PUNJAB STATE ELECTRICITY REGULATORY COMMISSION

TARIFF ORDER FOR PSTCL
FY 2016-17

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. 78 OF 2015

IN THE MATTER OF:

ANNUAL REVENUE REQUIREMENT

FILED BY THE PUNJAB STATE TRANSMISSION CORPORATION LIMITED

FOR THE FINANCIAL YEAR 2016-17

PRESENT : Shri D.S. Bains, Chairman
Shri S.S. Sarna, Member

Date of Order: July 27, 2016

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 2016-17. 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 Jalandhar, Ludhiana, Bathinda and Chandigarh, the responses of the PSTCL to the objections and observations of the Government of Punjab (GoP) 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 relevant facts and material on record have been perused before passing this Order.

1.1 Background

The Commission has in its previous Tariff Orders determined tariff in pursuance of the ARRs and Tariff Applications submitted for the integrated utility by the Punjab State Electricity Board (Board) for the years 2002-03 to 2006-07, 2008-09, 2009-10, 2010-11 and by Punjab State Transmission Corporation (PSTCL) for 2011-12, 2012-13, 2013-14, 2014-15 and 2015-16. Tariff Order for FY 2007-08 had been passed by the Commission in Suo-Motu proceedings.

1.2 ARR for the FY 2016-17

PSTCL has filed the ARR Petition for FY 2016-17 on 30.11.2015. In this petition, PSTCL has submitted that it is one of the ‘Successor Companies’ 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).

As per the Transfer Scheme, the erstwhile Punjab State Electricity Board (the predecessor) has been unbundled into two entities i.e. POWERCOM and TRANSCO. The POWERCOM has been re-named as Punjab State Power Corporation Limited (PSPCL) and the TRANSCO has been re-named as Punjab State Transmission Corporation Limited (PSTCL).

As per the Transfer Scheme, the Government of Punjab has segregated the “transmission business of erstwhile Punjab State Electricity Board” as under:

“The transmission undertaking shall comprise of all assets, liabilities and proceedings, belonging to the Punjab State Electricity Board, concerning the transmission of electricity and the State Load Dispatch Centre (SLDC) function”.

First Amendment in Transfer Scheme notified by Government of Punjab:

On 24th December, 2012, Government of Punjab amended the Transfer Scheme vide notification number 1/4/04EB (PR)/620 known as Punjab Power Sector Reforms Transfer (First Amendment) Scheme, 2012.

Following are the salient features of the aforesaid amendments:

i) As per the transfer scheme, the funding of the Terminal Benefit Trusts in respect of pension, gratuity and leave encashment of the personnel, shall be a charge on the tariff of Powercom and Transco, respectively, on yearly basis, as may be decided by the Punjab State Electricity Regulatory Commission.

ii) The Terminal Benefit Trusts in respect of pension, gratuity and leave encashment, shall be progressively funded by the Powercom and Transco, as decided by the Punjab State Electricity Regulatory Commission, in the ratio of 88.64:11.36, over a period of 15 Financial Years commencing from 1st April, 2014. The terminal benefits liability accruing during the period of progressive funding, and thereafter, shall be shared in the same ratio by both corporations. Thus, funding shall continue even after the absorption of personnel in Transco and the trust shall be administered jointly by the said Powercom and Transco.

iii) It is also mentioned that the actual amount of pension, gratuity and leave encashment paid / to be paid on and with effect from 16th April, 2010 to 31st March, 2014, shall be shared by the Powercom and Transco, in the ratio of 88.64:11.36 on yearly basis.

iv) The General Provident Fund Trust, shall be funded by Powercom and Transco both, as per the apportionment made in the opening balance sheet, on and with effect from 16th April, 2010, and the same shall be funded over a period of ten years commencing on and with effect from 1st April, 2013, along with interest as applicable.

v) Also provided that for the period commencing from 16th April, 2010 to 31st March, 2013, the Powercom and Transco shall be liable to pay interest on the apportioned General Provident Fund liability, at the rate as applicable for the respective financial years.

vi) The Powercom and Transco shall be liable to pay interest, as applicable to General Provident Fund from time to time, on the net accruals (on monthly basis) of the General Provident Fund amount on and with effect from 16th April, 2010, to the date of issuance of this notification, and thereafter all the General Provident Fund matters, shall be settled through trust.

vii) Until otherwise directed by the State Government, the Powercom and Transco shall maintain common Trust for pension, gratuity and other terminal benefit liabilities and General Provident Fund, instead of individual trusts for each of the companies and all the contributions shall be made to such Trusts in the aforesaid manner.

viii) The Government of Punjab notified the final opening balance sheet for PSPCL and PSTCL as on the 16th April, 2010.

Based on the opening balance sheet notified by the Government of Punjab vide the Amendment in Transfer Scheme and the provisions of Regulation 13 of the PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 and in compliance with the directives of the Commission on the matter, PSTCL has filed petition No. 72 for approval of ARR and Determination of Tariff for FY 2015-16, revised ARR estimate for FY 2014-15 and audited data for FY 2012-13 for final truping up. The Commission passed Tariff dated 5th May, 2015 for PSTCL for FY

2015-16 and decided to undertake true-up for FY 2012-13 and FY 2013-14 when the audited accounts for FY 2012-13 and FY 2013-14 are available.

PSTCL has filed this petition under Section 62, 64 and 86 of the Electricity Act, 2003 read with the Regulation 13 of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005. The petitioner has prayed to the Commission for:

(a) Approval of truing up (based on audited annual accounts and relevant PSERC Tariff Regulations) of ARR for FY 2012-13 of Petitioner;

(b) Approval of truning up (based on audited annual accounts and relevant PSERC Tariff Regulations) of ARR for FY 2013-14 of Petitioner;

(c) Approval of Review of ARR for FY 2015-16 considering the justification and rationale submitted for transmission and SLDC functions and also consider approval of the revenue gap of ₹279.44 Crore being liability of and payable by PSPCL to PSTCL during FY 2015-16 in modification of Tariff Order of PSTCL for the said FY 2015-16;

(d) Approval of ARR and Tariff determination for FY 2016-17 considering the justification and rationale submitted for transmission and SLDC functions;

(e) Condone any inadvertent ommissions/errors/shortcomings and permit the Petitioner to add/change/modify/alter/clarify this filing and make further submsisions as may be required at a future date;

(f) Pass such further orders, as the Commission may deem fit and proper keeping in view the facts and circumstances of the case.

On scrutiny of the petition, it was found tht the ARR was deficient in some respects. The deficiencies were conveyed to PSTCL vide DO No.PSERC/Tariff/T/193/9114 dated 07.12.2015. The replies to deficiencies were furnished by PSTCL vide its memo No. 3544/ARR-603 dated 14.12.2015. Accordingly, after taking into consideration the reply of PSTCL dated 14.12.2015, the petition was taken on record as Petition No. 78 of 2015.

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 audited annual accounts for FY 2012-13 and FY 2013-14, the revised estimates of FY 2015-16 and projections for FY 2016-17 as submitted by PSTCL.

1.3 Objections and Public Hearings

A public notice was published by PSTCL in the Tribune, The Hindustan Times, Punjab Kesri, Punjabi Tribune and Daily Ajit on 29.12.2015 and 30.12.2015 inviting objections from the general public on the ARR filed by PSTCL. Copies of the ARR were made available on the website of the PSTCL and in the office of the Financial Advisor, PSTCL, 3rd Floor, Shakti Sadan, Opposite Kali Mata Mandir, Patiala, Liaison Officer, PSTCL Guest House, near Yadvindra Public School, Phase-8, 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 within 30 days of the publication of the notice i.e. by 29.01.2016 with an advance copy to the 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 6 No. written objections after due date i.e. 29.01.2016. The Commission decided to take all these objections into consideration.

Number of objections received from individual consumers, consumer groups, organizations and others are detailed below:

Sr. No.	Category	No. of Objections
1	Industrial Associations	0
2	Industry	3
3	PSEB Engineers/Employees Associations	1
4	Punjab State Power Corporation Limited	0
5	PHD Chamber	1
6	Govt. of Punjab (GoP)	1
	Total	**6**

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 Chandigarh, Jalandhar, Ludhiana and Bathinda. A public notice to this effect was published on 12.02.2016/13.02.2016 in various news papers i.e. Indian Express, The Tribune, The Hindustan Times, Amar Ujala and Punjabi Tribune as well as uploaded on the website of the Commission and also informed the objectors, consumers and the general public in this respect as per details hereunder:

Venue	Date & time of public hearing	Category of consumers to be heard
BATHINDA Conference Room, Guest House, Thermal Colony, PSPCL, Bathinda.	**February 25, 2016** 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 29, 2016** 11.00 AM to 1.30 PM	All consumers, except Industrial & Agricultural consumers/organizations and Officers'/Staff Associations of PSPCL and PSTCL.
	3.00 P.M. onwards	Agricultural consumers and their unions.
CHANDIGARH Commission office i.e. SCO 220-221, Sector 34-A, Chandigarh.	**March 03, 2016** 11.00 AM to 1.30 PM	Industrial consumers / organizations
	3.00 PM onwards	Officers' / Staff Associations of PSPCL and PSTCL
LUDHIANA Multi Purpose Hall, Power Colony, PSPCL, Opposite PAU, Ferozepur Road, Ludhiana.	**March 09, 2016** 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.	**March 10, 2016** 11.30 AM to 1.30 PM (To be continued in the afternoon, if necessary).	All consumers/organizations of the area.

Through this public notice, it was also intimated that the Commission will also hear the comments of the Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited to the objections raised by the public besides Corporations' own point of view regarding the ARR Petitions at Commission's office i.e. SCO 220-221, Sector 34-A, Chandigarh on 18.03.2016 from 11.00 AM to 1.30 PM (to be continued in the afternoon, if necessary)

1.4 The Commission held public hearings as per schedule from 25th February, 2016 to 10th March, 2016 at Bathinda, Chandigarh, Ludhiana and Jalandhar. During on-going proceedings of public hearings, the Commission directed PSTCL vide DO No.12730/T-193 dated 15.03.2016 to revise the petition after taking into account the impact of Ujwal Discom Assurance Yogana (UDAY) Scheme as per the Tripartite Memorandum of Understanding dated 4th March, 2016 executed amongst Ministry of Power, Government of India, Government of Punjab and Punjab State Power Corporation Limited on the ARR for FY 2016-17 filed by PSTCL vide this petition.

Accordingly, the date of hearing the comments of PSTCL and PSPCL to the objections raised by the public / stakeholders, besides the Corporations' own point of view fixed for March 18, 2016 was cancelled, to be held on a date to be notified later on. No reply was received from PSTCL in response to DO No.12730/T-193 dated 15.03.2016 and no revised petition was filed by PSTCL. PSTCL verbally conveyed that since UDAY is only for Discoms, and PSTCL being a Transmission Utility (STU), UDAY Scheme, as such, has no impact on the ARR for FY 2016-17 of the petitioner. Accordingly, hearing was held on 16.05.2016 to hear the views of PSTCL and PSPCL, objectors and others on the objections / comments received from public and other stakeholders.

A summary of issues raised in objections, the response of PSTCL and the view of the Commission are contained in Annexure-II of this Tariff Order.

1.5 The Government was approached by the Commission through letter No. 9243 dated 09.12.2015 seeking its views on the ARR to which the Government responded vide its letter No.1/2/2016-EB(PR)/140 dated 11th July, 2016. The same has been taken note of by the Commission.

1.6 State Advisory Committee

The State Advisory Committee set up under Section 87 of the Act, discussed the ARR of PSTCL in a meeting convened for the purpose on 16.03.2016. The minutes of the meeting of the State Advisory Committee are enclosed as 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 was given to all stakeholders in presenting their views.

1.7 Compliance of Directives

In its previous Tariff Orders, the Commission had issued certain directives to PSTCL in the public interest. A summary of directives issued during FY 2013-14, FY 2014-15 and FY 2015-16, status of compliance along with the directives of the Commission for FY 2016-17 is given in Chapter 7 of this Tariff Order.

Chapter 2
True up for FY 2012-13

2.1 Background

The Commission had approved the ARR and Tariff for FY 2012-13 in its Tariff Order dated 16.07.2012 which was based on costs and revenue estimated by the Punjab State Tranmission Corporation Limited (PSTCL) for its Transmission and SLDC functions.

PSTCL in its ARR for FY 2013-14 had submitted the revised estimates of costs and revenue for FY 2012-13. The Commission considered it appropriate and fair to revisit and review the approvals granted by it for FY 2012-13 with reference to the revised estimates made available by PSTCL and accordingly approved the revised ARR for FY 2012-13 in the Review.

PSTCL in its ARR for FY 2014-15 had submitted that since the annual accounts for FY 2012-13 were not finalized and as such had not prayed in the ARR petition for true up of FY 2012-13. PSTCL had further submitted that since the accounts for FY 2012-13 were not audited, so the truing up exercise for FY 2012-13 may be undertaken by the Commission after the finalization of Audited Annual Accounts.The Commission accordingly decided, in the Tariff Order for FY 2014-15, to undertake the true up for FY 2012-13 alongwith ARR petition for FY 2015-16.

PSTCL in the ARR for FY 2015-16 had submitted Annual Accounts for FY 2012-13 signed by Statutory Auditor alongwith audit report of Staturoy Auditor. PSTCL vide its letter no. 3415 dated 05.12.2014 intimated that comments of CAG on audited accounts for FY 2012-13 as per the Companies Act are awaited and will be furnished as and when received. Again, PSTCL vide its letter no. 3495 dated 12.12.2014 submitted that matter has been taken up personally with Dy. AG at Chandigarh on 08.12.2014 and he was requested to get the same expedited. PSTCL further submitted that the comments of CAG are expected by end of January, 2015. The comments of CAG were not received by the Commission from PSTCL. As per provision under Tariff Regulations, true up can be undertaken only after the Audited Annual Accounts are made available. The Commission, in the Tariff Order for FY 2015-16, decided to undertake the true up for FY 2012-13 alongwith ARR petition of PSTCL for FY 2016-17.

Now, PSTCL in its ARR and Tariff Petition for FY 2016-17 has furnished the Audited

Annual Accounts for FY 2012-13, which again vary in parts with the figures taken into account by the Commission in the review of FY 2012-13. This Chapter contains the final true up for FY 2012-13, based on the Audited Annual Accounts for FY 2012-13 submitted by the utility.

2.2 Transmission System Availability

2.2.1 PSTCL, in the ARR for FY 2016-17, has submitted its month-wise average Transmission System Availability for FY 2012-13 as shown in Table 2.1(a).

Table 2.1(a): Transmission System Availability of PSTCL for FY 2012-13

Sr. No.	Month	Availability (%)
1.	April, 2012	99.92
2.	May, 2012	99.92
3.	June, 2012	99.86
4.	July, 2012	99.90
5.	August, 2012	99.97
6.	September, 2012	99.96
7.	October, 2012	99.96
8.	November, 2012	99.92
9.	December, 2012	99.96
10.	January, 2013	99.86
11.	Feburary, 2013	99.90
12.	March, 2013	99.97
	Average Availability	**99.93**

2.2.2 **Incentive on Transmission System Availability**

PSTCL has submitted, in the ARR for FY 2016-17, that as per PSERC Tariff Regulations, it is eligible for incentive for over achieving the availability targets for transmission system availability, which has been verified and certified by SLDC.

PSTCL has submitted the net transmission charges inclusive of incentive on the basis of fixed charges for STU, as given in Table 2.1(b).

Table 2.1(b): Incentive on Transmission System Availability for FY 2012-13 submitted by PSTCL

(₹crore)

Sr. No.	Month	Monthly Transmission Charges	Transmission Charges including Incentive	Incentive
1.	April, 2012	65.88	65.88	-
2.	May, 2012	68.08	68.08	-
3.	June, 2012	65.88	65.88	-
4.	July, 2012	68.08	68.08	-
5.	August, 2012	68.08	68.08	-
6.	September, 2012	65.88	66.45	0.57
7.	October, 2012	68.08	69.44	1.36
8.	November, 2012	65.88	67.17	1.29
9.	December, 2012	68.08	69.44	1.36
10.	January, 2013	68.08	69.37	1.29
11.	Feburary, 2013	61.49	62.68	1.19
12.	March, 2013	68.08	69.45	1.37
	Total	**801.58**	**810.02**	**8.43**

PSTCL has submitted that incentive has been determined from the date of notification of the PSERC (Terms and Conditions for Determination of Tariff), Second Amendment, Regulations, 2012, in the Gazette on 17.09.2012. PSTCL has prayed to approve the incentive of ₹8.43 crore for transmission system availability, for FY 2012-13.

The Commission has determined the incentive for achieving transmission system availability more than the norms laid by the Commission, as per approved ARR of ₹694.36 crore in this Tariff Order (refer Table 2.12) as shown in Table 2.1(c).

Table 2.1(c): Incentive on Transmission System Availability for FY 2012-13 determined by the Commission

Sr. No.	Month	Availability (%)	Monthly Transmission Charges (₹ crore)	Transmission Charges inclusive of Incentive (₹ crore)	Incentive (₹ crore)
I	II	III	IV	V	VI
1.	April, 2012	99.92	57.07	Not Determined*	
2.	May, 2012	99.92	58.97		
3.	June, 2012	99.86	57.07		
4.	July, 2012	99.90	58.97		
5.	August, 2012	99.97	58.97		
6.	September, 2012	99.96	57.07	57.60*	0.53
7.	October, 2012	99.96	58.97	60.15	1.18
8.	November, 2012	99.92	57.07	58.19	1.12
9.	December, 2012	99.96	58.97	60.15	1.18
10.	January, 2013	99.86	58.97	60.09	1.12
11.	Feburary, 2013	99.90	53.27	54.30	1.03
12.	March, 2013	99.97	58.97	60.16	1.19
	Total		**694.36**		**7.35**

*Incentive determined w.e.f. 17.09.2012, the date of notification of 2nd Amendement to PSERC Tariff Regulations.

The Commission has determined incentive of ₹7.35 crore for achieving transmission system availability more than the norms laid by the Commission during FY 2012-13, which the Commission approves.

2.3 Transmission Loss

The Commission had approved the Transmission Loss for PSTCL system provisionally at 2.5% for FY 2012-13, in the Tariff Order for FY 2012-13. It was also decided that the Commission will revisit the Transmission Loss of PSTCL while undertaking the review for FY 2012-13, after PSTCL installs meters at all the points connecting with PSPCL system.

PSTCL in its ARR and Tariff Petition for FY 2013-14 reiterated its stand for higher Transmission Loss of 4.5% and compared its loss with other states. Pending installation of intra-state boundary meters and conducting energy audit to arrive at the Transmission Loss, the Commission retained the Transmission Loss level at 2.5%, as approved in the Tariff Order for FY 2012-13, in the review for FY 2012-13 in the Tariff Order for FY 2013-14. It was also decided that the Commission will revisit during truing up for FY 2012-13, after the boundary meters are made functional and energy audit is conducted.

PSTCL in its ARR and Tariff Petition for FY 2016-17 has submitted that ABT meters and associated communication equipment/devices have been integrated with Central Data Centre. PSTCL has submitted that Transmission Loss for the months of June and July, 2015 are 2.19% and 2.88% respectively, which have been arrived at by considering the net energy inter-exchange, measured through ABT meters installed at boundry interface points of PSTCL with interstate substations, with generating plants of PSPCL & IPPs and on PSPCL Distribution side.

PSTCL has further submitted that EDMI, Chennai, i.e. system integrator/contractor implementing the project, has stopped the work due to some issue regarding commissioning of the project, and at present, meters data for subsequent months since August, 2015 is not available in the SLDC, remotely. However, efforts are being made to resolve the issue with the firm. It has been submitted by PSTCL that actual Transmission Loss figures are not available for FY 2012-13. PSTCL has submitted that various Transmission utilities in the country have their Transmission Loss in the range of 3.38% to 4.55% and has prayed to approve the Transmission Loss of 4.5% as submitted in its Tariff petition for FY 2012-13.

The Commission notes that actual Transmission Loss of PSTCL Transmission System could not be determined. **As such, the Commission approves the Transmission Loss of 2.5% for FY 2012-13.**

2.4 Employee Cost

2.4.1 In the ARR Petition for FY 2012-13, PSTCL had projected employee expenses of ₹229.15 crore (net of capitalisation of ₹79.17 crore), for its Transmission Business and ₹8.89 crore, for its SLDC Business for FY 2012-13. The Commission had approved employee cost of ₹211.12 crore for Transmission Business and ₹4.54 crore for SLDC Business of PSTCL for FY 2012-13.

2.4.2 In the ARR Petition for FY 2013-14, PSTCL had submitted estimates of employee cost of ₹232.49 crore for Transmission Business and ₹9.01 crore as employee cost for SLDC Business for FY 2012-13. The claim was further revised by letter no. 57 dated 07.01.2013 as ₹328.55 crore for Transmission Business and ₹7.49 crore for SLDC Business. The Commission approved the total employee cost of ₹339.43 crore for Transmission Business and ₹3.60 crore for SLDC Business of PSTCL for FY 2012-13.

2.4.3 In the ARR Petition for FY 2016-17, PSTCL has claimed employee expenses of ₹302.24 crore for Transmission Business(net of capitalization of ₹43.62 crore) and ₹6.08 crore for SLDC Business for FY 2012-13. The detail of employee expenses claimed by PSTCL for 2012-13 is tabulated at Table 2.2.

Table 2.2 : Employee Cost claimed by PSTCL for FY 2012-13

(₹crore)

Sr. No.	Particulars	STU	SLDC	PSTCL
1.	Terminal Benefits	167.11	0.03	167.14
2.	Other Employee Cost	111.65	5.39	117.04
3.	Arrear of pay revision	15.40	0.55	15.95
4.	Outsource Cost of Manpower	8.08	0.11	8.19
Total Employee Cost		**302.24**	**6.08**	**308.32**

2.4.4 As per Note 24 of Audited Annual Accounts of PSTCL for FY 2012-13, employee expenses are stated as ₹300.13 crore (₹167.14 crore as Terminal Benefits and ₹132.99 crore as Other Employee Cost). PSTCL has claimed Outsourced Cost of Manpower of ₹8.19 crore (₹8.08 crore for Transmission Business and ₹0.11 crore for SLDC Business) under employee expenses head whereas, the same is booked under Administrative and General Expenses in Audited Annual Accounts and not under employee expenses. Therefore, the Outsourced Cost of Manpower is not to be considered under Employee expenses and is being considered as part of Administrative and General Expenses.

2.4.5 The provisions of Regulation 28(3) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 provide for determination of employee cost as under:

- Terminal benefits including BBMB share on actual basis.
- Increase in other employee expenses limited to average increase in Wholesale Price Index.
- Exceptional increase in employee cost on account of pay revision etc. to be considered separately by the Commission.

As per above Regulations, terminal benefits and BBMB share of expenditure are to be allowed on actual basis.

2.4.6 An amount of ₹2.00 crore of 'other terminal benefits' relating to provision for Solatiums, Gratuity and Leave Encashment in respect of employees recruited by company depicted in the total amount of terminal benefits of ₹167.14 crore in the Audited Annual Accounts is not allowable as per Regulation 33 of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 which States that "with regard to unfunded past liabilities of pension and gratuity, the Commission will follow the principle of 'pay as you go'". Since, as per the provisions of PSERC Tariff Regulations, PSTCL has not taken prior approval of the Commission for recruitment of additional employees. Therefore, the amount of terminal benefits of ₹2.00 crore for employee recruited by PSTCL is not allowable. Moreover, the terminal benefits are required to be apportioned and allowed in the ratio of 88.64% and 11.36% between PSPCL and PSTCL respectively as per Transfer Scheme. PSTCL's share @11.36% of terminal benefits has been depicted as ₹165.14 crore in the Audited Annual Accounts for Transmission and SLDC Business.

Thus, the Commission allows terminal benefits of ₹165.11 crore for Transmission Business and ₹0.03 crore for SLDC Business for FY 2012-13.

2.4.7 As per Regulations, increase in 'other employee cost' is to be limited to average Wholesale Price Index (WPI) on the base employee cost approved for FY 2011-12. As stated above, PSTCL has submitted ₹111.65 crore as 'other employee cost' for Transmission Business based on Audited Annual Accounts. However, as per PSERC Tariff Regulations, increase in 'other employee cost' over and above the other employee cost approved for FY 2011-12 is to be limited to average increase in WPI which works out to 7.36% for FY 2012-13. Applying the WPI increase of 7.36% to the 'other employee cost' of ₹92.20 crore approved for FY 2011-12 in para 5.4.4 of the T.O. FY 2014-15, the increase in 'other employee cost' for FY 2012-13 works out to ₹6.79 (92.20*7.36%) crore and the 'other employee cost' of Transmission Business of PSTCL works out to ₹98.99 (92.20+6.79) crore for FY 2012-13 against actual claim of ₹111.65 crore.

2.4.8 Similarly, by applying 7.36% to the 'other employee cost' of ₹5.72 crore approved by the Commission for FY 2011-12 for SLDC Business in para 5.4.4 of T.O for FY 2014-15, the increase in 'other employee cost' for FY 2012-13 works out to ₹0.42 crore (5.72*7.36%) and the 'other employee cost' for SLDC for FY 2012-13 works out to ₹6.14 (5.72+0.42) crore.

2.4.9 In view of Hon'ble APTEL judgment dated 30.03.2015 in Review Petition No.6 of 2015 wherein Hon'ble APTEL held that "actual costs need to be considered", the Commission vide its Order dated 14.10.2015 decided as under:

"The Judgments of Hon'ble APTEL, in so far as Employee Cost for FY 2012-13,

2013-14, 2014-15 etc. of PSPCL and PSTCL is concerned, shall be implemented during true up *exercise of ARRs for these years after applying prudence check".*

As such, the Commission approves actual 'other employee cost' as ₹111.65 crore for Transmission Business and ₹5.39 crore for SLDC Business based on Audited Annual Accounts for FY 2012-13.

2.4.10 PSTCL has also claimed ₹15.40 crore as arrear of pay revision for Transmission Business paid during the year 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 disallowances effected in 'other employee cost'.

The Hon'ble APTEL in its order dated March 02, 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. Keeping in view the observations of Hon'ble APTEL in Appeal No. 7, 46 & 122 of 2011, the Commission allows ₹15.40 crore as arrear of pay for FY 2012-13 for Transmission Business.

PSTCL has also claimed ₹0.55 crore as arrear of pay revision for SLDC Business and same is allowed as per the decision of Hon'ble APTEL as stated above.

Therefore, the Commission allows total Employee Cost of ₹292.16 (165.11 + 111.65 + 15.40) crore for Transmission Business and ₹5.97 (0.03+5.39+0.55) crore for SLDC Business.

2.5 Repair and Maintenance (R&M) Expenses

2.5.1 In the ARR Petition for FY 2012-13, PSTCL projected R&M expenses of ₹120.12 crore for its Transmission Business and ₹3.19 crore for its SLDC Business for FY 2012-13 against which the Commission approved ₹68.89 crore and ₹0.18 crore as R&M expenses for Transmission Business and SLDC Business of PSTCL respectively.

2.5.2 In the ARR Petition for FY 2013-14, PSTCL claimed R&M expenses of ₹69.38 crore for Transmission Business and ₹4.08 crore for SLDC Business for FY 2012-13 against which the Commission approved the R&M expenses of ₹88.60 crore for

Transmission Business and ₹0.23 crore for SLDC Business of PSTCL for FY 2012-13.

2.5.3 In the ARR Petition for FY 2016-17, PSTCL has submitted R&M expenses of ₹52.19 crore (net of capitalisation of ₹0.54 crore) including ₹0.03 crore as 'prior period expenses' for its Transmission Business as per Audited Annual Accounts for FY 2012-13. The prior period expenses are being separately dealt with, as such, the net R&M expenses work out to ₹52.16 crore.

2.5.4 PSTCL has submitted R&M expenses of ₹2.04 crore for its SLDC Business for FY 2012-13 based on the Audited Annual Accounts for FY 2012-13.The Commission had approved R&M expenses of ₹25.92 crore for Transmission Business and ₹1.93 crore for SLDC Business for FY 2011-12 in para 3.5.7 of Tariff Order FY 2014-15. As per Regulations 28 (2) (a) of PSERC Tariff Regulation 2005, O&M expenses approved by the Commission for the year 2011-12 (true up) is to be considered as base O&M expenses for subsequent years.

2.5.5 Regulation 28 (2) (b) of the PSERC Tariff Regulations, 2005 provides for adjusting base O&M expenses approved by the Commission in the true up of FY 2011-12 in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent years. The WPI for FY 2012-13 is determined at 7.36%.

Applying the increase of 7.36% in WPI on the base R&M expenses of ₹25.92 crore, the increase in R&M expenses for FY 2012-13 works out to ₹1.91 crore (25.92*7.36%) and the R&M expenses of PSTCL for FY 2012-13 works out to ₹27.83 (25.92+1.91) crore.

There was an addition of assets of ₹590.70 crore during FY 2012-13. In the absence of actual dates of commissioning of the addition in assets, these assets have been considered for 6 months on an average. The opening value of GFA as on 01.04.2012 was ₹5265.17 crore for STU and ₹5.51 crore for SLDC. The average percentage rate of R&M expenses of ₹27.83 crore for assets of ₹5265.17 crore works out to 0.53% (27.83/5265.17). By applying the average rate of 0.53% on addition of assets of ₹590.70 crore for half year, the R&M expenses addition during FY 2012-13 works out to ₹1.56 {(590.70/2)x0.53%} crore. The Commission, therefore, allows ₹29.39 (27.83 + 1.56) crore as R&M expenses for Transmission Business.

Similarly, after applying increase of 7.36% in WPI on the approved R&M expenses for SLDC Business of ₹1.93 crore for FY 2011-12, the increase in R&M expenses for FY 2012-13 works out to ₹0.14 (1.93*7.36%) crore and the R&M expenses for FY

2012-13 work out to ₹2.07 crore (₹1.93 crore + ₹0.14 crore) for SLDC Business. There was an addition of assets of ₹0.25 crore for SLDC Business for FY 2012-13. In the absence of actual dates of commissioning of the addition in assets, these assets have been considered for 6 months on an average. The average percentage rate of R&M expenses of ₹2.07crore for assets of ₹5.50 crore works out to 37.64% (2.07/5.50*100). By applying the average rate of 37.64% on addition of assets of ₹0.25 crore for half year, the R&M expenses for addition during FY 2012-13 works out to ₹0.05((0.25/2)x37.64%) crore. Thus, the total R&M expenses for SLDC Business work out to ₹2.12 (2.07+0.05) crore. However, the R&M expenses for SLDC Business as per Audited Annual Accounts are ₹2.04 crore. **The Commission accordingly allows ₹2.04 crore as R&M expenses for SLDC Business.**

In view of above, the Commission approves R&M expenses of ₹29.39 crore for Transmission Business and ₹2.04 crore for SLDC Business for FY 2012-13.

2.6 Administration and General (A&G) Expenses

2.6.1 In the ARR Petition for FY 2012-13, PSTCL projected A&G expenses of ₹67.81 crore for its Transmission Business (net of capitalization of ₹2.96 crore) and ₹1.40 crore for its SLDC Business (net of capitalization of ₹0.095) crore for FY 2012-13 against which the Commission approved ₹13.79 crore and ₹0.03 crore as A&G expenses for Transmission and SLDC Business of PSTCL respectively.

2.6.2 In the ARR Petition for FY 2013-14, PSTCL revised A&G expenses to ₹32.06 crore for its Transmission Business and ₹1.75 crore for its SLDC Business for FY 2012-13 against which the Commission approved the A&G expenses of ₹20.92 crore for Transmission Business and ₹0.05 crore for SLDC Business of PSTCL for FY 2012-13.

2.6.3 In the ARR Petition for FY 2016-17, PSTCL has claimed A&G expenses of ₹10.42 crore (including Audit fees & license fees of ₹0.82 crore and Lease rental of ₹0.77 crore, excluding 'Outsourced Cost of Manpower' of ₹8.08 crore and net of capitalization of ₹7.00 crore) for its Transmission Business and ₹1.07 crore (excluding Outsourced Cost of manpower of ₹0.11 crore) for its SLDC. After considering the amount of 'Outsourced Cost of Manpower' as discussed in para 2.4.4 of this order, the detail of A&G expenses is tabulated at Table 2.3.

Table 2.3: A&G Expenses for FY 2012-13

(₹crore)

Sr. No.	Particulars	STU	SLDC	PSTCL
1.	A&G Expenses (net of capitalization of ₹7.00 crore and including Lease rentals of ₹0.77 crore)	9.60	1.07	10.67
2.	Audit Fees and license fee	0.82	0.00	0.82
3.	Outsourced Cost of Manpower	8.08	0.11	8.19
	Total A&G expenses	**18.50**	**1.18**	**19.68**

2.6.4 Regulation 28 (4) (a) of the PSERC Tariff Regulations, 2005 provides for adjusting base O&M expenses approved by the Commission for FY 2011-12 in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent years. The WPI for FY 2012-13 is determined at 7.36% which is adopted for purposes of calculation of R&M expenses.

2.6.5 The Commission in its T.O. for FY 2014-15 (para 3.6.8) approved A&G expenses of ₹11.59 crore for Transmission Business and ₹0.56 crore for SLDC Business for FY 2011-12. Applying the increase of 7.36% in WPI, the increase in A&G expenses for FY 2012-13 works out to ₹0.85 crore (11.59*7.36%) for Transmission Business and ₹0.04 crore (0.56*7.36%) for SLDC Business and the A&G expenses for Transmission Business and SLDC Business work out to ₹12.44 crore (₹11.59 crore + ₹0.85 crore) and ₹0.60 crore (₹0.56 crore + ₹0.04 crore) respectively for FY 2012-13.

2.6.6 In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the A&G expenses are allowable for additional assets added during the year on pro–rata basis from the date of commissioning of assets. Fixed assets approved to be added during the year are considered as having remained in service for six months on an average during the year as the actual dates of commissioning of assets added during the year have not been mentioned / made available in the ARR of FY 2016-17.

2.6.7 PSTCL has submitted that the capitalization of fixed assets during FY 2012-13 was ₹590.70 crore for Transmission Business and ₹0.25 crore for SLDC Business. The opening value of GFA as on 01.04.2012 was ₹5265.17 crore for Transmission Business and ₹5.50 crore for SLDC Business. The A&G expenses for these assets added during the year are being considered assuming that these assets remained in service for the STU and SLDC for six months on an average during FY 2012-13. The average percentage rate of A&G expenses of ₹12.44 crore for asset of ₹5265.17 crore works out to 0.24% (12.44/5265.17) for Transmission Business and average percentage rate of A&G expenses of ₹0.60 crore for asset of ₹5.50 crore works out to 10.89%(0.60/5.50). By applying the average rate of 0.24% on addition of assets of

₹590.70 crore for half year, the A&G expenses for addition during FY 2012-13 works out to ₹0.70 crore (0.24% x (590.70/2)) for Transmission Business.

Similarly, applying average rate of 10.89% on asset addition of ₹0.25 crore for half year, the A&G expenses for FY 2012-13 works out to ₹0.01 crore (10.89% x (0.25/2) for SLDC Business.

PSTCL has also claimed an amount of ₹0.32 crore for Audit Fee and ₹0.50 crore for licence and ARR fee. As such, the total amount of PSTCL for Transmission Business works out to ₹13.96 (12.44+0.70+0.32+0.50) crore as against actual A&G expenses of ₹18.50 (10.42+8.08)crore and the total A&G expenses for SLDC Business works out to ₹0.61(0.6+0.01) crore as against the actual A&G expenses of ₹1.18 crore.

Therefore, the Commission approves the A&G expenses of ₹13.96 crore for Transmission Business and ₹0.61 crore for SLDC Business for FY 2012-13.

2.7 Depreciation Charges

2.7.1 In the ARR Petition for FY 2012-13, PSTCL had claimed depreciation charges of ₹193.41 crore for its Transmission Business and ₹1.07 crore for SLDC Business against which ₹147.90 crore for Transmission Business and ₹0.40 crore for SLDC Business was approved by the Commission in the Tariff Order for FY 2012-13.

2.7.2 In the ARR Petition for FY 2013-14, PSTCL had revised its claim of depreciation to ₹188.60 crore for Transmission Business and ₹0.63 crore for SLDC Business for FY 2012-13. The Commission had approved the depreciation charges of ₹147.90 crore for FY 2012-13 for Transmission Business and ₹0.40 crore for SLDC Business in the Tariff Order for FY 2013-14.

2.7.3 In the ARR Petition for FY 2016-17, PSTCL has claimed ₹108.29 crore as depreciation charges for Transmission Business and ₹0.49 crore as depreciation charges for SLDC Business. PSTCL was directed to supply sub head wise detail of assets and depreciation claimed during FY 2012-13 as per CERC rates & specifications/regulations vide Commission DO no. PSERC/Tariff/T/193/9114 dated 07.12.2015. PSTCL vide memo no. 3544/ARR-603 dated 14.12.2015 submitted consolidated (for both Business) sub head wise details of assets and depreciation claimed during FY 2012-13 but not as per specified Performa. However, on examination of the information supplied by PSTCL, the Commission observes that the depreciation on the assets which has already been over charged has also been claimed by the petitioner and PSTCL vide its letter no. 763/FA/ARR-603 dated 01.03.2016 submitted subhead wise details of assets and depreciation stating deprecation of ₹108.14 crore during the FY 2012-13. Accordingly, the Commission re-determines the depreciation charges of ₹102.26 crore for Transmission Business on the value of Gross Fixed Assets of ₹2929.68 crore (excluding land) as on March 31, 2013. Depreciation charges of ₹0.46 crore for SLDC Business on the value of Gross Fixed Assets of ₹5.75(excluding land) crore as on March 31, 2013 as shown in the Table 2.4.

Table 2.4: Depreciation Charges for Transmission & SLDC Business of PSTCL for FY 2012-13

(₹crore)

Particulars	For SLDC		For Transmission	
	Claimed by PSTCL for FY 2012-13	Approved by the Commission for FY 2012-13	Claimed by PSTCL for FY 2012-13	Approved by the Commission for FY 2012-13
I	II	III	IV	V
Depreciation	0.49	0.46	108.78	102.27

The Commission approves depreciation charges of ₹102.27 crore for Transmission Business and ₹0.46 crore for SLDC Business for FY 2012-13.

2.8 Interest and Finance Charges

2.8.1 In the ARR Petition for FY 2012-13, PSTCL had claimed Interest and Finance charges of ₹251.58 crore on long term loans for its Transmission Business and ₹1.34 crore for SLDC Business against which the Commission allowed ₹244.85 crore for Transmission Business and ₹1.65 crore for SLDC Business.

2.8.2 In the ARR Petition for FY 2013-14, PSTCL had 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. Similarly, PSTCL had claimed ₹0.71 crore as Interest and Finance charges for SLDC Business. The Commission allowed the Interest and Finance charges of ₹180.18 crore for Transmission Business and ₹0.06 crore for SLDC Business for FY 2012-13.

2.8.3 In the ARR & Tariff Petition for FY 2016-17, PSTCL has claimed the Interest & Finance Charges for FY 2012-13 as ₹207.61 crore (excluding ₹0.22 crore relating to prior period expenses which has been discussed in para 2.12 of this order) for Transmission Business including ₹0.01 crore for SLDC Business based on Audited Annual Accounts for FY 2012-13. The Interest and Finance charges allowable to PSTCL are discussed in the ensuing paragraphs.

2.8.4 **Investment Plan for Transmission Business**

In the ARR Petition for 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 had estimated the capital expenditure at ₹1069.69 crore in the RE for FY 2012-13 against which the Commission had approved an investment of ₹800 crore. In the ARR Petition for FY 2016-17, PSTCL has claimed an investment plan of ₹965.07 crore during FY 2012-13 based on Audited Annual Accounts.

The Commission observes that PSTCL has raised loan of ₹904.63 crore during FY 2012-13 excluding GPF of ₹17.76 crore against an investment of ₹965.07 crore. The Commission thus determines loan requirement of the utility of ₹904.63 crore. The interest is re-worked by Commission on allowable loans (other than WCL and GPF) as ₹322.35 as given in the Table 2.5.

Table 2.5: Interest on Loans (Other than WCL and GPF)

(₹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
I	II	III	IV	V	VI	VII
1.	As per data furnished in ARR Petition (other than WCL& GP Fund)	2338.80	904.63	146.31	3097.12	322.35
2.	Approved by the Commission (other than WCL and GP Fund)	2338.80	904.63	146.31	3097.12	322.35

2.8.5 Interest on GP Fund

PSTCL has claimed an interest of ₹17.52 crore on GP fund of ₹219.55 crore .The interest of ₹17.52 crore on GP Fund, being statutory payment, is allowed as claimed by PSTCL for FY 2012-13.

2.8.6 Capitalization of Interest Charges

In the ARR Petition for FY 2016-17, PSTCL has capitalized ₹133.82 crore interest charges based on Audited Annual Accounts for FY 2012-13.

The Commission, as per past practice, approves capitalisation of interest of ₹133.82 crore for FY 2012-13 based on the Audited Annual Accounts.

2.8.7 Finance Charges & Interest on NPS

PSTCL has claimed finance charges of ₹1.40 crore and interest on NPS of ₹0.16 crore based on Audited Annual Accounts for FY 2012-13 for Transmission Business. The Commission, accordingly, approves the finance charges & interest on NPS of ₹1.56 crore for FY 2012-13 for Transmission Business of PSTCL.

The interest charges other than working capital approved for FY 2012-13 are shown in Table 2.6.

Table 2.6: Interest Charges for PSTCL for FY 2012-13

(₹crore)

Sr. No.	Particulars	Interest as Claimed by PSTCL	Amount allowed by the Commission
I	II	III	IV
1.	Interest on Institutional Loans	322.35	322.35
2.	Interest on GP Fund	17.52	17.52
3.	Finance charges & Interest on NPS	1.56	1.56
4.	**Gross interest on long term loan (1+2+3)**	**341.43**	**341.43**
5.	Less Capitalisation	133.82	133.82
6.	**Net Interest Charges on long term loan (4-5)**	**207.61**	**207.61**

Therefore, the Commission approves interest & finance charges of ₹207.61 crore on long term loan for FY 2012-13 based on Audited Annual Accounts.

2.8.8 **Interest on Working Capital**

In the ARR Petition for FY 2012-13, PSTCL had claimed interest on working capital for Transmission Business of ₹42.14 crore for FY 2012-13 of which the Commission had approved interest on working Capital of ₹25.15 crore for FY 2012-13.

In the ARR Petition for FY 2013-14, PSTCL had revised the claim of interest on working capital of ₹31.19 crore of which the Commission had approved interest on working capital of ₹26.20 crore.

In the ARR Petition for FY 2016-17, PSTCL has claimed interest on working capital of ₹28.37 crore on the working capital loan of ₹216.72 crore for Transmission Business. Rate of interest on working capital is required to be calculated as per provisions contained in Regulation 30.1 of PSERC (Terms and Conditions for Determination of Tariff) Regulation, 2005 which has been further amended vide notification dated 17.09.2012. Accordingly, the Commission has calculated the working capital requirement and interest thereon @ 14.75% upto 16.09.2012 being the SBI Advance Rate and @ 11.55% for the period from 17.09.2012 to 31.03.2013 being the weighted average rate of interest which is lower than SBI Advance rate for Transmission Business. The working capital requirement works out to ₹194.02 crore and the interest thereon works out to ₹25.28 crore as shown in Table 2.7.

Table 2.7: Interest on Working Capital for Transmission Business of PSTCL for FY 2012-13

(₹crore)

Sr. No.	Particulars	Approved by the Commission
I	II	III
1.	Receivables equivalent to two months	115.73
2.	Maintenance spares @ 15% of Operation and Maintenance expenses	50.33
3.	Operation and Maintenance expenses for one month	27.96
4.	Total Working Capital	194.02
5.	SBI Advance Rate of Interest @14.75% for 169 days from 1.4.2012 to 16.09.2012 & Average weighted of Interest @11.55% for 196 days	25.28

The Commission approves working capital of ₹194.02 crore and interest thereon of ₹25.28 crore for Transmission Business of PSTCL for FY 2012-13.

2.8.9 **Investment Plan for SLDC Business**

In the ARR Petition for FY 2012-13, PSTCL had proposed an investment of ₹24.28 crore for FY 2012-13 against which the Commission had approved ₹20.00 crore in the Tariff Order for FY 2012-13.

In the ARR for FY 2013-14, PSTCL revised investment plan to ₹11.38 crore against which the Commission approved ₹1.00 crore for SLDC Business in the review for FY 2012-13.

In the ARR Petition for FY 2016-17, PSTCL has submitted that it had made an investment of ₹6.80 crore in the SLDC Business though, there are no opening balance of loans shown for SLDC Business but ₹0.01 crore interest charges have been claimed on addition of loan ₹0.77 crore during the year.

The interest on allowable loans (other than working capital loans) is worked out as indicated in Table 2.8.

Table 2.8: Interest Charges (other than WCL) 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
I	II	III	IV	V	VI	VII
1.	As per data furnished by PSTCL in ARR Petition (other than WCL)	0.00	0.77	0.00	0.77	0.01
2.	Approved by the Commission (other than WCL)	0.00	0.77	0.00	0.77	0.01

Therefore, the Commission approves Interest & Finance charges of ₹0.01 crore on addition of long term loan received during FY 2012-13 based on Audited Annual Accounts.

2.8.10 **Interest on Working Capital for SLDC Business**

In the ARR Petition for FY 2012-13, PSTCL had claimed interest on working capital of ₹1.09 crore on the total working capital of ₹8.69 crore. The Commission had approved the working capital of ₹5.89 crore and interest on working capital of ₹0.77 crore for FY 2012-13.

In the ARR Petition for FY 2013-14, PSTCL had claimed interest on working capital of ₹1.21 crore on the total working capital of ₹8.23 crore for its SLDC Business. The Commission had approved the working capital of ₹2.87 crore and interest thereon of ₹0.31 crore for SLDC Business of PSTCL for FY 2012-13.

In the ARR Petition for FY 2016-17, PSTCL has claimed ₹0.55 crore as interest on working capital of ₹4.08 crore. Applying the same principle as stated above for Transmission Business, the Commission approves the interest on working capital of ₹3.84 crore and interest thereon works out to ₹0.51 crore as given in Table 2.9.

Table 2.9: Interest on Working Capital for SLDC Business for FY 2012-13

(₹crore)

Sr. No.	Particulars	FY 2012-13	
		Claimed by PSTCL for SLDC	Approved by the Commission
I	II	III	IV
1.	Receivables equivalent to two months fixed cost	1.93	1.83
2.	Maintenance spares @15% of O&M expenses	1.38	1.29
3.	Operation & Maintenance expenses for one month	0.77	0.72
4.	Working Capital Requirement	4.08	3.84
5.	Interest on working capital for 169 days @ 14.75% from 01.04.2012 to 16.09.2012 & for 196 day @12.25% from 17.09.2012 to 31.03.2013	0.55	0.51

The Commission approves working capital of ₹3.84 crore and interest thereon of ₹0.51 crore for SLDC Business of PSTCL for FY 2012-13.

2.9 Return on Equity

2.9.1 In ARR Petition for FY 2012-13, PSTCL had claimed RoE of ₹110.01 crore on equity of ₹468.51 crore for FY 2012-13 against which the Commission had approved RoE of ₹50.92 crore. PSTCL did not claim any amount of RoE for its SLDC Business.

2.9.2 In ARR Petition for FY 2013-14, PSTCL had claimed Return on Equity of ₹75.38 crore on equity amount of ₹328.50 crore. The claim was further revised vide PSTCL letter dated 07.01.2013 to ₹139.01 crore on equity of ₹605.83 crore for the Transmission Business for FY 2012-13 against which the Commission had approved RoE of ₹93.90 crore.

2.9.3 In ARR Petition for FY 2016-17, PSTCL has claimed RoE of ₹112.47 crore for FY 2012-13 as detailed in Table 2.10.

Table 2.10: Return on Equity for FY 2012-13 as claimed by PSTCL

(₹crore)

Sr. No.	Particulars	PSTCL
1.	Equity at the opening of FY 2012-13	605.88
2.	Internal accruals/ free reserves reckoned as paid up equity	79.90
3.	Pre Tax % RoE	15.50%
4.	Tax Rate	20.96%
5.	Gross up % RoE	19.61%
6.	Equity before notification of Amended Tariff Regulation ((605.88+79.90/2)x19.61% x 169 day / 365 days)	58.99
7.	Equity for the remaining period of FY 2012-13 ((605.88+79.90/2)x15.50%x196 days/365 days)	53.48
8.	Total RoE (5+6)	112.47

PSTCL revised its claim of ₹112.47 crore to ₹118.88 crore vide memo no. 1813 dated 14.06.2016. The details of the revised claim are at Table 2.11.

Table 2.11: Return on Equity for FY 2012-13 as claimed by PSTCL

(₹crore)

Sr. No.	Particulars	PSTCL
1.	Equity at the opening of FY 2012-13	605.88
2.	Addition of internal accruals/free reserves reckoned as paid up equity	41.91
3.	Average Equity employed during the year	626.84
4.	Pre Tax % RoE	15.50%
5.	Tax Rate	32.445%
6.	Gross up % RoE	22.94%
7.	Equity before notification of Amended Tariff Regulation ((626.84*22.94%*170 days/365 days)	66.97
8.	Equity for the remaining period of FY 2012-13 ((626.84*15.50%*195 days/365 days)	51.91
9.	Total RoE	118.88

2.9.4 In the Audited Annual Account for FY 2012-13, the Statutory Auditor in its report dated 19th July, 2014 has recorded some qualifications. The relevant abstract of audit report is as under:

*"In our opinion without considering the item nos 1, 2, 3, 5, 6, 7, 8, 9, 11, 12, 13, 15, 16, 19, 20, 21 of Annexure -1 attached herewith where the **quantification is not possible** and considering the item nos. 4, 10, 14, 17 and 18 the profit has been over stated by ₹24.57 crore Reserves and Surplus has been over stated by ₹24.57 crore and other current liability has been under stated by ₹17.26 crore and the current assets- Inventories are overstated by ₹7.31 crore.*

Had the above effects given, the profit as per Statement of Profit and Loss would have been ₹134.09 crore instead of ₹158.66 crore. The Reserves and Surplus would have been ₹1914.67 crore instead of ₹1939.24 crore and other current liabilities would have been ₹847.42 crore instead of ₹830.16 crore and current assets- Inventory would have been ₹126.71 crore instead of ₹134.02 crore" [emphasis added].

2.9.5 Regulation 25(3) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended is produced as below:

"25.Return on Equity

The premium raised by the generating company or the licensee while issuing share capital and investment of internal resources created out of free reserve, if any, shall also be reckoned as paid up equity capital for the purpose of computing return on equity, subject to limit prescribed in Regulation 24, provided such premium amount and internal resources are actually utilised for meeting capital expenditure."

Return on equity on internal accrual/ free reserves of ₹79.90 crore is not allowable considering the opinion of the Auditor that the quantification of certain items and its impact on profit and loss account is not possible, the claim of the utility on internal accruals/ free reserves reckoned as paid up equity cannot be acceded to.

Also, the Commission in its Order in Petition no. 45 of 2012 dated 10.10.2012, has approved RoE as per Regulation 25 of PSERC Tariff Regulations and obligatory taxes separately under Regulation 32 of PSERC Tariff Regulations. The same was decided by Hon'ble APTEL in its judgment in Appeal no. 27 of 2013 dated 28.02.2014. An abstract of the judgment is reproduced as under:

"Since the State Commission has already by implementing the judgments of this Tribunal, allowed Return on Equity @ 15.5% citing the sufficient and cogent reasons by changing its old view and now the State Commission after the amendment of Regulation 25 dealing with Return on Equity of State Commission Tariff Regulations, 2005 vide Notification dated 17.09.2012 has deleted or scraped the provision of grossing up of the Return on Equity, the controversy or dispute for the future period has been brought to an end. The State Commission is justified in passing the impugned order and no illegality or infirmity has been committed by the State Commission.

In view of the above discussion, since the Appellant has not paid any income tax or obligatory tax during the relevant period, being a loss making licensee, *the Appellant has rightly been disallowed the grossing up of the Return on Equity by the tax rate applicable to the Appellant. The learned State Commission has given complete effect to the provisions of Regulation 15 of the Central Commission Tariff Regulations, 2009 in passing the impugned order. The impugned order is perfectly just and legal one requiring no interference by us at this stage, particularly, when the relevant Regulation 25 of the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2005 has been amended by Notification dated 17.09.2012 settling the whole controversy for the future.*

All the aforesaid issues are decided against the Appellant and Appeal merits dismissal.

The Appeal is consequently dismissed without any order as to costs."

Return of equity on internal accrual/free reserves of ₹41.91 crore is not allowable considering the opinion of the auditor that the quantification of certain items and its impact on profit and loss account is not possible. Therefore, the claim of the utility on internal accruals/free reserves reckoned as paid up equity cannot be acceded to. In view of Regulation 32 of PSERC and APTEL judgement referred to above, grossing up of the Return on Equity is not allowable.

Accordingly, in accordance with the PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 the RoE on equity of ₹605.88 crore works out to ₹93.91 crore.

The Commission approves RoE of ₹93.91 crore to PSTCL for FY 2012-13.

2.10 ULDC Charges

2.10.1 In the ARR Petition for FY 2012-13, PSTCL had claimed ULDC Charges of ₹21.00 crore for FY 2012-13 for its SLDC Business which were approved by the Commission.

2.10.2 In the ARR Petition for FY 2013-14, PSTCL had claimed ₹17.30 crore towards ULDC charges for FY 2012-13 payable to PGCIL for its SLDC Business against which the Commission approved ₹13.30 crore.

2.10.3 In the ARR Petition for FY 2016-17, PSTCL has claimed ₹13.91crore on account of ULDC charges for its SLDC Business based on Audited Annual Accounts for FY 2012-13.

Accordingly, the Commission approves ULDC charges of ₹13.91 crore to PSTCL for its SLDC Business for FY 2012-13.

2.11 Non-Tariff Income

2.11.1 In the ARR Petition for FY 2012-13, PSTCL had not projected Non-Tariff Income for its Transmission Business as well as SLDC Business for FY 2012-13. However, the Commission approved ₹36.98 crore as Non-Tariff Income of Transmission Business of PSTCL for FY 2012-13.

2.11.2 In the ARR Petition for FY 2013-14, PSTCL had projected ₹5.76 crore on account of Non Tariff Income for Transmission Business and ₹5.85 crore for SLDC Business against which the Commission had approved ₹61.21 crore for Transmission Business and ₹5.85 crore for SLDC Business for FY 2012-13.

2.11.3 In the ARR Petition for FY 2016-17, PSTCL has shown ₹18.35 crore (₹14.98 crore for Transmission Business and ₹3.37 crore for SLDC Business) on account of Non Tariff Income based on Audited Annual Accounts for FY 2012-13. Besides, PSTCL has separately claimed receipt of Transmission charges from Open Access Consumers, amounting to ₹64.64 crore (₹55.46 crore for Transmission Business and ₹9.18 crore for SLDC Business) for FY 2012-13, based on the Audited Annual Accounts for FY 2012-13. As per Regulation 34 amended vide notification dated 17.09.2012, income on account of Open Access Charges is being treated as Non-Tariff Income. As such, Non-Tariff Income for Transmission Business works out to ₹70.44 (14.98+55.46) crore and for SLDC Business ₹12.55 (3.37+9.18) crore. **Accordingly, the Commission approves ₹70.44 crore for Transmission Business and ₹12.55 crore for SLDC Business as Non-Tariff Income for FY 2012-13.**

2.12 Prior Period Expenses

2.12.1 In the ARR Petition for FY 2016-17, PSTCL has claimed ₹3.64 crore as prior period expenses based on Audited Annual Accounts for FY 2012-13. PSTCL has merged the prior period expenses under concerned account heads i.e. ₹0.03 crore under R&M, ₹0.06 crore under A&G, ₹3.33 crore under depreciation and ₹0.22 crore under Interest and Finance charges.

2.12.2 As regards R&M expenses of ₹0.03 core and A&G expenses of ₹0.06 crore are concerned, the Commission is of the view that it has allowed O&M expenses after working out these expenses as per Regulation 28 of PSERC Tariff Regulations. As such, the Commission finds no merit in the claim of PSTCL and no amount is allowed on this account.

2.12.3 As regards depreciation booked under prior period amounting to ₹3.33 crore is concerned, the Commission is of the view that deprecation has been allowed on the sub-head wise assets and also disallowed the depreciation provided in excess of 90% of the original cost of assets during the previous year. As such, the Commission finds no merit in the claim of PSTCL for additional depreciation as Prior Period Expenses and no amount is allowed on this account.

2.12.4 As regards Interest and Finance charges booked under prior period amounting to ₹0.22 crore is concerned, the Commission is of the view that it has allowed Interest and Finance charges on actual basis in previous years. As such, the Commission allows Interest and Finance charges of ₹0.22 crore.

2.12.5 No claim of prior period expenses has been made for SLDC Business of PSTCL. Hence, no prior period expense is allowed for SLDC Business of PSTCL.

Accordingly, the Commission approves ₹0.22 crore prior period expenses for FY 2012-13 for Transmission Business of PSTCL.

2.13 Tax on Income

In the ARR Petition for FY 2016-17, PSTCL has stated that it had paid tax amounting to ₹42.14 crore on its income of ₹200.81 crore based on Audited Annual Accounts for FY 2012-13. Out of this, PSTCL has claimed income tax of ₹29.78 crore as pass through consisting of ₹11.21 crore as income tax in accordance with PSERC Regulations, additional income tax of ₹16.51 crore on account of revenue gap of previous years and ₹2.06 crore as additional income tax on account of uncontrollable income.

Further, vide memo no. 1811 dated 14.06.2016, PSTCL revised its claim of income tax to ₹39.73 crore and ₹2.41 crore as additional income tax.

As per Regulation 32 (2) of PSERC Tariff Regulations, "Tax on Income, if actually liable to be paid, shall be limited to Tax on Return on Equity allowed, excluding incentives".

In the Audited Annual Account for FY 2012-13, the Statutory Auditor in its report dated 19th July, 2014 has made certain qualifications. The relevant abstract of audit report is as under:

> *"In our opinion without considering the item nos 1, 2, 3, 5, 6, 7, 8, 9, 11, 12, 13, 15, 16, 19, 20, 21 of Annexure -1 attached herewith where the **quantification is not possible** and considering the item nos. 4, 10, 14, 17 and 18 the profit has been over stated by ₹24.57 crore Reserves and Surplus has been over stated by ₹24.57 crore and other current liability has been under stated by ₹17.26 crore and the current assets- Inventories are overstated by ₹7.31 crore.*

Had the above effects given, the profit as per Statement of Profit and Loss would have been ₹134.09 crore instead of ₹158.66 crore. The Reserves and Surplus would have been ₹1914.67 crore instead of ₹1939.24 crore and other current liabilities would have been ₹847.42 crore instead of ₹830.16 crore and current assets- Inventory would have been ₹126.71 crore instead of ₹134.02 crore." [emphasis Supplied]

Since the statutory auditor has opined that the quantification of income/ expenditure is not possible, considering the opinion of the Auditor, the income tax paid by PSTCL on income of ₹200.81 crore for FY 2012-13 does not seem to be logical. Since proft has not been determined as per the Accounting Standard, the Commission is of the considered opinion that tax paid on unquantifiable profit should not be burdened on consumers of Punjab.

2.14 Annual Revenue Requirment

The summary of the Annual Revenue Requirment for Transmission Business and SLDC Business of PSTCL for FY 2011-12 is shown in Table 2.12 and Table 2.13.

Table 2.12: Annual Revenue Requirement for Transmission Business for FY 2012-13

(₹crore)

Sr. No.	Particulars	For Transmission Business				
		Approved in Tariff Order for FY 2012-13	RE for FY 2012-13	Approved by the Commission in the review for FY 2012-13	Claimed by PSTCL in ARR based on Audited Annual Accounts	Finally approved by the Commission
I	II	III	IV	V	VI	VII
1.	Employee Cost	211.12	232.49	339.43	302.24	292.16
2.	R&M expenses	68.89	69.38	88.60	52.19	29.39
3.	(A&G) expenses	13.79	32.06	20.92	10.42	13.96
4.	Depreciation	147.90	188.60	147.90	108.29	102.27
5.	Interest charges	244.85	205.36	180.18	207.82*	207.61
6.	Interest on Working Capital	25.15	31.19	26.20	28.37	25.28
7.	Return on Equity	50.92	75.38	93.90	112.47	93.91
8.	Provision for Bad Debts and other Debits	0.00	0.00	0.00	0.00	0.00
9.	Prior Period Expenses	-	-	-	-	0.22
10.	ULDC Charges	0.00	0.00	0.00	0.00	-
11.	Tax on Income				29.78	-
12.	**Total Revenue Requirement**	**762.62**	**834.48**	**897.13**	**851.57**	**764.80**
13.	Less: Non tariff Income	36.98	5.76	61.21	70.44	70.44
14.	**Annual Revenue Requirement**	**725.64**	**828.72**	**835.92**	**781.13**	**694.36**

**includes prior period expenses of 0.22 crore*

Table 2.13: Annual Revenue Requirement for SLDC for FY 2012-13

(₹crore)

Sr. No.	**Particulars**	**For SLDC Business**				
		Approved in T.O. for FY 2012-13	**RE for FY 2012-13**	**Approved by the Commission in the review for FY 2012-13**	**Claimed by PSTCL in ARR based on Audited Annual Accounts**	**Finally approved by the Commission**
I	**II**	**III**	**IV**	**V**	**VI**	**VII**
1.	Employee Cost	4.54	9.01	3.60	6.08	5.97
2.	R&M expenses	0.18	4.08	0.23	2.04	2.04
3.	(A&G) expenses	0.03	1.75	0.05	1.07	0.61
4.	Depreciation	0.40	0.63	0.40	0.49	0.46
5.	Interest charges	1.65	0.71	0.06	0.01	0.01
6.	Interest on Working Capital	0.77	1.21	0.31	0.55	0.51
7.	Return on Equity	0.00	0.00	0.00	-	-
8.	Provision for Bad Debts and other Debits	0.00	0.00	0.00	-	-
9.	ULDC Charges	21.00	17.30	13.30	13.91	13.91
10.	Prior Period expenses	0.00	0.00	0.00	-	-
11.	**Total Revenue Requirement**	**28.57**	**34.70**	**17.95**	**24.14**	**23.51**
12.	Less: Non tariff Income	0.00	5.85	5.85	12.55	12.55
13.	**Annual Revenue Requirement**	**28.57**	**28.86**	**12.10**	**11.59**	**10.96**

The summary of the Annual Revenue Requirement of PSTCL as a whole for FY 2012-13 is shown in Table 2.14

Table 2.14: 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**	**Claimed by PSTCL in ARR based on Audited Annual Accounts**	**Finally Approved by the Commission FY 2012-13**
I	**II**	**III**	**IV**	**V**	**VI**	**VII**
1.	Employee Cost	215.66	241.51	343.03	308.32	298.13
2.	R&M expenses	69.07	73.46	88.83	54.23	31.43
3.	(A&G) expenses	13.82	33.82	20.97	11.49	14.57
4.	Depreciation	148.30	189.24	148.30	108.78	102.73
5.	Interest charges	246.50	206.07	180.24	207.83*	207.62
6.	Interest on working capital	25.92	32.40	26.51	28.91	25.79
7.	Return on Equity	50.92	75.38	93.90	112.47	93.91
8.	Provision for Bad Debts and other Debits					0.00
9.	Prior Period Expenses					0.22
10.	ULDC Charges	21.00	17.30	13.30	13.91	13.91
11.	Income Tax				29.78	-
12.	**Total Revenue Requirement**	**791.19**	**869.18**	**915.08**	**875.71**	**788.31**
13.	Less: Non tariff income	36.98	11.61	67.06	82.99	82.99
14.	Add: Incentive for Higher Transmission System Availability				8.43	7.35
15.	**Net Revenue Requrment**	**754.21**	**857.57**	**848.02**	**801.15**	**712.67**
16.	**Revenue from Tariff**					**830.01**
17.	**Gap(-)/ Surplus(+) for the year**					**(+)117.34**

**includes prior period expenses of 0.22 crore*

The Revenue from Tariff of ₹830.01 crore as considered by PSTCL in Audited Annual Accounts for FY 2012-13 was approved by the Commission in its Tariff Oder of FY 2012-13 dated 16th July, 2012 at the time of projection, has been re-determined at ₹848.02 crore at the time of review. Thus, the carrying cost on revenue deficit of ₹18.01 crore has already allowed in Tariff Order FY 2013-14.

Net Annual Revenue Requirement after truing up exercise for FY 2012-13 is determined as ₹712.67 crore and revenue surplus is determined as ₹117.34 (712.67-830.01) crore. Net Revenue Requirement of ₹712.67 crore is carried forward in True up of PSPCL for FY 2012-13. After considering the revenue deficit already accounted for the net surplus works out to ₹135.35 (117.34+18.01) crore for FY 2012-13 is being cosnsidered for calculating the carrying cost at para 6.19.1 of this Tariff Order.

Chapter 3
True up for FY 2013-14

3.1 Background

The Commission had approved the ARR & Tariff for FY 2013-14 in its Tariff Order dated 10.04.2013 which was based on costs and revenue estimated by the Punjab State Transmission Corporation Limited (PSTCL) for its Transmission and SLDC functions.

PSTCL in its ARR for FY 2014-15 had submitted the revised estimates of costs and revenue for FY 2013-14. The Commission considered it appropriate and fair to revisit and review the approvals granted by it for FY 2013-14 with reference to the revised estimates made available by PSTCL and accordingly approved the revised ARR for FY 2013-14 in the Review.

PSTCL in its ARR for FY 2015-16 had submitted that since the annual accounts for FY 2013-14 were in the process of finalization/audit and truing up exercise for FY 2013-14 may be undertaken by the Commission after the finalization of Audited Annual Accounts. PSTCL further submitted that the audited accounts for FY 2013-14 shall be submitted to the Commission as soon as these are audited and are available for true up. The Commission accordingly decided, in the Tariff Order for FY 2015-16, to undertake the true up for FY 2013-14 alongwith ARR petition for FY 2016-17.

Now, PSTCL in its ARR and Tariff Petition for FY 2016-17 has furnished the Audited Annual Accounts for FY 2013-14, which again vary in parts with the figures taken into account by the Commission in the review of FY 2013-14. This Chapter contains the final true up for FY 2013-14, based on the Audited Annual Accounts for FY 2013-14 submitted by the utility.

3.2 Transmission System Availability

3.2.1 PSTCL, in the ARR for FY 2016-17, has submitted its month-wise average Transmission System Availability for FY 2013-14 as shown in Table 3.1.

Table 3.1: Transmission System Availability of PSTCL for FY 2013-14

Sr. No.	Month	Availability (%)
1.	April, 2013	99.90
2.	May, 2013	99.94
3.	June, 2013	99.90
4.	July, 2013	99.85
5.	August, 2013	99.54
6.	September, 2013	99.91
7.	October, 2013	99.94
8.	November, 2013	99.96
9.	December, 2013	99.79
10.	January, 2014	99.83
11.	February, 2014	99.93
12.	March, 2014	99.89
	Average Availability	**99.87**

3.2.2 **Incentive on Transmission System Availability**

PSTCL has submitted in the ARR for FY 2016-17, that as per PSERC Tariff Regulations, it is eligible for incentive for over achieving the availability targets for transmission system availability, which has been verified and certified by SLDC.

PSTCL has submitted the net transmission charges inclusive of incentive on the basis of fixed charges for STU, as given in Table 3.2(a).

Table 3.2(a): Incentive on Transmission System Availability for FY 2013-14 submitted by PSTCL

(₹crore)

Sr. No.	Month	Monthly Transmission Charges	Transmission Charges including Incentive	Incentive
1.	April, 2013	86.17	87.84	1.67
2.	May, 2013	89.04	90.81	1.76
3.	June, 2013	86.17	87.84	1.67
4.	July, 2013	89.04	90.73	1.68
5.	August, 2013	89.04	90.44	1.40
6.	September, 2013	86.17	87.85	1.68
7.	October, 2013	89.04	90.81	1.76
8.	November, 2013	86.17	87.90	1.72
9.	December, 2013	89.04	90.67	1.63
10.	January, 2014	89.04	90.71	1.66
11.	February, 2014	80.43	82.01	1.58
12.	March, 2014	89.04	90.76	1.72
	Total	**1048.43**	**1068.37**	**19.94**

PSTCL has submitted that incentive has been determined from the date of notification of the PSERC (Terms and Conditions for Determination of Tariff), Second

Amendment, Regulations, 2012, in the Gazette on 17.09.2012. PSTCL has submitted to approve the incentive of ₹19.94 crore for transmission system availability, for FY 2013-14.

The Commission has determined the incentive for achieving transmission system availability more than the norms laid by the Commission, as per approved ARR of ₹806.26 crore in this Tariff Order (refer Table 3.12), as shown in Table 3.2(b).

Table 3.2(b): Incentive on Transmission System Availability for FY 2013-14 determined by the Commission

Sr. No.	Month	Availability (%)	Monthly Transmission Charges (₹crore)	Transmission Charges inclusive Incentive (₹crore)	Incentive (₹crore)
1.	April, 2013	99.90	66.70	67.99	1.29
2.	May, 2013	99.94	68.93	70.29	1.36
3.	June, 2013	99.90	66.70	67.99	1.29
4.	July, 2013	99.85	68.93	70.23	1.30
5.	August, 2013	99.54	68.93	70.01	1.08
6.	September, 2013	99.91	66.70	68.00	1.30
7.	October, 2013	99.94	68.93	70.29	1.36
8.	November, 2013	99.96	66.70	68.03	1.33
9.	December, 2013	99.79	68.93	70.19	1.26
10.	January, 2014	99.83	68.93	70.22	1.29
11.	February, 2014	99.93	62.24	63.47	1.23
12.	March, 2014	99.89	68.93	70.26	1.33
	Total		**811.55**	**826.97**	**15.42**

The Commission has determined incentive of ₹15.42 crore for achieving transmission system availability more than the norms laid by the Commission during FY 2013-14, which the Commission approves.

3.3 Transmission Loss

The Commission had approved the Transmission Loss for PSTCL system provisionally at 2.5% for FY 2013-14, in the Tariff Order for FY 2013-14. It was also decided that the Commission will revisit the Transmission Loss of PSTCL while undertaking the review/true up for FY 2013-14, after boundary meters are provided and energy audit is including.

PSTCL in its ARR & Tariff Petition for FY 2014-15 reiterated its stand for higher Transmission Loss of 4.5% and compared its loss with other similarly placed utilities. PSTCL submitted that process of energy metering is still in progress and is expected to be completed by 31.12.2013. Pending installation of intra-state boundary metering and transmission level energy audit to arrive at accurate Transmission Loss, the Commission retained the Transmission Loss level at 2.5% as approved in the Tariff Order for FY 2013-14, in the review for FY 2013-14 in the Tariff Order for FY 2014-15. It was also decided that the Commission will revisit during truing up for FY 2013-14 after the boundary meters are made functional and energy audit is conducted.

In the ARR for FY 2015-16, PSTCL had not submitted the Audited Annual Account for FY 2013-14 and the Commission in the Tariff Order for FY 2015-16, decided to undertake the True up for FY 2013-14 alongwith ARR petition of PSTCL for FY 2016-17, provided Audited Annual Accounts for FY 2013-14 are made available by PSTCL to the Commission.

It has been submitted by PSTCL that actual Transmission Loss figures are not available for FY 2013-14. PSTCL has submitted that various Transmission utilities in the country have their Transmission Loss in the range of 3.38% to 4.39% and has prayed to approve the Transmission Loss of 4.5% as submitted in its Tariff Petition for FY 2013-14.

The Commission notes that actual Transmission Loss of PSTCL Transmission System could not be determined. **As such, the Commission approves the Transmission Loss of 2.5% for FY 2013-14.**

3.4 Employee Cost

3.4.1 In the ARR Petition for FY 2013-14, PSTCL had projected employee expenses of ₹273.22 crore for its Transmission Business and ₹10.54 crore, for its SLDC Business for FY 2013-14. The claim was further revised to ₹379.93 crore for Transmission Business and ₹9.06 crore for SLDC Business. The Commission had approved employee cost of ₹365.32 crore for Transmission Business and ₹3.82 crore for SLDC Business of PSTCL for FY 2013-14.

3.4.2 In the ARR Petition for FY 2014-15, PSTCL had revised its claimed of employee cost of ₹316.80 crore for Transmission Business and had claimed ₹7.02 crore as employee cost for SLDC Business for FY 2013-14. The Commission had approved the employee cost of ₹303.62 crore for Transmission Business and ₹6.46 crore for SLDC Business of PSTCL for FY 2013-14.

3.4.3 In the ARR Petition for FY 2016-17, PSTCL has claimed employee expenses of ₹349.59 crore for Transmission Business (net of capitalization of ₹45.88 crore) and ₹6.44 crore for SLDC Business based on Audited Annual Accounts for FY 2013-14.

The detail of Employee Expenses claimed by PSTCL for 2013-14 is tabulated in Table 3.3 below.

Table 3.3: Employee Cost claimed by PSTCL for FY 2013-14

(₹crore)

Sr. No.	Particulars	STU	SLDC	PSTCL
1.	Terminal Benefits	187.17	0.05	187.22
2.	Other Employee Cost	131.12	5.68	136.80
3.	Arrears of pay revision	14.88	0.54	15.42
4.	Outsourced Cost of Manpower	16.42	0.17	16.59
Total Employee Cost		**349.59**	**6.44**	**356.03**

3.4.4 As per Audited Annual Accounts of PSTCL for FY 2013-14, PSTCL incurred ₹339.44 crore as employee expenses (₹187.22 crore as Terminal Benefits and ₹152.22 crore as 'other employee cost'). PSTCL has claimed Outsourced Cost of Manpower of ₹16.59 crore (₹16.42 crore for Transmission Business and ₹0.17 crore for SLDC Business) under account head Employee Expenses, whereas the same is booked under Administrative and General Expenses in Audited Annual Accounts and not under Employee expenses. Therefore, the 'Outsourced Cost of Manpower' is not to be considered under employee expenses and is being considered as part of Administrative and General Expenses.

3.4.5 The provisions of Regulation 28(3) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 provide for determination of employee cost as under:

- Terminal benefits including BBMB share on actual basis.
- Increase in other employee expenses limited to average increase in Wholesale Price Index.
- Exceptional increase in employee cost on account of pay revision etc. to be considered separately by the Commission.

As per above Regulations, terminal benefits and BBMB share of expenditure are to be allowed on actual basis.

3.4.6 An amount of ₹3.67 crore of 'terminal benefits' relating to provision for Solatiums, Gratuity and Leave Encashment in respect of employees recruited by company depicted in the total amount of terminal benefits of ₹187.22 crore in the Audited Annual Accounts is not allowable as per Regulation 33 of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005, which states that "with regard to unfunded past liabilities of pension and gratuity, the Commission will follow the principle of 'pay as you go'". Since, as per the provisions of PSERC Tariff

Regulations, PSTCL has not taken prior approval of the Commission for recruitment of additional employees. Therefore, the amount of terminal benefits of ₹3.67 crore for employee recruited by PSTCL is not allowable. Moreover, the terminal benefits are required to be apportioned and allowed in the ratio of 88.64% and 11.36% between PSPCL and PSTCL respectively as per Transfer Scheme. PSTCL's share @11.36% of terminal benefits has been depicted as ₹183.55 crore in the Audited Annual Accounts for PSTCL.

Thus, the Commission allows terminal benefits of ₹183.50 crore for Transmission Business for FY 2013-14 and ₹0.05 crore for SLDC Business.

3.4.7 As per Regulations, increase in 'other employee cost' is to be limited to average Wholesale Price Index (WPI) on the base employee cost approved for FY 2011-12. As stated above, PSTCL has claimed ₹131.12 crore as 'other employee cost' for Transmission Business based on Audited Annual Accounts.

3.4.8 However, as per Regulation 28 (2) (b) of the PSERC Tariff Regulations, 2005 amended on 17.09.2012 provides for adjusting base O&M expenses approved by the Commission in the True-up of FY 2011-12 in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent year. As per statistics available in office of the Economic Adviser, Government of India, Ministry of Commerce and Industry, Wholesale Price Index (All Commodities) of 156.13 for FY 2011-12 has increased to 177.64 for FY 2013-14, thereby accounting for 13.78% {(177.64-156.13)/156.13*100} increase in WPI.

Applying the WPI increase of 13.78% to the 'other employee cost' of ₹92.20 crore approved for FY 2011-12 in para 5.4.4 of the Tariff Order for FY 2014-15, the increase in 'other employee cost' for FY 2013-14 works out to ₹12.71 (92.20*13.78%) crore and the 'other employee cost' of Transmission Business of PSTCL works out to ₹104.91 (92.20+12.71) crore for FY 2013-14.

3.4.9 Similarly, by applying 13.78% to the 'other employee cost' of ₹5.72 crore approved by the Commission for FY 2011-12 for SLDC Business in para 5.4.4 of Tariff Order for FY 2014-15, the increase in 'other employee cost' for FY 2013-14 works out to ₹0.79 (5.72*13.78%) crore and the 'other employee cost' for SLDC for FY 2013-14 works out to ₹6.51 (5.72+0.79) crore.

3.4.10 In view of Hon'ble APTEL judgment dated 30.03.2015, in Review Petition No.6 of 2015, wherein Hon'ble APTEL held that *"actual costs need to be considered"*, the Commission vide its Order dated 14.10.2015 decided as under:

"the Judgments of Hon'ble APTEL, in so far as Employee Cost for FY 2012-13, 2013-

14, 2014-15 etc. of PSPCL and PSTCL is concerned, shall be implemented during true-up exercise of ARRs for these years after applying prudence check".

As such, the Commission approves actual 'Other Employee Cost' as ₹131.12 crore for Transmission Business and ₹5.68 crore for SLDC Business based on Audited Annual Accounts for FY 2013-14.

3.4.11 PSTCL has also claimed ₹14.88 crore as arrear of pay revision for Transmission Business paid during the year 2013-14. The Commission allows ₹14.88 crore as arrear of pay for FY 2013-14 for Transmission Business.

PSTCL has also claimed ₹0.54 crore as arrear of pay revision for SLDC Business and same is allowed.

Therefore, the Commission allows Employee Cost of ₹329.50 (183.50 + 131.12 + 14.88) crore for Transmission Business and ₹6.27 (0.05 + 5.68 + 0.54) crore for SLDC Business.

3.5 Repair and Maintenance (R&M) Expenses

3.5.1 In the ARR Petition for FY 2013-14, PSTCL had projected R&M expenses of ₹70.03 crore for its Transmission Business and ₹8.16 crore for its SLDC Business for FY 2013-14 against which the Commission had approved ₹113.79 crore and ₹0.29 crore as R&M expenses for Transmission Business and SLDC Business of PSTCL respectively.

3.5.2 In the ARR Petition for FY 2014-15, PSTCL had revised its claim of R&M expenses to ₹51.87 crore for its Transmission Business (net of capitalization of ₹1.45 crore and including ₹0.28 crore as prior period expenses) and ₹2.56 crore for its SLDC Business for FY 2013-14 against which the Commission had approved the R&M expenses of ₹40.46 crore for Transmission Business and ₹3.64 crore for SLDC Business of PSTCL for FY 2013-14.

3.5.3 In the ARR Petition for FY 2016-17, PSTCL has claimed R&M expenses of ₹45.46 crore (net of capitalisation of ₹0.88 crore) including ₹0.29 crore as 'prior period expenses' for its Transmission Business based on Audited Annual Accounts for FY 2013-14. The prior period expenses are being separately dealt with, as such, the net R&M expenses work out to ₹45.17 crore.

3.5.4 PSTCL has claimed R&M expenses of ₹1.41 crore for its SLDC Business for FY 2013-14 based on the Audited Annual Accounts for FY 2013-14.The Commission had approved R&M expenses of ₹25.92 crore for Transmission Business and ₹1.93 crore for SLDC Business for FY 2011-12 in para 3.5.7 of Tariff Order FY 2014-15. As per Regulations 28 (2) (a) of PSERC Tariff Regulation 2005, O&M expenses approved by the Commission for the year 2011-12 (True-up) are to be considered as base O&M expenses for subsequent year.

3.5.5 Regulation 28 (2) (b) of the PSERC Tariff Regulations, 2005 amended on 17.09.2012 provides for adjusting base O&M expenses approved by the Commission in the True-up of FY 2011-12 in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent year. As per statistics available at office of the Economic Adviser, Government of India, Ministry of Commerce and Industry, Wholesale Price Index (All Commodities) of 156.13 for FY 2011-12 has increased to 177.64 for FY 2013-14, thereby accounting for 13.78% {(177.64-156.13)/156.13*100} increase in WPI. The Commission in Tariff Order 2014-15 approved ₹25.92 crore for Transmission Business and ₹1.93 crore for SLDC Business for FY 2011-12 on Gross Fixed Assets of ₹5265.17 crore and ₹5.50 crore for Transmission Business and SLDC Business respectively. The Gross Fixed Assets as on 01.04.2013 are ₹5855.87 crore for Transmission Business and ₹5.75 crore for SLDC Business. Therefore, base R&M expenses for FY 2013-14 work out to ₹28.83 (25.92/5265.17*5855.87) crore for Transmission Business and ₹2.02 (1.93/5.50*5.75) crore for SLDC Business. As mentioned above, there was WPI increase of 13.78% for FY 2013-14. By applying WPI increase @13.78% on the base R&M expenses of ₹28.83 crore, the R&M expenses works out to ₹32.80(28.83*113.78/100) crore for Transmission Business for FY 2013-14. Similarly applying WPI increase @13.78% on the base R&M expenses of ₹2.02 crore, the R&M expenses works out to ₹2.30 (2.02*113.78/100) crore for SLDC Business for FY 2013-14.

3.5.6 PSTCL has capitalised assets worth ₹735.83 crore (₹735.80 crore for Transmission Business and ₹0.03 crore for SLDC Business) during FY 2013-14. In the absence of actual dates of commissioning of the addition in assets, these assets have been considered for 6 months on an average. The opening value of GFA as on 01.04.2013 was ₹5855.87 crore for STU and ₹5.75 crore for SLDC. The average percentage rate of R&M expenses of ₹32.80 crore for assets of ₹5855.87 crore works out to 0.56% (32.80/5855.87x100). By applying the average rate of 0.56% on addition of assets of ₹735.80 crore for half year, the R&M expenses for addition during FY 2012-13 work out to ₹2.06 ((735.80/2)x0.56%) crore. The Commission, therefore, allows ₹34.86 (32.80+2.06) crore as R&M expenses for Transmission Business.

3.5.7 There was an addition of assets of ₹0.03 crore for SLDC Business for FY 2013-14. In the absence of actual dates of commissioning of the addition in assets, these assets have been considered for 6 months on an average. The average percentage rate of R&M expenses of ₹2.30 crore for assets of ₹5.75 crore works out to 39.93% (2.30/5.75). By applying the average rate of 39.93% on addition of assets of ₹0.03 crore for half year, the R&M expenses for assets added during FY 2013-14 works out to ₹0.005((0.03/2)x39.93%) crore. Thus, the total R&M expenses for SLDC Business work out to ₹2.20 (2.19+0.005) crore. However, the PSTCL has claimed ₹1.41 crore as R&M expenses for SLDC Business. Therefore, the Commission accordingly allows ₹1.41 crore as R&M expenses for SLDC Business.

In view of above, the Commission approves ₹36.27 crore (₹34.86 crore for Transmission Business + ₹1.41 crore for SLDC Business) of R&M expenses for FY 2013-14.

3.6 Administration and General (A&G) Expenses

3.6.1 In the ARR Petition for FY 2013-14, PSTCL had projected A&G expenses of ₹40.51 crore for its Transmission Business and ₹2.11 crore for its SLDC Business for FY 2013-14, against which the Commission had approved ₹26.24 crore and ₹0.05 crore as A&G expenses for Transmission Business and SLDC Business of PSTCL respectively.

3.6.2 In the ARR Petition for FY 2014-15, PSTCL had revised its claim of A&G expenses to ₹25.78 crore for its Transmission Business (net of capitalization of ₹ 5.01 crore and including prior period expenses of ₹0.01 crore) and ₹1.52 crore for its SLDC Business for FY 2013-14, against which the Commission approved the A&G expenses of ₹18.86 crore for Transmission Business and ₹1.05 crore for SLDC Business of PSTCL for FY 2013-14.

3.6.3 In the ARR Petition for FY 2016-17, PSTCL has claimed A&G expenses of ₹21.42 crore (including Audit fees ₹0.28 crore & license fees of ₹0.53 crore and ₹ 0.41 crore of lease rentals, excluding outsourced cost of manpower of ₹16.42 crore and net of capitalization of ₹9.48 crore) for its Transmission Business and ₹0.74 crore (including license fees of ₹0.01 crore and excluding outsourced cost of manpower of ₹0.17 crore) for its SLDC Business.

3.6.4 PSTCL in its claim of ₹21.42 crore of A&G expenses for FY 2013-14 has included ₹0.31 crore as 'payment towards Progressive Punjab Investment Submit Promotion Campaign by Government of Punjab' and ₹5.00 crore as 'payment towards Cultural Cess Funds of Govt. of Punjab' based on Audited Annual Accounts. The detail of A&G expenses is as tabulated in Table 3.4.

Table 3.4: A&G Expenses for FY 2013-14

(₹crore)

Sr. No.	Particulars	STU	SLDC	PSTCL
1.	A&G Expenses (including lease rentals of ₹ 0.41 crore)	15.30	0.73	16.03
2.	Payment towards Progressive Punjab Investment summit promotion Campaign by government of Punjab and payment towards Cultural Cess Funds of Govt. of Punjab	5.31	0.00	5.31
3.	Audit Fees	0.28	0.00	0.28
4.	License Fees	0.53	0.01	0.54
5.	**Total A&G expenses**	**21.42**	**0.74**	**22.16**

As discussed in para 3.4.4 of this Tariff Order, PSTCL has claimed 'Outsourced Cost of Manpower' of ₹16.42 crore for Transmission Business and ₹0.17 crore for SLDC in employee expenses for FY 2013-14. The same is considered under 'Administrative and General Expenses' of FY 2013-14. Therefore, the total claim of PSTCL of A&G expenses works out to ₹37.84 crore for Transmission Business and ₹0.91 crore for SLDC Business for FY 2013-14.

3.6.5 The claim of PSTCL of ₹5.31 crore as Payment towards Progressive Punjab Investment Summit Promotion Campaign by Government of Punjab and payment towards Cultural Cess Funds of Govt. of Punjab under Administrative and General Expenses for FY 2013-14 do not pertain to Transmission Business and SLDC Business and therefore the Commission cannot burden consumers with the expenses which do not relate to business of utility. Hence, the Commission does not allow the amount of ₹5.31 crore paid by PSTCL as per Audited Annual Accounts for FY 2013-14.

3.6.6 Regulation 28 (4) (a) of the PSERC Tariff Regulations, 2005 amended on 17.09.2012 provides for adjusting base O&M expenses approved by the Commission for FY 2011-12 in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent year. As per statistics available with office of the Economic Adviser, Government of India, Ministry of Commerce and Industry, Wholesale Price Index (All Commodities) of 156.13 for FY 2011-12 has increased to 177.64 for FY 2013-14 thereby accounting for 13.78% {(177.64-156.13)/156.13*100} increase in WPI. The Commission in Tariff Order 2014-15 (para 3.6.8) approved ₹11.59 crore for Transmission Business and ₹0.56 crore for SLDC Business for FY 2011-12 on Gross Fixed Assets of ₹5265.17 crore and ₹5.50 crore for Transmission Business and SLDC Business respectively. The Gross Fixed Assets as on

01.04.2013 are to the tune of ₹5855.87 crore for Transmission Business and ₹5.75 crore for SLDC Business. Therefore, base A&G expenses for FY 2013-14 work out to ₹12.89 (11.59/5265.17*5855.87) crore for Transmission Business and ₹0.59 (0.56/5.50*5.75) crore for SLDC Business. As mentioned above, there was WPI increase of 13.78% for FY 2013-14. By applying WPI increase @13.78% on the base A&G expenses of ₹12.89 crore, the A&G expenses works out to ₹14.67 (12.89*113.78/100) crore for Transmission Business for FY 2013-14. Similarly, applying WPI increase @13.78% on the base A&G expenses of ₹ 0.59 crore, the R&M expenses works out to ₹0.67 (₹0.59*113.78/100) crore for SLDC Business for FY 2013-14.

3.6.7 In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the A&G expenses are allowable for additional assets added during the year on pro–rata basis from the date of commissioning of assets. Fixed assets approved to be added during the year are considered as having remained in service for six months on an average during the year as the actual dates of commissioning of assets added during the year have not been mentioned / made available in the ARR of FY 2016-17.

3.6.8 PSTCL has submitted that the capitalization of fixed assets during FY 2013-14 was ₹735.80 crore for Transmission Business and ₹0.03 crore for SLDC Business. The opening value of GFA as on 01.04.2013 was ₹5855.87 crore for Transmission Business and ₹5.75 crore for SLDC Business. The A&G expenses for these assets added during the year are being considered assuming that these assets remained in service for the STU and SLDC for six months on an average during FY 2013-14. The average percentage rate of A&G expenses of ₹14.67 crore for asset of ₹5855.87 crore works out to 0.25% (14.67/5855.87x100) for Transmission Business and average percentage rate of A&G expenses of ₹0.67 crore for assets of ₹5.75 crore works out to 11.65%(0.67/5.75x100).

By applying the average rate of 0.25% on addition of assets of ₹735.80 crore for half year, the A&G expenses for FY 2013-14 works out to ₹0.92 crore (0.25%*(735.80/2)) for Transmission Business. Similarly, applying average rate of 11.65% on asset addition of ₹0.03 crore for half year, the A&G expenses for FY 2013-14 works out to ₹0.002 (11.65%*(0.03/2) crore for SLDC Business.

3.6.9 PSTCL has also claimed an amount of ₹0.28 crore as Audit Fee and ₹0.54 crore as Licence fee. As such, the total amount of PSTCL for Transmission Business works out to ₹16.41 (14.67+0.92+0.28+0.54) crore as against the claim of ₹32.53 (₹37.84-5.31) crore and the total A&G expenses for SLDC Business works out to ₹0.68

(0.67+0.002+0.01) crore as against the claim of ₹ 0.91 crore.

Therefore, the Commission approves the A&G expenses of ₹16.41 crore for Transmission Business and ₹0.68 crore for SLDC Business for FY 2013-14.

3.7 Depreciation Charges

3.7.1 In the ARR Petition of FY 2013-14, PSTCL had claimed depreciation charges of ₹267.49 crore for its Transmission Business and ₹1.35 crore for SLDC Business against which ₹218.91 crore for Transmission Business and ₹0.57 crore for SLDC Business was approved by the Commission in the Tariff Order for FY 2012-13.

3.7.2 In the ARR Petition for FY 2014-15, PSTCL had revised its claim of depreciation to ₹166.14 crore for Transmission Business and ₹0.93 crore for SLDC Business for FY 2013-14. The Commission had approved the depreciation charges of ₹137.27 crore for FY 2012-13 for Transmission Business and ₹0.93 crore for SLDC Business in the review of FY 2013-14 in Tariff Order for FY 2014-15.

3.7.3 In the ARR Petition for FY 2016-17, PSTCL has claimed ₹138.77 crore as depreciation charges for Transmission Business and ₹0.38 crore as depreciation charges for SLDC Business. PSTCL in its ARR has submitted subhead wise details of assets and depreciation stating deprecation of ₹136.04 crore during FY 2013-14. The Commission re-calculated the asset wise depreciation charges as per rates specified by CERC and since, PSTCL has claimed depreciation on more than 90% of the original cost of assets, therefore the Commission re-determined the depreciation charges of ₹107.52 crore for Transmission Business on the value of Gross Fixed Assets of ₹3664.84 crore (net of land and land rights) as on March 31, 2014. Depreciation charges of ₹0.29 crore for SLDC Business on the value of Gross Fixed Assets of ₹5.78 crore as on March 31, 2014, as shown in Table 3.5.

Table 3.5: Depreciation Charges for Transmission Business & SLDC Business of PSTCL for FY 2013-14

(₹crore)

Particulars	For SLDC		For Transmission	
	Claimed by PSTCL for FY 2013-14	Approved by the Commission for FY 2013-14	Claimed by PSTCL for FY 2013-14	Approved by the Commission for FY 2013-14
I	II	III	IV	V
Depreciation	0.38	0.29	138.77	107.52

The Commission approves depreciation charges of ₹107.52 crore for Transmission Business and ₹0.29 crore for SLDC Business for FY 2013-14.

3.8 Interest and Finance Charges

3.8.1 In the ARR Petition for FY 2013-14, PSTCL had claimed Interest and Finance charges on long term loan of ₹358.84 crore for its Transmission Business and ₹2.57 crore for SLDC Business. The claim was further revised to ₹441.67 crore for Transmission Business for FY 2013-14. The Commission allowed ₹299.25 crore for Transmission Business and ₹0.97 crore for SLDC Business.

3.8.2 In the ARR Petition for FY 2014-15, PSTCL had claimed Interest and Finance charges on long term loan of ₹311.99 crore (net of capitalization of ₹104.14 crore) for its Transmission Business. Similarly, PSTCL had claimed ₹0.51 crore as Interest and Finance charges for SLDC Business. The Commission allowed the Interest and Finance charges of ₹264.18 crore for Transmission Business and ₹0.09 crore for SLDC Business for FY 2013-14.

In the ARR & Tariff Petition for FY 2016-17, PSTCL has claimed the Interest & Finance Charges on long term loan for FY 2012-13 as ₹264.14 crore for Transmission Business and ₹0.09 crore for SLDC Business based on Audited Annual Accounts for FY 2012-13. The Interest and Finance charges allowable to PSTCL are discussed in the ensuing paragraphs.

3.8.3 **Investment Plan for Transmission Business**

3.8.4 In the ARR Petition for FY 2013-14, PSTCL had projected capital expenditure of ₹990.18 crore on long term loan against which the Commission had approved an investment plan of ₹900.00 crore for the Transmission Business of PSTCL in Tariff Order of FY 2013-14. PSTCL had projected the capital expenditure at ₹851.60 crore in the RE for FY 2013-14 against which the Commission had approved an investment of ₹450.00 crore. In the ARR Petition for FY 2016-17, PSTCL has claimed an investment plan of ₹771.77 crore during FY 2013-14 based on Audited Annual Accounts.

The Commission observes that PSTCL has raised loan of ₹707.87 crore excluding GPF loan during FY 2013-14 against an investment of ₹771.77 crore. The Commission thus determines loan requirement of the utility of ₹707.87 crore. The interest is re-worked by Commission on allowable loans (other than WCL) as ₹393.86 crore as given in the Table 3.6.

Table 3.6: Interest on Loans (Other than WCL and GPF)

(₹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
I	II	III	IV	V	VI	VII
1.	As per data furnished in ARR Petition (other than WCL & GP Fund)	3097.13	707.87	285.36	3519.64	393.86
2.	Approved by the Commission (other than WCL and GP Fund)	3097.13	707.87	285.36	3519.64	393.86

3.8.5 **Interest on GP Fund**

PSTCL has claimed an interest of ₹18.04 crore on GP fund of ₹197.60 crore .The interest of ₹18.04 crore on GP Fund, being statutory payment, is allowed as claimed by PSTCL for FY 2013-14.

3.8.6 **Capitalization of Interest Charges**

In the ARR Petition for FY 2016-17, PSTCL has capitalized ₹149.40 crore interest charges as per Audited Annual Accounts for FY 2013-14.

The Commission, as per past practice, approves capitalisation of interest of ₹149.40 crore for FY 2013-14 based on the Audited Annual Accounts.

3.8.7 **Finance Charges and interest on NPS**

PSTCL has claimed finance charges and interest on NPS of ₹1.65 crore based on Audited Annual Accounts for FY 2013-14 for Transmission Business. The Commission, accordingly, approves the finance charges and interest on NPS of ₹1.65 crore for FY 2013-14 for Transmission Business of PSTCL.

The approved interest and finance charges for Transmission Business of PSTCL for FY 2013-14 are shown in Table 3.7.

Table 3.7: Interest Charges for PSTCL for FY 2013-14

(₹crore)

Sr. No.	Particulars	Interest as Claimed by PSTCL	Amount allowed by the Commission
I	II	III	IV
1.	Interest on Institutional Loans	393.86	393.86
2.	Interest on GP Fund	18.04	18.04
3.	Finance charges and interest on NPS	1.65	1.65
4.	**Gross Interest on Long Term Loans (1+2+3)**	**413.55**	**413.55**
5.	Less Capitalisation	149.40	149.40
6.	**Net Interest Charges on Long Term Loans (4-5)**	**264.14**	**264.14**

Therefore, the Commission approves interest & finance charges of ₹264.14 crore on long term loan for FY 2013-14.

3.8.8 **Interest on Working Capital**

In the ARR Petition for FY 2013-14, PSTCL had claimed interest on working capital for Transmission Business of ₹42.14 crore for FY 2013-14 of which the Commission approved interest on working Capital of ₹33.14 crore for FY 2013-14.

In the ARR Petition for FY 2014-15, PSTCL had revised the claim of interest on working capital of ₹37.76 crore of which the Commission had approved interest on working capital of ₹25.84 crore.

In the ARR Petition for FY 2016-17, PSTCL has claimed interest on working capital of ₹31.87 crore on the working capital loan of ₹271.91 crore for Transmission Business. Rate of interest on working capital is required to be calculated as per provisions contained in Regulation 30.1 of PSERC (Terms and Conditions for Determination of Tariff) Regulation, 2005 which has been further amended vide notification dated 17.09.2012. Accordingly, the Commission has calculated the working capital requirement and interest thereon 11.65% being the weighted average rate of interest for Transmission Business. The working capital requirement works out to ₹223.77 crore and the interest thereon works out to ₹26.07 crore as shown in Table 3.8.

Table 3.8: Interest on Working Capital for Transmission Business of PSTCL for FY 2013-14

(₹crore)

Sr. No.	Particulars	Approved by the Commission
I	II	III
1.	Receivables equivalent to two months	135.12
2.	Maintenance spares @ 15% of Operation and Maintenance expenses	56.99
3.	Operation and Maintenance expenses for one month	31.66
4.	Working Capital Requirement	223.77
5.	Interest on Working Capital calculated on Weighted Average Rate of Interest @11.65% for FY 2013-14	26.07

3.8.9 **Investment Plan for SLDC Business**

In the ARR Petition for FY 2013-14, PSTCL had proposed an investment of ₹18.40 crore for FY 2013-14 against which the Commission had approved ₹15.00 crore in the Tariff Order for FY 2013-14.

In the ARR for FY 2014-15, PSTCL had revised investment plan to ₹13.53 crore against which the Commission approved ₹1.00 crore for SLDC Business in the review for FY 2013-14.

In the ARR Petition for FY 2016-17, PSTCL has submitted that it had made an investment of ₹2.87 crore in the SLDC Business though, there is no addition of loan for SLDC Business and ₹0.09 crore interest charges on long term loan have been claimed on the opening loan of ₹0.77 crore for FY 2013-14.

The interest on allowable loans (other than working capital loans) is worked out as indicated in Table 3.9.

Table 3.9: Interest Charges (other than WCL) for SLDC Business for FY 2013-14

(₹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
I	II	III	IV	V	VI	VII
1.	As per data furnished by PSTCL in ARR Petition (other than WCL)	0.77	0.00	0.00	0.77	0.09
2.	Approved by the Commission (other than WCL)	0.77	0.00	0.00	0.77	0.09

Therefore, the Commission approves Interest & Finance charges of ₹0.09 crore during FY 2013-14 based on Audited Annual Accounts.

3.8.10 **Interest on Working Capital for SLDC Business**

In the ARR Petition for FY 2013-14, PSTCL had claimed interest on working capital of ₹2.16 crore on the total working capital of ₹14.63 crore. The Commission approved the working capital of ₹5.51 crore and interest on working capital of ₹0.60 crore for FY 2013-14.

In the ARR Petition for FY 2014-15, PSTCL had claimed interest on working capital of ₹1.00 crore on the total working capital of ₹6.95 crore for its SLDC Business. The Commission had approved the working capital of ₹5.51 crore and interest thereon of ₹0.37 crore for SLDC Business of PSTCL for FY 2013-14.

In the ARR Petition for FY 2016-17, PSTCL has claimed ₹0.28 crore as interest on working capital of ₹2.31 crore. Applying the same principle as stated above for Transmission Business, the Commission approves the working capital of ₹2.20 crore and interest thereon works out to ₹0.27 crore as given in Table 3.10.

Table 3.10: Interest on Working Capital for SLDC Business for FY 2013-14

(₹crore)

Sr. No.	Particulars	FY 2013-14	
		Claimed by PSTCL for SLDC	Approved by the Commission
I	II	III	IV
1.	Receivables equivalent to two months fixed cost	0.31	0.25
2.	Maintenance spares @15% of O&M expenses	1.29	1.25
3.	Operation & Maintenance expenses for one month	0.72	0.70
4.	Working Capital Requirement	2.31	2.20
5.	Interest on working capital calculated on Weighted Average Rate of Interest @12.25% for FY 2013-14	0.28	0.27

The Commission approves working capital requirement of ₹2.20 crore and interest thereon of ₹0.27 crore for SLDC Business of PSTCL for FY 2013-14.

3.9 Return on Equity

3.9.1 In ARR Petition for FY 2013-14, PSTCL had claimed RoE of ₹75.38 crore on equity of ₹328.50 crore for FY 2013-14. The claim was further revised to ₹93.90 crore on equity of ₹605.83 crore. The Commission had approved RoE of ₹93.90 crore. PSTCL did not claim any amount of RoE for its SLDC Business.

3.9.2 In ARR Petition for FY 2014-15, in the review of FY 2013-14, PSTCL had claimed Return on Equity of ₹93.91 crore on equity amount of ₹605.88 crore for the Transmission Business for FY 2013-14 against which the Commission had approved RoE of ₹93.91 crore.

3.9.3 In ARR Petition for FY 2016-17, PSTCL has claimed RoE of ₹131.50 crore for FY 2013-14 as detailed in Table 3.11.

Table 3.11: Return on Equity for FY 2013-14 as claimed by PSTCL

(₹crore)

Sr. No.	Particulars	PSTCL
1.	Equity at the opening of FY 2013-14	685.78
2.	Internal accruals/ free reserves reckoned as paid up equity	325.27
3.	Pre Tax % RoE	15.50%
4.	**RoE**	**131.50**

Further, PSTCL revised its claim of ₹131.50 crore to ₹105.36 crore vide memo no. 1813 dated 14.06.2016. The details of the revised claim are at Table 3.12.

Table 3.12: Return on Equity for FY 2013-14 as claimed by PSTCL

(₹crore)

Sr. No.	Particulars	PSTCL
1.	Equity at the opening of FY 2013-14	647.79
2.	Addition of internal accruals/free reserves reckoned as paid up equity during the year	63.90
3.	Average equity employed during the year	679.74
4.	Pre Tax % RoE	15.50%
5.	**RoE**	**105.36**

3.9.4 In Tariff order of FY 2014-15, while doing the review for FY 2013-14, the Commission had approved the Transmission at ₹853.98 crore whereas, PSTCL has booked ₹1235.94 crore as 'Transmission Charges from PSPCL' in Audited Annual Accounts for FY 2013-14.

3.9.5 Para 3.2 of Accounting Standard 4 'Contingencies and Events Occurring After the Balance Sheet Date', notified by Ministry of Corporate Affairs, states as under:

"3.2 Events occurring after the balance sheet date are those significant events, both favourable and unfavourable that occur between the balance sheet date and the date on which the financial statements are approved by the Board of directors in the case of a company, and, by the corresponding approving authority in the case of any other entity.

Two types of events can be identified:

(a) Those which provide further evidence of conditions that existed at the balance sheet date; and

(b) Those which are indicative of conditions that arose subsequent to the balance sheet date."

Further, Para 8.1 & 8.2 of Accounting Standard 4 'Contingencies and Events Occurring After the Balance Sheet Date', notified by Ministry of Corporate Affairs, states as under:

> *"8.1 Events which occur between the balance sheet date and the date on which the financial statements are approved, may indicate the need for adjustments to assets and liabilities as at the balance sheet date or may require disclosure.*
>
> *8.2 Adjustments to assets and liabilities are required for events occurring after the balance sheet date that provide additional information materially affecting the depreciation of the amounts relating to conditions existing at the balance sheet date. For example, an adjustment may be made for a loss on a trade receivable account which is confirmed by the insolvency of a customer which occurs after the balance sheet date."*

Therefore, it is clear that the Commission approved Revenue from Tariff for FY 2013-14 at ₹853.98 crore in its order dated 22nd August, 2014 whereas, PSTCL has booked ₹1235.94 crore in Audited Annual Accounts for FY 2013-14 on date 3rd July, 2015. Since the event of review of FY 2013-14 was held before the date on which the financial statements are approved by the board of directors, PSTCL should have considered the Commission's approved figures in its Audited Annual Accounts for FY 2013-14.

Moreover, the Statutory Auditor has recorded its qualified opinion in its report to the Audited Balance Sheet for FY 2013-14 dated 3rd July, 2015 as stated under:

> *"In our opinion the quantification of the item nos 1 to 15 of Annexure -1 attached herewith is not possible."*

3.9.6 Regulation 25(3) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended is produced as below:

"25. Return on Equity

(3) The premium raised by the generating company or the licensee while issuing share capital and investment of internal resources created out of free reserve, if any, shall also be reckoned as paid up equity capital for the purpose of computing return on equity, subject to limit prescribed in Regulation 24, provided such premium amount and internal resources are actually utilised for meeting capital expenditure."

Based on above facts, return on equity on internal accrual/ free reserves of ₹325.27

crore is not allowable considering the opinion of the Auditor that the quantification of certain items as profit calculated in the Audited Annual Accounts cannot be considered accurate. Therefore, the claim of the utility on internal accruals/ free reserves reckoned as paid up equity cannot be acceded to.

Further, CAG in its Audit Report for FY 2013-14 has pointed out that in the Punjab Power Sector Reforms Transfer Scheme 2010, consumers contribution, grants and subsidies amounting to ₹338.97 crore were wrongly converted as capital of the State Government in PSTCL which has resulted in overstatement of Share capital by ₹338.97 crore and understatement of Reserve& Surplus, Consumer Contribution, grants & subsidies by ₹338.97 crore.

As discussed in para 3.10.2 and para 4.10.2 of Tariff Order FY 2015-16, the Tariff Order for FY 2013-14 in which the Commission allowed RoE on the enhanced equity was challenged by some consumers before the Hon'ble APTEL in Appeal no. 142 and 168 of 2013. Hon'ble APTEL decided in favour of the appellants vide its judgment dated 17.12.2014. PSPCL appealed before the Hon'ble Supreme Court against this judgment and vide its order dated 27.03.2015, the Hon'ble Supreme Court has stayed the judgment of APTEL dated 17.12.2014 and the case is pending before the Hon'ble Supreme Court.

3.9.7 In accordance with the PSERC Tariff Regulations, therefore, the Commission allows RoE of ₹93.91 crore @15.5% on the equity of ₹605.88 crore.

The Commission, thus, approves RoE of ₹93.91 crore to PSTCL for FY 2013-14.

3.10 ULDC Charges

3.10.1 In the ARR Petition for FY 2013-14, PSTCL claimed ULDC Charges of ₹31.40 crore for FY 2013-14 for its SLDC Business. The claim was further revised to ₹27.40 crore for FY 2013-14. The Commission approved ₹27.40 crore of ULDC Charges for FY 2013-14.

3.10.2 In the ARR Petition for FY 2014-15, PSTCL claimed ₹15.12 crore towards ULDC charges for FY 2013-14 payable to PGCIL for its SLDC Business against which the Commission had approved ₹15.12 crore as ULDC Charges.

3.10.3 In the ARR Petition for FY 2016-17, PSTCL has claimed ₹9.41 crore on account of ULDC charges for its SLDC Business based on Audited Annual Accounts for FY 2013-14.

Accordingly, the Commission approves ULDC charges of ₹9.41 crore to PSTCL for its SLDC Business for FY 2013-14.

3.11 Non-Tariff Income

3.11.1 In the ARR Petition for FY 2013-14, PSTCL had projected ₹2.66 crore of Non-Tariff Income for its Transmission Business for FY 2013-14. However, the Commission approved ₹5.76 crore as Non-Tariff Income for Transmission Business of PSTCL for FY 2013-14.

3.11.2 In the ARR Petition for FY 2014-15, PSTCL had claimed ₹8.41 crore on account of Non Tariff Income for Transmission Business and ₹2.49 crore for SLDC Business against which the Commission had approved ₹10.72 crore for Transmission Business and ₹3.32 crore for SLDC Business for FY 2013-14.

3.11.3 In the ARR Petition for FY 2016-17, PSTCL has claimed ₹24.27 crore (₹14.03 crore for Transmission Business and ₹10.24 crore for SLDC Business) on account of Non Tariff Income based on Audited Annual Accounts for FY 2013-14. Besides, PSTCL has separately claimed a receipt of Transmission charges from Open Access Consumers amounting to ₹53.49 crore (₹46.83 crore for Transmission Business and ₹6.66 crore for SLDC Business) for FY 2013-14 based on the Audited Annual accounts for FY 2013-14. As per Regulation 34 amended vide notification dated 17.09.2012, income on account of Open Access Charges is being treated as Non-Tariff Income. As such, Non-Tariff Income for Transmission Business works out to ₹60.86 (14.03+46.83) crore and for SLDC Business ₹16.90 (10.24+6.66) crore. **Accordingly, the Commission approves ₹60.86 crore for Transmission Business and ₹16.90 crore for SLDC Business as Non-Tariff Income for FY 2013-14.**

3.12 Prior Period Expenses

3.12.1 In the ARR Petition for FY 2016-17, PSTCL has claimed ₹2.81 crore as prior period expenses based on Audited Annual Accounts for FY 2013-14. PSTCL has merged the prior period expenses under concerned account heads i.e. ₹0.004 crore under employee expenses, ₹2.53 crore under depreciation and ₹0.29 crore under R&M expenses.

3.12.2 As regards employee expenses of ₹0.004 crore and R&M expenses of ₹0.29 core are concerned, the Commission is of the view that it has allowed O&M expenses after working out these expenses as per Regulation 28 of PSERC Tariff Regulations. As such, the Commission finds no merit in the claim of PSTCL and no amount is allowed on this account.

3.12.3 As regards depreciation booked under prior period amounting to ₹2.53 crore is concerned, the Commission is of the view that deprecation has been allowed on the sub-head wise assets and also disallowed the depreciation provided in excess of 90% of the original cost of assets during the previous year. As such, the Commission finds no merit in the claim of PSTCL for additional depreciation as Prior Period Expenses and no amount is allowed on this account.

3.12.4 No claim of prior period expenses has been claimed for SLDC Business of PSTCL. Hence, no prior period expense is allowed for SLDC Business of PSTCL.

Accordingly, the Commission does not allow any amount on prior period expenses for FY 2013-14 for Transmission Business and SLDC Business.

3.13 Tax on Income

3.13.1 In ARR Petition for FY 2014-15, PSTCL has claimed Income Tax of ₹70.36 crore against which the Commission approved ₹19.68 crore of Income Tax in review of FY 2013-14. In the ARR Petition for FY 2016-17, PSTCL has claimed tax of ₹106.59 crore (income tax as per PSERC Regulation of ₹27.56 crore and additional income tax of ₹79.03 crore) on its income of ₹487.12 crore for FY 2013-14. PSTCL has revised its claim for Income Tax from ₹27.56 crore to ₹44.70 crore on account of Income Tax as per PSERC Regulation and from ₹79.03 crore to ₹61.89 crore as Additional Tax vide letter no. 1791 dated 10.06.2016.

3.13.2 In Tariff Order of FY 2014-15, while doing the review for FY 2013-14, the Commission had approved the Transmission Charges at ₹853.98 crore whereas, PSTCL has booked ₹1235.94 crore as 'Transmission Charges from PSPCL' in Audited Annual Accounts for FY 2013-14.

3.13.3 Para 3.2 of Accounting Standard 4 'Contingencies and Events Occurring After the Balance Sheet Date', notified by Ministry of Corporate Affairs, states as under:

> *"3.2 Events occurring after the balance sheet date are those significant events, both favourable and unfavourable that occur between the balance sheet date and the date on which the financial statements are approved by the Board of directors in the case of a company, and, by the corresponding approving authority in the case of any other entity.*
> *Two types of events can be identified:*
>
> *(c) Those which provide further evidence of conditions that existed at the balance sheet date; and*
>
> *(d) Those which are indicative of conditions that arose subsequent to the balance sheet date."*

Further, Para 8.1 & 8.2 of Accounting Standard 4 'Contingencies and Events Occurring After the Balance Sheet Date', notified by Ministry of Corporate Affairs, states as under:

> *"8.1 Events which occur between the balance sheet date and the date on which the financial statements are approved, may indicate the need for adjustments to assets and liabilities as at the balance sheet date or may require disclosure.*
>
> *8.2 Adjustments to assets and liabilities are required for events occurring after the balance sheet date that provide additional information materially affecting the depreciation of the amounts relating to conditions existing at the balance sheet date. For example, an adjustment may be made for a loss on a trade receivable account which is confirmed by the insolvency of a customer which occurs after the balance sheet date."*

The Commission had approved Revenue from Tariff in its review for FY 2013-14 at ₹853.98 crore in its order dated 22nd August, 2014 whereas, the PSTCL has booked ₹1235.94 crore in Audited Annual Accounts for FY 2013-14 on date 3rd July, 2015. Since the event of review of FY 2013-14 was held before the date on which the financial statements are approved by the board of directors. PSTCL should have considered revenue from tariff approved by the Commission in its order dated 22nd August 2014 in Audited Annual Accounts for FY 2013-14.

Moreover, the Statutory Auditor has recorded its qualified opinion in its report to the Audited Balance Sheet for FY 2013-14 dated 3rd July, 2015, stating as under:

> *"In our opinion the quantification of the item nos 1 to 15 of Annexure -1 attached herewith is not possible."*

Had PSTCL booked ₹853.98 crore as Transmission Charges for FY 2013-14 as approved by Commission, and correctly quantified the income, PSTCL may not have had to pay the tax liability of ₹487.12 crore.

Considering the opinion of the Auditor and observation of the Commission, the income tax paid by PSTCL on unquantifiable income for FY 2013-14 does not seem to be correct. Since profit is not determined as per Accounting Standards, the Commission is of the considered opinion that tax paid on unquantifiable profit should not be burdened on consumers of Punjab.

Accordingly, no amount for Tax on Income is approved.

3.14 Annual Revenue Requirement

The summary of the Annual Revenue Requirement for Transmission Business and SLDC Business of PSTCL for FY 2013-14 is shown in Table 3.13 and Table 3.14.

Table 3.13: Annual Revenue Requirement for Transmission Business for FY 2013-14

(₹crore)

Sr. No.	Particulars	For Transmission Business				
		Approved in Tariff Order for FY 2013-14	Estimates for FY 2013-14 (RE)	Approved by the Commission in the review for FY 2013-14	Claimed by PSTCL in ARR based on Audited Annual Accounts	Final approved by the Commission
I	II	III	IV	V	VI	VII
1.	Employee Cost	365.32	316.80	303.62	349.59	329.50
2.	R&M expenses	113.79	51.87	40.46	45.46	34.86
3.	A&G expenses	26.24	25.78	18.86	21.42	16.41
4.	Depreciation	218.91	166.14	137.27	138.77	107.52
5.	Interest charges	299.25	311.99	264.18	264.14	264.14
6.	Interest on Working Capital	33.14	37.76	25.84	31.87	26.07
7.	Return on Equity	93.90	93.91	93.91	131.50	93.91
8.	Provision for Bad Debts and other Debits	0.00	0.00	0.00	-	-
9.	ULDC Charges	0.00	0.00	0.00	0.00	0.00
10.	Prior Period expenses	0.00	0.00	0.00	0.00	0.00
11.	Tax on Income	0.00	19.68	19.68	106.59	0.00
12.	**Total Revenue Requirement**	**1150.55**	**1023.93**	**903.82**	**1089.35**	**872.41**
13.	Less: Non tariff Income	5.76	50.84	67.30	60.86	60.86
14.	**Net Revenue Requirement**	**1144.79**	**973.09**	**836.52**	**1028.49**	**811.55**

Table 3.14: Annual Revenue Requirement for SLDC for FY 2013-14

(₹crore)

Sr. No.	Particulars	For SLDC Business				
		Approved in T.O. for FY 2013-14	Estimates for FY 2013-14 (RE)	Approved by the Commission in the review for FY 2013-14	Claimed by PSTCL in ARR based on Audited Annual Accounts	Final approved by the Commission
I	II	III	IV	V	VI	VII
1.	Employee Cost	3.82	7.02	6.46	6.44	6.27
2.	R&M expenses	0.29	2.56	3.64	1.41	1.41
3.	A&G expenses	0.05	1.52	1.05	0.74	0.68
4.	Depreciation	0.57	0.93	0.93	0.38	0.29
5.	Interest charges	0.97	0.51	0.09	0.09	0.09
6.	Interest on Working Capital	0.60	1.00	0.37	0.28	0.27
7.	Return on Equity	0.00	0.00	0.00	0.00	0.00
8.	Provision for Bad Debts and other Debits	0.00	0.00	0.00	0.00	0.00
9.	ULDC Charges	27.40	15.12	15.12	9.41	9.41
10.	Prior Period expenses	0.00	0.00	0.00	0.00	0.00
11.	**Total Revenue Requirement**	**33.70**	**28.66**	**27.66**	**18.75**	**18.42**
12.	Less: Non tariff Income	0.00	7.65	10.20	16.90	16.90
13.	**Net Revenue Requirement**	**33.70**	**21.01**	**17.46**	**1.85**	**1.52**

The summary of the Annual Revenue Requirement of PSTCL as a whole for FY 2013-14 is shown in Table 3.15.

Table 3.15: Annual Revenue Requirement for PSTCL for FY 2013-14

(₹crore)

Sr. No.	Particulars	For PSTCL				
		Approved in Tariff Order for FY 2013-14	Projected by PSTCL in RE for FY 2013-14	Approved in Review for FY 2013-14	Claimed by PSTCL in ARR based on Audited Annual Accounts	Final Approved by the Commission FY 2013-14
I	II	III	IV	V	VI	VII
1.	Employee Cost	369.14	323.82	323.802	356.03	335.77
2.	R&M expenses	114.08	54.43	54.43	46.87	36.27
3.	A&G expenses	26.29	27.30	27.30	22.17	17.09
4.	Depreciation	219.48	167.07	167.07	139.15	107.81
5.	Interest charges	299.25	311.99	264.18	264.23	264.23
6.	Interest on working capital	33.14	37.76	25.84	32.15	26.34
7.	Return on Equity	93.91	93.91	93.91	131.50	93.91
8.	Provision for Bad Debts and other Debits	0.00	0.00	0.00	0.00	0.00
9.	ULDC Charges	27.40	15.12	15.12	9.41	9.41
10.	Prior Period Expenses	0.00	0.00	0.00	0.00	0.00
11.	Income Tax	0.00	70.36	70.36	106.59	-
12.	**Total Revenue Requirement**	1184.25	**1103.27**	**1103.27**	**1108.10**	**890.83**
13.	Less: Non tariff income	5.76	58.49	77.50	77.76	77.76
14.	Add: Incentive for Higher Transmission System Availability				19.94	15.42
15.	**Net Revenue Requirement**	**1178.49**	**1044.78**	**853.98**	**1050.28**	**828.49**
16.	**Revenue from Tariff**					**1269.64**
17.	**Gap(-)/ Surplus (+) for the year**					**(+)441.15**

The Revenue from Tariff of ₹1269.64 crore as considered by PSTCL in Audited Annual Accounts for FY 2013-14 was approved by the Commission in its Tariff Oder of FY 2013-14 dated 10th April, 2013 at the time of projection, has been re-determined at ₹853.98 crore at the time of review. Thus, the carrying cost on revenue surplus of ₹415.66 crore has already recovered in Tariff Order FY 2014-15.

Net Annual Revenue Requirement after truing up exercise for FY 2013-14 is determined as ₹828.49 crore and revenue surplus is determined as ₹441.15 (1269.64-828.49) crore. Net Revenue Requirement of ₹827.66 crore is carried forward in True up of PSPCL for FY 2013-14. After considering the revenue surplus of ₹415.66 crore already accounted for the net surplus works out to ₹25.49 (441.15-415.66) crore for FY 2013-14 is considered for calculating the carrying cost at para 6.19.2 of this Tariff Order.

Chapter 4
True up for FY 2014-15

4.1 Background

The Commission approved the ARR and Tariff for FY 2014-15 in its Tariff Order dated 22.08.2014, which was based on the costs and revenues estimated by the Punjab State Transmission Corporation Limited (PSTCL). PSTCL had furnished revised estimates for FY 2014-15 during the determination of ARR and Tariff for FY 2015-16. The Commission, in its Tariff Order of FY 2015-16, reviewed its earlier approvals and re-determined the same based on the revised estimates made available by PSTCL.

4.2 True up for FY 2014-15

PSTCL in the ARR for FY 2016-17, has submitted that the audit of annual accounts for FY 2014-15 are not yet completed. The true up of costs and revenue for FY 2014-15 will be submitted as soon as the audited accounts for FY 2014-15 are available. PSTCL in its ARR for FY 2016-17, has prayed that the truing up of costs and revenue for FY 2014-15 may be undertaken by the Commission after the finalization of the Audited Annual Accounts for the year. Further PSTCL has prayed to the Commission to consider provisional figure of capital expenditure, expenditure capitalize, fixed assets, loan raised relating to FY 2014-15 in order to arrive at the interest charges and depreciation for FY 2015-16.

As per provision under Tariff Regulations, true up can be undertaken only after the Audited Annual Accounts are made available. Hence, the Commission decides to undertake the true up for FY 2014-15 along with ARR petition of PSTCL for FY 2017-18, when Audited Annual Accounts for FY 2014-15 are likely to be made available by PSTCL to the Commission.

Chapter 5
Review for FY 2015-16

5.1 Background

The Commission issued the Tariff Order for Transmission Business and SLDC Business of PSTCL for FY 2015-16 on 05.05.2015. PSTCL has now submitted petition for determination of ARR and Transmission charges & SLDC charges for FY 2016-17 for its Transmission Business and SLDC Business, along with Review for FY 2015-16. PSTCL has submitted that it has computed the revised estimates of ARR for FY 2015-16 based on the actual data of first half and projections for remaining half of FY 2015-16. The Petitioner has projected the expenses for various heads for FY 2015-16 on the basis of past trends, regulatory norms and activities that are planned and proposed to be undertaken during the remaining period of FY 2015-16.

The Commission has analyzed each of the components of ARR for FY 2015-16 (RE) in the following sections of this chapter.

5.2 Transmission System Capacity

PSTCL has submitted that in tariff petition for approval of ARR for FY 2015-16, the net transmission capacity of the system for FY 2015-16 was projected as 11462 MW and the Commission in its Tariff Order for FY 2015-16 had approved transmission capacity of 11579.37 MW. PSTCL has further submitted that based on the actual transmission capacity of Punjab along with the proposed capacity addition plan, the estimated Gross Transmission Capacity as on 31.03.2016 would be 11499 MW.

5.3 Transmission System Availability

5.3.1 PSTCL has submitted that it has maintained the Transmission System Availability well above the normative annual transmission availability factor upto September, 2015, as mandated by the Hon'ble Commission in PSERC Tariff Regulations. The average transmission system availability from April to September, 2015 is 99.89%. PSTCL has submitted actual month-wise Transmission System Availability during FY 2015-16 (April to September) as shown in Table 5.1.

Table 5.1: Transmission System Availability of PSTCL for FY 2015-16 upto September 2015

Sr. No.	Month	Availability (%)
I	II	III
1.	Apr-15	99.86
2.	May-15	99.88
3.	Jun-15	99.88
4.	Jul-15	99.92
5.	Aug-15	99.90
6.	Sep-15	99.90

The Commission has taken note of the availability of PSTCL transmission system.

5.4 Transmission Losses

PSTCL had projected the transmission loss at 4.0% for FY 2015-16 in its ARR for the same year. Since PSTCL had not completed the intra-state boundary metering, the Commission retained the transmission loss at 2.5% for FY 2015-16, and at the same time ordered that the Commission would revisit the transmission loss in the review/true up for FY 2015-16, after the boundary meters are provided and energy audit is conducted.

PSTCL in the ARR for FY 2016-17 has submitted that losses for the months of June and July, 2015 are 2.19% and 2.88% respectively which have arrived at by considering the net energy inter-exchange measured through ABT meters installed at boundary interface points of PSTCL with interstate sub-stations, with generating plants of PSPCL & IPPs and with PSPCL`s distribution system side.

However PSTCL has submitted that concerned system integrator/contractor for implementing the project, has stopped the work. Hence at present meters data for subsequent months since Aug-2015 is not available in the SLDC remotely.

Pending installation of Intra-state Boundary Metering-cum-Transmission Level Energy Audit Scheme necessary to arrive at accurate transmission losses, the Commission retains the transmission losses at 2.5% as approved in the Tariff Order for FY 2015-16. This will be re-visited during true up after the boundary meters are made functional and energy audit is done.

5.5 Employee Cost

5.5.1 In the ARR Petition for FY 2015-16, the PSTCL had projected employee cost of ₹427.07 crore for Transmission Business and ₹4.19 crore for SLDC Business against which the Commission had approved ₹337.79 crore for Transmission Business and ₹4.08 crore for SLDC Business in the Tariff Order for FY 2015-16.

5.5.2 In the ARR Petition for FY 2016-17, PSTCL had revised the claim of employee cost to ₹378.00 crore (net of capitalization of ₹47.00 crore) including Terminal Benefits of ₹216.38 crore for Transmission Business and PSTCL has claimed ₹6.40 crore as employee cost for its SLDC Business for FY 2015-16. The claim of ₹378.00 crore of Transmission Business is also inclusive of ₹17.43 crore on account of 'Outsourced Expenses'.

5.5.3 The provisions of Regulation 28(3) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time provide for determination of employee cost as under:

- Terminal benefits including BBMB share on actual basis.
- Increase in 'other employee expenses' limited to average increase in Wholesale Price Index on approved base expenses of FY 2011-12.
- Exceptional increase in employee cost on account of pay revision etc. to be considered separately by the Commission.

As per Transfer Scheme notified by Govt. of Punjab the Terminal Benefits will be shared between PSPCL and PSTCL in the ratio of 88.64% and 11.36%. The total Terminal Benefits of ₹1830.87 crore as stated in Para 5.10.3 of PSPCL in Tariff Order FY 2016-17 for review of FY2015-16 has been considered for working out the amount of Terminal Benefits for PSTCL. Therefore, the terminal benefits allowable for PSTCL works out to ₹234.64 ((1830.87/0.8864)*0.1136) crore.

The Commission therefore approves terminal benefits of ₹234.64 crore for PSTCL for FY 2015-16.

5.5.4 As per Regulations, increase in 'other employee cost' is to be limited to average Wholesale Price Index (WPI) in subsequent years on the base employee cost approved for FY 2011-12. The 'other employee cost' in the true up for FY 2011-12 were approved at ₹92.20 crore for Transmission Business & ₹5.72 crore for SLDC Business in Tariff Order FY 2014-15. In accordance with Commission's Order dated 14.10.2015, amendment to PSERC (Terms and Conditions for determination of Tariff) Regulations, 2005 has been issued vide notification No. 108 dated 15.10.2015 (5th amendment) which is applicable from the date of publication dated 16.10.2015. As per this amendment, inflation factor to be used for indexing the Employee Cost will be combination of the Consumer Price Index (CPI) and Wholesale Price Index (WPI) of nth year and shall be calculated as 0.50*CPIn+0.50*WPIn. WPI and CPI increase for full year of FY 2015-16 is not available as yet. Therefore, available WPI and CPI for 10 months (up to January, 2016) are considered for FY 2015-16. WPI increase is calculated @13.47% [index of base year 2011-12 increased from 156.13 to 177.16 up to January, 2016 [(177.16-156.13)/156.13*100] and CPI increase is calculated @35.76% [(index of base year 2011-12 increased from 194.83 to 264.50 up to January, 2016 (264.50-194.83=69.67/194.83*100)]. The combination of 0.50 of WPI+0.50 of CPI increase will be an increase of 24.62% {(13.47+35.76)/2} which is applicable from 16.10.2015. As such, 'other employee cost' of ₹92.20 crore for Transmission Business and ₹5.72 crore for SLDC Business of base year 2011-12 will be adjusted/increased by 13.47% increase in WPI for 198 days (01.04.2015 to 15.10.2015) and with 24.62% increase in CPI and WPI for remaining 168 days(16.10.2015 to 31.03.2016) of FY 2015-16. Accordingly, 'other employee cost' for 198 days works out to ₹56.60 (92.20*113.47/100*198/366) crore for Transmission Business and ₹3.51 (5.72*113.47/100*198/366) crore for SLDC Business and for the remaining 168 days, 'other employee cost' works out to ₹52.74 (92.20*124.62/100*168/366) crore for Transmission Business and ₹3.27 (5.72*124.62/100*168/366) crore for SLDC Business. Thus, 'other employee cost' to the tune of ₹109.34 (56.60+52.74) crore is allowable for Transmission Business and ₹6.78 (3.51+3.27) crore is allowable for SLDC Business for FY 2015-16.

The total employee cost works out to ₹343.98 (109.34+234.64) crore for Transmission Business and ₹6.78 crore for SLDC Business for FY 2015-16.

The Commission therefore, approves employee cost as ₹343.98 crore for Transmission Business and ₹6.78 crore for SLDC Business in the review for FY 2015-16.

5.6 Repair and Maintenance (R&M) Expenses

5.6.1 In the ARR Petition of FY 2015-16, PSTCL had projected R&M expenses of ₹123.58 crore for its Transmission Business against which the Commission had approved ₹57.98 crore for FY 2015-16. Similarly, PSTCL had projected ₹13.48 crore as R&M expenses for SLDC Business against which Commission had approved ₹4.55 crore for FY 2015-16.

5.6.2 In the ARR for FY 2016-17, PSTCL has revised claim of R&M expenses to ₹41.39 crore for FY 2015-16 which includes R&M expenses of ₹1.51 crore for assets added during FY 2015-16 for Transmission Business. For SLDC Business, PSTCL has revised claim of R&M expenses to ₹2.97 crore which includes ₹0.47 crore as R&M expenses for assets added during FY 2015-16.

5.6.3 Regulation 28 (4) (a) of the PSERC Tariff Regulations, 2005 amended on

17.09.2012 provides for adjusting base O&M expenses approved by the Commission for FY 2011-12 in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent year. WPI for FY 2015-16 is available for 10 months only i.e. upto January, 2016 which is adopted for determination of R&M expenses for FY 2015-16. WPI increase is calculated @13.47% (177.16-156.13=21.03/156.13*100) being increase in index of base year 2011-12 from 156.13 to 177.16 up to January, 2016.

5.6.4 R&M expenses of ₹25.92 crore on Gross Fixed Assets of ₹5265.17 crore were approved for Transmission Business and ₹1.93 crore on ₹5.50 crore of Gross Fixed Assets for SLDC Business for FY 2011-12 in the true up in Tariff Order FY 2014-15.

5.6.5 The Gross Fixed Assets as on 1.04.2013 determined in the True up for FY 2013-14 as ₹5855.87 crore at para 3.5.6 of this order. The Gross Fixed Assets after addition of assets for FY 2013-14 works out to ₹6591.67 crore. In the ARR for FY 2016-17, PSTCL has intimated that the actual addition in assets during FY 2014-15 is to the tune of ₹1483.85 crore which are now being taken into account. Thus, the Gross Fixed Assets as on 01.04.2015 work out to ₹8075.52 (6591.67+1483.85) crore. The base R&M expenses for FY 2015-16 on the Gross Fixed Assets of ₹8075.52 crore work out to ₹39.76 (25.92/5265.17*8075.52) crore for Transmission Business. After applying the available WPI increase of 13.47%, the R&M expenses work out to ₹45.11 (39.76*113.47/100) crore for Transmission Business.

5.6.6 The percentage of approved R&M expenses of ₹45.11 crore vis-à-vis the opening balance of Gross Fixed Assets of ₹8075.52 crore works out to 0.56% (45.11/8075.52*100). In the ARR for FY 2016-17, PSTCL has claimed an amount of ₹17.03 crore as R&M expenses for assets added during the year 2015-16. PSTCL has proposed to capitalize assets to the extent of ₹644.58 crore in the RE for FY 2015-16 against the proposed capital expenditure of ₹456.98 crore. However, based on the capital expenditure actually incurred up to January, 2016, the Commission has approved the investment outlay of ₹350.00 crore for FY 2015-16 in para 5.9.3 of this Tariff Order. Accordingly, capitalization works out to ₹585.91 crore for FY 2015-16. The additional R&M expenses on the assets addition of ₹585.91 crore work out to ₹1.64 (585.91/2*0.56%) crore considering the asset addition for 6 months on an average during the year. The total R&M expenses for Transmission Business work out to ₹46.75 (45.11+1.64) crore for FY 2015-16.

5.6.7 The Gross Fixed Assets as on 01.04.2013 of SLDC Business as determined in the

True up for FY 2013-14 as ₹5.75 crore at para 3.5.6 of this order. The Gross Fixed Assets after addition of assets for FY 2013-14 works out to ₹5.78 crore. In the ARR for FY 2016-17, PSTCL has intimated that the actual addition in assets during FY 2014-15 is to the tune of ₹2.54 crore which are now being taken into account. Thus, the Gross Fixed Assets as on 01.04.2015 work out to ₹8.32 (5.78+2.54) crore. The base R&M expenses for FY 2015-16 on the Gross Fixed Assets of ₹8.32 crore work out to ₹2.92 (1.93/5.50*8.32) crore for SLDC Business. After applying the available WPI increase of 13.47%, the R&M expenses work out to ₹3.31 (2.92*113.47/100) crore for SLDC Business.

5.6.8 The percentage of approved R&M expenses of ₹3.31 crore vis-à-vis the opening balance of Gross Fixed Assets of ₹8.32 crore works out to 39.78% (3.31/8.32*100). In the ARR for FY 2016-17, PSTCL has proposed to capitalize assets to the extent of ₹3.36 crore in the RE for FY 2015-16 which is being considered. The additional R&M expenses on the assets addition of ₹3.36 crore work out to ₹0.67 (3.36/2*39.78%) crore considering the asset addition for 6 months on an average during the year. The total R&M expenses for SLDC Business work out to ₹3.98 (3.31+0.67) crore for FY 2015-16.

The Commission allows R&M expenses of ₹46.75 crore for Transmission Business and ₹3.98 crore for SLDC Business for FY 2015-16.

5.7 Administrative and General (A&G) Expenses

5.7.1 In the ARR Petition for FY 2015-16, the PSTCL had projected A&G expenses at ₹28.53 crore for Transmission Business against which the Commission had approved ₹26.77 crore and ₹4.96 crore for SLDC Business, against which the Commission had approved ₹1.31 crore in the Tariff Order for FY 2015-16.

5.7.2 In the Tariff Petition for FY 2016-17, PSTCL has claimed an amount of ₹21.96 crore as A&G expenses for Transmission Business for FY 2015-16 which includes A&G expenses of ₹0.96 crore on assets addition during the year, ₹0.50 crore on account of licence fee and ARR fee and ₹0.09 crore on account of Audit Fee for determination of tariff for FY 2015-16 and PSTCL has claimed A&G expenses of ₹3.27 crore for SLDC Business for FY 2015-16.

5.7.3 Regulation 28 (4) (a) of the PSERC Tariff Regulations, 2005 amended on 17.09.2012 provides for adjusting base O&M expenses approved by the Commission for FY 2011-12 in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent year. WPI for FY 2015-16 is available for 10 months only i.e. upto January, 2016 which is adopted for determination of A&G expenses for FY 2015-16. WPI increase is calculated @13.47% (177.16-156.13=21.03/156.13*100) being increase in index of base year 2011-12 from 156.13 to 177.16 up to January, 2016.

5.7.4 A&G expenses of ₹11.59 crore on Gross Fixed Assets of ₹5265.17 crore were approved for Transmission Business and ₹0.56 crore on ₹5.50 crore of Gross Fixed Assets for SLDC Business for FY 2011-12 in the true up in Tariff Order FY 2014-15.

5.7.5 The Gross Fixed Assets as on 1.04.2013 determined in the True up for FY 2013-14 as ₹5855.87 crore at para 3.5.6 of this order. The Gross Fixed Assets after addition of assets for FY 2013-14 works out to ₹6591.67 crore. In the ARR for FY 2016-17, PSTCL has intimated that the actual addition in assets during FY 2014-15 is to the tune of ₹1483.85 crore which are now being taken into account. Thus, the Gross Fixed Assets as on 01.04.2015 work out to ₹8075.52 (6591.67+ 1483.85) crore. The base A&G expenses for FY 2015-16 on the Gross Fixed Assets of ₹8075.52 crore work out to ₹17.78(11.59/5265.17*8075.52) crore for Transmission Business. After applying the available WPI increase of 13.47%, the A&G expenses work out to ₹20.17(17.78*113.47/100) crore for Transmission Business.

5.7.6 The percentage of approved A&G expenses of ₹20.17 crore vis-à-vis the opening balance of Gross Fixed Assets of ₹8075.52 crore works out to 0.25% (20.17/8075.52*100). In the ARR for FY 2016-17, PSTCL has claimed an amount of ₹0.96 crore as A&G expenses for assets added during the year 2015-16. PSTCL has proposed to capitalize assets to the extent of ₹644.58 crore in the RE for FY 2015-16 against the proposed capital expenditure of ₹456.98 crore. However, based on the capital expenditure actually incurred up to January, 2016, the Commission has approved the investment outlay of ₹350.00 crore for FY 2015-16 in para 5.9.3 of this Tariff Order. Accordingly, capitalization works out to ₹585.91 crore for FY 2015-16. The additional A&G expenses on the assets addition of ₹585.91 crore work out to ₹0.73 (585.91/2*0.25%) crore considering the asset addition for 6 months on an average during the year. PSTCL has also claimed ₹0.50 crore on account of License and ARR fee and ₹0.09 crore on account of Audit fee for FY 2015-16. The total A&G expenses for Transmission Business work out to ₹21.49 (20.17+0.73+0.50+0.09) crore for FY 2015-16.

5.7.7 The Gross Fixed Assets of SLDC Business as determined in the True up for FY 2013-14 as ₹5.75 crore at para 3.5.6 of this order. The Gross Fixed Assets after addition of assets for FY 2013-14 works out to ₹5.78 crore. In the ARR for FY 2016-17, PSTCL has intimated that the actual addition in assets during FY 2014-15 is to the tune of ₹2.54 crore which are now being taken into account. Thus, the Gross Fixed Assets as on 01.04.2015 work out to ₹8.32 (5.78+2.54) crore. The base A&G expenses for FY 2015-16 on the Gross Fixed Assets of ₹8.32 crore work out to ₹0.85(0.56/5.50*8.32) crore for SLDC Business. After applying the available WPI increase of 13.47%, the A&G expenses work out to ₹0.96 (0.85*113.47/100) crore for SLDC Business.

5.7.8 The percentage of approved A&G expenses of ₹0.96 crore vis-à-vis the opening balance of Gross Fixed Assets of ₹8.32 crore works out to 11.53% (0.96/8.33*100). In the ARR for FY 2016-17, PSTCL has proposed to capitalize assets to the extent of ₹3.36 crore in the RE for FY 2015-16 which is being considered. The additional A&G expenses on the assets addition of ₹3.36 crore work out to ₹0.19 (3.36/2*11.53%) crore considering the asset addition for 6 months on an average during the year. The total A&G expenses for SLDC Business work out to ₹1.15 (0.96+0.19) crore for FY 2015-16.

Therefore, the Commission approves A&G expenses for ₹21.49 crore for Transmission Business and ₹1.15 crore for SLDC Business for FY 2015-16.

5.8 Depreciation Charges

5.8.1 For FY 2015-16, PSTCL had claimed depreciation charges of ₹232.96 crore on assets valued at ₹4619.81 crore as on April 1,2015 against which the Commission had approved depreciation charges of ₹223.01 crore. In the ARR Petition for FY 2016-17, PSTCL has revised its claim to ₹283.42 crore as depreciation charges for FY 2015-16.

5.8.2 As discussed in para 3.7.3 of this Tariff Order, the Commission has approved depreciation charges of ₹107.52 crore for Transmission Business and ₹0.29 crore in the true up for FY 2013-14 on the opening Gross Fixed Assets as on March 31, 2013 is of ₹2929.68 crore (net of land and land rights) for Transmission Business and ₹5.75 crore (net of land and land rights) for SLDC Business. The true up exercise for FY 2014-15 is not being carried out due to non-availability of Audited Annual Accounts of the utility. As per Audited Annual Accounts for FY 2013-14, the Gross Fixed Assets (net of land and land rights) as on 31.03.2014 were to the tune of ₹3664.84 crore for Transmission Business and ₹5.78 crore for SLDC Business. As submitted by PSTCL in ARR petition FY 2016-17, the asset added during FY 2014-15 is ₹1483.85 crore for Transmission Business and ₹2.54 crore for SLDC Business. Thus, the opening balance of Gross Fixed Asset of Transmission Business as on 01.04.2015 works out to ₹5148.69 (3664.84+1483.85) crore for

Transmission Business and ₹8.32 (5.78+2.54) crore for SLDC Business. Accordingly, the Commission determines depreciation charges of ₹188.96 (107.52/2929.68x5148.69) crore for Transmission Business and ₹0.42 (0.29/5.75x8.32) crore for RE of FY 2015-16.

The Commission approves the depreciation charges of ₹188.96 crore for Transmission Business and ₹0.42 crore for SLDC Business in the review for FY 2015-16.

5.9 Interest and Finance Charges

5.9.1 In the ARR Petition for FY 2015-16, PSTCL had projected interest charges of ₹430.11 crore (net of capitalization of ₹39.92 crore) for Transmission Business and ₹4.01 crore for SLDC Business. The Commission approved interest charges of ₹303.60 crore for Transmission Business and ₹2.09 crore for SLDC Business for FY 2015-16.

5.9.2 In the ARR Petition for FY 2016-17, PSTCL has revised its claim of Interest charges to ₹426.69 (other than interest on Working Capital Loans (WCL) and net of capitalization of ₹39.90) crore for Transmission Business and ₹0.47 crore for SLDC Business.

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

5.9.3 **Investment Plan for Transmission Business**

In the ARR Petition for FY 2015-16, PSTCL had estimated capital expenditure of ₹503.37 crore against which the Commission had approved an investment plan of ₹503.37 crore for the Transmission Business of PSTCL in Tariff Order for FY 2015-16. PSTCL has revised estimate of the capital expenditure at ₹644.58 crore for FY 2015-16 in the ARR Petition of FY 2016-17. The details of capital expenditure submitted by PSTCL are shown in Table 5.2.

Table 5.2: Estimates of Capital Expenditure for Transmission Business for FY 2015-16

(₹crore)

Sr. No.	Particulars	Opening WIP* for April 1, 2015	Expenditure during FY 2015-16	Transferred to Assets during FY 2015-16	Closing WIP* as on March 31, 2016
I	II	III	IV	V	VI
1.	400 kV Transmission Works	128.30	85.08	73.21	140.17
2.	220 kV and 132 kV Transmission Works	612.35	350.63	551.37	411.62
3.	Others	0.00	20.80	20.00	0.80
4.	ERP/IT	0.00	0.47	0.00	0.47
5.	**Total**	**740.66**	**456.98**	**644.58**	**553.05**

**Works in progress*

The Commission observes that PSTCL has incurred actual expenditure of ₹186.00 crore up to January, 2016 against proposed capital expenditure of ₹456.98 crore in the RE for FY 2015-16. Based on the actual capital expenditure, the Commission approves the capital expenditure of ₹350.00 crore for FY 2015-16. Therefore, the loan requirement for Transmission Business of PSTCL works out to ₹350.00 crore.

PSTCL has proposed to capitalize its assets to the extent of ₹644.58 crore in the RE for FY 2015-16 against the proposed capital expenditure of ₹456.98 crore. The Commission approves an investment of ₹350.00 crore and capitalization of ₹585.91 crore.

5.9.4 **Investment Plan for SLDC Business**

In the ARR Petition of FY 2016-17, PSTCL has proposed an investment of ₹7.02 crore for SLDC Business for FY 2015-16 as shown in Table 5.3.

Table 5.3: Estimates of Capital Investment for SLDC Business for FY 2015-16

(₹crore)

Sr. No.	Particulars	Projected for SLDC
I	II	III
1.	Procurement of 47 RTUs for SCADA Scheme	3.00
2.	Implementation Intrastate Boundary Metering cum Transmission Level Energy Audit Scheme in PSTCL	4.00
3.	Others	0.02
4.	**Total**	**7.02**

The Commission observes that initial investment plan of SLDC Business as filed in the ARR Petition of FY 2015-16 was ₹16.91 crore against which the Commission had allowed ₹1.00 crore for SLDC Business. In the ARR Petition of FY 2016-17, the investment plan for SLDC Business for FY 2015-16 is ₹7.02 crore, the Commission considers it appropriate to allow investment plan of ₹7.02 crore for FY 2015-16 for SLDC Business of PSTCL. Accordingly, the Commission approves an investment plan of ₹7.02 crore for SLDC Business of PSTCL in the review for FY 2015-16, the Commission considers the same as loan requirement for Transmission Business for FY 2015-16.

PSTCL has proposed capitalization of ₹3.36 crore against proposed investment of ₹7.02 crore. The Commission approves an investment of ₹7.02 crore and capitalization of ₹3.36 crore in the review for FY 2015-16.

The Commission has approved the closing balance of loans(other than working capital and GPF) for FY 2013-14 as ₹3519.64 crore in para 3.8.4 of this Tariff Order. As per audit certificate for Capital Expenditure for FY 2014-15 submitted by PSTCL vide Memo No. 818/FA/ARR-603, the addition of loan for FY 2014-15 is ₹500.14 crore and repayment of ₹293.45 crore, the closing balance of loans (other than working capital & GPF) as on 31.03.2015 worked out as ₹3726.33 (3519.64+500.14-293.45) crore. PSTCL has claimed ₹445.09 crore towards interest on Loan [other than working capital loan (WCL) and GP Fund] and an addition of loans of ₹456.99 crore during FY 2014-15 for its Transmission Business in the RE for FY 2015-16. The interest allowable is worked out as detailed in Table 5.4.

Table 5.4: Interest on Loan (other than WCL& GP Fund) for Transmission Business

(₹crore)

Sr. No.	Particulars	Loan as on April 1, 2015	Receipt of loan during FY 2015-16	Repayment of loan during FY 2015-16	Loan as on March 31, 2016	Amount of Interest
I	II	III	IV	V	VI	VII
1.	As per data furnished in ARR Petition (other than WCL)	3726.33	456.99	364.29	3819.03	445.09
2.	Approved by the Commission (other than WCL)	3726.33	350.00	364.29	3712.04	438.78

The Commission thus approves the interest on loan at ₹438.78 crore for the Transmission Business of PSTCL for FY 2015-16.

PSTCL has claimed ₹0.47 crore towards interest on loan (other than WCL) for FY 2015-16 for its SLDC Business in the ARR for FY 2016-17. The Commission has approved opening balance of ₹0.77 crore as on 1.04.2013 and as per audit certificate for Capital Expenditure for FY 2014-15 submitted by PSTCL vide Memo No.

818/FA/ARR-603, the addition of loan for FY 2014-15 is ₹0.66 crore and repayment of ₹0.00 crore, the closing balance of loans (other than working capital & GPF) as on 31.03.2015 is ₹1.43 (0.77+.66) crore. PSTCL has claimed ₹0.47 crore towards interest on opening balance of Loans [other than working capital loans (WCL) and GP Fund] and an addition of loans of ₹7.02 crore during FY 2015-16 for its SLDC Business. The interest on allowable loans (other than Working Capital Loans) is worked out as detailed in Table 5.5:

Table 5.5: Interest on Loan for SLDC (other than WCL)

(₹crore)

Sr. No.	Particulars	Loan as on April 1, 2014	Receipt of Loan during FY 2014-15	Repayment of Loan during FY 2014-15	Loan as on March 31, 2015	Amount of Interest
I	II	III	IV	V	VI	VII
1.	As per data furnished in ARR Petition (other than WCL)	1.43	7.02	0.00	8.45	0.47
2.	Approved by the Commission (other than WCL)	1.43	7.02	0.00	8.45	0.47

The Commission approves the interest on loans at ₹0.47 crore for FY 2015-16 for the SLDC Business of PSTCL.

5.9.5 Guarantee Charges

PSTCL has claimed ₹8.50 crore as Guarantee Charges payable to Govt. of Punjab for its Transmission Business which is allowed.

5.9.6 Interest on GP Fund

PSTCL has claimed an interest of ₹13.00 crore on GP fund of ₹175.64 (opening balance) crore. The interest of ₹13.00 crore on GP Fund, being statutory payment, is allowed as claimed by PSTCL for FY 2015-16.

5.9.7 Capitalization of Interest Charges

PSTCL has claimed ₹39.90 crore as capitalization of interest for the FY 2015-16 for the Transmission Business of PSTCL and nil capitalization of interest charges for its SLDC Business. The Commission, accordingly, approves capitalization of interest of ₹39.90 crore for the Transmission Business of PSTCL and nil capitalization of interest charges for its SLDC Business.

The Commission approves interest charges for PSTCL for its Transmission Business for FY 2015-16 as shown in Table 5.6.

Table 5.6: Interest Charges for Transmission Business for FY 2015-16

(₹crore)

Sr. No.	Particulars	Loan as on April 01, 2015	Receipt of loan during FY 2015-16	Repayment of loan	Loan as on March 31, 2016	Interest charges approved by the Commission
I	II	III	IV	V	VI	VII
1.	Interest on institutional loans	3726.33	350.00	364.29	3712.04	438.78
2.	Guarantee Charges					8.50
3.	Interest on GP Funds					13.00
4.	Total (1+2+3)					460.28
5.	Less: Capitalization					39.90
6.	**Net Interest Charges**					**420.38**

The Commission, accordingly, approves the Interest and Finance Charges of ₹420.38 crore for the Transmission Business of PSTCL for FY 2015-16.

Similarly, the approved interest charges for SLDC Business of PSTCL for FY 2015-16 are shown in Table 5.7.

Table 5.7: Interest Charges for SLDC Business for FY 2015-16

(₹crore)

Sr. No.	Particulars	Loan as on April 01, 2014	Receipt of loan during FY 2014-15	Repayment of loan during FY 2014-15	Loan as on March 31, 2015	Amount of interest
I	II	III	IV	V	VI	VII
1.	Interest on institutional loans	1.43	7.02	0.00	8.45	0.47
2.	Finance Charges					0.00
3.	Total (1+2)	1.43	7.02	0.00	8.45	0.47
4.	Less : Capitalization					0.00
5.	**Net Interest Charges**					**0.47**

Accordingly, the Commission allows Interest Charges of ₹0.47 crore for the SLDC Business of PSTCL for FY 2015-16.

5.9.8 **Interest on Working Capital**

In the ARR Petition for FY 2015-16, PSTCL had claimed interest on working capital of ₹55.68 crore for Transmission Business, on normative basis, on a total working capital of ₹377.52 crore against which the Commission had approved interest charges of ₹32.58 crore for Transmission Business of PSTCL for FY 2015-16.

In the ARR Petition for FY 2016-17, PSTCL has claimed interest on working capital of

₹38.51 crore for Transmission Business, on normative basis, on a total working capital of ₹323.58 crore for FY 2015-16.

The Commission has considered the working capital as per PSERC Tariff Regulations. The interest on working capital of ₹280.73 crore works out to ₹32.90 crore for FY 2015-16 by applying an interest rate of 11.72%, being the weighted average rate of interest on the loans claimed by them during the year 2015-16 as detailed in Table 5.8.

Table 5.8: Interest on Working Capital for Transmission Business of PSTCL for FY 2015-16

(₹crore)

Sr. No.	Particulars	Projected by the PSTCL	Approved by the Commission
I	II	III	IV
1.	Receivables equivalent to two months	220.60	184.55
2.	Maintenance spares @15% of Operation and Maintenance (O&M) expenses	66.20	61.83
3.	Operation and Maintenance expenses for one month	36.78	34.35
4.	Working Capital Requirement	323.58	280.73
5.	Rate of Interest	11.72 %	11.72%
6.	**Interest on Working Capital**	**38.51**	**32.90**

The Commission, thus, approves the Working Capital of ₹280.73 crore and interest thereon of ₹32.90 crore for the Transmission Business of PSTCL for FY 2015-16.

In the ARR Petition for FY 2015-16, PSTCL has claimed interest on working capital of ₹1.67 crore for SLDC Business on the total working capital of ₹11.35 crore. The Commission had allowed the interest on working capital as ₹0.66 crore on the working capital of ₹5.38 crore.

In the ARR Petition for FY 2016-17, PSTCL has claimed interest of ₹0.97 crore on working capital of ₹8.07 crore for FY 2015-16. Applying the above principle, the Commission has worked out the interest on working capital by applying rate interest of 12.00%, being, the weighted average rate of interest on loans for FY 2015-16 as detailed in Table 5.9.

Table 5.9: Interest on Working Capital for SLDC Business of PSTCL for FY 2015-16

(₹crore)

Sr. No.	Particulars	Projected by the PSTCL	Approved by the Commission
I	II	III	IV
1.	Receivables equivalent to two months	5.12	4.07
2.	Maintenance spares @ 15% of Operation and Maintenance (O&M) expenses	1.90	1.79
3.	Operation and Maintenance expenses for one month	1.05	0.99
4.	Working Capital Requirement	8.07	6.85
5.	Rate of Interest	12.00%	12.00%
6.	**Interest on working capital**	**0.97**	**0.82**

Thus, the Commission, approves the Working Capital of ₹6.85 crore and interest thereon of ₹0.82 crore for SLDC Business of PSTCL for FY 2015-16.

5.10 Return on Equity (RoE)

In ARR Petition for FY 2015-16, PSTCL claimed RoE of ₹106.30 crore for FY 2015-16 against which the Commission approved RoE of ₹93.91 crore @15.5% on the equity amount of ₹605.88 crore. In the ARR for FY 2016-17, PSTCL has submitted revised estimates of ₹156.71 crore as RoE for FY 2015-16 based on revised equity of ₹1011.05 crore.

As stated in Para 3.9.6 of this Tariff Order, the Commission allows RoE to PSTCL on the equity amount of ₹605.88 crore @ 15.50% per annum.

The Commission, thus, approves RoE of ₹93.91 crore for FY 2015-16 to PSTCL for Transmission Business.

5.11 ULDC Charges

PSTCL had claimed ₹9.00 crore towards ULDC charges for FY 2015-16 in the ARR Petition for FY 2015-16 and the same were approved. In the ARR of PSTCL for FY 2016-17, PSTCL has claimed ₹17.50 crore for FY2015-16 as ULDC charges. Since the ULDC charges are decided by CERC from time to time, **the Commission allows ₹17.50 crore as ULDC charges for FY 2015-16 as claimed by PSTCL for SLDC Business.**

5.12 Non Tariff Income

In the ARR Petition for FY 2015-16, PSTCL had claimed receipts of ₹5.00 crore as Non Tariff Income for Transmission Business and ₹1.50 crore for SLDC Business against which the Commission had approved ₹19.16 crore for Transmission Business and ₹4.90 crore for SLDC Business. In the ARR for Petition for FY 2016-17, PSTCL has claimed Non-Tariff Income of ₹2.10 crore for Transmission Business and ₹0.24 crore for SLDC Business. Besides, revenue from open access consumers for Transmission Business has been depicted as ₹21.00 crore and ₹1.22 crore for SLDC Business of the Utility for FY 2015-16. The Trial Balance up to January 2016 as provided by PSTCL shows that the utility has received revenue from open access consumers amounting to ₹32.46 crore for Transmission Business and ₹5.40 crore for SLDC Business. As such, revenue from open access consumer for full year is considered as ₹38.95 crore and ₹6.48 crore for Transmission Business and SLDC Business respectively. As per Regulation 34 of PSERC Tariff Regulations amended vide notification dated 17.09.2012, income on account of Open Access Charges is being treated as Non-Tariff Income. As such, Non-Tariff Income for Transmission Business works out to ₹41.05 (2.10+38.95) crore and for SLDC Business, it works out to ₹6.72 (0.24+6.48) crore. **Accordingly, the Commission approves Non Tariff Income of ₹41.05 crore for the Transmission Business and ₹6.72 crore for SLDC Business of PSTCL for FY 2015-16.**

5.13 Tax on Income

In the ARR Petition for FY 2016-17, PSTCL has not claimed any Income Tax paid for FY 2015-16.

Therefore, no amount of income tax is allowed for FY 2015-16.

5.14 Annual Revenue Requirement

The Summary of the Annual Revenue Requirement for Transmission Business and SLDC Business of PSTCL for FY 2015-16 is shown in Table 5.10 & Table 5.11 respectively.

Table 5.10: Annual Revenue Requirement for Transmission Business of PSTCL for FY 2015-16

(₹crore)

Sr. No.	Particulars	Projected by PSTCL in the ARR for FY 2015-16	Approved by the Commission in Tariff Order for FY 2015-16	RE by PSTCL in the ARR for FY 2016-17	Now Approved by the Commission
I	II	III	IV	V	VI
1.	Employee costs	427.07	337.79	378.00	343.98
2.	R&M expenses	123.58	57.98	41.39	46.75
3.	A & G expenses	28.53	26.77	21.96	21.49
4.	Depreciation	269.72	223.01	283.42	188.96
5.	Interest charges	430.10	303.60	426.69	420.38
6.	Interest on working capital	55.68	32.58	38.51	32.90
7.	Return on Equity	106.30	93.91	156.71	93.91
8.	ULDC Charges	0.00	0.00	0.00	0.00
9.	Tax on Income	22.28	0.00	0.00	0.00
10.	**Total Revenue Requirement**	**1463.27**	**1075.64**	**1346.68**	**1148.37**
11.	Less: Non Tariff Income	9.00	19.16	23.10	41.05
12.	**Net Revenue Requirement**	**1454.27**	**1056.48**	**1323.58**	**1107.32**

Table 5.11: Annual Revenue Requirement for SLDC Business of PSTCL for FY 2015-16

(₹crore)

Sr. No.	Particulars	Projected by PSTCL in the ARR for FY 2015-16	Approved by the Commission in Tariff Order for FY 2015-16	RE by PSTCL in the ARR for FY 2016-17	Now Approved by the Commission
I	II	III	IV	V	VI
1.	Employee costs	4.19	4.08	6.4	6.78
2.	R&M expenses	13.48	4.55	2.97	3.98
3.	A & G expenses	4.96	1.31	3.27	1.15
4.	Depreciation	1.60	1.60	0.61	0.42
5.	Interest charges	4.01	2.09	0.47	0.47
6.	Interest on working capital	1.67	0.66	0.97	0.82
7.	Return on Equity	0.00	0.00	0	0.00
8.	ULDC Charges	9.00	9.00	17.50	17.50
9.	Tax on Income			0	0.00
10.	**Total Revenue Requirement**	**38.91**	**23.29**	**32.18**	**31.12**
11.	Less: Non Tariff Income	2.50	4.90	1.46	6.72
12.	**Net Revenue Requirement**	**36.41**	**18.39**	**30.72**	**24.40**

The summary of the Annual Revenue Requirement of PSTCL as a whole for FY 2015-16 is shown in Table 5.12.

Table 5.12: Annual Revenue Requirement for PSTCL in respect of Transmission Business and SLDC Business for FY 2015-16

(₹crore)

Sr. No.	Particulars	Projected by PSTCL in the ARR for FY 2015-16	Approved by the Commission in Tariff Order for FY 2015-16	RE by PSTCL in the ARR for FY 2016-17	Now Approved by the Commission
I	II	III	IV	V	VI
1.	Employee costs	431.26	341.87	384.40	350.76
2.	R&M expenses	137.06	62.53	44.36	50.73
3.	A & G expenses	33.49	28.08	25.23	22.64
4.	Depreciation	271.32	224.61	284.03	189.38
5.	Interest charges	434.11	305.69	427.16	420.85
6.	Interest on working capital	57.35	33.24	39.48	33.72
7.	Return on Equity	106.30	93.91	156.71	93.91
8.	ULDC Charges	9.00	9.00	17.50	17.50
9.	Tax on Income	22.28	0.00	0.00	0.00
10.	**Total Revenue Requirement**	**1502.18**	**1098.93**	**1378.86**	**1179.49**
11.	Less: Non Tariff Income	11.50	24.06	24.56	47.77
12.	**Net Revenue Requirement**	**1490.68**	**1074.87**	**1354.30**	**1131.72**
13.	**Revenue from Tariff**				**1074.87**
14.	**(Gap)(-)/ Surplus (+) for the year**				**(-)56.85**

The Net Revenue Requirement of ₹1074.87 crore was approved by the Commission in its Tariff Order of FY 2015-16 dated 5th May, 2015 at the time of projection, has been re-determined at ₹1131.72 crore, after review for FY 2015-16 and the same is carried forward in review of PSPCL for FY 2015-16 as Transmission Charges payable. The Revenue deficit of ₹56.85 (1074.87-1131.72) crore is considered for calculating the carrying cost at para 6.19.3 of this Tariff Order.

Chapter 6
Annual Revenue Requirement
For FY 2016-17

6.1 Introduction

PSTCL has projected the Annual Revenue Requirement (ARR) for FY 2016-17, separately for its Transmission business and SLDC business. The Commission has analyzed the projections for each item and determined the ARR for FY 2016-17, separately, for Transmission business and SLDC business of PSTCL in this chapter.

6.2 Transmission System Capacity

PSTCL has projected the Transmission Capacity of the system as 12730 MW (net) and 13261 MW (gross) for FY 2016-17, as per projected generation capacity as on 31.03.2017. The Transmission System capacity projected by PSTCL in the ARR includes generating stations connected with Sub-Transmission / Distribution System of PSPCL. The Commission has determined the Transmission capacity (net) of PSTCL system from the data submitted by PSTCL, as 11537.30 MW, which the Commission approves.

6.3 Transmission System Availability

PSTCL has submitted that it will maintain the Transmission System Availability for FY 2016-17 above normative annual Transmission Availability Factor as mandated by the Commission in PSERC Tariff Regulations.

The Commission has taken note of the submissions of PSTCL and shall consider its actual Transmission System Availability for FY 2016-17 for incentive, if permissible as per PSERC Tariff Regulations, at the time of true up.

6.4 Transmission Losses

PSTCL, in the ARR for FY 2016-17, has submitted that it has installed boundary ABT meters at interface points between PSTCL and PSPCL and the remaining works will be completed by May, 2016. PSTCL has submitted that ABT meters and associated communication equipment / devices have been integrated with Central Data Centre. Estimated losses for the month of June and July, 2015 are 2.19% and 2.88% respectively. The Transmission Losses have been arrived at by considering the net energy inter-change measured through ABT meters installed at Boundry interface points of PSPCL, with inter-state sub-stations, with generating plants of PSPCL & IPPs and with distribution side of PSPCL.PSTCL has further submitted that the system integrator / controller for implementing the project has stopped the work due to some issues regarding commissioning of the project, and meters data since August, 2015 is not available in the SLDC, remotely. Actual transmission losses are likely to be available by the end of May, 2016, PSTCL has requested to approve the transmission losses at 4% for FY 2016-17, till the availability of actual transmission losses.

In para 5.4 of the Tariff Order, the Commission has retained the Transmission losses at 2.5% for FY 2015-16. Since PSTCL has not completed the intra-state boundary metering, the **Commission retains the Transmission losses at 2.5% for FY 2016-17. The Commission would revisit the Transmission losses during review/true up for FY 2016-17, after the intra-state boundary meters are made fully functional and energy audit is conducted.**

6.5 Employee Cost

6.5.1 In the ARR petition for FY 2016-17, PSTCL has claimed ₹399.47 crore on account of employee cost for Transmission Business and ₹6.73 crore for SLDC Business for FY 2016-17 as per details in Table 6.1 below.

Table 6.1: Employee Expenses for FY 2016-17

(₹crore)

Particulars	Transmission business	SLDC business	Total (II+III)
I	II	III	IV
Salary & other employee cost	171.94	6.73	178.67
Terminal Benefits As per transfer scheme ₹221.11 crore and As per new induction ₹6.42 crore	227.53*	-	227.53
Total Employee Cost	**399.47**	**6.73**	**406.20**

**Terminal benefits for employees of SLDC are included in terminal benefits of STU.*

6.5.2 The provisions of the amended Regulation 28(3) of PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 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) and Consumer Price Index (CPI).

6.5.3 PSTCL has claimed ₹227.53 crore as terminal benefits which includes ₹6.42 crore for employees recruited by PSTCL for Transmission as well as SLDC business.

Since, as per the provisions of PSERC Tariff Regulations, PSTCL has not taken prior approval of the Commission for recruitment of additional employees. Therefore, the amount of terminal benefits of ₹6.42 crore for employee recruited by PSTCL is not allowable. As such, the claim of PSTCL gets reduced to ₹221.11 (227.53-6.42) crore.

As discussed in para 5.5.3 of this Tariff Order for FY 2016-17, terminal benefits are required to be apportioned in the ratio of 11.36% and 88.64% between PSTCL and PSPCL as per Transfer Scheme approved by GoP vide notification dated 24.12.2012. The terminal benefits of ₹1908.02 crore have been approved for PSPCL (para 6.10.6) of PSPCL Tariff Order for FY 2016-17 as 88.64% share as per transfer scheme, as such 11.36% share of PSTCL works out to ₹244.53 (1908.02/ 0.8864*0.1136) crore.

Therefore, the Commission approves terminal benefits of ₹244.53 crore for FY 2016-17 for PSTCL against the claim of ₹221.11 crore of PSTCL.

6.5.4 As discussed in para 5.5.4 of this Tariff Order, PSERC Tariff Regulations have been amended which provide that inflation factor to be used for indexing the Employee Cost will be combination of the Consumer Price Index (CPI) and Wholesale Price Index (WPI) of nth year and shall be calculated as 0.50*CPIn+0.50*WPIn. WPI and CPI index for FY 2016-17 will be available next year. Therefore, the increase/decrease in WPI and CPI in FY 2015-16 over FY 2014-15 is considered for allowing increase/decrease in 'other employee cost' for FY 2016-17. The WPI and CPI index for FY 2014-15 were at 181.19 and 250.83 respectively and the WPI and CPI index for FY 2015-16 were at 177.16 and 264.50 respectively. Thus, there was decrease in WPI index of 4.03 and increase in CPI index of 13.67 in FY 2015-16 over FY 2014-15. After adjustment of decrease/increase, the index of WPI and CPI for FY 2016-17 work out to 173.13 (177.16-4.03) and 278.17 (264.50+13.67) respectively. The base index of WPI and CPI in FY 2011-12 were at 156.13 and 194.83 respectively. Therefore, increase in WPI of 10.89% in FY 2016-17 and increase of 42.78% in CPI over the base year 2011-12. As discussed above, the 'other employee cost' will be combination of the Consumer Price Index (CPI) and Wholesale Price Index (WPI) of nth year and shall be calculated as 0.50*CPIn+0.50*WPIn. Therefore, increase of 26.84% {(10.89+42.78)/2} in 'other employee cost' is being allowed over the 'other employee cost' approved for the base year of 2011-12.

The 'other employee cost' in the true up for FY 2011-12 were approved at ₹92.20 crore for Transmission Business & ₹5.72 crore for SLDC Business in Tariff Order FY

2014-15.

Accordingly, the allowable 'other employee cost' for FY 2016-17 works out to ₹116.95 (92.20*126.84/100) crore for Transmission Business. Similarly, the 'other employee cost' for SLDC Business works out to ₹7.26 (5.72*126.84/100) crore as against the claim of ₹6.73 crore for SLDC Business.

Therefore, the Commission approves ₹361.48 (116.95+244.53) crore as Employee Cost for Transmission business and ₹7.26 crore for SLDC Business.

6.6 Repair and Maintenance (R&M) Expenses

6.6.1 In the ARR Petition for FY 2016-17, PSTCL has projected R&M expenses of ₹45.76 crore for Transmission Business and ₹5.96 crore for SLDC Business for FY 2016-17 as per details in Table 6.2 below.

Table 6.2: R&M Expenses for FY 2016-17

(₹crore)

Sr. No.	Particulars	Transmission business	SLDC business	Total (III+IV)
I	II	III	IV	V
1.	R&M expenses for FY 2015-16	41.39	2.97	44.37
2.	Add: Capitalized R&M expenses in FY 2015-16	0.25	0.00	0.25
3.	R&M for assets added during FY 2016-17	2.00	2.68	4.68
4.	R&M expenses after applying increase in CPI @5.49%	46.03	5.96	51.99
5.	Less: Capitalized R&M expenses in FY 2016-17	0.27	0.00	0.27
6.	**R&M expenses for FY 2016-17**	**45.76**	**5.96**	**51.72**

6.6.2 Regulation 28 (4) (a) of the PSERC Tariff Regulations, 2005 amended on 17.09.2012 provides for adjusting base O&M expenses approved by the Commission for FY 2011-12 in proportion to increase in Whole Sale Price Index (all Commodities) to determine O&M expenses for subsequent year.

6.6.3 R&M expenses for PSTCL Transmission business of ₹25.92 crore on the Gross Fixed Assets of ₹5265.17 crore was approved for FY 2011-12 in Tariff Order FY 2014-15. The base R&M expenses for FY 2016-17 on Gross Fixed Asset of ₹8661.43 crore as on 01.04.2016 is ₹42.64(25.92/5265.17*8661.43) crore which is being considered as base for FY 2016-17. As discussed in Para 6.5.2 of this Tariff Order, the WPI increase of 10.89% is adopted for FY 2016-17. After taking into account the WPI increase of 10.89%, the R&M expenses for FY 2016-17 works out to ₹47.28 (42.64*110.89/100) crore for Transmission Business. Accordingly, the Commission approves R&M expenses of ₹47.28 crore for Transmission Business for

FY 2016-17.

6.6.4 R&M expenses for PSTCL SLDC business of ₹1.93 crore on the Gross Fixed Assets of ₹5.50 crore was approved for FY 2011-12 in Tariff Order FY 2014-15. The base R&M expenses for FY 2016-17 on Gross Fixed Asset of ₹11.68 crore is ₹4.10(1.93/5.50*11.68) crore which is being considered as base for FY 2016-17.

Similarly, after applying WPI at the rate of 10.89%, the R&M expenses for FY 2016-17 work out to ₹4.54(4.10*110.89/100) crore for SLDC Business. Accordingly, the Commission allows R&M expenses of ₹4.54 crore for SLDC business for FY 2016-17. As regards the claim of ₹2.00 crore and ₹2.68 crore for proposed addition of assets for Transmission and SLDC Business in terms of 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 assets addition are available.

Thus, Commission approves R&M expenses of ₹47.28 crore for Transmission business and ₹4.54 crore for SLDC business for FY 2016-17.

6.7 Administrative and General (A&G) Expenses

6.7.1 In the ARR Petition for FY 2016-17, PSTCL has projected A&G Expenses of ₹24.90 crore for Transmission Business and ₹7.06 crore for SLDC Business for FY 2016-17 as per details in Table 6.3 below.

Table 6.3: A&G Expenses for FY 2016-17

(₹crore)

Sr. No.	Particulars	Transmission business	SLDC Business	Total (III+IV)
I	II	III	IV	V
1.	A&G expenses for FY 2015- 16	21.96	3.27	25.23
2.	Add: Capitalized A&G expenses in FY 2015-16	5.14	0.00	5.14
3.	A&G expenses for assets added during FY 2016-17	1.30	2.95	4.25
4.	A&G expenses after applying increase in CPI @ 5.49%	29.96	6.56	36.52
5.	Less: Capitalized A&G expenses in FY 2016-17	5.66	0.00	5.66
6.	Add: Audit fee	0.10	0.00	0.10
7.	Add: License and ARR fee	0.50	0.50	1.00
8.	**A&G expenses for FY 2016-17**	**24.90**	**7.06**	**31.96**

6.7.2 Amended Regulation 28(2)(b) of PSERC Tariff Regulations,2005 provides for adjusting base O&M expenses in proportion to increase in Whole Sale Price Index (all commodities) to determine O&M expenses for subsequent years.

6.7.3 A&G expenses for PSTCL Transmission business of ₹11.59 crore on the Gross

Fixed Assets of ₹5265.17 crore was approved for FY 2011-12 in Tariff Order FY 2014-15. The base R&M expenses for FY 2016-17 on Gross Fixed Asset of ₹8661.43 crore works out to ₹19.07 (11.59/5265.17*8661.43) crore which is being considered as base for FY 2016-17.

As discussed in Para 6.5.2 of this Tariff Order, the WPI increase of 10.89% is adopted for FY 2016-17. After taking into account the WPI increase of 10.89%, the R&M expenses for FY 2016-17 work out to ₹21.14 (19.07*110.89/100) crore for Transmission Business. In addition to above, PSTCL has claimed ₹0.10 crore as Audit Fees and ₹0.50 crore as License and ARR Fee. Accordingly, the Commission approves R&M expenses of ₹21.74 (21.14+0.50+0.10) crore for Transmission Business for FY 2016-17.

6.7.4 A&G expenses for SLDC Business of ₹0.56 crore on the Gross Fixed Assets of ₹5.50 crore was approved for FY 2011-12 in Tariff Order FY 2014-15. The base A&G expenses for FY 2016-17 on Gross Fixed Asset of ₹11.68 crore works out to ₹1.19 (0.56/5.50*11.68) crore which is being considered as base for FY 2016-17.

Similarly, after applying WPI at the rate of 10.89%, the A&G expenses for FY 2016-17 work out to ₹1.32 (1.19*110.89/100) crore for SLDC Business. In addition to above, PSTCL has claimed ₹0.50 crore as License and ARR fee for FY 2016-17. Accordingly, the Commission allows A&G expenses of ₹1.82 (1.32+0.50) crore for SLDC business for FY 2016-17. As regards the claim of ₹1.30 crore and ₹2.95 crore for proposed addition of assets for Transmission and SLDC Business respectively in terms of PSERC tariff Regulations, the Commission is of the view that the increase in A&G 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, Commission approves A&G expenses of ₹21.74 crore for Transmission Business and ₹1.82 crore for SLDC Business for FY 2016-17.

6.8 Depreciation

6.8.1 PSTCL has projected depreciation charges of ₹321.72 crore for FY 2016-17 for its Transmission business and ₹1.46 crore for SLDC business on average of opening and closing GFA for FY 2016-17. PSTCL has submitted that depreciation expenses for FY 2016-17 have been calculated on the rates as specified in CERC Regulations, 2014.

6.8.2 As discussed in para 5.8.2 of this Tariff Order, the Commission approved depreciation charges of ₹188.96 crore for Transmission Business and ₹0.42 crore for

FY 2015-16 on the opening Gross Fixed Assets as on 01.04.2015 of ₹5148.69 crore (net of land and land rights) for Transmission Business and ₹8.32 crore (net of land and land rights) for SLDC Business. There was an addition of assets of ₹585.91 crore and ₹3.36 crore in FY 2015-16 for Transmission Business and SLDC Business respectively. Thus, the opening balance of Gross Fixed Assets of Transmission Business as on 01.04.2016 works out to ₹5734.60 (5148.69+585.91) crore for Transmission Business and ₹11.68 (8.32+3.36) crore for SLDC Business. As such, the depreciation charges of ₹107.52 crore for Transmission Business on Gross Fixed Assets of ₹2929.68 crore and ₹0.29 crore for SLDC Business on Gross Fixed Assets of ₹5.75 crore in true up of FY 2013-14 was approved by the Commission in this Tariff Order accordingly, the Commission determines depreciation charges of ₹210.46 (107.52/2929.68x5734.60) crore for Transmission Business and ₹0.59 (0.29/5.75x11.69) crore for SLDC Business FY 2016-17.

The Commission approves the depreciation charges of ₹210.46 crore for Transmission Business and ₹0.59 crore for SLDC Business for FY 2016-17.

6.9 Interest and Finance charges

6.9.1 In the ARR Petition for FY 2016-17, PSTCL has claimed interest charges of ₹420.52 crore (net of Capitalization of ₹43.89 crore) for Transmission Business and ₹1.43 crore for SLDC Business. The interest and finance charges are discussed in the ensuing paragraphs.

6.9.2 **Investment Plan for Transmission Business**

In the ARR Petition for FY2016- 17, PSTCL has projected a capital expenditure of ₹512.98 crore for FY2016-17. The details of capital expenditure and capitalization projected by PSTCL are given in Table 6.4.

Table 6.4: Capital Expenditure projected by PSTCL for its Transmission Business for FY 2016-17.

(₹crore)

Sr. No.	Particulars	Expenditure during FY 2016-17
I	II	III
1.	400 kV Transmission Works	37.00
2.	220 kV &132 kV Transmission Works	438.37
3.	ERP	6.41
4.	Others	31.20
5.	**Grand Total**	**512.98**

PSTCL has submitted that the utility is executing the following two major 400 kV Transmission schemes:-

The work of additional 500MVA Transformer at Dhuri and 2 No. Bays at Nakodar will be taken during FY 2016-17. An expenditure of ₹31.00 crore is anticipated on this account.

The work for construction of new Sub-stations, new lines, addition and augmentation of transmission system will be taken during FY 2016-17. An expenditure of ₹408.25 crore is anticipated on this account.

PSTCL has further proposed a capital expenditure of ₹6.41 crore on the work of ERP implementation during FY 2016-17.

The Commission has examined the Investment Plan of ₹512.98 crore projected by PSTCL for FY 2016-17. The Commission observes that part of capital expenditure relating to FY 2015-16 will spill over in FY 2016-17. Based on actual expenditure incurred in FY 2015-16, approved investment plan for FY 2015-16 and projects planned for FY 2016-17, the Commission considers it appropriate to allow an investment plan of ₹500.00 crore to PSTCL for its Transmission Business as required by the utility. Increase/decrease in capital expenditure, if any, will be considered by the Commission during Review of FY 2016-17.

The Commission, accordingly, approves an Investment Plan and loan requirement of ₹500.00 crore for the Transmission business of PSTCL for FY 2016-17. This loan requirement is taken into consideration for computation of interest charges.

PSTCL has proposed to capitalize expenditure to the extent of ₹839.63 crore for FY2016-17 against investment plan of ₹512.98 crore. The Commission has approved an Investment Plan of ₹500.00 crore for FY 2016-17 and the corresponding capitalization works out to ₹789.77 crore.

6.9.3 **Investment Plan for SLDC Business**

In the ARR Petition for FY2016-17, PSTCL has projected the capital expenditure of ₹16.30 crore for its SLDC business for FY 2016-17. The details of capital expenditure projected by PSTCL for SLDC business are given in Table 6.5.

Table 6.5: Capital Expenditure projected by PSTCL for SLDC business for FY 2016-17

(₹crore)

Sr. No.	Particulars	FY 2016-17 (Projected)
I	II	III
1.	Procurement of additional RTUs for remaining/upcoming future sub-stations of PSTCL	6.30
2.	Implementation Intrastate Boundary Metering cum Transmission Level energy Audit Scheme in PSTCL	6.00
3.	Implementation of Islanding Scheme in Punjab	2.00
4.	Intermediary SCADA between solar, small IPPs & SCADA/EMS	2.00
5.	**Total**	**16.30**

PSTCL has estimated capital expenditure of ₹16.30 crore and capitalization of ₹21.03 crore during FY 2016-17.

As discussed in para 5.9.4 of this Tariff Order, the Commission has approved investment plan of ₹7.02 crore for FY 2014-15. PSTCL has projected an investment plan of ₹16.30 crore for FY 2016-17. The Commission considers it appropriate to allow investment expenditure of ₹16.30 crore for FY 2016-17 for SLDC business of PSTCL. However, if there is any increase/decrease in expenditure, the same shall be considered by the Commission at the time of Review of FY 2016-17.

The Commission approves an Investment and Capitalization of ₹16.30 crore for SLDC Business of PSTCL for FY 2016-17.

6.9.4 The interest on long term loan (other than Working Capital Loan and GPF) is worked out for Transmission Business as indicated in Table 6.6.

Table 6.6: Interest on Loan (Other than WCL) for Transmission Business.

(₹crore)

Sr. No.	Particulars	Loan as on April 01, 2016	Receipt of Loan during FY 2016-17	Repayment of Loan during FY 2016-17	Loan as on March 31, 2017	Amount of Interest
I	II	III	IV	V	VI	VII
1.	As per data furnished by PSTCL in ARR Petition (other than WCL)	3819.03	512.98	405.24	3926.77	455.63
2.	Approved by the Commission (other than WCL)	3712.04	500.00	405.24	3806.80	442.28

The Commission, thus, approves an interest of ₹442.28 crore on loan (other than working capital loans and GPF) for Transmission Business of PSTCL for FY 2016-17.

6.9.5 Similarly, PSTCL has projected interest and finance charges of ₹1.43 crore for SLDC

Business of PSTCL for FY2016-17. The interest on allowable loan (other than working capital loan) is worked out as indicated in Table 6.7.

Table 6.7: Interest on Loan (Other than WCL) for SLDC

(₹crore)

Sr. No.	Particulars	Loan as on April 01, 2016	Receipt of loan during FY 2016-17	Repayment of loan during FY 2016-17	Loan as on March 31, 2017	Amount of Interest
I	II	III	IV	V	VI	VII
1.	As per data furnished by PSTCL in ARR Petition (other than WCL)	8.45	16.30	0.00	24.75	1.43
2.	Approved by the Commission (other than WCL)	8.45	16.30	0.00	24.75	1.43

The Commission, accordingly, approves interest of ₹1.43 crore on loan (other than Working Capital Loan) for SLDC Business of PSTCL for FY2016-17.

6.10 Finance Charges

PSTCL has not claimed any finance charges for its Transmission and SLDC Business and hence not allowed.

6.11 Interest on GP Fund

PSTCL has claimed an interest of ₹11.08 crore on GP fund of ₹153.68 crore. The interest of ₹11.08 crore on GP Fund, being statutory payment, is allowed as claimed by PSTCL for FY 2016-17.

6.12 Capitalization of Interest Charges

PSTCL has claimed ₹43.89 crore towards capitalization of interest charges for its Transmission Business. The proposal of capital expenditure of PSTCL for ₹500.00 crore has been approved. Accordingly, the Commission approves the capitalization of interest of ₹43.89 crore. PSTCL has not claimed any capitalization of interest charges for its SLDC business. The Commission therefore approves no capitalization of interest charges for SLDC Business of PSTCL for FY 2016-17.

6.12.1 The Commission approves interest charges for PSTCL for its Transmission Business for FY2016-17 as shown in Table 6.8.

Table 6.8: Interest Charges for Transmission Business for FY2016-17

(₹crore)

Sr. No.	Particulars	Loan as on April 01, 2016	Receipt of loan during FY 2016-17	Repayment of loan during FY 2016-17	Loan as on March 31, 2017	Interest charges approved by the Commission
I	II	III	IV	V	VI	VII
1.	Interest on institutional loan	3712.04	500.00	405.24	3806.80	442.28
2.	Interest on GP fund					11.08
3.	Total (1+2)	3712.04	500.00	405.24	3806.80	453.36
4.	Less: Capitalization					43.89
5.	**Net Interest Charges**					**409.47**

The Commission, accordingly, approves the Interest and Finance charges of ₹409.47 crore for the Transmission Business of PSTCL for FY 2016-17.

6.12.2 The approved interest charges for SLDC business of PSTCL for FY 2016-17 are shown in Table 6.9.

Table 6.9: Interest Charges for SLDC business for FY 2016-17

(₹crore)

Sr. No.	Particulars	Loan as on April 01, 2016	Receipt of loan during FY 2016-17	Repayment of loan during FY 2016-17	Loan as on March 31, 2017	Interest Charges approved by the Commission
I	II	III	IV	V	VI	VII
1.	Interest on institutional loans	3.73	16.30	0.00	20.03	1.43
2.	Less: Capitalization					0.00
3.	**Net Interest Charges**					**1.43**

Accordingly, the Commission allows Interest and Finance charges of ₹1.43 crore for the SLDC business of PSTCL for FY 2016-17.

6.13 Interest on Working Capital

6.13.1 In the ARR Petition for FY 2016-17, PSTCL has claimed interest on working capital of ₹40.50 crore for Transmission Business, on normative basis, on a total working capital of ₹345.55 crore. The Commission has considered the working capital as per PSERC Tariff Regulations. The interest on working capital of ₹290.00 crore works out to ₹33.99 crore for FY 2016-17 by applying the interest rate of 11.72% as taken in the review for FY 2015-16 as detailed in Table 6.10.

Table 6.10: Interest on Working Capital for Transmission Business of PSTCL for FY 2016-17

(₹crore)

Sr. No.	Particulars	Projected by the PSTCL	Approved by the Commission
I	**II**	**III**	**IV**
1.	Receivables equivalent to two months	235.86	189.55
2.	Maintenance spares @15% of Operation and Maintenance (O&M) expenses	70.52	64.58
3.	Operation and Maintenance expenses for one month	39.18	35.88
4.	**Working Capital Requirement**	**345.55**	**290.01**
5.	Rate of Interest	11.72%	11.72%
6.	**Interest on Working Capital**	**40.50**	**33.99**

The Commission thus approves the Working Capital of ₹290.01 crore and interest thereon of ₹33.99 crore for the Transmission Business for FY 2016-17.

6.13.2 In the ARR Petition for FY 2016-17, PSTCL has claimed interest on working Capital of ₹11.29 crore. The Commission has considered the working capital as per PSERC Tariff Regulations. The interest on working capital of ₹7.49 crore works out to ₹0.90 crore for FY 2016-17 by applying an interest rate of 12.00% as detailed in Table 6.11.

Table 6.11: Interest on Working Capital for SLDC Business of PSTCL for FY 2016-17

(₹crore)

Sr. No.	Particulars	Projected by PSTCL	Approved by the Commission
I	**II**	**III**	**IV**
1.	Receivables equivalent to two months	6.68	4.32
2.	Maintenance spares @15% of Operation and Maintenance (O&M) expenses	2.96	2.04
3.	Operation and Maintenance expenses for one month	1.65	1.13
4.	**Working Capital Requirement**	**11.29**	**7.49**
5.	Rate of Interest	12.00%	12.00%
6.	**Interest on working capital**	**1.35**	**0.90**

The Commission thus approves the Working Capital of ₹7.49 crore and interest thereon of ₹0.90 crore for SLDC Business of PSTCL for FY 2016-17.

6.14 Return on Equity (RoE)

6.14.1 In the ARR Petition for FY 2016-17, PSTCL has claimed RoE of ₹156.71 crore for Transmission Business for FY 2016-17 as per details given in Table 6.12 below.

Table 6.12: Return on Equity claimed by PSTCL for FY 2016-17

(₹crore)

Sr. No.	Particulars	STU	SLDC	Total (III+IV)
I	**II**	**III**	**IV**	**V**
1.	Opening balance-equity capital and free reserves	1011.05	0.00	1011.05
2.	Additional Equity	0.00	0.00	0.00
3.	Closing equity and free reserves	1011.05	0.00	1011.05
4.	Pre tax rate	15.50%	15.50%	15.50%
5.	**RoE**	**156.71**	**0.00**	**156.71**

6.14.2 In accordance with the PSERC Tariff Regulations and as discussed in Para 3.9.6 of this Tariff Order, the Commission allows RoE of ₹93.91 crore @15.5% on the equity of ₹605.88 crore.

The Commission, thus, approves ROE of ₹93.91 crore @ 15.5% on the equity amount of ₹605.88 crore for FY 2016-17 to PSTCL.

6.15 ULDC Charges

In the ARR Petition for FY 2016-17, PSTCL has claimed ₹16.10 crore towards ULDC charges. Since ULDC Charges are decided by CERC from time to time, **the Commission approves ₹16.10 crore as ULDC Charges for FY 2016-17 as claimed by PSTCL for SLDC Business**.

6.16 Non Tariff Income

In the ARR Petition for FY 2016-17, PSTCL has claimed receipts of ₹5.00 crore for Transmission Business and ₹0.00 crore for SLDC Business for FY 2016-17.

As discussed in para 5.12 of this Tariff Order, Non-Tariff Income for Transmission Business for FY 2015-16 consider as ₹41.05 crore and for SLDC Business ₹6.72 crore for FY 2015-16. The Commission decides that the Non-Tariff Income for Transmission Business and SLDC Business of the utility be taken at the previous year's level.

Accordingly, the Commission approves Non Tariff Income of ₹41.05 crore for the Transmission Business and ₹6.72 crore for SLDC Business of PSTCL for FY 2016-17.

6.17 Interest on unrecovered amount from GoP

PSTCL has submitted that due to nonpayment of carrying cost amount of ₹39.05 crore, it has to borrow/arrange funds to the tune of ₹39.05 crore during FY 2014-15 which has increased interest burden on PSTCL. Therefore, PSTCL has claimed an amount of ₹39.05 crore to be recovered from the consumers through tariff. The issue has already been decided in para 6.14 of Tariff Order for FY 2014-15 of PSTCL. The matter may be taken by PSTCL with GoP.

6.18 Tax on Income

In the ARR Petition for FY 2016-17, PSTCL has not claimed Income tax on income. As such, no amount on this account is allowed for FY2016-17.

6.19 Carrying Cost on Revenue Gap

6.19.1 **True up of FY 2012-13**

As discussed in para 2.14 of this Tariff Order, the Commission allows recovery of carrying cost on the revenue surplus of ₹135.35 crore @11.65% for FY 2013-14 (Six months), @11.86% for FY 2014-15 (full year), @11.72% for FY 2015-16 (full year) and @11.72% for FY 2016-17 (six months). The total recoverable carrying cost for FY 2012-13 is worked out to the tune of ₹47.73 crore.

PSTCL was unable to furnish Audited Annual Accounts for FY 2012-13 for true-up in time i.e. during FY 2013-14 due to late finalization of the Opening Balance Sheet of PSTCL by GoP. The Commission, further, decides that the carrying cost due to delay in the finalization of the Opening Balance Sheet of PSTCL, which has been notified by GoP on 24.12.2012, is attributable to Government of Punjab.

Accordingly, the carrying cost of revenue gap of ₹135.35 crore for FY 2012-13 amounting to ₹31.87 crore (₹7.88 crore for six months of FY 2013-14 + ₹16.05 crore for twelve months of FY 2014-15 and ₹7.93 crore for six months of FY 2015-16) is passed on to GoP.

Therefore, the carrying cost of revenue gap of 135.35 crore for FY 2012-13 amounting to ₹15.86 crore (₹7.93 crore for six months of FY 2015-16 and ₹7.93 crore for six months of FY 2016-17) is recoverable from PSTCL.

6.19.2 **True up of FY 2013-14**

As discussed in para 3.17 of this Tariff Order, the Commission allows recovery of carrying cost on the revenue surplus of ₹25.49 crore @11.86% for FY 2014-15 (six months), @11.72% for FY 2015-16 (full year) and @11.72% for FY 2016-17 (six months). The total recoverable carrying cost for FY 2013-14 is worked out to the tune of ₹5.98 crore.

As discussed in para 6.19.1, the carrying cost of revenue gap of ₹25.49 crore for FY 2013-14 amounting to ₹3.00 crore (₹1.51 crore for six months of FY 2014-15 + ₹1.49

crore for six months of FY 2015-16) is passed to GoP.

Therefore, the carrying cost of revenue gap of ₹25.49 crore for FY 2013-14 amounting to ₹2.99 crore (₹1.50 crore for six months of FY 2015-16 and ₹1.49 crore for six months of FY 2016-17) is recoverable from PSTCL.

Accordingly, the net carrying cost of ₹34.87(31.87+3.00) crore relating to FY 2012-13 and FY 2013-14 is passed on to GoP.

6.19.3 **Review of FY 2015-16**

As discussed in para 5.14 of this Tariff Order the Commission allows carrying cost on the revenue deficit of ₹56.85 crore @11.72% for FY 2015-16 (six months) and @11.72% for FY 2016-17 (six months). The total allowable carrying cost for FY 2015-16 is worked out to the tune of ₹6.66 crore.

Thus, the net recoverable carrying cost of ₹12.19 (6.66-15.86-2.99) crore for FY 2012-13, FY 2013-14 and FY 2015-16 is passed on to PSTCL.

6.20 Annual Revenue Requirement

The summary of the Annual Revenue Requirement for Transmission Business and SLDC Business of PSTCL for FY 2016-17 is shown in Table 6.13.

Table 6.13: Annual Revenue Requirement of PSTCL for FY 2016-17

(₹crore)

Sr. No.	Particulars	For SLDC		For Transmission	
		Projected for FY 2016-17	Approved by the Commission for FY 2015-16	Projected for FY 2016-17	Approved by the Commission for FY 2016-17
I	II	III	IV	V	VI
1.	Employee costs	6.73	7.26	399.47	361.48
2.	R&M expenses	5.96	4.54	45.76	47.28
3.	A&G expenses	7.06	1.82	24.90	21.74
4.	Depreciation	1.46	0.59	321.72	210.46
5.	Interest charges	1.43	1.43	420.52	409.47
6.	Interest on working capital	1.35	0.90	40.50	33.99
7.	Return on Equity	0.00	0.00	156.71	93.91
8.	ULDC charges	16.10	16.10	0.00	0.00
9.	Interest on unrecovered	0.00	0.00	10.54	0.00
10.	**Total Revenue Requirement**	**40.09**	**32.64**	**1420.13**	**1178.33**
11.	Less: Non-Tariff Income	0.00	6.72	5.00	41.05
12.	**Net Revenue Requirement**	**40.09**	**25.92**	**1415.13**	**1137.28**

The summary of Annual Revenue Requirement of PSTCL as a whole for FY 2016-17 is shown in Table 6.14.

Table 6.14: Annual Revenue Requirement of PSTCL for Transmission Business and SLDC Business for FY 2016-17

(₹crore)

Sr. No.	Particulars	PSTCL	
		Projected for FY 2016-17	Approved by the Commission for FY 2016-17
I	II	III	IV
1.	Employee costs	406.20	368.74
2.	R&M expenses	51.72	51.82
3.	A&G expenses	31.96	23.56
4.	Depreciation	323.18	211.05
5.	Interest charges	421.94	410.90
6.	Interest on working capital	41.85	34.89
7.	Return on Equity	156.71	93.91
8.	ULDC charges	16.10	16.10
9.	Interest on unrecovered amount from GoP	10.54	-
10.	**Total Revenue Requirement (1 to 9)**	**1460.22**	**1210.97**
11.	Less: Non Tariff Income	5.00	47.77
12.	Carrying Cost of Gaps		(-)12.19
13.	**Net Revenue Requirement (12-13)**	**1455.22**	**1151.01**

The Net Revenue Requirement of ₹1151.01 crore of FY 2016-17 are the Transmission Charges payable by PSPCL after considering the impact of carrying cost. Hence, this amount is carried forward to Table 6.30 of the Tariff Order of PSPCL for FY 2016-17.

Chapter 7
Directives

Compliance of Commission's Directives

The Commission has a statutory function under the Electricity Act, 2003 to guide the State Transmission Utility to ensure overall development of an efficient, coordinated and economical system of Intrastate Transmission lines for smooth flow of electricity to the Load Centres. The Commission issues various directives to PSTCL through its Tariff Order each year to facilitate the transmission licensee/STU to achieve these milestones. The endeavour of the Commission has also been to introduce technological advances in the field of power systems to bring transparency and accountability in the working of the utility.

The Commission's directives are an integral part of the Tariff Order which the Transmission licensee is required to comply with in order to provide quality supply to the consumers of the State. However, it has been observed that the compliance of the directives by PSTCL has not been satisfactory. The status of compliance of directives issued in the Tariff Order for FY 2015-16 and further directives for compliance by PSTCL during FY 2016-17 along with comments is summarized as under:

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
7.1	**Boundary metering, Energy Audit and T&D loss Reduction**	The completion of the boundary metering project has already been over-delayed and PSTCL has failed to implement the project in the committed revised timeframe. The Commission directs PSTCL to ensure submission of actual transmission losses data in the PSTCL system on monthly basis by 30.06.2015.	For the purpose of calculation of transmission level grid losses and energy audit a project was conceived and awarded to a firm through open tender. The losses for the month of June-2015 and Jul-2015 (00:00 hrs of 1st day of month to 24:00 hrs of last day of month) were 2.19% and 2.88% respectively which were arrived at by considering the net energy inter-exchange measured through ABT meters installed at Boundary interface points of PSTCL with interstate substations, with generating plants (of PSPCL & IPPs) and with PSPCL-distribution side. The firm suspended the work since Aug-2015 due to some contractual issues regarding commissioning of the project. To resolve the issue after thorough	The Commission notes with concern that the Boundary Metering Project, which was to be commissioned in July, 2013, has still not been operationalised and data of transmission losses could only be generated for June and July, 2015. The Commission directs PSTCL to ensure submission of data of transmission losses w.e.f. July 2016 regularly on monthly basis and any further slippage shall invite punitive action.

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
			discussions/deliberations a Memorandum of Understating (MOU) has been signed with the firm for completion of remaining activities of the project. As per Memorandum of Understanding signed with the firm, it has resumed the system and services since March 2016. The firm has stated to make the improvements in the system as well as it is also trying to retrieve the data from various meters installed all over the Punjab and on the interstate boundaries. However, the system is taking time as all the meter locations (i.e. around 200) needs to be visited by the firm. As such the overall losses of PSTCL shall be available tentatively from July-2016 onwards	
7.2	**Employee Cost**	**a) Manpower:** The PwC study report on manpower was submitted in Oct., 2010 and remained under the consideration of the Board of Directors for long time. Thereafter a committee was constituted (which was reconstituted in Jan. 2013) to put up the recommendations. Commission has repeatedly conveyed its concern on the delay by PSTCL in finalizing the roadmap regarding rationalization & increasing productivity of the manpower. The Commission directs PSTCL to submit its action plan within three months of the issuance of this tariff Order.	Man power restructuring has been finalized by the management	The Commission in the Tariff Order for FY 2015-16 directed PSTCL to finalize the roadmap regarding rationalization & increasing productivity of the manpower and submit its action plan within three months of the issuance of the tariff Order but PSTCL has failed to implement the directive. The restructuring plan finalised by PSTCL must be supplied to the Commission along with schedule for implementation of various activities within one month of the issuance of this tariff Order.
		b) Unmanned Sub-stations: PSTCL was directed to move in the direction of operating its switchgears from SLDC as per International Practices and submit "Action Plan" to convert all	Currently the detail engineering of the Project has been completed. Drawings have been submitted for the S/S Mohali-I and these are under approval. This project for five no. of 220kV S/Stn is likely to be completed by November, 2016.	Despite repeated directions, PSTCL has failed to cover even one grid sub-station under this project till date. PSTCL must ensure completion of the

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
		its Substations as unmanned after conducting Techno Economic analysis along with ARR 2015-16. However, no action plan has been submitted. PSTCL is directed to submit Action Plan with due Techno Commercial Analysis at the earliest		work of five number 220 kV grid sub-stations identified for this project by Nov. 2016 as committed by PSTCL. The progress report must be submitted monthly to the Commission.
		c) Training: The Commission directs PSTCL to ensure that manpower is adequately and timely trained for handling Automation of Substations already taken in hand by PSTCL. The copy of the "In-house" training report may be submitted.	1. Process for hiring of an Architect/Consultant for establishing an Advanced Training Institute of PSTCL at Patiala is under process. 2. Short term courses are being arranged at regular for the employees by making arrangement with outside Institutes/Agencies. 3. The following training program have been got approved for the employees and will be executed shortly: a. Four days residential training on "Enhancing Managerial Excellence for Professionals & Executives" at ESCI, Hyderabad. b. Five days Training Program on "Contractual Management" at Rajiv Gandhi National University of Law, Patiala. Reward policy: award for winner & runner up for best sub-station & best transmission Line initiated for promoting competition in upkeep of sub-station & transmission lines. Efficient employees of various offices are also honored for promoting efficiency and competition among themselves.	The Commission notes the action taken by PSTCL. The Action plan to establish Advanced Training Centre at Patiala be shared with the Commission within three months of issue of this Tariff Order.
		d) Implementation of ERP PSTCL has failed to take earnest steps to implement Enterprise Resource Planning (ERP). The Commission directs PSTCL to submit the status of implementation of ERP on bi-annual basis	The bid for Tender No.02/CE/HPI: The bids received are currently being evaluated by the Pre-award Tender Committee-I. Queries were posted to the bidders for clarifications on various topics and the responses received are under analysis.	The Commission notes the action being taken. The status of the project be shared with the Commission on quarterly basis.

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
7.3	**Loading Status of PSTCL transmission lines and Sub stations.**	As per the status report submitted by PSTCL, there are 16 number 220kV and 15 number 132kV lines which were overloaded during paddy season of 2014. It is a matter of concern that some lines were overloaded to the extent of 155%. Commission directs PSTCL to ensure de-loading of all the overloaded lines before start of paddy season of 2015.	No over-loading on any 132/ 220/ 400kV S/Stn or line was found during 4th quarter.	The loading status of all grid sub-stations and lines under the control of PSTCL must be supplied to the Commission after paddy season by 31st Oct. 2016.
7.4	**Mtc. of category wise details of fixed asset**	There has been no tangible progress on the issue of preparation of Fixed Asset Register showing quantity wise detail of all assets with value by the consultants during the last one year. The Commission directs PSTCL to submit the progress report within 3 months of the issuance of the Tariff Order and ensure compliance of the directive at the earliest.	The fixed asset register as on 31.03.2014 category wise, location code wise, value wise (without quantity wise detail) has been prepared at corporate level. The matter regarding preparation of Fixed Asset Register quantity wise as well as value wise was taken up with the consultants in respect of one of the division i.e. P&M Division, Ablowal. The draft sample of FAR sent by consultants in respect of P&M Division Ablowal along with components of various categories of fixed assets is under consideration. Once it is finalized, the same will be implemented in all the divisions.	The Commission notes the action taken by PSTCL. The Commission directs PSTCL to submit the status report on preparation of fixed asset register on quarterly basis.
7.5	**Adequacy of existing switch-gear and Earthmat at PSTCL sub stations**	PSTCL is directed to ensure completion of work at all sub-stations under P&M Circle, Amritsar before start of rainy/ paddy season. Also, PSTCL should continue to submit the status report to the Commission on bi-annual basis.	The earth resistance of all the 220/132KV sub-stations under P&M Organisation is within permissible limits as per IEEE earthing guide 80.	The Commission notes the action taken by PSTCL.
7.6	**Audited Annual Accounts for FY 2012-13 and FY 2013-14**	PSTCL should submit CAG report for FY 2012-13 immediately on its receipt. PSTCL is directed to submit the Audited Annual Accounts for FY 2013-14 and FY 2014-15 along with the audit report of Statutory Auditors and CAG of India at the time of filing of ARR Petition for FY 2016-17.	<u>Audited Annual Accounts for FY 2012-13:-</u> CAG Report of India on Annual Accounts for FY 2012-13 has been submitted vide this office Memo No. 1272 dated 22.04.2015. <u>Audited Annual Accounts for FY 2013-14:-</u> The comments of C&AG on the Audited annual accounts for FY 2013-14 have been received on 24.11.2015 vide letter no. ES/CA-	Late submission of Audited Annual Accounts by PSTCL results in late true ups of the relevant years. PSTCL is, therefore, directed to ensure timely submission of Audited Annual Accounts along with reports of Statutory Auditors & CAG and

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
			III/PSTCL/2015-16th/129 dated 18.11.2015 from the office of Accounts General (Audit) Punjab, Chandigarh. The copy of which has been submitted to the Commission vide this office memo no. 629/FA/Comml.-23/Vol.-III dated 15.02.2016. Audited Annual Accounts for FY 2014-15:- The statutory auditors have submitted the audit report on Annual Accounts for FY 2014-15. CAG comments are awaited.	reply of management to the observations.
7.7	**Reactive Compensation for FY 2014-15**	PSTCL has failed to implement the directive of the Commission in right earnest. On one hand it is mentioned that job has been entrusted to the Planning organization but on the other hand it is brought out that available software with PSTCL does not have provision for reactive compensation determination at micro level. PSTCL should have taken care of these bottlenecks in order to implement the directive of the Commission. The installation of reactive compensation in PSTCL system on a thumb rule is not appreciated. This should have been done on the basis of detailed system studies. PSTCL is again directed to carry out system studies to identify requirement of Reactive Compensation in PSTCL system and ensure installation of requisite reactive compensation at its sub-stations. The status of implementation must be submitted within 3 months of the issuance of this Tariff Order.	The study is under process. Some additional data as required by the consultant (CPRI) has been furnished and final report is expected to come by the end of June-2016.	The final report of the study of reactive compensation conducted by CPRI for 220 kV & 132 kV levels be shared with the Commission within one month of issue of this Tariff Order.
7.8	**Transmission system for evacuation of power from IPPs**	PSTCL is directed to complete all transmission works required for evacuation & dispersal of power from IPPs to avoid	PSTCL has completed the full 400KV evacuation system related with IPP's of Punjab (i.e. Talwandi Sabo (TPS) & Rajpura (TPS). The evacuation system of Goindwal	The Commission notes the action taken by PSTCL. The transmission system for evacuation of

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
		any constraint in smooth flow of power from IPPs under normal and outage conditions as per Transmission Planning criteria of CEA.	Sahib (TPS) 2X270MW, is at 220KV voltage and comprises of following three DC lines:- i) 220KV Goindwal Sahib (TPS)-220KV Sultanpur (Erection work completed and line charged). ii) 220KV Goindwal Sahib (TPS)-220KV Chohla Sahib (Erection work completed in 12/2015 and line is likely to be charged in June, 2016. iii) 220KV Goindwal Sahib (TPS)-220KV Bottianwala (work under progress and likely to be completed in December, 2016.	power from Goindwal Sahib TPS to 220 KV Bottianwala needs to be expedited. PSTCL is directed to submit quarterly progress of this work to the Commission.
7.9	**Calculation of depreciation as per straight line method**	PSTCL is directed to claim the depreciation for transmission assets in the next ARR as per straight line method over the useful life of the asset at the rate of depreciation as specified by the CERC provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the effective date of commercial operation of the line shall be spread over the balance useful life of the assets	1. PSTCL is following the below mentioned accounting policy for the depreciation upto 31.03.2014: "Depreciation on fixed assets is provided on Straight Line Method (SLM) at the rates specified in the Schedule XIV to the Companies Act,1956. In respect of depreciable assets for which no rate has been specified (including the assets of SLDC), rates notified by CERC are adopted." 2. From 1st April 2014, the accounting policy to depreciation has been changed in compliance with the provisions Part B of Schedule II to the Companies Act,2013: "Depreciation on fixed assets is provided as per PSERC Tariff Regulations, 2005. In accordance with PSERC regulations, depreciation is calculated annually based on straight line method at rates specified in Appendix II of CERC Tariff Regulations, 2014." 3. As per Regulations 27(1) (d) of the PSERC Regulation the "Depreciation for generation and transmission assets shall be calculated annually as per straight-line method over the useful life of the asset at the rate of depreciation specified by the Central Electricity Regulatory Commission from time to time. Provided that the total depreciation during the life of the asset shall not exceed 90% of the original cost.	The depreciation rates as per CERC (Terms and Conditions of Tariff) Regulations, 2014 are applicable to PSTCL. Remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets. The Commission directs PSTCL to prepare accounts accordingly.

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
			So on the basis of above, PSTCL is charging depreciation upto 90% of the original cost of fixed assets by adopting PSERC Regulations. There is no mention of charging of depreciation after 12 years from date of commercial operation by the utility over the balance useful life of assets in PSERC (Terms and Conditions for determination of Tariff) Regulations 2005. The Clause of 12 year criteria has been inserted in PSERC Regulations 2014 (Terms and Conditions for determination of Generation, Transmission, Wheeling and Retail supply Tariff Regulations i.e. MYT Regulations) which are applicable from the FY2017-18. Therefore the criteria mentioned in this Directive will be applicable to PSTCL from FY 2017-18.	
7.10	**Replacement of defective energy meters**	PSTCL is directed to ensure that all the energy meters installed at various grid sub-stations record correct energy. Any meter reported defective must be replaced within 10 working days. Similarly any other defect contributing to wrong recording of the energy must be rectified within 10 days. The defective meter shall be got tested from ME lab and the report should be submitted to the Commission. PSTCL is also directed to check multiplying factor of all energy meters and submit compliance within 3 months of issue of this Tariff Order.	The project of Boundary Metering cum Transmission Level Energy Audit scheme was awarded on turnkey basis. As per the contract, the firm has to operate and maintain the system for 7 years after commissioning. The replacement of the defective meters which have been installed by the firm is included in its scope and in case of any eventuality its engineers take the necessary steps to test/ replace the same in the presence of representatives of PSTCL/ SLDC. PSTCL/ SLDC at present do not have its own ME Lab to test the meters. However, the firm has provided duly calibrated portable reference meter to test the meters. The multiplication factors which are being used for calculations for each meter are verified by respective P&M Circles.	The Commission notes the progress regarding Boundary Metering. As the firms are to operate & maintain Boundary metering for 7 years after commiss-ioning, therefore, it must be ensured that defective boundary meters are replaced within in stipulated time of maximum of ten working days. Regarding energy meters installed on 11 kV feeders emanating from 220 kV or 132 kV Sub-stations, PSTCL is directed to pursue with PSPCL to replace defective feeder meters within maximum of ten working days. PSTCL is again directed to keep full record of testing of defective energy meters in the ME labs. along with nature and duration of the fault.

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
				PSTCL was directed to check the multiplying factors of all energy meters at their Sub-stations and submit report to the Commission within three months of issue of Tariff Order for FY 2015-16, but no checking report has been supplied to the Commission. PSTCL is again directed to submit report positively within one month of issue of this Tariff Order.
7.11	**Regular updation of website**	PSTCL is directed to ensure regular updation of its website.	The official website of PSTCL is being updated on regular basis.	The Commission notes the action taken by PSTCL
7.12	**Implementation of Commission's order dated 04.12.14 in case of petition no. 54 of 2014, in the matter of Technical Audit of works executed by PSTCL & PSPCL for development of Transmission & Sub-Transmission system from 01.04.2010 to 31.03.2013.**	PSTCL is directed to submit the action taken report on quarterly basis on various directives issued in the Commission's order dated 04.12.2014 in case of petition no. 54 of 2014. The first such quarterly report ending June, 2015 is to be submitted by 31.07.2015 and next quarterly reports should be submitted by 31.10.2015, 31.01.2016 and 30.04.2016.		
		The commission agrees with the recommend-ations of the consultant regarding methodology for reliable transmission system development and directs PSTCL and PSPCL to consider, adopt and implement in toto the aspects/ provisions of the planning criteria as laid down in Manual of Transmission Planning Criteria" (MTPC) issued by CEA (Central Electricity Authority).	The manual of Transmission Planning Criteria issued by CEA is being followed for all planning related activities	The Commission notes the action being taken.
		The commission directs PSTCL and PSPCL to follow in letter and spirit	Data as per Grid Code requirements not furnished by PSPCL. Accordingly, the planning	PSPCL is being directed to supply the requisite data as per

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
		the relevant provisions of the Grid Code, for efficient, economical and coordinated Technical interface between PSTCL & PSPCL and to develop a robust & reliable Transmission and Sub-transmission network.	of 132 KV & 220 KV works is being done on the basis of average load growth as well as the EPS issued by CEA.	the Grid Code Format to PSTCL for efficient coordinated & economical interphase between PSTCL & PSPCL.
		The Commission directs PSTCL and PSPCL to follow meticulously the provisions of the report of the Committee constituted by the Ministry of Power/GoI recommending the "Best Practices in Transmission."	The 'Best Practices in Transmission' as recommended by committee constituted by MOP, Govt. of India is being taken into consideration on various activities mentioned in report to the extent possible.	The Commission notes the action being taken.
		The commission directs PSPCL that it should coordinate with PSTCL for working out the realistic future load growth for each load centre/ sub-station over the previous years. PSPCL & PSTCL should have regular meetings for exchange of information/ data on this issue. PSTCL and PSPCL should use software for load assessment/demand forecast for each sub-station and do the load flow analysis, contingency analysis, short circuit analysis, dynamic analysis etc.	The load assessment /demand forecast has been provided by PSPCL on month wise basis but no data has been provided on load center wise basis. As regards System studies, contingences analysis, short circuit analysis etc, the same are being done regularly considering various scenarios in line with the TPC issued by CEA with the help of PSSE and MiPower software's.	PSPCL is being directed separately to coordinate with PSTCL for realistic load growth for each Sub-station over the previous year.
		The commission directs PSTCL and PSPCL to follow the system/ procedure for award of contracts as elaborated in the Audit Report to ensure more economy, efficiency, effectiveness and quality control in the system for award of contracts'	a) The review of delegation of power has been completed and the same has been submitted to the WTDs for approval. b) The Purchase Regulations are reviewed periodically and suitable amendments are done as and when required. c) The review of Purchase Regulations is also under progress.	The latest status of revised delegation of powers and revised purchase regulation be shared with the Commission within one month of issue of T.O. 2016-17.
		The Commission has taken serious view on this issue for not supplying the physical and financial progress reports of the works to the consultant. PSTCL and PSPCL are	The reports related to progress of works are being generated on monthly bases and they are being forwarded at the end of each month to FA for further necessary action at this end.	The Commission reiterates to share the physical & financial progress reports on half yearly basis.

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
		directed to maintain proper physical and financial records of the works month wise and should submit the same on half yearly basis to the Commission.		
		The Commission agrees with the findings of the consultant that incomplete or vague information has been provided to the consultant by PSTCL and PSPCL. The justification regarding delay in executing the works of transmission lines and sub-stations given by PSTCL is general in nature, like various clearances, weather hindrance and shifting of manpower at other locations of priority. PSPCL has given manipulated scheduled date of commissioning. PSTCL and PSPCL have not supplied the correct information, due to which actual cost over-run could not be computed by the consultant. The Commission directs PSTCL and PSPCL to maintain proper record of scheduled date of commissioning and actual date of commissioning of all the works, in future. Reasons for delays, if any, should be recorded against each work.	The target dates are being mentioned along with reasons of delay, if any, in the monthly reports pertaining to progress of works.	The Commission notes the action being taken.
		The Commission observes that the incomplete/vague information was provided by PSTCL and PSPCL due to which losses could not be computed correctly by the consultant and therefore the Commission directs PSPCL and PSTCL to maintain proper record of progress of works relating to sub-	The list of works which have been delayed for more than 3 months along with proper justification will be submitted on quarterly basis.	The Commission reiterates to supply the list of works which have been delayed for more than 3 months along with proper justification.

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
		stations and transmission lines, in future, and submit to the Commission on quarterly basis, the lists of the work delayed for more than three months along with proper justification.		
		The Commission observes that proper information has not been given by PSTCL and in future they should be careful to prevent unfruitful payment of transmission charges to PGCIL.	The work of three nos bays at 400 KV S/Sub-station Ludhiana has been completed for evacuation of power by PSTCL. Necessary instructions have been issued to be careful to prevent unfruitful payment of Transmi-ssion charges to PGCIL. Points noted for future compliance.	The Commission notes the compliance ensured by PSTCL.
		The Commission observes that PSPCL has supplied incomplete and illegible maps to the consultant earlier, due to which losses could not be calculated due to mis-match and non-flow of useful power owing to mis-match. Now, PSPCL submitted information on 12.11.2014 to justify its mismatch downstream. As pointed out in the supplementary report by the consultant, in some cases, PSPCL has still not supplied relevant information due to which cost overrun and delay could not be worked by the consultant. The Commission directs, PSPCL that it should, in coordination with PSTCL, compile data and duly updated maps needs to be meticulously prepared for reference of all concerned. The maps should be developed on computer so that it could be regularly updated, as and when there are additions, up gradation & augmentation of the system.	Relates to PSPCL.	PSPCL is being directed separately to supply complete and legible record.
		The Commission observes that PSTCL has	System already in place – Committee of CE/TS, CE/P&M	The Commission notes the action taken and

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
		not given any specific reason for damage of power transformers and has given a general cause of damage as internal fault and has not done proper investigation to ascertain the exact cause of damage. The commission directs PSTCL that in future proper investigation should be done to ascertain the actual cause of damage to transformers, and submit to the Commission at the end of each year, the list of power transformers damaged along with the cause, date of commissioning & date of damage. PSPCL needs to examine and take remedial measures regarding damage of large number of Lightning Arrestors in the year 2012-13 at Joginder Nagar generating station.	and SE/P&M concerned formed. Field offices apprised of the same.	reiterates to ensure proper investigation of damages and ensuring remedial measures.
		PSTCL and PSPCL should undertake load flow studies so as to plan the system to bring the loading of overloaded lines within permissible limits.	Load flow studies are being done on regular basis, new elements are being added and the existing capacity is being upgraded on the basis of same, so as to avoid any overloading of any lines and t/fs. During the quarter ending 31/3/16, none of the lines and t/fs were found over-loaded.	The Commission notes the progress.
		The Commission notes that PSTCL has supplied wrong information earlier to the consultant regarding planned addition of Shunt Capacitor for reactive compensation for year 2010-11 to year 2012-13. Accordingly, consultant calculated the reactive power loss in the transmission system. Later on, PSTCL submitted that up to FY 2012-13, they have added	a) Capacitor bank installation being carried out as per existing guidelines (Copy of progress report attached). b) Detailed report will be submitted after receipt of final report/comments of CPRI in this matter.	The Commission notes the action taken and reiterates to share the reactive compensation report of CPRI with the Commission.

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
		26.95 MVAR more of capacitors in the system after achieving the target of FY 2012-13, covering the previous deficit up to FY 2012-13. The Commission agrees with the explanation given by PSPCL regarding power reactive compensation provided in the years 2010-11 and 2011-12. The Commission directs both PSPCL and PSTCL to be more careful in future in providing reactive power compensation in the transmission system and submit at the end of each year, the details of the reactive compensation provided along with deficit, if any.		
		The Commission observes that PSTCL and PSPCL have not adopted any scientific inventory management system and is procuring the material in an adhoc manner. The commission directs PSPCL and PSTCL to develop a scientific inventory management system in their organizations may not be entirely on the lines of PGCIL, though it should be studied and aspects beneficial to PSTCL and PSPCL be adopted.	The process of Codification of the material/items in the PSTCL stores have already been started. Moreover implementation of ERP has been taken up which includes Inventory Management and Procurement Management modules.	The Commission notes the action taken.
		The Commission agrees with the Report and directs PSTCL and PSPCL to under-load the overloaded transmission lines and substations in fixed time frame, with quarterly intimation to the commission regarding its progress.	The works of de-loading the over-loaded lines and s/stns is an ongoing process. During quarter ending 31.03.2016, no over-loaded lines and T/Fs were found in the system. The information regarding over-loaded elements is being regularly uploaded on PSTCL website.	The Commission notes the action taken and directs PSTCL to ensure deloading of all lines and Trfs on regular basis every year.
		i) PSTCL to change first generation RTUs within a fixed time frame and	At present real-time data from 92 Nos. substations/ generating plants (including IPPs) in Punjab	The Commission notes the action being taken and directs PSTCL to

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
		intimate the Commission regarding progress of the same, along with progress of procurement and commissioning of 90 no. RTUs for remaining/upcoming 220kV/132kV Sub-stations of PSTCL.	is available at SLDC. Out of 92 Nos. substations/ generating plants, 6 are at 400kV, 68 are at 220kV & 18 are at 132kV voltage levels. TE No. SLDC/121/2014 for the Procurement of 118 Nos. RTUs (for remaining/upcoming/spares) 220KV and 132KV substations in PSTCL was dropped primarily due to non availability of OPGW communication connectivity to be provided by PGCIL. A fresh Tender Enquiry No. SLDC/122/2015 has been floated for the procurement of 45 Nos. RTUs (35 RTUs for additional substations with confirmed connectivity on PLCC and/ or existing OPGW + 5 RTUs to replace old technology RTUs + 5 RTUs as spare for unforeseen requirement). The Techno-Commercial evaluation of the same is in advance stage. Price Bid is expected to be opened before 30th June 2016. These 45 Nos. RTUs are likely to be ordered during 2016-17 itself and installed and commissioned soon thereafter. Subsequently as the communication connectivity for balance substations in PSTCL is confirmed, RTUs for the remaining substations in PSTCL shall be procured.	share time lines with the Commission for proper communication connectivity of the RTUs for balance Sub-stations for proper data transmission.
		ii) PSTCL to ensure correctness of data received from various constituents to utilize the benefit of EMS and its applications.	In order to run the EMS applications & to take benefit of it, Grid network comprising of 400 KV & above in NR(including PSTCL) have been modelled in the EMS database. Further, EMS model is being expanded to include 220KV & 132 KV network after validation of data from the field.	The Commission has noted seriously the slow progress to cover all 220 kV and 132 kV Sub-stations for EMS. The action plan to cover all 220 kV & 132 kV Sub-stations for EMS be shared with the Commission within one month of issue of T.O. for 2016-17.
		iii) PSTCL submitted that installation of ABT meters for energy accounting will be installed by May, 2014 at remote locations where there is communication signal problem. PSTCL to intimate the final status	The present status of boundary metering project is as under:- SLDC has installed 738 nos. ABT meters at Boundary/ Interface points at 194 locations of PSTCL, PSPCL, PGCIL & BBMB. Also, state of art Centralized Energy Centre (CEC) has been	The Commission notes the action taken and reiterates to start sharing the monthly overall losses with the Commission positively by July end as committed by PSTCL.

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
		regarding the same and also whether work of monthly accounts and energy drawl by licensee, open access customers, injection/drawl from BBMB system have been started or not ?	established at SLDC, Ablowal, Patiala. The work of utility wise energy interchanges calculation was started and the overall transmission losses for the month of June-2015 and Jul-2015 (00:00 hrs of 1st day of month to 2400 hrs of last day of month) arrived at were 2.19% and 2.88% respectively. Thereafter, the firm implementing the project stopped the work due to some issues regarding commissioning the project. A Memorandum of Understating (MOU) has been signed with the firm for completion of remaining activities of the project and firm has resumed the work. The complete overall losses of PSTCL shall be available tentatively from Jul-2016 onwards. As already informed, the energy account of Open Access customers is already being taken care by Open Access wing in SLDC.	
		iv) PSTCL to intimate present status of installation of phaser measurement units by PGCIL.	As per the schedule conveyed by PGCIL, installation activity for PMU's (under Phase-I) in Punjab at 3 No. locations i.e. GNDTP (Bathinda), GHTP (Lehra Mohabbat) & GGSSTP (Ropar) have been completed and supply of Control Centre Equipment i.e. Phasor Data Concentrator is planned in Nov/Dec-2016 and testing and commissioning activities are planned in Jan to March-2017.	The Commission notes the action taken and directs PSTCL to share the progress of Control Centre for Phasor measurement on quarterly basis and ensure that target is not slipped beyond March, 2017.
		The Commission observes that PSTCL and PSPCL safety officers have not given proper reply on this issue and directs PSPCL and PSTCL to comply and follow the CEA Regulations 2011 (Safety Requirements for Construction, O&M of Electrical Plants and Electric Lines).	Post of Safety officer created vide recently held cadre review.	The Commission notes the action taken.

Sr. No.	Issues	PSERC's Comments/ Directives for FY 2015-16	PSTCL's Reply ending March, 2016	PSERC Comments and Directives for FY 2016-17
		The Commission advises PSTCL to be careful in future and not to plan any Transmission System Work which is otherwise responsibility of PGCIL.	No 400 kV work planned which lies in the domain of PGCIL.	The Commission notes the action taken.
		The Commission directs PSPCL that it should coordinate with PSTCL for planning its works to cater for realistic future load growth for each load centre/substation over the previous years. PSPCL and PSTCL should hold monthly meetings for exchange of information/ data on this issue. PSTCL and PSPCL should use softwares for load assessment/ demand forecast and do the load flow analysis, contingency analysis, short circuit analysis and dynamic analysis of the system. PSTCL is directed to keep in view the various load flow studies carried out by the consultant for different scenarios as brought out in the Audit Report while planning transmission system in future. The Commission in the Tariff Order for FY 2014-15 had directed that PSPCL should establish System Analysis Wings under Chief Engineer/ Planning and Chief Engineer/PPR to conduct Planning and System Operation Studies respectively. PSPCL shall intimate to the Commission action taken in the matter within one month of issue of this order.	PSTCL is regularly carrying out system studies with the help of PSSE and MiPower softwares in line with Transmission Planning Criteria issued by CEA.	The Commission notes the action taken.

Chapter 8
Determinatin of Transmission Charges and SLDC Charges

8.1 Annual Revenue Requirement

The Commission has determined the ARR for PSTCL for FY 2016-17 at ₹1151.01 crore. Out of ₹1151.01 crore, the ARR approved for Transmission business is ₹1125.09 crore and the ARR approved for SLDC business of PSTCL is ₹25.92 crore.

8.2 Determination of Transmission Tariff

8.2.1 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.

8.2.2 The Commission in its Order dated 28.03.2016 in Petition No. 78 of 2016 ordered that the charges as approved in the Tariff Order dated 05.05.2015 for PSTCL for FY 2015-16 are to be levied w.e.f. 01.04.2016 till the date of issue of Order on the ARR filed by PSTCL for FY 2016-17. The Commission has decided to make the revised charges applicable w.e.f. August 01, 2016. As such, the charges as approved in the Tariff Order dated 05.05.2015 for PSTCL for FY 2015-16 shall continue to be applicable up to July 31, 2016.

8.2.3 The Commission in para 6.2.2 of the Tariff Order for FY 2015-16 approved SLDC charges @ ₹1.53 crore/month for PSPCL and for Long Term/Medium Term Open Access Customers @ ₹1324/MW/month of the contracted capacity. PSPCL has paid a total of ₹6.12 crore to PSTCL for the months from April, 2016 to July, 2016.

The Commission has approved the ARR of SLDC business for FY 2016-17 at ₹25.92 crore against ₹40.90 crore projected by PSTCL, as shown in Table 6.13 of this Tariff Order. As such, the balance amount of ARR of SLDC business required to be recovered in the remaining months of FY 2016-17 i.e. from August, 2016 to March, 2017, works out to ₹19.80 crore (25.92 - 6.12). The transmission system capacity projected by PSTCL for FY 2016-17 is 13261 MW (gross) and 12730 MW (net). The Commission has determined the transmission system capacity of PSTCL as 11537.30 MW (net) in para 6.2.1. At present, there is only one distribution licensee

(PSPCL) in the State of Punjab. Thus, whole of the SLDC charges of ₹19.80 crore will be borne by PSPCL during the period from August, 2016 to March, 2017, which works out to ₹2.475 crore per month. **The Commission approves SLDC charges @ ₹2.475 crore per month for PSPCL, and for Long Term/Medium Term Open Access Customers @ ₹2145/MW/month of the contracted capacity for the period from August, 2016 to March, 2017.**

8.2.4 As provided in Regulation 24(2)(c) of the Open Access Regulations, 2011, 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.

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

8.2.6 The Commission in para 6.2.5 of the Tariff Order for FY 2015-16 approved transmission charges @ ₹79.10 crore per month payable by PSPCL. PSPCL has paid ₹316.40 crore to PSTCL for the months from April, 2016 to July, 2016.

The ARR for transmission business of PSTCL for FY 2016-17 has been determined at ₹1137.28 crore, as shown in Table 6.13 of this Tariff Order. Taking into account ₹12.19 crore recoverable from PSTCL towards carrying cost of revenue gap upto FY 2015-16 as shown in Table 6.14, the ARR of PSTCL works out to ₹1125.19 crore. As such, the balance amount of ARR of transmission business required to be recovered in the remaining months of FY 2016-17 i.e. from August, 2016 to March, 2017, works out to ₹808.79 (1125.19 - 316.40) crore.

At present, there is only one Distribution Licensee (PSPCL) in the State of Punjab. Thus, whole of the transmission charges of ₹808.79 crore will be borne by PSPCL during the period from August, 2016 to March, 2017, which works out to ₹101.10 crore per month.

The Commission approves the transmission charges @ ₹101.10 crore per month payable by PSPCL from August, 2016 to March, 2017.

8.3 Determination of Open Access Transmission Charges

8.3.1 The Commission has determined the Transmission Charges of PSTCL for the period from August, 2016 to March, 2017 of FY 2016-17 as ₹808.79 crore in para 8.2.6. The Open Access Transmission Charges during August, 2016 to March, 2017 of FY 2016-17 as per the Open Access Regulations notified by the Commission are computed in Table 8.1.

Table 8.1: Long-term and Medium-term Open Access Transmission Charges for FY 2016-17

Sr. No.	Particulars	Quantum
I	II	III
1.	Annual Revenue Requirement (ARR) for FY 2016-17 (₹ crore)	1125.19
2.	Transmission Charges for the period from August, 2016 to March, 2017 of FY 2016-17 (₹ crore)	808.79
3.	Transmission System Capacity (net) (MW)	11537.30
4.	Transmission Tariff from August, 2016 to March, 2017 (₹/MW/month)	87628
5.	Long Term and Medium Term Open Access Charges from August, 2016 to March, 2017 (₹/MW/Month) of the contracted capacity (same as above)	87628
6.	Transmission Charges based on 34588 MU of energy at transmission boundary for sale in the State from August, 2016 to March, 2017, worked out on proportionate basis taking total energy at Transmission boundary for sale in the State as approved in Table 6.5 of PSPCL Tariff Order for FY 2016-17 i.e. 51882 MU (51882x8/12=34588) (paise/kWh)	23

8.3.2 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 23 paise/kWh (21 paise/kVAh) for FY 2016-17. For Long Term and Medium Term Open Access customers, these charges shall be ₹87628/MW/Month of the contracted capacity.

8.4 Date of Effect

The Commission notes that the ARR Petition of PSTCL for FY 2016-17 covers the complete financial year. The recovery of transmission charges and SLDC charges, therefore, has to be such that the total revenue requirement of PSTCL for FY 2016-17 is recovered in this period.

For reasons brought out in para 8.2, the Commission decides to make the transmission charges and SLDC charges determined above applicable from August 01, 2016 and these charges shall remain operative till March 31, 2017.

This Order is signed and issued by the Punjab State Electricity Regulatory Commission on this, the 27th day of July, 2016.

Date: July 27, 2016

Place: CHANDIGARH

Sd/-	Sd/-
(S.S. Sarna) MEMBER	(D.S. Bains) CHAIRMAN

Certified

Sd/-

Secretary
Punjab State Electricity Regulatory Commission,
Chandigarh

ANNEXURE-I

LIST OF OBJECTORS

Objection No.	Name & address of Objector
1	Sh. P.P. Singh, Vice President (E&U), Nahar Spinning Mills Ltd., Ludhiana.
2	Sh. Surinder Nath Karnail, AGM (Legal), Siel Chemical Complex, Rajpura.
3	Hansco Iron & Steel Pvt. Ltd., Mandi Gobindgarh.
4	Dr. Parveen Rathee, Regional Director, PHD Chamber of Commerce & Industry, New Delhi.
5	PSEB Engineers' Association, Patiala.
6	Govt. of Punjab, Deptt. of Power (Power Reforms Wing)

ANNEXURE-II

Objection No.1: Sh. P.P Singh, Vice President (E&U), Nahar Spinning Mills Limited, Ludhiana
Objection No.2: Sh. Surinder Nath Karnail, AGM (Legal), Siel Chemical Complex, Rajpura, Distt. Patiala
Objection No.3: HANSCO IRON & STEEL PVT. Limited, Mandi Gobindgarh
Objection No.4: Sh. Parveen Rathi, RD, PROGRESS HARMONY DEVELOPMENT, New Delhi

Issue No.1: APTEL Order dated 14.01.2016 on Appeal bearing No. 262 of 2014 of PSTCL.

The Commission has been requested to consider the above Order of APTEL on Appeal of PSTCL against Tariff Order of FY 2014-15, revised estimates of 2013-14 and true up for 2010-11 and 2011-12, vide which nine out of ten issues except calculation of interest on working capital @6.75% instead of SBI rate have been decided against PSTCL.

Reply of PSTCL:

PSTCL is filing a second appeal against the order of APTEL.

View of the Commission:

The Commission determines ARR after considering the APTEL judgment and in line with PSERC Tariff Regulations and Electricity Act, 2003.

Issue No.2: Return of Equity:

The Commission approved 15.5% ROE for FY 2010-11 to FY 2015-16 purportedly as per PSERC Regulations, leading to increase in equity share capital of PSTCL from ₹328.50 crore to ₹605.88 crore i.e. increase of 204%. Hon'ble Tribunal has directed PSERC to reconsider the issue vide judgment dated 17.12.2014, in Appeal No.168 and 142 of 2013. The Commission has been requested to determine the ROE as per the directions of APTEL and excess amount allowed to licensee with carrying cost to be adjusted. In view of the APTEL Order stayed by the Hon'ble Supreme Court against Appeal by PSPCL, the Commission is requested to review the Tariff Orders from FY 2011-12 onwards as per the pending decisions of the Hon'ble Supreme Court.

Reply of PSTCL

No Comment.

View of the Commission

The Commission has considered Return on Equity as per PSERC Tariff Regulations, 2005 and as per Order of the Hon'ble Supreme Court Refer to Para 2.9, 3.9, 5.10 and 6.14 of this Tariff Order.

Issue No.3: Transmission Losses:

PSTCL should declare the boundary metering commissioned immediately as the same is held up due to problem in system integrator after a brief operation in June and July, 2015, when Transmission losses were worked out as 2.19% and 2.88% respectively. The transmission losses trajectory of PSTCL for next 5 years be declared in Tariff Order for FY 2016-17, on the basis of 2.5% losses being taken by the Commission till date and no leverage be given to both PSPCL & PSTCL to adjust losses in their own way and pass on burden to consumers.

Reply of PSTCL:

PSTCL has installed boundary ABT meters at interface points between PSTCL and PSPCL and the remaining works will be completed by May, 2016. It is further submitted that actual transmission losses are expected to be available by the end of May, 2016. The transmission losses are available for only two months and it does not depict a true picture of loss levels of the PSTCL, so these may be considered as per our petition.

View of the Commission

Refer to para 5.4 and para 6.4 of this Tariff Order.

Issue No.4: Income from Open Access in Tariff Orders:

Non consideration of Open Access Charges in respective Tariff Orders on account of being 'Infirm' has resulted in additional liability of Income Tax in respective years and resulted in higher revenue requirement in the true up which will be ultimately passed on to the consumers in the shape of higher Tariff. Appropriate income from Open Access Charges for PSPCL and PSTCL needs to be made in the Tariff Orders.

Reply of PSTCL:

It is submitted that income from open access charges are infirm in nature and it cannot be projected as per actuals. Further, income from open access charges have declined over a period of time from ₹64.64 crore in FY 14 to ₹21 crore for H1 in FY 16. Any under recovery of open access charges compared to projected open access charges will also result into revenue gap for PSTCL.

Hence in light of the above Hon'ble Commission is requested to keep in mind the interests of PSTCL, while determining the ARR for FY 2016-17.

View of the Commission

The Commission has considered income from Open Access Charges for PSTCL for FY 2016-17 under the head Non-Tariff Income. Refer Para 6.16 of this Tariff Order.

Issue No.5: Progressive Funding of Retiral benefits:

PSTCL has sought progressive funding of retiral benefits in the ARR, which needs to be rejected as per decision of APTEL (Order dated 14.01.2016). Employee cost needs to be scrutinized as per the Regulations.

Reply of PSTCL:

It is submitted that the new employees recruited by the Appellant are covered under the New Pension Scheme **("NPS")** and are entitled to gratuity under the provisions of the Payment of Gratuity Act, 1972 and the leave salary under the Leave Rules of the Appellant Corporation. For discharging the said terminal liabilities, the Appellant has undertaken actuarial valuation towards gratuity and leave salary and the amount claimed was as per the said valuation. The principle of allowing terminal liabilities on 'pay as you go' basis as provided under Regulation 33 of the Tariff Regulations is towards funding of past liabilities of pension and gratuity to the employees covered under the old pension scheme. The above liability however has been created for meeting the current terminal liabilities of gratuity and leave encashment in respect of employees recruited by the Appellant in compliance of Accounting Standard 15 issued by ICAI and cannot be treated as unfunded past liabilities of pension and gratuity as envisaged under Regulation 33 of the Tariff Regulations. Hence the Regulation 33 of Tariff Regulation does not apply to the employees recruited by PSTCL.

View of the Commission

The Commission approves Terminal Benefits as per Regulation 33 of PSERC Tariff Regulations.

Issue No.6: Payment made to Culture Funds/Progressive Summit, Punjab:

The payment of ₹5.00 crore to Cultural Cess Fund and ₹0.31 crore to Progressive Summit Punjab (A&G expenses) by PSTCL in 2013-14 needs to be disallowed outrightly as decided in the case of PSPCL because the same neither relates to transmission business nor mandatory and should be made from internal accruals of PSTCL, to avoid the burden on consumers.

Reply of PSTCL:

It is submitted that ₹5.31 crore including, ₹5.00 crore pertaining to payment made to Culture Cess fund of Govt of Punjab being a statutory payment and ₹0.31 crore to towards Progressive Summit Punjab in the year 2013-14 are the actual expenses incurred by PSTCL in FY 2013-14. Keeping the social benefit in view PSTCL in FY 2013-14 decided to pay Culture Cess fund of the Government of Punjab and Progressive Punjab Summit as such programs help state in attracting investment and the states social and economical environment a whole. The consumers should appreciate that PSTCL is undertaking these social cause and it would also be for their benefit if the State of Punjab attracts more investments. Accordingly, it is proposed that the above expenditure claimed under this head for FY 2013-14 be allowed in this ARR of PSTCL.

View of the Commission:

The Commission has not considered the payment made by PSTCL to Culture Funds/Progressive Summit in FY 2013-14. Refer to Para 3.6.5 of this Tariff Order.

Additional issues of objection No.3: HANSCO IRON & STEEL PVT. LTD, Mandi Gobindgarh.

Issue No.1: Selective Reproduction of Data by PSTCL:

PSTCL is using selective data of various States to justify its achievements as above bench mark e.g. Transmission System Availability (Chhattisgarh, M.P., Gujarat, Tamil Nadu), Transmission Losses (Chhattisgarh, Rajasthan, Gujarat, M.P., A.P., Telangana, UP) R&M expenses (Gujarat, Chhattisgarh, Delhi & U.P.) for FY 2012-13. However for FY 2013-14 data of U.P. is not taken. Such selective reproduction of data should not be considered by the Commission for deciding revenue items as configurations of different States are different.

Reply of PSTCL:

PSTCL has prepared the ARR petition on the basis of available data. Commission may take appropriate decision in this regard.

View of the Commission

Refer to para 2.2 and para 3.2 of this Tariff Order.

Issue No.2: Employees Data w.r.t. Energy handled, establishment expenditure, revenue etc.

Details regarding number of employees at the start of the year, retirements during the year, recruitments during the year and number at close of the year, employee productivity indices with reference to energy handled establishment expenditure per employee, revenue per employee etc. need to be part of ARR and may please be supplied.

Reply of PSTCL:

Year wise detail of Employees

Sr. No.	Description	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17 (Projected)
1.	Opening Number of Employees	3122	3286	3382	3247	3094
2.	Number of Employees hired/recruited during the year	395	336	66	18	519
3.	Number of Employees death, retired and resigned during the year	231	240	201	171	134
4.	**Total (1+2-3)**	**3286**	**3382**	**3247**	**3094**	**3479**
5.	Number of retirees hired on contractual basis	148	203	203	212	212
	Grand Total (4+5)	**3434**	**3585**	**3450**	**3306**	**3691**

Other information may be retrieved from above data.

View of the Commission

PSTCL has supplied the required information.

Objection No.5: PSEB Engineers' Association, Patiala

Issue No.1: Manpower Requisition from PSPCL before outsourcing

In Table 7 Sr. no. 12 of ARR cost of outsourced manpower has been shown as ₹8.19 crore. In para 2.6.5 it is stated that this outsourcing has been done as recruitment could not be done. Transco may inform whether the requirement of manpower was first sent to Powercom and the response of Powercom thereon.

Reply of PSTCL:

The PSTCL has outsourced Data Entry Operators (DEO), Drivers, Security Personnel, Skilled Workers, Peons/Un-Skilled Workers through PESCO. Powercom is also short of these categories.

View of the Commission:

PSTCL has supplied the information sought by the Objector.

Issue No.2: Details of Assets:

It is stated that assets of ₹577.38 crore were commissioned in FY 2012-13. Transco may give the major items of assets of 400 kV and 220 kV included in ₹577.38 crore (i.e. line, bay and power transformer, of 220 kV and 400 kV).

Reply of PSTCL:

Detail of assets of 400KV, 220KV & 132KV above ₹1 crore has been supplied.

View of the Commission:

PSTCL has supplied the information sought by the Objector.

Issue No.3: Details of Lines & Transformers

Details of the following may be supplied:

a) 367.75 ckt kilometer of 400 kV line

b) 374.31 ckt kilometer of 220 kV line
c) Breakup of 3852 MVA transformer capacity added in the year

Reply of PSTCL:

Desired information has been supplied.

View of the Commission:

PSPTCL has supplied the information sought by the objector.

Issue No.4: Generation capacity:

In the case of PEDA the figures for FY 2012-13 and FY 2013-14 are as under

	FY 2012-13	FY 2013-14
PEDA GROSS (MW)	469	297

There is discrepancy as the figure of 2013-14 cannot be lower than the figure of 2012-13.

Reply of PSTCL:

These figures have been received from the office of Chief Engineer/PP & R of PSPCL. Letter has been written for clarification and as soon as it comes to us, the same will be forwarded to the concerned parties.

View of the Commission:

PSTCL should supply correct figures to the objector under intimation to the Commission.

Issue No.5: Capacity of Pragati Bhawna:

In the generation capacity table, the MW figure of Pragati Bawana is as under

	FY 2012-13	FY 2013-14
PRAGATI BAWANA MW	137	69

Figures may be cross checked as the figure of 2013-14 would not be lower than 2012-13.

Reply of PSTCL:

These figures have been received from the office of Chief Engineer/PP & R of PSPCL. Letter has been written for clarification and as soon as it comes to us, the same will be forwarded to the concerned parties.

View of the Commission:

Percentage share of PSPCL in generation capacity of Pragati Bawana in MW for FY 2012-13 and FY 2013-14 is 137.10 MW

Issue No.6: Transmission system availability:

In the case of NRLDC, the availability of each 400 kV line and asset for the month is tabulated and a consolidated statement of all the transmission lines and substations, transformers etc. of northern region is put on the website of NRLDC for each state to verify and cross check. This is important because the capacity charge of each month is dependent upon the availability of that month, and it is a billing parameter. This lustrates the principle that the availability has to be cross checked by an independent agency. However, in case of Transco the availability figures are given by the PSTCL (P&M) and compiled by CE/SLDC who is also within PSTCL organization. These figures are not independently checked. It would be desirable that the principle / procedure followed by NRLDC should be followed by which the availability data as claimed by PSTCL is cross checked and approved / confirmed by the end user which is PSPCL (CE, PP&R) and only these cross checked figures should be adopted. This principle may be adopted in the case of data given in Table 3 of page 21 and Table 42 of page 57.

Reply of PSTCL:

Transmission System Availability has been worked out as per PSERC Regulations. Commission vide its regulation no. 104 dated 16.06.2015 according to that Transmission system availability factor for the month, in %, calculated by the respective Transmission Licensee got verified and certified by the SLDC. Provided that the Commission may get the annual transmission system availability factor verified from an independent third party agency till SLDC becomes an independent entity.

View of the Commission:

Refer to paras 2.2.2 and 3.2.2 of this Tariff Order.

Issue No.7: Outsourced Staff details for FY 2012-13

Transco may inform the details of outsourced manpower and whether the effort was made to first get the requirement from Powercom.

Reply of PSTCL:

Detail of Outsourced staff during FY 2012-13 are as under:-

(i) Data Entry Operator- 32 Nos
(ii) Skilled Workers- 42 Nos
(iii) Un-Skilled Workers- 173 Nos
(iv) Security Guards- 649 Nos
(v) Security Supervisor- 155 Nos

View of the Commission:

PSTCL has supplied the information sought by the Objector.

Issue No.8: R&M Expenses for 2013-14 (Page 66-88, R&M expenses for FY 2013-14:

The summary of R&M expenses as per norms, compared with actual is as under for 2013-14:

	STU	SLDC	PSTCL
NORM FOR 2013-14 (₹ crore)	36.34	2.34	38.64
ACTUAL FOR 2013-14 (₹ crore)	45.46	1.41	46.87

Transco may give the justification for higher R&M expenses such as old equipment and requirement of maintaining/replacement of worn out parts. Also it may be clarified if this extra ₹8.23 crore expenditure is allowed, then whether additional income tax would have to be paid.

Reply of PSTCL:

₹8.23 crore is the actual expenses incurred on R&M Expenses over and above the normative calculations being old equipments and requirement of maintaining/replacement of worn out parts. If this is allowed no extra Income tax is to be paid.

View of the Commission:

The concern of the Objector has been suitably attended by PSTCL.

Issue No.9: Donations to cultural Cess Fund:

Payment of ₹5.00 crore towards cultural cess fund is not justified. Transco may supply following details/information.

a) Copy of GoP document / letter / direction may be supplied on the basis of which the payment was made.
b) Copy of approval given by Transco authority for releasing the payment.
c) Provision in article of Association or memorandum of Association of Transco under which such payment was made.
d) Whether such payment was tax free.

It is stressed that such payment should be disallowed by the Commission.

Reply of PSTCL:

The payment of ₹5.00 crores towards Cultural Cess Fund of Govt. of Punjab, Department of Cultural Affairs under the Punjab Ancient, Historical Monuments, Archeological sites and Cultural Heritage Maintenance Board Act 2013 was made pursuant to the decision taken by the Board of Directors on 13.12.2013 followed by the approval given by the members of the corporation in its Extra ordinary General Meeting on 16.01.2014 as required under Section 293(1)(e) of the Companies Act, 1956 and the Section 181 of the Companies Act, 2013. (Copy of GoP document/letter/direction and provision in article of Association or memorandum of Association on the basis of which the payment was made is hereby attached.

The above payment has been shown as A&G expenses in the Annual Accounts of FY 2013-14. Whether it is disallowed or allowed in the Income Tax, it will be decided by Income Tax authorities at the time of assessment proceedings of that financial year.

View of the Commission:

The Commission has not considered the payment made by PSTCL to Culture Funds/Progressive Summit in FY 2013-14. Refer to Para 3.6.5 of this Tariff Order.

Issue No.10: Fixed Assets Details:

Details of fixed assets may be given with respect to the main items as under:

a) 220 kV and 400 kV lines
b) 220 kV and 400 kV Transformers.

Reply of PSTCL:

Refer to PSTCL reply on issue no.2 objection no.5

View of the Commission:

PSTCL has supplied the information sought by the Objector.

Issue No.11: Excess Loans by PSPCL to PSTCL:

Details of excess loans given by PSPCL to PSTCL may be supplied. Also whether such access loans resulted in extra payment of income tax.

Reply of PSTCL:

It is clarified that the excess amount received from PSPCL is due to the difference of Tariff allowed initially and trued up figures by PSERC. This amount has been adjusted in the coming years. Income tax is paid only on the profits calculated as per Profit & Loss account and not on the basis of receipts. However, it is intimated that PSTCL has not paid any income tax during FY 2010-11 & FY 2011-12 due to book losses.

View of the Commission:

PSTCL has supplied the information sought by the Objector.

Issue No.12: Correction of Data:

There appears to be an arithmetical error against Sr. no. 11 in Table 76.

	₹ crore
STU	1089.35
SLDC	18.75
TOTAL	1029.02

The figure against total appears to be erroneous.

Reply of PSTCL:

There is a typographical error. The correct figure is ₹1108.10 crore instead of ₹1029.02 crore.

View of the Commission:

The concern of the Objector has been suitably attended by PSTCL.

Issue No.13: Overpayments by PSTCL:

As per table 77, there has been an overpayment of ₹219.36 crore from Powercom to Transco in 2013-14.

The financial condition of PSPCL was not good / healthy as there was huge revenue gap of PSPCL in 2013-14 (Ref. Page 118 of PSPCL ARR petition 2016-17, figures given for 2013-14).

	₹ crore
Net ARR	21617.15
Payment to PSTCL	1269.64 (which includes an over payment of 219.36 crore)
Interest Charges	2381.95
Revenue Gap	1151.97
Cumulative Gap	5131.38

These figures indicate that while PSPCL was facing revenue gap and incurring huge interest charges, the excess payment was made to Transco, this requires to be analyzed so that such over payments could be avoided / minimized in the future.

Reply of PSTCL:

The accounts of FY 2013-14 have now been finalized and the same have been submitted to PSERC for True Up. Any revenue surplus will be adjusted in the tariff order of FY 2016-17.

View of the Commission:

The concern of the Objector has been suitably attended by PSTCL

Issue No.14: Details of Works Commissioned in 2014-15: (True Up 2014-15)

Table shows that assets worth ₹1494.76 crore will be commissioned during 2014-15. PSTCL may supply the list of major works included in this amount viz. 400 kV lines, 220 kV lines, 400 kV Transformers, 220 kV Transformers (Review of 2015-16 ARR).

Reply of PSTCL:

Refer to PSTCL reply on issue no.2 objection no.5

View of the Commission:

PSTCL has supplied the information sought by the Objector.

Issue No.15: Details / break up of major assets added during may be supplied:

220 kV lines	342 km
400 kV substation	1
400 kV Transformers, MVA	-
220 kV Transformers with MVA	-

Reply of PSTCL:

Details have been supplied.

View of the Commission:

PSTCL has supplied the information sought by the Objector.

Issue No.16: Generation Capacity Correction:

Mukerian Hydel Stage-II (18 MW). This project was not commissioned in FY 2015-16 and its capacity figure may be deleted.

Reply of PSTCL:

Refer to PSTCL reply on issue no.4&5 objection no.5

View of the Commission:

Refer View of the Commission on Issue No.4 & 5 above.

Issue No.17: Assets Commissioned in 2015-16:

A summary (extract of annexure-1) may be given, stating the particulars of major assets to be Commissioned in FY 2015-16, item wise 400 kV lines, 220 kV lines, 400 kV Transformers, 220 kV Transformers

Reply of PSTCL:

Refer to PSTCL reply on issue no.15 objection no.5

View of the Commission:

PSTCL has supplied the information sought by the Objector.

Issue No.18: Failure of 2X500 MVA new Transformers:

2x500 MVA power transformers at Dhuri substation are reported defective / failed. Expenditure of ₹20.72 crore in H1 of FY 2015-16 and ₹20 crore in H2 of FY 2015-16 is anticipated. It is extremely unusual for newly Commissioned power transformers to fail within a short period of Commissioning. These transformers were procured by PGCIL on behalf of PSTCL. PSTCL may give the details of how these new transformers have failed. Further, whether the cost of repair and rectification is being borne by the supplier or PSTCL. The table 5.6.2 at page 97 indicates that the repair is being done at the cost of PSTCL which is not considered justified. PSTCL may give the details of the cause of failure of these new transformers and the circumstances under which the cost of repair is being loaded on PSTCL instead of the supplier.

Reply of PSTCL:

Out of 2X500 MVA Power transformers, 1 No. has failed. The transformer has failed due to some internal fault & is under repair at firms works. This transformer is under extended warranty, so no cost of repair is being made to the firm & is likely to be re-commissioned by 30.04.2016. The expenditure intimated during H1 & H2 of FY 2015-16 are related with the pending payments of PGCIL for the project. The other T/F is under observation & final decision shall be taken after outcome of the results.

View of the Commission:

PSTCL may share the cause of failure of the power transformer with the Commission and also supply performance report of transformer.

Issue No.19: Urgency of the Transformers:

Since these transformers would be urgently required to meet the load of paddy season 2016, PSTCL may inform the time schedule / time frame under which these two transformers are likely to be restored to service.

Reply of PSTCL:

Transformer is likely to be re-commissioned on 30.04.2016 as stated at Sr. no.18.

View of the Commission:

PSTCL to intimate the exact dates of Commissioning of 500 MVA Power Transformer.

Issue No.19.1: Commissioning of 2X500 MVA Transformer at Rajpura:

IT may also be informed whether the 2x500 MVA at Rajpura substation would be commissioned before the paddy season of 2016.

Reply of PSTCL:

2X500 MVA power transformers at 400KV Rajpura Sub-Station will be commissioned before the paddy season of 2016.

View of the Commission:

PSTCL to confirm the Commissioning date of 2x500 MVA Power Transformers.

Issue No.20: Assetts Capitalization for 2015-16:

The details / particulars of following assets capitalized in FY 2015-16 may be given by PSTCL

400 kV Transmission	₹73.21 crore
220 kV line	-

220kV Substation: ₹551.37 crore
(ARR for FY 2016-17)

Reply of PSTCL:

Refer to PSTCL reply on issue no.2 objection no.5

View of the Commission:

PSTCL has supplied the information sought by the Objector.

Issue No.21: Commissioning schedules of Transformers and repair charges for damaged Trfs.

(a) Position regarding commissioning of 2X500 MVA transformers at Rajpura Substation may be given by PSTCL.
(b) Expenditure incurred in repair of Dhuri transformers may be informed
(c) Schedule of commissioning of 3rd 500 MVA transformer at Dhuri may be informed.

Reply of PSTCL:

a) 2X500 MVA power transformers at 400KV Rajpura Sub-Station will be commissioned before the paddy season of 2016.
b) Refer to PSTCL reply on issue no.18 objection no.5
c) 3rd 500MVA transformer at Dhuri is expected to be received by the end of April, 2016 and likely to be commissioned by 30.06.2016.

View of the Commission:

PSTCL has supplied the information sought by the Objector.

Issue No.22: Assets Capitalization:

Details of assets to be capitalized may be given
400 kV Transmission ₹173 crore
220, 132 kV works ₹ 628 crore

Reply of PSTCL:

Refer to PSTCL reply on issue no.2 objection no.5

View of the Commission:

PSTCL has supplied the information sought by the Objector.

Issue No.23: Income from Open Access and O&M Expenses:

(a) Income expected from open access should be given as it would not be Nil.
(b) A comparison of O&M expenses as claimed in ARR vis-a-vis expenses admissible as per CERC norms is as under.

AS PER ARR (₹ crore)		AS PER CERC NORMS (₹ crore)	
Employee	406.20	400 kV Bays	19.31
R&M	51.72	220 kV bays	256.84
A&G	31.96	132, 66 kV bays	444.08
Total	489.88	400kV lines	6.91
		220 kV lines	8.64 + 4.37
		132 kV lines	6.74
		Total	746.89

O&M expenses as claimed in ARR are about 65% of CERC norms.

Reply of PSTCL:

a) PSTCL has not considered any revenue on this account due to infirm nature of open access for FY 2016-17.
b) Claims of PSTCL are much lesser than the CERC norms. However, call has to be taken by Hon'ble Commission.

View of the Commission:

a) The Commission has not considered income from Open Access Charges for PSTCL as Nil. Refer Para 6.16 of this Tariff Order.
b) The Commission determines O&M expenses as per PSERC Tariff Regulations, 2005.

Objection No.6: Government of Punjab, Department of Power (Power Reforms Wing) Chandigarh

Issue No.1: Employee Cost

The employee cost is the genuine cost of the Utility, which cannot be reduced as the Terms & Conditions of an employee can in no way be changed to his disadvantage during the course of his service.

PSTCL has proposed employees cost for FY 2016-17 at ₹406.20 crore against FY 2015-16 (Estimated) of ₹384.40 crore at growth rate of 5.67%. Since the accounts of PSTCL for FY 2014-15 are in the process finalization/Audit stage, therefore, the growth rate 2015-16 (Estimated) over FY 2013-14 (Actual) is calculated which is 7.97% for two years. It means nearly 3.98% increase is expected from FY 2013-14 to FY 2014-15.

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. Therefore, Commission is requested to allow employee cost of ₹406.20 crore for FY 2016-17.

View of the Commission

The Commission allows employee cost as per PSERC Tariff Regulations which were notified after consultation with all the stakeholders. While approving employee cost, terminal benefits and share of BBMB employee expenses are allowed on actual basis. The PwC submitted report on manpower planning to PSPCL in March, 2011, but till date, no decision has been taken by PSTCL to implement this report, despite repeated directions from the Commission. The Govt. may impress upon PSTCL to take appropriate decision on the implementation of PwC report.

Issue No.2: A&G Expensis

The PSTCL has submitted the A&G expenses as per relevant PSERC Tariff Regulations. Since PSTCL has estimated the Administration and General (A&G) Expenses on a normative basis, therefore, Commission is requested to allow these expenses.

View of the Commission

The Commission has been allowing A&G expenses after prudent check and in line with PSERC Tariff Regulations. Also refer paras 2.6, 3.6, 5.7 and 6.7 of this Tariff Order.

Issue No.3: R&M Expenses

The R&M expenses of PSTCL as reflected in the instant ARR are comparable with that approved by the Commission in last Tariff Order. The PSTCL has submitted the R&M expenses on normative basis and as per PSERC Tariff Regulations. The State Government has been taking huge initiative for "Invest Punjab". To provide quality and uninterrupted power, the transmission system needs to maintain at its best. 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 as requested by PSTCL.

View of the Commission

The Commission has been allowing R&M expenses after prudent check and in line with PSERC Tariff Regulations. Also refer paras 2.5, 3.5, 5.6 and 6.6 of this Tariff Order.

Issue No.4: Capital Expenditure

The PSTCL has submitted Capital Expenditure of ₹529.28 crore during FY 2016-17 which includes:

i) The defect removal of transmission works related with Talwandi Sabo Thermal Power Project.
ii) The finalization of the transmission works related with Rajpura Thermal Plant Project.
iii) Works related with construction of new Sub-Stations, new lines, addition and augmentation of transmission system.
iv) The works related with Automation of Five 220 KV Sub-Stations, Roof Top Photo Voltaic System, ERP, Oil and Diagnostic Lab, Interstate Boundary Metering-cum-Transmission Level Energy Audit Scheme and Training centre for the employee.
v) The work of additional 1x500 MVA transformer at Dhuri and two Bays at Nakoder.

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.

View of the Commission

The Capital Expenditure has been approved after taking into account the actual expenditure during the current year and after prudent check in line with PSERC Tariff Regulations. Also refer paras 2.8, 3.8, 5.9 and 6.9 of this Tariff Order.

Issue No.5: Transmission losses

The Commission is 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

The Commission is insisting PSTCL since issuance of Tariff Order for FY 2011-12 to complete intra-state boundary metering, so that transmission losses of PSTCL could be correctly determined and trajectory set for reduction of transmission losses. Although project for boundary metering was commissioned in July, 2013 but has still not been operationlised. Now PSTCL has assured that overall losses shall be available from July, 2016. GoP may impress upon PSTCL to ensure supply of data to the Commission. In the absence of boundary metering data, the Commission is provisionally fixing transmission losses at 2.5% subject to True up after the intra-state boundary metering data get stabilized. Also, refer to para 6.4 of this Tariff Order.

Issue No.6: SLDC Business

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.

The Commission is requested to keep in view above aspects, overall expenditure of the utility and various guidelines/ instructions issued by Ministry of Power, Government of India so that a financial, operational and technical viability of PSTCL is maintained while finalizing the tariff for FY 2016-17.

View of the Commission

The Commission has separately approved the ARR of PSTCL for its SLDC business after prudence check of the expenses projected in the ARR for SLDC business, as per its notified Tariff Regulation.

ANNEXURE-III

Minutes of the Meeting of State Advisory Committee of the Punjab State Electricity Regulatory Commission held on March 16, 2016

The meeting of the PSERC, State Advisory Committee was held in the office of the Commission at Chandigarh on March 16, 2016 to discuss ARRs and Tariff Petitions for FY 2016-17 filed by PSPCL and PSTCL. The following were present:

1	Sh. D.S.Bains, Chairperson, PSERC	Ex-officio Chairperson
2	Er. S.S.Sarna, Member, PSERC	Ex-officio Member
3	Sh. A Venu Prasad, Principal Secretary, Power Government of Punjab	Member
4	Sh. Jaspal Singh, Chief Engineer, PAU, Ludhiana	Member
5	Smt. Mona Puri, Asstt. Labour Commissioner, On behalf of Labour Commissioner	Member
6	Sh. H.S.Sandhu, SIEL Chemical Complex, On behalf of Chairman, CII, Punjab State Council, Sector 31-A, Chandigarh	Member
7	Sh. R.S.Sachdeva, Co-Chairman, PHDCCI, Punjab Committee, Sector 31-A, Chandigarh	Member
8	Er. D.R.Kataria, Jt. Director/Agri.(Engg.), On behalf of Director Agriculture	Member
9	Sh. P.S.Meena, Sr.DEE/TRD, Representative, Northern Railway, Baroda House, New Delhi	Member
10	Sh. Vinod Bansal, Financial Advisor, On behalf of Director/F&C, PSTCL	Member
11	Er. K.L.Sharma, Director/Distribution, PSPCL	Member
12	Er. Baldev Singh, Chief Engineer/ARR&TR, PSPCL	Member
13	Prof. R.S.Ghuman, Chair Professor, Nehru SAIL Chair & Head Panchayati Raj Unit, CRRID	Member
14	Sh. P Babu Raj, Zonal Manager REC, Panchkula	Member

15	Sh. Bhagwan Bansal, Punjab Cotton Factory, Ginners Association	Member
16	Er. Suresh Kumar Gupta, (Ex-Member PSEB)	Member
17	Sh. M.P.Singh, Joint Director, On behalf of Chief Executive Officer, Punjab Energy Development Agency(PEDA)	Member
18	Sh. A.S.Pabla, (Ex-Chief Engineer, PSEB) H. No.69, Phase-III A, SAS Nagar (Mohali)	Member
19	Er. S.C. Sharma, Xen (E), On behalf of Director, Local Govt. Deptt. Punjab, Chandigarh	Member
20	Sh. Rajiv Bhatia, Secretary, PSERC	Ex-officio Secretary

The Chairman welcomed the members of the State Advisory Committee and thanked everyone present for having spared time to attend the meeting. The Chairman thereafter requested the members to offer suggestions/comments on the ARR and Tariff Petitions for the financial year 2016-17 filed by PSPCL and PSTCL. He also requested the members to give their views/suggestions for utilization of surplus power available in the State of Punjab. Member, PSERC also welcomed State Advisory Committee Members and requested them to give their suggestions for promoting industries under “Make in India” programme. He also sought the views on implementation of Open Access Power policies and benefit to be given to the poor consumers in the State of Punjab.

1. <u>Prof. R. S. Ghuman, Chair Professor, CRRID</u>

Prof. R.S. Ghuman pointed out that revenue gap in the ARR petitions of PSPCL is increasing year by year. He stressed the need that it should be brought to zero, otherwise the utility will not survive, some revenue generating exercise must be done by PSPCL. He also informed that outstanding dues against the Government Departments are increasing and are very high (₹431 crore as per ARR) which need to be reduced because these are contributing towards the interest burden of the utility. He pointed out that amount of equity is same, whereas amount/share of loan is increasing. On the issue of surplus power, he suggested that MoU signed with the IPPs should be reviewed, if possible, and private generating plants should not have more than 50% share in power generation of the State. He further suggested the need that quality power should be supplied to the agriculture sector during paddy season, while the cost and subsidy paid to agriculture should be decreased to some extent to save depletion of ground water table. He further suggested that full form of abbreviations used in the ARR should also be provided at the start or at the end of ARR.

2. <u>Er. S. K. Gupta, Ex-Member, PSEB</u>

At the outset, he stated that transmission losses of PSTCL mentioned in the ARR for FY 2016-17 are about 4%. As the boundary metering has not become fully operational till now, the Commission should not allow more than 2.5% transmission losses to the PSTCL. He further informed that PSPCL is installing additional 48 RTUs on the Grid Sub-stations, instead of this, they should first complete the job of providing RTUs upto 132 kV sub-stations as many of 132 KV lines which formed closed loop of transmission system are being operated on radial mode now. If switching on and switching off control is available at SLDC, some of these lines can be operated in close loop so as to increase system stability and reduce transmission losses. SLDC is not fully equipped to have full control over transmission system as the system does not so far allow remote operations of transformers tap changers, control and operation of switchgear and opening and closing of transmission lines for optimum and most economical operation of the transmission system. All these operations should be prepared for centralized operation by modifications at grid stations so as to allow remote operation of tap changers and switch gear. He further pointed out that revenue gap and debt trap of PSPCL has increased 10 times from FY 2011-12 to FY 2016-17. The main culprit of this increasing revenue gap is adjustment of subsidy of ₹3075 crore against outstanding loan & non compliance by Punjab Govt. of the orders of the Commission to refund ₹426 crore of excess payment made by PSEB against Govt. loans. Now with the agreement signed by Govt. of Punjab with Govt. of India and PSPCL under UDAY (Ujwal Discom Assurance Yojna), State is to take over 50% of Discom debt in 2015-16 and 25% of Discom debt in 2016-17. PSERC should ensure the commitments made by the parties are honoured. There is a further rider that Banks/FIs may not lend more than 25% of Discoms previous year annual revenue as working capital loans or as per prudential norms. Projected working capital loan of PSPCL for year ending March, 2016 is ₹15000 crore. Revenue receipts projected by PSPCL for FY 2015-16 are ₹23871.16 crore. The ways and means will have to be found as to how PSPCL will meet its day to day requirements if it gets only ₹6000 crore as working capital loan against projected requirement of ₹15000 crore. On the issue of surplus power, he stated that 4 years back, he informed the Commission that IPPs in Punjab will add more woes than solving it. He stated that it will take some years to overcome this problem as power demand is not increasing more than 10% per year. The Chairman informed the members that PSPCL has been asked to release new connections expeditiously as a first step for the utilization of surplus power, and the regulations which are creating hurdles in the use of power by all categories of consumers need to be amended by the Commission. On this issue, Prof. Ghuman said that with the increase in 1% of GDP, power consumption increases by 1.5%. For utilizing surplus power, industrial growth is required in the State of Punjab and principle of marginal cost pricing needs to be applied. Shri K. K. Singla of PHD Chamber of Commerce suggested that night rebate of ₹1/- per unit in FY 2015-16 should be increased to ₹2.5 per unit in the financial year 2016-17. On this, Chairman pointed out that if some relief is given in the night rebate, then consumption of power should also increase and industry should give commitment for that. Mr. Gupta further stated that tariff rate for PIU and General Industry should be made same and some incentive should be given to the industry for consuming power more than a threshold limit, to be decided by the Commission. He further stated that in the lean period, the tariff should be less than the peak period and tariff rate should be adjusted quarterly as done in some States in India. For Domestic Category of consumers in the middle slab, some concessions in the tariff rate should be given so that they may consume more power during the year. On the use of surplus power, Joint Director/Agriculture, Government of Punjab, intervened and said that power should be consumed efficiently and it should not be wasted, otherwise it will lead to depletion of fossil fuels. The surplus power should be encouraged to be used in places where it will contribute towards the GDP of the Government. The Chairman suggested the need for setting up of a Sub Group consisting of Er. Gupta, Prof. R. S. Ghuman and a representative of the Industry for suggesting the incentives to be given to consumers for increasing the power consumption in the State. Chairman also suggested that Government of Local Bodies should also take steps to increase the consumption of power. On this, Er. K.L. Sharma pointed out that Government of Local Bodies is not paying their pending dues. Er K.L. Sharma also informed that upto January, 2016, there is a marginal increase of 0.17% in power consumption, in comparison to the previous year and out of ₹85 lakh meter connections in the State, 5 lakh connections are still pending to be shifted outside the premises of the consumers. On this, Shri R.S. Sachdeva of PHD Chamber of Commerce informed that more than 30% meters installed in Mohali circle are still inside their houses.

Er. Gupta further mentioned that agricultural based industries like Food Processing

Units, Cotton Ginning Units and Cold Storage Plants etc. should be encouraged to set up their Plants in Punjab. On behalf of Er. S.K. Anand, Member, SAC, (who could not attend the meeting), Er. Gupta informed that cross subsidy given to agriculture sector should be reduced and some tariff should be levied on rich farmers to earn more revenue for PSPCL. In case of GVK Power Plant at Govindwal Sahib, he said that no drawl has been shown in the ARR of PSPCL of FY 2016-17. On this issue, Er. K.L. Sharma, Director/Distribution informed that power purchase is done by PSPCL on merit order. So, at the time of power purchase, it will be ensured by PSPCL whether the power from GVK Plant is viable or not. He informed that COD has not been achieved so far by GVK Thermal Plant, Govindwal Sahib. Er. Gupta also stated that if PSPCL do not draw full energy as available from Talwandi Sabo TPS and Rajpura TPS and restrict it to PSPCL projections, it will still be paying fixed charges of ₹1243 crore to Talwandi Sabo and ₹376 crore to Rajpura Plant for energy not drawn. Over the years, generation from PSPCL Thermal Plants is going down and the cost of generation of PSPCL Plants is going up due to non sourcing of fuel by economical methods and uncontrolled low quality of coal being supplied by CIL. In absence of control over manipulating test results over tests done by CIL at sending end, PSPCL gets low quality of coal and has to pay cost for higher grade coal than what it actually receives. Third party testing at both sending and receiving end needs to be resorted. It will be prudent to draw as much energy as possible from Talwandi Sabo and NPL Rajpura and back down PSPCL plants as required in the merit order at the cost of projected cost generation. Er. Gupta also suggested that some units of the Govt. owned Thermal generating stations like GNDTP, Bathinda and GGSSSTP, Ropar, which are quite old and ineffective should be de-commissioned and either more efficient power generating units should be installed in their place or the land occupied by these generating stations should be given on lease for earning some revenue by the Utility. Mr. Gupta further pointed out that Hydel generation for FY 2015-16 has gone down in case of UBDC Hydel generating stations and PSPCL should analyse the causes for this. He also pointed out that Shanan Power House, Joginder Nagar will go to Himachal Pradesh as per agreement signed, in about 7 years from now. It should be given to H.P. in well maintained condition.

3. **<u>Er. A. S.Pabla, Ex-Chief Engineer PSEB</u>**

At the outset, Er. Pabla informed that as per ARR for FY 2016-17, ₹431 crore approx. is the defaulting amount outstanding against the Government departments, and pre-paid meters should be installed against connections of these departments, and cost of the meter should be recovered from the security deposited by these departments.

He expressed his concern at huge outstanding amount against various Government Departments and suggested that pre-paid meters may be introduced to check the tendency of the Government Departments not to pay electricity bills in time. He further pointed out that as per the status of compliance of directives issued by the Commission; it is evident that PSPCL has failed to execute any DSM project which is one of the important tools to reduce ARR. He specifically advocated the implementation of Agriculture DSM Programme which has a huge saving potential. Such project can be got executed through Energy Service Company (ESCO) on energy sharing basis. He pointed out that PSPCL has demanded ₹10.00 crore for FY 2016-17 to carry out various DSM activities. An investment of ₹10.00 crore in DSM Programme must reduce the ARR by ₹100 crore. He advocated that PSPCL should provide star rated motors to the farmers and recover the amount from the consumers.

4. **Sh. Bhagwan Bansal, Punjab Cotton Factory Ginners Association**

Shri Bansal informed that in Punjab, out of 422 Ginning Factories, only 60 Ginning factories are working at present and these are also on the verge of collapse due to several impediments, like role of the banks, red-tapism in the Government departments, lack of infrastructure and electricity tariff etc. These impediments are preventing the growth of industrial units in Punjab and the industrialists of Punjab are setting up/taking out their units to other states in India. He further stressed the need to remove monthly minimum charges (MMC) in case of Cotton Ginning Factories.

5. **Sh. R.S. Sachdeva, Sh. Amarjit Goyal & Er. K.K. Singla, PHD Chamber of Commerce**

Shri R.S.Sachdeva informed the Commission that the revenue gap projected by the PSPCL, is increasing year by year and there is a dire need to bridge the revenue gap. He suggested that old State owned Thermal Generating Stations should be disposed of. PSPCL is not utilizing the loans taken by it, resulting that the salaries of PSPCL employees are delayed. He further informed that PSPCL on one hand is backing down its own Thermal Plants and on the other hand is floating tenders for short term power purchase. On this, Er. K.L. Sharma stated that as work for development of Pachhwara Coal Mine allotted to PSPCL has not yet started, in order to meet the exigencies, the tender for short term power purchase has been floated by PSPCL and the power will be purchased only in exigencies.

Er. Gupta intervened to state that many States in India have surrendered costly power from the Central Pool and Govt. of India has accepted their requests. On this, Er. Sharma informed that PSPCL has also taken up the matter with the Government of India but the matter is still under consideration.

Shri R.S. Sachdeva pointed out that power should be utilized efficiently. Government of Punjab has taken no initiative for installing Solar Pump Sets, Solar Lamps and Energy Efficient fans etc. He further requested the Commission to increase the night rebate given to the industry from ₹1/- per unit to ₹2.50 per unit. He informed that the charges on open access power are more in Punjab and suggested that wheeling charges on open access power should be according to voltage level, and PLEC & ToD charges should be removed in the power surplus regime. Shri Amarjit Goyal informed that from the year 1991 to the year 2003, erstwhile PSEB have friendly relations with the consumers. But now the behavior and actions of PSPCL are anti consumer. He further stated that interest on security deposited by the consumers should be given to all the consumers and not to the consumers who have gone to the court. He further stressed the need that big industrial units and general industrial units should be encouraged to use more power and efforts should be made for setting up of new big industrial units in Punjab. Also, new industry to be set up in Punjab should not be given less tariff rate than the existing industry, otherwise existing industry will not be able to survive.

6. Er. D.R. Kataria, Joint Director/Engg., Deptt. of Agriculture

He stressed the need that PSPCL should provide Energy Efficient Pump Sets in place of existing pump sets in agriculture sector and the expenses incurred on this should be charged from the consumers. He also suggested that some charges should be levied on the agriculture consumption to stop misuse of running of agriculture pump sets, and in order to save already depleted ground water table. He further informed that Government of Maharashtra has adopted a scheme for installing Solar Pump Sets in the State. Government of Punjab should also think on the same lines. He further informed that according to the survey conducted by the Department of Agriculture (GoP), about 45 liter per hectare Diesel is consumed by the farmers during Paddy season. He further pointed out that in the ARR for FY 2016-17, PSPCL has projected 4.7% more agriculture consumption than the previous year. The Commission should carry out prudent check and allow reasonable increase, instead of 4.7%. He advocated efficient utilization of scare resources like power. He proposed that agriculture consumers must pay user charges and in return should be given a quality power supply. He expressed his concern at the depleting water table in Punjab and asserted that free power will only worsen the situation. He advocated the use of Solar power tube wells as has been encouraged in Maharashtra. He further pointed out that due to drought conditions the AP consumption during FY

2015-16 is on the higher side and should not be used as a base to allow AP consumption for FY 2016-17.

7. Sh. H. S. Sandhu, CII

Shri Sandhu stressed the need that agriculture consumption should be fixed, based upon average per acre consumption. He stated that load in the domestic sector is not likely to increase, as consumers have started using energy efficient devices. Some concession should be given in the tariff rate fixed for DS category of consumers in the middle slab for increasing consumption of power. Similarly, industrial consumers in Punjab have also started using energy efficient devices and power consumption in their case is also not likely to increase. He further suggested that PLEC should be removed, cross subsidy should be decreased in a phased manner and tariff should be fixed according to voltage level.

8. Sh. P.S. Meena, Sr. DEE/TRP , Northern Railway, Ambala.

He stated that some states in India have stopped taking ACD from Railways. Accordingly, PSPCL should not take ACD from the Railways. He also stated that demand surcharge on increase of load under certain exigencies, due to shifting of load from one section to other section by the Railways, should not be levied by PSPCL.

9. Sh.M.P.Singh, Jt.Director, PEDA

He informed that though PSPCL is likely to comply with the Solar RPO specified for FY 2015-16 & FY 2016-17 by the Commission in PSERC (Renewable Purchase Obligation and its compliance) Regulations, 2011 as amended in May, 2015, however, it may not be able to comply with the non Solar RPO for the said years. He informed that for the purpose PEDA is making efforts to facilitate commissioning of new generation projects based on renewable energy sources. It was further informed that PEDA has recently allotted two power projects of 15 MW each based on 100% use of rice straw as fuel for which petition(s) for tariff determination are likely to be filed soon by the developer(s). He requested the Commission to also determine generic tariff for such projects.

Sh. M.P. Singh further informed that in the revised tariff policy notified by Government of India on 28.01.2016, it has been provided that solar RPO trajectory may be suitably fixed/revised by SERCs so that it reaches 8% by March, 2022 and for calculating the same, consumption from Hydro generating stations is to be excluded. He requested the Commission to consider the same for revising the solar

RPO specified by the Commission in the aforesaid RPO Regulations.

10. <u>Sh.Vinod Bansal, PSTCL</u>.

Sh. Bansal raised the issue of provisions of PSERC Tariff Regulations. He suggested that rate of interest on short term loans should be allowed on the basis of short term loans only. He also expressed his views that the late payment surcharge should not be included in Non-Tariff Income. He further suggested that O&M expenses should be allowed on normative basis.