. Therefore, Railway may be exempted from payment of Security Deposit. Alternately, it may be allowed payment of Consumption Security Deposit in the shape of Letter of Guarantee from RBI instead of cash.

8. <u>Dr. R.S. Ghuman,</u>

Dr. Ghuman appreciated the various directives issued by the Commission to PSPCL in its Tariff Orders. He advocated metering of agriculture consumers, but pointed out that progress is very slow. Going by the current pace of progress it would take more than 7 years to implement 100% metering. He further pointed out that it is a myth that the cost of subsidy is transferred from agriculturists to consumers of other categories. Dr. Ghuman pointed that the subsidy to the industry is also given by the government, but it is named as incentive to the industry. He informed the house that agriculture sector is subsidized globally. Agriculture without subsidy is not sustainable. He was, however, of the view that the rich farmers should not be subsidized, rather subsidy should be for poor farmers alone. He also supported Sh. Pishora Singh on the VDS.

Dr. Ghuman stressed the fact that every year the deficit of utility was increasing. Chairperson/ PSERC clarified that the deficit shown in the ARR by the utility is due to the cumulative gap of the previous years.

Regarding Cost of Supply, Dr. Ghuman was of the view that the T&D losses, as mentioned in the Report on 'Cost of Supply' prepared by TERI for PSPCL, should not be same for all categories. Various costs of Thermal and Hydel generation, as mentioned in the report, should be authenticated. He also pointed out that tariff for Industry at LT supply is more than that for AP supply at LT when spread for AP category is more and Industry is concentrated. He further pointed out that tariff should not be the same for three slabs of Domestic Supply and also for AP category & Public Lighting category as detailed in the Cost of Supply document.

Dr. Ghuman was of the view that the demand of food grains from Punjab is going to decrease in future and the need of the day is diversification of cropping pattern.

9. <u>Sh. T.P.S. Sidhu,CEO/ PEDA</u>

Shri Sidhu pointed out that PSERC should allow carry forward of the balance of Solar RECs which PSPCL has been unable to purchase during the current financial year due to their non availability. Chairperson/PSERC stated that this issue would be examined.

10. Shri Bhagwan Bansal, Cotton Ginning

Shri Bansal pointed out that Cotton Ginning Industry was allowed to install small rating transformers during off season. This, however, involved a very long and cumbersome procedure. He requested for simplification of the procedure. Chairperson/PSERC advised Director/Distribution, PSPCL to look into the matter.

Sh. Bansal also requested for a change in the seasonal period prescribed for Cotton Ginning Industry.

11. Er. A.K. Verma, Director/Distribution, PSPCL

Director/Distribution, PSPCL clarified that for HT AP there is requirement of inspection of HT installation by Chief Electrical Inspector, Punjab. However, this was not a requirement for DS rural category. Regarding non availability of 4 star rated motors, Director/Distribution intimated that these are available in major cities of Punjab.

With regard to metering of AP connections, Er. Verma informed the house that presently about 10% of total AP connections have been provided sample meters. There is lot of resistance in the field for installation of meters against AP connections. Even the existing meters are removed and returned to PSPCL. PSPCL has undertaken installation of AMR meters on AP connections through some third agency which will install and maintain these meters and also collect the consumption data. However, he admitted to some connectivity concerns with regard to installation of AMR meters.

The Chairperson concluded the meeting by thanking all present for their suggestions and assured the house that their concerns and suggestions would be kept in view.

Annexure-IV

PSERC DIRECTIVES

Sr. No	Issues	Directive in T.O. for the FY 2012-13	PSTCL's Reply	PSERC's Comments / Directive for FY 2013-14
1	**Energy Audit and T&D loss Reduction**	The Commission directed PSTCL to ensure that its transmission lines operate at a power factor nearest to unity. PSTCL shall compile online power factor data on monthly basis and submit to the Commission.	PSTCL is in the process of implementing Boundary Metering. After its completion, online power factor data will be available and compilation report for the same on monthly basis will be submitted to the Commission.	The Commission directs PSTCL to compile online power factor data on monthly basis and submit to the Commission.
2	**Employee Cost**	The Commission directed PSTCL a) To finalise the Work Study Report on Manpower and submit implementation Action Plan to the Commission. The Commission is concerned on the delay in implementation of work study report on manpower. PSTCL shall send a report to the Commission on action plan to implement the PwC report within two months of issuance of this Tariff Order.	a) As per latest decision taken by BODs in its 18th meeting held on 30.1.2013, a Committee comprising of the following Directors/Officers has been reconstituted to review the manpower requirement of the Corporation as recommended by M/s PwC:- i) Special Secretary/ Additional Secretary/ Joint Secretary/ Department of Power, Govt.of Punjab. ii) Director/Technical, PSTCL. iii) Director/Finance & Commercial, PSTCL. iv) Chief Engineer/HR, Planning & IT, PSTCL (Member and Convenor).	a) The Commission has already conveyed its concern on the delay in implementation of work study report on manpower. PSTCL should ensure its implementation during 2013-14 and submit the action taken report to the Commission within three months of issuance of this Tariff Order.
		b) Carry out cost benefit analysis of unmanned stations and plan for their further roll out.	b) Cost benefit analysis of unmanned substations and planned for their further roll out has been dropped as bidders were not agreeing to commercial terms of specifications. So it is not possible to do the cost benefit analysis at this stage.	b) It is a matter of concern that no tangible action has been taken by PSTCL to complete Cost Benefit analysis. Unmanned substations are existing in India and abroad. These are required to be executed to save manpower and run the system efficiently. PSTCL

Sr. No	Issues	Directive in T.O. for the FY 2012-13	PSTCL's Reply	PSERC's Comments / Directive for FY 2013-14
				must submit its action plan in this regard to the Commission within three months of issuance of this Tariff Order.
		c) Provide training to officers and staff to handle 400 kV, 220 kV and 132 kV systems along with communication systems as per provisions of IE Rules 1956, National Training Policy and PSEB Training Policy.	c) Arrangements are made to provide training of officers and staff to handle 400 kV, 220 kV and 132 kV systems along with communication systems as per provisions of IE Rules 1956, National Training Policy and PSEB Training Policy	c) A copy of the training schedule may be submitted to the Commission. PSTCL must implement the already approved PSEB Training Policy aimed at 'one week training for all' annually.
		d) Application of modern management techniques across PSTCL to optimize its functioning and efficiency be undertaken. Brief report on the b, c&d (Issues of '2011-12 directives) may be sent to the Commission within two months of issuance of this Tariff Order.	d) Application of modern management techniques across PSTCL to optimize its functioning and efficiency are undertaken. For implementing ERP, the process of appointing consultants is in process.	d) Brief report, particularly status of implementation of ERP, should be submitted to the Commission within two months of issuance of this Tariff Order.
3	**Loading Status of PSTCL transmission lines and sub stations.**	A report on loading conditions of transmission lines and substations may be prepared and submitted to the Commission within two months of issuance of this Tariff Order.	The requisite information has been sent vide this office Memo No. 2033 dated 13.9.2012. No further action is required.	Compliance noted with observation that list of overloaded Sub-stations and transmission lines along with action plan for unloading should be put on PSTCL web-site and updated regularly. Progress of de-loading of lines/sub-stations must be supplied to the Commission on quarterly basis.
4	**Boundary metering**	The work of Boundary metering may be got completed at the earliest to arrive at correct Transmission losses in PSTCL system.	The PO CUM WO No. 34/SCADA-1077 for implementation of Boundary Metering cum Transmission Level Energy Audit Scheme in Punjab has been issued	PSTCL is directed to achieve the target and intimate the actual Transmission losses in PSTCL system.

Sr. No	Issues	Directive in T.O. for the FY 2012-13	PSTCL's Reply	PSERC's Comments / Directive for FY 2013-14
			on 26.10.2012 on turnkey basis. The total duration of the project is 9 month from award. The complete project including meter installation, commissioning of communication connectivity as well as Centralized Energy Center is expected to complete by July 2013.	
5	**Maintenance of category wise details of fixed asset**	The Commission directed PSTCL to maintain the category-wise details of assets as per provisions of the Companies Act, 1956. PSTCL shall report when the Fixed Asset Register is likely to be finalized.	The opening Balance Sheet of PSTCL has been notified by Govt. of Punjab on dated 24.12.2012. The required data of asset of P&M divisions has been collected and forwarded to M/s Susheel Jeet Puria & Company, the consultant specially appointed for preparation of FAR as on 16.4.2010. The FAR for subsequent period will be updated thereafter.	The Commission re-iterates its directions to PSTCL, to maintain the category-wise details of assets as per provisions of the Companies Act, 1956. PSTCL shall report the time bound schedule for compliance.
6	**Adequacy of existing switchgear and Earthmat at PSTCL sub stations**	a) The Commission directed PSTCL to undertake the short circuit studies to check adequacy of rupturing capacity of the existing switchgears installed and suitability of the existing earthmats to absorb the short circuit current. b) The Commission further directed PSTCL to undertake the activity of replacement of switchgears and strengthening of earthmats wherever required and to maintain earthing parameters as per IEEE Earthing Guide 80. A report in this regard may be submitted to the Commission by PSTCL.	A Report has already been sent vide this office Memo No. 2033 dated 13.9.2012. No further action is required.	a) Compliance has been noted b) The Commission further reiterates its directions to PSTCL, to undertake the activity of replacement of switchgears and strengthening of earthmats wherever required and to maintain earthing parameters as per IEEE Earthing Guide 80. Biannual progress report in this regard should be submitted to the Commission.

Sr. No	Issues	Directive in T.O. for the FY 2012-13	PSTCL's Reply	PSERC's Comments / Directive for FY 2013-14
7	**Coordinated planning of transmission and sub transmission works.**	PSTCL & PSPCL shall coordinate planning of transmission works (400, 220 & 132kV) and sub transmission works (66 & 33kV) so that there is no bottleneck in delivering power at the consumer end. A coordination committee of both companies may be notified and made responsible for compliance of this directive.	A Joint "Transmission Planning Committee" has been constituted vide CE/SLDC O/O No.48 dated 15.03.2013.	Compliance has been noted.