CHAMBER OF INDUSTRIAL & COMMERCIAL UNDERTAKINGS
(Govt. of India Recognized)

CICU
CHAMBER OF INDUSTRIAL & COMMERCIAL UNDERTAKINGS

OFFICE COMPLEX: E-648/A, Phase-V, Focal Point, Ludhiana -141010
E-MAIL: cicu@cicuindia.org, info@cicuindia.org, info1@cicuindia.org

Ref. No.: CICU/HO/ARR/4883
Dated: 03/01/2024

The Secretary,
Punjab State Electricity Regulatory Commission
Site No.3, Block – B, Sector – 18-A
Madhya Marg, Chandigarh - 160018

Subject: - Detailed views/ suggestions/ objections, to the True-Up for FY 2022-23 and forecast of ARR & determination of tariff for year 2024-25 w.r.t. Petition No. 63 of 2023 (PSTCL) and Petition No. 64 of 2023 (PSPCL).

Dear Sir,

Kindly refer to the notice for public hearings issued by the commission and published in the newspapers, regarding above said petitions & subject matter.

A. Chamber of Industrial & Commercial Undertakings Ludhiana being the premier Chamber of Punjab State would like to draw kind attention of the Hon'ble Commission as under : -

1. The PSPCL is hardly doing any kind of rigorous and consistent efforts to adopt the latest technology in power transmission & distribution systems. The same old equipment & technology are being used since last many years and no effort has been made to use the latest technologies such as Smart Grids and distribution system automation to reduce outage time /maintenance /man-power cost. It needs to adopt latest cost effective technology and compact man-less power plants/sub stations to reduce its operation cost and help to reduce revenue requirements.
2. **It is really a need of the hour to take the rigorous steps to recover all these kinds of pending dues along with interest from the Punjab Govt. and others so that burden of interest cost paid by PSPCL on borrowed funds to financial institutions could be reduced to a certain extent which further leads to reduce the fixed cost of the PSPCL and there would be hardly a need to increase the tariff of electricity as demanded by the PSPCL and reduce revenue requirement. Adoption of a strong will power and dedicated behaviour towards change in policies of PSPCL and Punjab Govt. are required to achieve the desired results. The fixed and the variable costs of PSPCL are higher than the adjoining states like HP, J&K and Haryana etc. the cost analysis should be done to reduce it in comparison to these states.**
3. **PSPCL should need to increase efficiency in the generation of power** through adoption of latest technology and optimum utilisation of scarce resources rather than resorting to power cuts and hike in tariff rates which will never help in the long term to survive and also not good in the public interest. The Punjab Govt. and PSPCL need to do collective efforts to tackle the problems. Repeated tariff revisions to get temporary relief will not serve the purpose.
4. **Revenue loss due to non-recovery of default amount as well as current billing charges towards the Govt. Deptts. & Boards/Trust/Corporations/Religious Bodies etc.** are increasing at significant rate/amount. Cases applied by industry under one time settlement scheme (OTS) are largely pending

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for settlement without any progress and final decision, contributing to higher cost of electricity tariff, which could otherwise be avoided. **PSERC should ensure 100% recovery of such amounts in the current year 2023-24 to reduce the revenue requirements.**

5. Misuse of free & subsidized power and unauthorized load extension particularly by AP consumers must be controlled effectively to avoid heavy revenue losses. Restructuring of demand during paddy season should be planned and executed more efficiently for regular and quality power supply to consumers.
6. **The supply of electricity can become profit making business. Quality power supply should be provided for 24 hours. Frequent scheduled/unscheduled power cuts with poor power supply must be controlled at all cost.**

B. **PSPCL should make an effective policy to improve its internal operational system by optimum utilisation of resources and adoption of latest technologies** which would definitely contribute to increase the revenue of the PSPCL. Further there is a still a big scope in saving of fixed and variable expenditures by managing them in a strategic manner **rather than always resorting to increase in tariff, cess and surcharges etc. many times in a year. Details of certain expenditures (on test check) are given below which could be controlled:**

1. **Employee Cost :**

   Restructuring of manpower in true sense is required to reduce manpower cost regularly. There is a need to employ efficient people and to ensure effective utilization of manpower at the right place and right time.

2. **Cost of Power Purchase:**

   a) The purchase cost of power from the external sources has been increasing every year which results in escalation in input cost of energy prices resulting in additional revenue requirements. PSPCL should make effective steps to arrange required power from the central pool on pool banking system or from certain other cheaper sources rather than purchasing from the open market at higher rates.

   b) The cost of power in lean periods is less but it is high when purchased in peak summer for rice growing. This extra high cost energy is purchased solely for subsidised agricultural sector. The amount of subsidy is calculated by taking the average cost of power. In this way the additional burden of subsidy is passed on to the industrial consumers. The Govt. should go for alternative crops patterns and must decrease the paddy fields. It will result in saving of costly energy and avoid the depletion of ground water level in the State. **The extra cost of energy should not be passed on to industrial consumers.** The industrial sector is already becoming sick day by day due to increase in cost of electrical energy, especially after COVID – 19 pandemic. So, PSPCL should take necessary effective steps to provide cheaper power to the industry specially MSME units in the post COVID period to revive the industry.

   c) Large number of solar power generation plants should be installed on PPP mode to produce electricity which will overall help to reduce the tariff & make it profit making.

3. **Energy Audit and T&D Losses:**

As per PSERC Directives for F.Y. 2022-23 (as per petitions), there are over all 2766 no. feeders having loses more than 15% to 90%. Instead of reduction of the feeders with losses more than 50%, it have increased from 406 to 407. 12 feeders have losses even more than 90%. PSPCL needs to focus on these in order to reduce overall T&D losses. **It indicates that the ramped theft is being allowed in the areas of these locations, which is not possible without connivance of the PSPCL's officials/officers.** These losses should not be passed on to the consumers. PSERC & PSPCL should take a serious note of this unacceptable situation and plan to achieve substantial reduction of losses to bring it in the acceptable limits immediately. Necessary legal action should be taken against the all concerned parties. **PSERC should ensure 100% recovery of such theft amounts in the current year 2023-24 so as to reduce the revenue requirements of PSPCL.**

As per MOP guidelines under APDRP, AT&C losses (Not T&D) are required to be brought to below 8% limit with annual sustained improvement. If these guide lines are followed in true spirit <u>there may be no need to increase tariff in coming years.</u>

4. **<u>Interest charges and subsidy</u>**

- As evident from the financial of PSPCL, **Borrowed Funds are increasing every year** of PSPCL which ultimately effects the overall cost of the PSPCL and increase per unit cost of power. **Effective steps should be made to recover the following dues from various sources which would help to reduce the borrowed funds.**
- Further impact of interest paid on Borrowed Funds on account of non-recovery of **Gap Tariff** etc. from the Punjab Govt. should be calculated for payment. So that PSPCL may repay all such dues in time, and need not to borrow more funds for survival.
- Interest payment should be worked out through loan bailout by the Govt. or through asset selling (spare land/ building etc.) and should not be passed on to the customers. There is enough land with PSPCL, which can be spared (and sold to repay the loans) by constructing multi-storey buildings & compact power substations.
- Subsidy to scheduled casts/weaker sections of Society and AP consumers should be given in cash / direct transfer in their bank accounts by the Govt. instead of providing free electricity through PSPCL. It will lead to stop misuse of energy.
- **Punjab Govt. subsidy to all domestic consumers as reimbursement to PSPCL on account deduction in tariff rates up to Rs. 3.00 per units with sanctioned load up to 7KW and reduction of fixed charges to levied from medium supply consumers by 50% should be reimbursed at the full tariff rate (applicable to these consumers). The gap tariff should not put any burden on the industrial consumers in the form of increase in industrial tariff and additional cess & taxes.**

C. **The major ingredients which are forcing PSPCL to increase the tariff rate / demanding more revenue requirement for the proposed F.Y. 2023-24 are interest paid on borrowed funds and its payback instalments, which can be reduced by recovery of remarkable dues from the Punjab Govt. & defaulted customers, subsidy gap tariff and costly power purchase, besides improving working efficiency and low cost generation of solar power. All these factors are required to be controlled immediately without any further delay, otherwise, it would majorly effect the financial health of the industry directly and subsequently that of the PSPCL and the Punjab Govt.**

Suggestions are given bellow:

1. The Quantum of subsidy amount to the AP Consumers should be reduced drastically by conscious planning with long term vision by Punjab Govt. such as reducing the area under paddy fields with alternate suitable cropping pattern implementations and levying some suitable tariff instead of total free electricity.
2. PSPCL should increase its base of equity rather than resorting to borrowed funds and further the loan bailout plan through waive off/repayment by selling the non-performing assets etc. should be worked out without further delay so that heavy interest expenses on borrowed funds could be avoided in future otherwise Situation would be so pathetic of industrial consumers but also with majority of public. On one hand, free electricity is being given to certain class of customers and on the other hand, the energy bill will become unaffordable by all other categories of consumers especially MSME and other industrial consumers.
3. PSPCL is a service sector utility and it should operate at optimum efficiency by utilizing the optimum use of resources, may it be material or man power. Efficient utilization of all these would help in reducing its overhead charges. It should increase its productivity and reduce its losses by introducing the latest technologies rather than charging extra cost from the consumers, especially MSME and Industry.
4. With the increase in the per unit price of electricity consumed in the way proposed by the PSPCL will lead to exorbitant rise in input cost of the industry and It will have no option but to close their units or shift to other states. The competitions have become global, it may not be able to compete the open market. The closure of industrial units will not only affect the prosperity of the state but will result in un-employment and unrest in the state also.
5. Upgrading more and more existing power transformers are being added at the existing grid sub stations in the cities instead of erecting new sub stations near the load centre. New sub stations are being proposed/erected at technically-non-suitable locations under compulsions, which are resulting in more T & D losses and poor quality of power. State Govt. should be impressed upon to provide land to the PSPCL for construction of more substations in the cities to ease the bottlenecks of grid constraints so that the atmosphere is more conducive for growth of the industry. This will reduce the cost of lines, substation structure/line loses.
6. During the heavy rain/storms, all feeders get tripped. On those days, the demand decreases due to tripping of all the feeders and drastic fall in temperature and the thermal plants of PSPCL run without load. It is felt that it may not be possible to re-energize all feeders in short span of time to ensure continuity of supply under all-weather condition by adaption of digital technology and mobile service/maintenance vehicles. Feeders having prominent/bulk industrial & commercial loads (which are independent of weather) should be robust enough to with stand it, so that surplus power is used and billed in that period.

D. In the end it is submitted that:-

1. On the one hand PSPCL is claiming power surplus scenario, on the other hand it is demanding additional revenue/tariff revision from PSERC. What is the benefit of the power plants being

commissioned in the state (by private players) to the **PSPCL Customers?** PSPCL should purchase cheaper power from the Power Grids. The alternate power shall be at cheaper rates. This benefit shall be passed on to the customers rather than to adjust it as subsidy being given to certain class of PSPCL consumers.

2. The entire world and the leading states of India are going for green energy, whereas Punjab is still going for the old technology of thermal plants by the Private Suppliers. Therefore, more Green Energy / Solar Power generation capacity should be installed in the state on PPP mode. For existing solar energy producers and giving (exporting) power to PSPCL Grid **should be paid the excess exported units** (other than imported units/self-consumption) at the commercial rates of their category in the respective financial year (ending 31st Sept.). So that consumers of all categories come forward to install solar system. At present surplus generated solar units are elapsed and PSPCL is charging 10% off generated units. Whereas excess generation is made by solar system are used by PSPCL without incurring extra expenses. It should be rectified immediately.
3. On the one hand, benefits are being given by the State Govt. for investment in Punjab and on the other hand, no relief is being given to the existing units which are getting sick day by day and moving out of State. Therefore, power tariff incentives should be given to the existing and new industry.
4. PSPCL is going for system up-gradation and network augmenting work in all major cities of Punjab through R-APDRP .On the one hand PSPCL is charging higher tariff from industrial consumers and on the other hand nothing is being done to ensure the quality and reliability of supply of power to the industry.

In view of the facts explained as above, the Chamber of Industrial and Commercial Undertakings – CICU again requests the Hon'ble Commission not to allow any additional revenue requirement, rather it should issue guidelines to PSPCL to reduce the revenue requirements, power tariff, cess and surcharges to consumers especially MSME, which is contributing significantly to the revenue of the PSPCL and GDP of the Nation.

Thanking you.
Yours faithfully,

(UPKAR SINGH AHUJA)
PRESIDENT
Email: cicu@cicuindia.org | Mob. No. 98158-00622

CC:
The Chief Engineer/ARR & TR,
PSPCL
Shad No. F-4, Shakti Vihar,
Patiala - 147001
Email: ce-arr-tr@pspcl.in

CC:
The Chief Engineer/P&M,
PSTCL
Regd. Office: PSEB head Office
The Mall, Patiala - 147001
Email: fa@pstpcl.org

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PUNJAB STATE TRANSMISSION CORPORATION LIMITED

PUNJAB STATE TRANSMISSION CORPORATION LIMITED
(Regd. Office: PSEB Head Office, The Mall, Patiala-147001, Punjab, India)
Corporate Identity Number: U40109PB2010SGC033814
Office of the Chief Accounts Officer/F&A
3rd Floor, Opp. Kali Mata Mandir, Shakti Sadan, Patiala.
www.pstcl.org Fax/Ph. No.0175-2970183 Email: fa@pstcl.org

To

The Secretary,
Punjab State Electricity Regulatory Commission,
Site no. 3, sector 18A, Chandigarh-160018

Memo No. 29 /CAO(F&A)/MYT-III (APR-I)
Dated: 12/01/24

(CP-24)

Subject: **Objection No. 2 raised by Chamber of Industrial & Commercial Undertakings, Ludhiana in Petition no 63/2023 of PSTCL.**

Ref: Your Office E mail dated 05.01.2024.

In response to email under reference, it is submitted that the objections/suggestions/comments raised by Chamber of Industrial & Commercial Undertakings, Ludhiana relates to PSPCL.

O/c Chief Accounts Officer (F&A)
PSTCL, Patiala

Priyanka 12/01/2024 12/1/24 Kritika 12/1/24

PSTCL. Objection No. 03

President (M) 98279-53815

CTU

CYCLE TRADE UNION (REGD)

AIRI CYCLE, 110-111,NEW CYCLE MARKET
GILL ROAD, MILLER GANJ, LUDHIANA-141003

REGISTERED

4/1/24 UA

CTU/333/2024

01/01/2024

The Secretary
Punjab State Electricity Regulatory Commission
Site No. 3, Block-A, Sector-18, Madhya Marg, Chandigarh-160018

Subject : **Petition No. 63 of 2023 of PSTCL appeared in the Tribune Dated 16-12-2023.**

Dear Sir,

Reference your advertisement appeared on the above noted subject.

In reply, Our Association strongly oppose, resent any increase, amendment for previous & next years with retrospective effect in Tariff as well as fixed charges for all types of consumers of PSTCL of Punjab.

Moreover, The Tariff as well as fixed charges of Punjab are already unbearable. If the PSTCL can't control their inventories and losses as described. Please handover these white elephants of Punjab to the private players as is done by the Central Government.

Our Association is going to participate in the PSERC, Ludhiana public hearing dated 04-01-2024.

Thanking You
Your Faithfully

FOR CYCLE TRADE UNION (REGD.)

(Jaswant Singh Birdi)
President

Chief Account Officer (Finance and Audit) PSTCL, 3rd Floor, Shakti Sadan,
Opp. Kali Mata Mandir, The Mall, Patiala – 147001 as a proof of service.

SCF 3-4, Green City Col...

pstcl

PUNJAB STATE TRANSMISSION CORPORATION LIMITED

Regd. Office: PSEB Head Office, The Mall Patiala — 147001, Punjab, India.
Corporate Identity Number: U40109PB2010SGC033814 (www.pstcl.org)
(Chief Accounts Officer (F&A), 3rd Floor, Opp. Kali Mata Mandir, Shakti Sadan, Patiala
Fax/Ph. No. 0175-2790183, Email: fa@ pstcl.org

Tribune 16/12/23

Public Notice in respect of

Petition for True up of Capital Expenditure for 2nd MYT Control Period (from FY 2020-21 to FY 2022-23), True up of ARR for FY 2022-23, Revised Forecast of ARR and Determination of Tariff for FY 2024-25, filed by Punjab State Transmission Corporation Limited (PSTCL) before Punjab State Electricity Regulatory Commission.

1. Notice is hereby given to all that the Punjab State Transmission Corporation Limited (PSTCL), engaged in electricity transmission and the functions of State Load Dispatch Centre, has filed Petition before the Punjab State Electricity Regulatory Commission, Chandigarh under Section 62, 64 & 86 of the Electricity Act, 2003, for approval of True up for FY 2022-23 and True up of Capital Expenditure for 2nd MYT Control Period (from FY 2020-21 to FY 2022-23) read with Regulations 9 to 13 of the PSERC MYT Regulations, 2019 and approval of revised forecast of ARR for FY 2024-25 read with Regulations 10 & 11 of the PSERC MYT Regulations, 2022. The Petition has been admitted by the Hon'ble Commission vide its Order dated 07.12.2023 as Petition No. 63 of 2023.
2. For the information of general public/stake holders, the summary of the submissions as contained in the table 39 and 60 of the Petition is as under:-

ARR of Transmission & SLDC Business (Rs. Crores)

Sr. No.	Particulars	FY 2022-23 (True up)		FY 2024-25 (Revised ARR)	
		STU	SLDC	STU	SLDC
a.	Employee Cost	828.13	12.55	946.50	17.84
b.	A & G Expenses	32.43	1.05	39.93	1.89
c.	R & M Expenses	35.72	0.80	38.10	0.88
1	**O&M Expenses**	896.28	14.39	1024.53	20.61
2	Depreciation	312.11	2.16	346.03	4.61
3	Interest Charges	267.73	1.17	250.94	3.03
4	Interest on W.C.	38.29	0.68	43.10	0.94
5	ULDC Charges	0.00	12.52	0.00	12.52
6	Return on Equity	131.49	0.00	162.94	0.00
7	Other Debits	1.23	0.00	0.00	0.00
8	**Gross ARR**	1647.13	30.93	1827.54	41.71
9	**Less:** (i) NTI	29.22	0.25	29.22	0.25
10	**Less:** (ii) OA Charges	4.22	0.12	4.22	0.12
11	**Net ARR**	1613.69	30.56	1794.10	41.35
12	**Add:** Incentives TS Availability	11.69	—	—	—
13	**Add:** Incentives TS Loss	30.72	—	—	—
14	**Total ARR**	**1656.10**	**30.56**	**1794.10**	**41.35**

3. The cumulative impact of True up of CAPEX for 2nd MYT Control Period, including carrying cost amounting to Rs. 5.14 Crore has been included in the ARR of FY 2024-25.
4. Copies of the Petition along with the deficiencies/further information sought by the Commission are also available in the office of the CAO (Finance & Audit), PSTCL, 3rd Floor, Shakti Sadan, Opp. Kali Mata Mandir, The Mall, Patiala. Liaison Officer, PSTCL Guest House, Near Yadvindra Public School, Phase-8, Mohali. Chief Engineer/P&M, PSTCL, Ludhiana and SE/P&M Circles, Ludhiana/Patiala/ Jalandhar/Amritsar/Bathinda. Soft copies of the same are also available on the website "**www.pstcl.org**" of PSTCL and "**www.pserc.gov.in**" of PSERC and can be downloaded there from.
5. Interested persons may inspect and peruse the said Petition and take notes thereof during office hours at the above said offices free of charge.
6. Copies of the above documents can also be obtained from the above offices on payment of **Rs. 600/-** for each set.
7. Objections to the said Petition, if any, together with supporting material, may be filed with the Secretary, Punjab State Electricity Regulatory Commission, Site No. 3, Madhya Marg, Sector-18A, Chandigarh in person or through Registered Post so as to reach within **21 days** of the publication of this notice. Copy of the same must also be sent to the Chief Accounts Officer (Finance & Audit), Punjab State Transmission Corporation Limited, 3rd Floor, Shakti Sadan, Opposite Kali Mata Mandir, The Mall, Patiala and proof of service of the same must be enclosed with the filing made to the Secretary, Punjab State Electricity Regulatory Commission, Chandigarh.
8. The objections as above should be filed in ten number copies and should carry signature full name and postal address and telephone/mobile number/email ID of the person sending the objections. All the objectors may also send a soft copy of their objections to the Secretary, Punjab State Electricity Regulatory Commission Chandigarh at email "**secretarypsercchd@gmail.com**". If the objection is filed on behalf of any organization or any class of consumers, it should be so mentioned. It may also be specifically mentioned if the person putting in objections/comments also wants to be heard in person.
9. The Punjab State Electricity Regulatory Commission, after perusing the written objections received in response to this notice may invite such objector(s) as it considers appropriate for a hearing on dates which will be notified by the Commission in due course.

Sd/- CAO/(Finance & Audit), PSTCL, Patiala.

DPR/Pb/30691

PUNJAB STATE TRANSMISSION CORPORATION LIMITED
(Regd. Office: PSEB Head Office, The Mall, Patiala-147001, Punjab, India)
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Office of the Chief Accounts Officer/F&A
3rd Floor, Opp. Kali Mata Mandir, Shakti Sadan, Patiala.
www.pstcl.org Fax/Ph. No.0175-2970183 Email: fa@pstcl.org

To

The Secretary,
Punjab State Electricity Regulatory Commission,
Site no. 3, sector 18A, Chandigarh-160018

Memo No. 44 /CAO(F&A)/MYT-III (APR-I)
Dated: 16/01/24

(P-37)

Subject: **Objection No. 3 raised by Cycle Trade Union (REGD), Ludhiana in Petition no 63/2023 of PSTCL.**

Ref: Your Office E mail dated 10.01.2024.

PSTCL has projected the ARR & Tariff for FY 2024-25 in line with the applicable regulations as specified by the Hon'ble Commission. Projections are made on the basis of estimated Capital Expenditure for the Infrastructure development projects to be carried out in near future as approved by Hon'ble Commission.

Further, it is also submitted here that consumer interest has also been considered by Hon'ble Commission while approving the future projects of PSTCL. The same is also subject to True-Up on the basis of Audited Accounts for FY 2024-25, which will be available later on.

Chief Accounts Officer (F&A)
O/c PSTCL, Patiala

Priyanka 16/01/2024
16/1/24.
Kritika 16/1/24

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16/01/24

CC: Sh. Jaswant Singh Birdi, President, Cycle Trade Union (REGD), AIRI Cycle, 110-111, New Cycle Market Gill Road, Miller Ganj, Ludhiana-141003.

Objection No. 05

STEEL FURNACE ASSOCIATION OF INDIA
(Punjab Chapter)
C/O. Upper India Steel Mfg. & Engg. Co. Ltd.
Dhandari Industrial Focal Point
LUDHIANA-141010
Phone: 0161-2670530-35 Fax: 0161-2671898

Dt.: 09/01/2024

Ms. Parneet M. Suri,

Secretary, PSERC

Sector 18-A, Chandigarh.

Subject: Comments on Petition no 64 of 2023 related to PSPCL tariff determination and Petition no 63 pf PSTCL for FY 2024-25 and true up FY 2022-23

Respected Madam,

This has reference to the PSERC Public Notice related to petition no 63(PSTCL) and petition no 64(PSPCL) of 2023 for tariff determination for FY 2024-25 and True up of FY 2022-23. We have given our comments in the PSERC's Public Hearing on the aforesaid matter on dated 9/1/2023 through virtual hearing/online. Please find in attachment our comments on the same petition in writing as well.

Thanks and Regards

Yours truly

Dr. Harish Anand

Corp.stgplng@vardhman.com

Ph 8146625327

PSPCL Annual Revenue Requirement & TARIFF APPLICATION FOR True up FY2022-23 and Projections for FY2024-25

These comments upon the revenue requirement of the PSPCL for the aforesaid years are being offered in the light of principles enunciated in the Electricity Act, 2003, State Electricity Regulatory Commission's regulations, tariff orders passed by the PSERC in the past and decision of Appellate Tribunal for Electricity. It is submitted that true up for FY 2022-23 and projections for FY 2024-25 should be based on MYT regulations only and extra expenses claimed by PSPCL should not be accepted simply because such expenses are actually incurred.

Before commenting on the revenue requirement filed by the PSPCL for the aforesaid years, we would like to address upon certain issues on principles which have bearing on finalization of ARR by the Commission from year to year.

1. **Return on equity**

   PSPCL had equity base of Rs 6081.43 Cr on 16.4.2010 as per FRP approved by GOP when PSEB was bifurcated into PSPCL and PSTCL. This comprised of an amount of Consumer Contributions & Govt Grants of Rs.3132.35 crore, which was converted into equity of GOP by PSPCL at the time of finalization of Transfer Scheme and FRP and the same was admitted by PSERC as well. Though the matter regarding conversion of Consumer Contributions and Govt Grants into equity has not been approved by APTEL as well as CAG, still on a SLP filed by PSPCL in Supreme Court, the matter is under litigation and because of Stay granted by The Supreme Court, PSERC is granting ROE on Rs 6081.43 Cr to PSPCL and 605.88 Cr to PSTCL. APTEL had observed that the Govt can hold any amount as equity in PSPCL (and PSTCL) but ROE needs to be granted only on actually subscribed and paid up equity only i.e. cash money which has been infused need to be counted as equity for the purpose of ROE.

Subsequently, MOP, GOI introduced UDAY scheme for stressed power sector and PSPCL, GOP and MOP entered into a tripartite agreement as per which PSPCL loans of Rs 15628.26 Cr were to be taken over by GOP through issue of SLR bonds by banks in the name of GOP and loans were to be taken off the books of PSPCL. It is not known whether the SLR bonds were actually issued or not. However, the UDAY scheme was up to 31.3.2020 and PSPCL proposed in previous year's ARR 2020-21 to convert the loan amount of Rs 15628.26 Cr as GOP equity in PSPCL thereby increasing GOP equity from 6081.43 cr to 21709.69 cr. It was also proposed to recover ROE on this loan converted equity amount of Rs 15628.26 @ 15.90% which works out to Rs 2485 Cr in addition to Return on Equity on Rs 6081.42 crore. Thus by simply maneuvering the entry of loan amount to equity, consumers were to be asked to pay 3423 Cr. This is clearly against the interest of the consumers. However, as per the Tariff order dated 28th May 2021 passed by this Hon'ble Commission, claim of such return on equity was rejected by the Commission and ROE was kept the same at Rs.974.74 crore on equity of Rs. 6081.43 crore for FY 2020-21.

Instead of agreeing to the decision of the Commission and knowing fully well that the equity amount being not a cash flow does not qualify to be equity for ROE purpose, and being aware of the fact that APTEL has already rejected PSPCL's previous similar attempt and an audit para in this regard is already raised by CAG, Now in current ARR for FY 2024-25 dated 30th November 2023, PSPCL has claimed ROE on the earlier amount with a rider that it is subject to the out come of litigation pending in Supreme Court and APTEL. It is being claimed by PSPCL in APTEL that out of Rs.15628.26 crore, Rs.2246.77 crore were spent on capital expenditure and 13381.49 crore were working capital loan, out of which Rs.2346.19 crore were also diverted towards capital expenditure. As per PSPCL, taking together, Rs.4592 crore should be treated as equity and return on equity should be now allowed on Rs. 10674 crore (Rs.6081.43 crore + Rs.4592 crore). PSERC and APTEL have amply made clear that only cash flow is to be treated as equity for the purpose of ROE, MYT regulations provide that equity should be actually infused for creation of useful assets. Therefore, there is no case for allowing Return on Equity beyond Rs.6081.43 crore, which in principle is also under litigation, on which APTEL has decided adversely and matter is in Supreme Court. It is also pertinent to mention that all the assets considered for supply of electricity to the consumers of the States as admitted by PSERC are already accounted for and linked with corresponding source of funding through debts. Hence, there is apparently no case for allowing return on equity beyond the admitted amount of equity.

<u>It is pertinent to state here that PSPCL submitted the effect of UDAY scheme on the ARR of 2016-17 vide its letter no 481/CC/DTR/Dy CAO/245/Vol 1 dated 12.4.2016 which clearly states that whole of the amount taken over by GOP under UDAY scheme comprises of debt</u>. Further, the tripartite agreement executed under UDAY scheme provided that 75% of the amount taken over by GOP will be converted into grant of GOP to PSPCL at the close of the scheme. Further, GOP was to compensate the loss of PSPCL in a graded manner. However, so far neither any grant has been given by GOP in terms of UDAY tripartite agreement nor any loss compensation has been given/shown in ARR. Thus, PSPCL has failed to get any relief in the form of Grant of 75% of debt or compensation for the losses which would have given relief to the consumers in the shape of lower tariffs but has acted proactively to convert whole of the loan of GOP into equity and claim ROE for the same to load the consumers through higher tariff. The demand needs to be rejected out rightly.

It is evident that in violation of the UDAY Scheme resolution, the amount of debt of Rs.15628 crore was converted into equity by PSPCL. As such, return on such debts has been artificially increased by showing it as equity and return sought is almost double as Regulations provide for return on equity @15-16% assuming 70:30 ratio of debt and equity. Even in such case, the amount of equity is to be kept at actual or 30% whichever is lower. **<u>Hence, it is the basic tenet that higher return should not be given on equity, when it is not infused in cash and debt should not be proposed by PSPCL / allowed by PSERC to be camouflaged as equity with the sole aim of claiming higher return.</u>**

It is also highlighted here that as per PSPCL’s own admission, the assets created by PSPCL as well as erstwhile Electricity Board/Electricity branch of PWD through debt, consumer contributions and Govt grants and not through any infusion of equity, there is need to investigate the source of funding of assets created by Discom/Board. It is pertinent to note that PSPCL has itself admitted that gross fixed assets of GNDTP were created through loans and no infusion of equity was made at any stage. (***Reference para 2.20, page 56-57, Tariff Order dated 28th May 2021***). The relevant part is reproduced below

"The Commission has considered project-wise RoE based on the RoE approved in True-up of FY 2017-18. As PSPCL did not submit project-wise/ plant-wise equity during the True-up of FY 2017-18, the allocation was done based on GFA. Further, PSPCL had submitted project report of GNDTP in which it is mentioned that there had been no infusion of equity in GFA of GNDTP and the same was financed completely through loans."

In this regard we wish to draw the attention of the Hon'ble Commission to Tariff order 2002-03 which clearly states as under:-

> ***6.10. EQUITY AND RETURN ON EQUITY***
>
> *The Government of Punjab has declared the PSEB as a body corporate with a Capital of Rs. 5 crores with effect from 10th Mach 1987 under Section 12A of Electricity (Supply) Act 1948 and converted Rs. 1612 crores representing Government loans granted upto 3/90 into equity during 1991-92 and Rs.1189.11 crores representing 50% of loans granted during 1990-91 to 1994-95 in 1996-97. The total State Government Equity in PSEB is Rs.2806.11 Crores.*

Further no ROE was allowed in the tariff Order 2002-03 by this Hon'ble Commission under **Electricity Regulatory Commissions Act, 1998 and** Electricity (Supply) Act 1948 and only 3% Return on Net Fixed Assets were allowed till 2005-06. ROE was allowed only from 2006-07 on Equity of Rs 2946.11 Cr as per Para 4.15 of TO. Evidently, as stated above, the equity shown then was also loans camouflaged as Equity to get higher returns.

In this regard, it is worth mentioning that

i. Initial equity of Rs. 2946.11 crore of Punjab State Electricity Board, which became equity of PSPCL is also nothing but government loans, which was got converted into equity on different occasions by the then PSEB management(s) to reduce loan liability in its Books and to escape liability of payment of Interest on such loans to insulate consumers from increase in tariff prior to setting up of Regulatory regime. While there is no objection on such conversion for accounting purpose but for fixing tariff, apparently, there is no differentiation between loans given by Government of Punjab to Board/PSPCL and equity. In fact, all the assets of PSEB/PSPCL/PSTCL were/are created by borrowing and a part of it shown as equity of Board. This evidently has been done to help the then PSEB now PSPCL/PSTCL to reduce its interest burden as no ROE/dividend is payable to Government of Punjab till PSEB/PSPCL?PSTCL incurs losses. Thus a methodology devised to keep the tariffs on lower side is now being used to increase income of PSPCL by unduly loading the consumers and meeting the losses due to inefficient working of PSPCL. Consequently, the consumers of the State are burdened with the higher tariff and financial loss in the form of 15%-16% Return on Equity on such amount, which is in fact a government loan on which not more than 7-8% interest needs to be allowed.

ii. The consumer contribution and Govt grants, which have been shown as part of equity (Rs.3135.32 crore) is also not equity in any sense and the same should be reduced from the equity and taken back to consumer contribution or to be written off for ARR purpose and no return on equity to be allowed on the same. In this regard, MYT regulations of PSERC and APTEL decision should be relied upon-when no tangible benefits are given to consumers through equity infusion, the same cannot be burdened with higher interest cost in the garb of return on equity.

iii. PSPCL has claimed Rs.15628 crore as equity for previous years, out of it Rs.4592 crore is claimed as additional equity over and above of Rs.6081.43 crore and return on equity is claimed on the same for FY 2021-22 and FY 2022-23. Tomorrow, if PSPCL raised loans from some sources, invest and create some assets and show the same as equity instead of loan for ARR purpose, how commission would approach the same?

In the light of above facts, it becomes obvious that PSPCL has been trying to show higher and higher amount of funds raised through loans as equity to claim higher return on the same in the form of return on equity @15%-16%, which is about 7-8% higher than normal interest loan i.e almost double benefit for PSPCL. While the matter of fact is that all funds invested for capacity creation for supply of power are borrowed funds on which only normal interest is to be paid. The methodology being adopted by PSPCL and PSTCL has been resulting into higher cost of supply year after year, which need to be looked into. Such a view become quintessential in the light of observations made in the **REPORT OF THE FORUM OF REGULATORS ON "ANALYSIS OF FACTORS IMPACTING RETAIL TARIFF AND MEASURES TO ADDRESS THEM" (2020).** Incidentally, ex Chairperson, PSERC happened to be chairperson of the Committee which prepared the above said report and Staff of this Hon'ble Commission may be aware of the same. The report analyzes the mechanism of the tariff fixation in detail and need for bringing modifications to make it more relevant and reduce the power tariff in different states. In para 2.1.3 of the report, which deals with fixed cost related factors, it is mentioned that

"*A comparison of the RoE allowed by different States for generation, transmission and distribution revealed that the post-tax RoE has been in the range of 14% - 16%. An analysis was also made regarding the prevailing cost of debt and it was found that the lending rate has been on the lower side for quite some time. While the RoE has an element of risk premium, the data analysis revealed the need for reconsidering the RoE keeping in view the prevailing prime lending rate and 10 - year G-Sec rate.*

On return on equity, following observations have been made on page 22 of the report in para 4.1.1, which is reproduced below:

4.1.1. Return on equity allowed to Generation/ Transmission and distribution companies needs to be made more realistic and at par with interest rates.

- *RoE for generation and transmission should be linked to the 10 year G Sec rate (average rate for the previous 5 years) plus risk premium subject to a cap as may be decided by appropriate Commission.*
- *For a discom, the RoE could be fixed based on the risk premium assessed by the State Commission. Income tax reimbursement should be limited to the RoE component only.*

- *Performance of Distribution licensees has a significant impact on retail tariff for the consumers. Therefore, there is a need to link recovery of RoE with the performance of the utilities, based on the indicators such as supply availability, network availability, AT&C loss reduction".*

  Similarly the tendency of financing of the new capital works through reinvestment of the ROE earned through tariff (as is being resorted to by PSTCL) should not be allowed as such ROE belongs to GOP and should be paid to GOP.

Prayer

A. In the light of above observations, it is necessary that return on equity need to be reduced drastically from the present level of 15%-16% to average long term rate of interest on government borrowings (to about 7-8%), linking it with return on government security for 10 years or more. This would result into

   i. Lower cost of supply leading to lower tariff for consumers and lower subsidy burden on Government of Punjab while fully reimbursing all genuine borrowing cost. (Let there be no mistake in accepting the fact that full financial requirements of PSPCL based on actual basis cannot be met as has not been met in last about 20 years and is also not obligatory on the Commission and the principle of inefficiencies not to be rewarded has to be followed.)

   ii. As all projects are financed by borrowing funds from banks and other financial institutions, as also admitted by PSPCL itself (the fixing of return on equity, which is essentially interest cost on borrowed funds), at par with interest rate given on long term borrowing would water down the intentions of PSPCL to charge higher return on equity to meet unapproved expenditure and discourage such practices in future also.

   iii. In no case, GOP/PSPCL be permitted to convert Consumer Contributions and Govt grants as equity.

B. **Reduction in equity base by difference of accumulated depreciation exceeding debt repayment**.

It is not under stood as to how the amount of Equity is constant for the last more than 10 years though Hon'ble Commission is allowing depreciation of 90% of the cost of assets continuously for paying off the debt raised for creation of assets. In this regard, it is imperative that asset wise financing of debt and equity and depreciation earned for that asset be ascertained and placed in Public Domain. Further, excess of depreciation reserve over the loan amount paid back should be worked out and reduced from the equity base, if any. In case, there is no equity for the creation of asset, then such excess of depreciation should be used to reduce the costly loan amount raised for capital creation purpose. This would result into lower fixed cost of supplying power to consumers and also reduce the subsidy burden of the Government of Punjab.

2. Norms of operation for generating stations

PSPCL has asked for relying on actual figures for generating stations which are quite old and as such could not meet the parameters given in MYT regulations. In this regard, PSPCL has also relied upon CERC regulations. PSPCL has also asked for relaxation in PSERC MYT regulations for this purpose. This matter has been fully dealt with in the earlier tariff order (for example Tariff Order FY 21-22 dated 28th May 2021 on page no 82-90, under para 3.7.) No new information has been put forward by PSPCL. Hence there is no reason to revisit the approved norms set by PSERC and accordingly power generation and norms thereon need to be trued up as per Regulations.

3 Segregation of Accounts for Distribution, retail supply and generation business of PSPCL.

Electricity Act came into operation in 2003 and erstwhile, PSEB was bifurcated into PSPCL and PSTCL on 16.4.2010 whereby PSPCL was assigned the Generation, Distribution and retail sale components of the business and PSTCL was assigned the Transmission and SLDC business. Since then the accounts of the PSPCL and PSTCL are being prepared on aggregate basis and ARR is allocated on normative basis in the ratio of Fixed Assets of each sub business.

The statutory requirement of maintaining separate accounts is being defied with for the last 12 years and Hon'ble Commission is also accepting the arguments of PSPCL year after year. APTEL has already decided in many cases that accounts should be segregated. In fact the allocation system facilitates the transfer of profits of the Generation business to Distribution and retail supply business and efficiency gains are lost. There are no incentives in the systems to improve the functioning. It is high time that PSPCL should comply with the requirement otherwise, Hon'ble Commission needs to start penalty recovery from PSPCL.

4. **Subsidized agriculture consumption to be capped**

The power supplied to agriculture sector has been growing consistently at very high rate. Providing the power at the subsidized rate, which is far less than the actual cost of power purchase) is leading to serious financial crisis for the Discom and ultimately seriously affects the interest of industrial consumers in the State, which are already reeling under recession. Therefore, it is imperative to cap the maximum amount of power year wise & approved by the commission that can be supplied to agriculture sector at subsidized rate inclusive of additional connection projected in a year.

5. **Diversion fund figure to be updated**

The diversion of funds happened in the past need to be continuously updated based on new facts and information. Such exercise is required to ensure that no more funds raised for capital purpose are diverted toward meeting revenue requirement of the Board.

6. **Voltage Rebate for 66 KV consumers:**

T&D losses for 66 KV consumers as per open access regulations worked out in TO 2023-24 are 4.27% for 2023-124 against total T&D losses of 14.72%.

In addition to T&D loss, the 66 KV consumer has to be compensated for the investment and operating cost of the 66/11 KV transformer and switchyard.. WE are also unable to understand as to how the difference of voltage wise category wise cost of supply for 66 KV industry and 11 KV industry is decreasing every year. In fact the study of cost of supply needs to be revisited by TERI based on updated data for the current ground realities. In the meanwhile, the rebate being given to consumers connected at 66 KV which is only 25 paisa per unit need to be increased immediatelyand fixed in percentage terms as per pattern of Voltage Surcharge being charged on percentage.

Since Voltage Surcharge for consumers eligible for 66 KV but getting supply at 11 KV have to pay 10% Voltage Surcharge, Similarly, Voltage rebate for 66 KV consumers should also be 10%.

7. Fix industrial Tariff as per category wise cost of supply

It is prayed to the commission to reduce the cross subsidy burden on LS consumers and fix the tariff as near to the COS as possible. Based on category wise cost of supply, tariff of the LS consumers may be rationalized and tariff for subsidized class may be increased. It is also submitted that category wise cost of supply basis have been fixed many years back. It is submitted that the same should be revisited to revise the assumptions for working out the category wise cost of supply.

8. T&D losses

While T&D loss for FY 2024-25 has been projected as per PSERC only, however, higher T&D loss level based on actual T&D losses for FY 2022-23 are also prayed by PSPCL. However, the Hon'ble Commission has already fixed the trajectory of loss levels of PSPCL and PSTCL for the MYT control period of 2023-24 to 2025-26 while approving capital investment plan after considering all the factors and should be followed as it is covered under controllable items. In MYT Regulations. These need to be revisited only if there is major variation due to justified reasons.

WE also request to revisit the Transmission loss trajectory as PSTCL is giving varying figures and seeking undue incentive for over achieving the loss level. Therefore, it is prayed to the Commission to approve T&D losses as per Regulations only.

Also pertinent to note that in the current ARR, it is clearly conceded by PSPCL that wide spread theft has been the major bane for higher distribution losses. Major culprit areas were Border, South and West Zones of Punjab. Therefore, it submitted that burden of higher distribution losses were not of technical nature but are of commercial in nature and consumers should not be burdened with them and T&D losses level should continue to be fixed on trajectory adopted by Commission by capping agriculture consumption for true up of FY 2022-23 as well as projections for FY2024-25.

9. Power purchase cost

The power purchase cost should be subject to approved T&D loss by PSERC. It is submitted that previous years expenses should be dealt separately and no expenses can be allowed in ARR simply due to reason that it is actually incurred. For part of ARR, it should be approved also by PSERC. Therefore, only after taking out of such exaggeration, the power cost should be approved.

Taken together, it is our submission that only such cost of capital expenditure in terms of depreciation, interest and finance charge etc. should be passed on to the consumers of electricity in the State, for which benefits start flowing and remaining should be not be allowed as a part of the ARR.

10. Employee cost

We have reiterated many times that employee cost is growing consistently and also acknowledge that the same cannot be capped due to manifold reasons. This is our submission that only reasonable cost be passed through ARR and remaining must be taken over by Government as PSPCL employees are government employees and must get their dues as per Government rules and regulation, but the same should not be used as an excuse to increase the ARR and cost of power for consumers.

11. Overdue receivables

In the ARR chapter 6: Status of directive compliances, page 129 of the current ARR, it is stated that there are outstanding dues of 4580 crore and out of which Rs. 2471 crore is due towards

Government department. We opined that prepaid meters be installed in government offices. However, as far as outstanding from Government office is concerned (Rs.2471 crore), the same should be deducted from the Government loans given to PSPCL or the Government equity be reduced by Rs.2471 crore plus due interest for delayed payments and return on equity be reduced by the same amount. This should be left to the government as how to deal with these outstanding amount of various government offices.

Similarly, it is also humbly suggested that a detailed MIS system be developed to track such accounts where power is regularly supplied but payment is not received. Such account holders may be pursued suitably to pay due bill amount to PSPCL. Honest consumers should not be made to suffer through higher tariff for such lapse of GOP/PSPCL

Specific comments on True up FY 2022-23

1. **Lower revenue realized shown in true up FY 2022-23 despite of higher sales**

   The Trued up sales for 2022-23 as shown by PSPCL in its petition (table 2.1 and 2.2) shows that total power consumption is 59392.56 MU (45630+13762.56 MU). The revenue for this sale is shown as Rs.37321.19 (Table 2.23, page 49 of the ARR), which gives per unit sale price as Rs.6.28/unit overall. PSERC had earlier approved overall sales at 56471 MU and revenue at Rs.36924.07 crore with per unit sale price of Rs.6.54. *(Ref. page 132, Table 125, Tariff Order dated 15th May 2023)*. Thereafter tariff was increased by 8.64% to cover the revenue gap. However, Sale revenue is much lower and shows lower per unit realization of Paisa-26/unit and total lower revenue realization by about Rs.1544 crore (without considering 8.64% rise) and 1677 Cr with the tariff increase. This need to be studied and excluded from revenue requirement of PSPCL for FY 2022-23.

   It may be noted that sales figures as shown approved figure by PSERC in tariff petition for FY2022-23 in table 2.10(58708.60 MU) , page 35 is different from PSERC Tariff Order dated 15th may 2023, table 73.(55812 MU). This also need to be examined.

   The agriculture consumption is also taken as 13763 MU against approved 12255 MU, which also need to be examined.

2. Norms of operating thermal station should be fixed as approved by the Hon’ble Commission in its tariff order as no additional information is given for fixing the same based on actuals.
3. The sale of power with state increased by about 4.5% from 43637 MU as approved by Hon’ble Commission to 45630 MU as given in table 2.1 of the tariff petition and agriculture consumption increased by more than 10%. (13763 MU against 12255 as approved, para 2.3.4, page 24, current ARR). However, power purchase expenses are increased by 17.4% from Rs.24750 crore to Rs.29060 crore. This seems to be beyond logic. Anyway, increase in power cost due to higher agriculture consumption should not be burdened on other category of consumers.

4. The prior period expenses of Rs.1426.49 crore should be approved only if the same are as per PSERC approved norms otherwise the same should not be accepted.
5. Higher difference of T&D losses claimed (12.76%) than approved by the Commission (12.04%) should be excluded for ARR purpose and accordingly the power purchase cost need to be reduced.
6. Higher capex claimed at Rs.2157.22 crore than approved by the Commission (Rs.1401.31 crore) by about Rs.700 crore should not be allowed until or unless the same is as per Hon'ble Commission guidelines and approved norms. Similarly, Rs.452.20 crore spent on shahpur Kandi project, which is to be accepted after completion of the project should not be allowed.
7. As per PSERC MYT regulations, the financing of terminal benefits trust etc. to be given, PAY AS YOU GO model on actual basis. Though, PSPCL has claimed the same based on APTEL judgement, the Commission should not accept the same and challenge further. There is no reason to ask consumer to pay for past liability of the Discom, which it need to be financed from internal sources.
8. Interest on long term loan and interest on working capital as claimed in para 2.15.1 and 2.17.1 are far more than as approved by the commission and same should not be accepted for ARR purpose.
9. Return on equity, details arguments are given and same need to be considered for FY 2022-23 true up as well as for 2024-25 also.
10. Based on above, there is no reason to increase the ARR for FY2022-23 during true up as claimed by PSPCL.

Comments on ARR for FY 2024-25

1. Our first and foremost comments on the ARR FY2024-25 is that there seems to be very high chances of wrong projections as the preceding year FY 2023-24 information related to ARR, which should be immediate reference for projections for FY2024-25 is not given. In this way, it is very difficult to judge the latest demand, latest power cost and other variables related with generations and distribution/sale of power and project other important information. It is understandable that as per PSERC MYT Regulations, the true up of FY2023-24 is to be based on audited figure but this cannot be an excuse for not sharing the details of the performance for the current year FY2023-24 and refer to the trends. In our view, the discom should be asked to provide the same and only then any meaningful projections can be made.
2. Further, PSPCL has projected the energy consumption for FY 2024-25 for different categories based on its own best judgment considering CAGR of 2 years for some categories and and 5 years for others etc. For domestic the CAGR of the last 2 years is referred with base year 2022-23. This seems to have resulted into over projections of the sale of electricity in the State. It is evident that the metered sales projection are taken as about 15-16% for FY 2024-25 higher than FY 2022-23. The agriculture consumption projection is also taken as 12-13% higher than FY2022-23. The erroneous reason taken is lower sale due to good rain in FY2023-24. It is prayed to the Commission that the sales projection may be downwardly revised to make true estimates of the demand of power for FY 2024-25 and which is not possible without factoring FY203-24 figures, which are not given.
   - First , PSPCL may be asked to share the FY2023-24 figures as working detail and not for true up.
   - Secondly, the demand projections should not be more than 5-6% in normal case, accordingly demand projections will be lower by about 6-7% and lower energy sale by 4500-5000 MU lower than projected by PSPCL. **It would result into lower power purchase and lower revenue requirement for FY 2024-25 by about Rs.2200-2300 crore minimum.**

(4500 MU @Rs.5/unit , average purchase price of power for FY 2024-25, Format D-3, page 181 of the current ARR).

2. If the above argument finds merit then there would be lower demand of power in the State and accordingly the surplus power, which is shown as negligible would also surface in revised calculations. The same can be used to continue threshold consumption based incentive for the industry. It is pertinent to note that while outflow in threshold incentive is only for few last days of the year for an eligible unit, which increased consumption over threshold level but PSPCL gain year after year due to higher consumption as it is not possible to keep on increasing the power consumption above threshold level every year, which happens due to investment made by the industry in any year for many years to come. Moreover, PSPCL also gets additional AACD at nominal rate of interest in the immediate next year. The additional investment also brings development in the area in the shape of increased wages, ED and IDF, Additional GST, increased freight etc. The threshold incentive has worked in the past and has given gain to the Discom and state. Therefore, the same should be continue to incentives higher consumption in the state by industry irrespective of power position since purchase of spot power from exchange is now available..
3. PSPCL has asked for revising the T&D losses and Power generation parameters for thermal plants based on actuals. However, these issues are raised again and again and it is also important to note that capex approved by the Commission is also based on such lower T&D losses and higher thermal power plant efficiency norms. The approach of the Commission should be adhered and continued for true up as well as for projections.
4. The detailed comments on retune on equity is given in the preamble of the comments on ARR. However, it is stated here that the return on equity should be given on equity actually infused in PSPCL, for which consumer have gained some benefits. Further, as the matter is pending in Supreme Court, the Hon'ble Commission may approve the return on equity on actually infused equity. For keeping in view the Forum of Regulators views, the return on equity shall be allowed at the return on Govt securities rate of about 8%.
5. **GVK Power:** It is **learnt** from Media that GVK thermal power plant is purchased by the Government/PSPCL. It would result into optimization of the thermal capacity of the Discom

(PSPCL) and should generate some saving for the Discom. As per Media, there would be saving of Rs.1/unit on power generation. Given 3677 MU of power (Format D3), there would be saving of Rs.368 crore in FY 2024-25. The same should be duly factored as the Discom has not given any comments on the same and accordingly ARR should be revised to that extent.

6. **High cost of solar power need to be examined**

    i. The analysis of the power purchase cost given on page 177(FY 2022-23) and page 188(FY 2024-25) of the current ARR of PSPCL revealed that there is abnormal high power cost of solar power at above Rs.6/unit whereas as per Annexure AE of reply to deficiency dated ===works out as Rs 6.64/unit.. Secondly, the volume of such power has been increasing during FY2022-23 to FY2024-25. This is strange as power cost from solar source is about Rs.2.50-Rs.2.80/unit against about Rs.6 projected in the ARR. It is submitted that these power purchase from solar source need serious examination and the same should not allowed.

    ii. If such purchase is result of long term PPA signed , there is no reason why such power volume is projected to grow significantly over FY2022-23 to FY 2024-25. The details are given below:

    iii. On page no 177 of the ARR, the power purchased from NRSE purchase within Punjab for FY 2022-23 , long term, **1292.03 MU solar power is purchased at a Rs.864.63 crore- Rs.6.70/unit.** However, the average purchase price of renew power including wind power is Rs.2.73/unit for the same year from SECI(2638.37 MU at Rs.721.11 crore)-Reference page 177, XII, 74 to 79 row)

    iv. On page 181, long term solar power , NRSE purchase within Punjab, **1709.42 MU projected at a cost of Rs. 578.49 crore- i.e. Rs.5.78/unit.** Now, it is to be examined that why this costly power sourcing is increased by 417.39 MU(1709.42-1292.03) at a price of Rs.5.78/unit while the renew power is available at Rs.2.50-Rs.2.75/unit and even lower?.

    v. Even if the long term agreement is binding then why the power sourcing is growing, If it is an old agreement, power availability should come down due to the working of degradation factor, which generally bring down power generation by about 0.5%

minimum every year. There must be some agreement stating year wise availability of power from such source. Accordingly, the power sourcing should come down in FY 2024-25 over FY2022-23 instead of growing as projected in the ARR.

vi. Further, if new agreements are made, which led to higher number of units then it should not be allowed at a rate above than Rs.2.50-Rs.2.70/unit. Why, PSPCL is signing agreement at such onerous price of solar power?. This need serious examination by Hon'ble Commission and we pray to the Hon'ble Commission to kindly look into the matter.

Based on above facts and arguments, it can be safely deduced that the higher ARR claimed for FY2022-23 true-up as well as for FY 2024-25(projections) are not based on sound facts and based on actuals at most of the places than approved norms by PSERC and as such there would be no requirement of increase in revenue requirement in the current ARR.

Comments on Tariff related issues

7. It also proposed the extend the duration of days to impose TOD peak charges from 30 September to 15 october of each year. It is prayed that the peak load restriction should be completely done away with if the same does not cause any serious stress on distribution system of the Discom.

8. A new peak load hours slab from 6 am to 9 am during Ist December to 28th February is also proposed. It should not accepted and PSPCL should strengthen its system to meet the growing demand of the power in the State rather than taking temporary measures of proposing peak load restrictions. Instead of burdening the consumers, PSPCL should plan the operation of Reservoir/pondage based Hydel projects like RSD, Malana, Shanan, Bhakhra, Pong etc to meet the demand during morning hours.. It is to be noted that all the induction furnace consumers back down their operation during peak TOD charges period and do not pay the charge thereby reducing the revenue of PSPCL which is not a desirable situation. These are the tools of power shortage regime and in power surplus regime(where power supply can be augmented through

putting new capacity), there is no place for such archaic measures in contemporary times. Infact, PSPCL should move to a regime where any kind of power consumption restrictions are not necessary and seam less unrestricted supply is availabel.

9. PSPCL has proposed increase in Peak load charges from Rs.2/KVah to Rs.2.5/per KVah. PSPCL also propose to discontinue the TOD rebate of Rs.0.75/KVah during 1st April to 31st May of each year. At most of the places, PSPCL has given reference to the high rate of power in power exchange during contemporary times. However, we strongly object to such proposal as **there are times when the power cost at exchange is very low while PSPCL is charging full tariff from consumers/government(in form of subsidy). Whether the Discom ever proposed to reduce tariff when the power in exchange goes below the PSPCL power Tariff? It is submitted that power tariff in Punjab as fixed by PSERC are based on average cost of supply method and not on opportunity cost basis** as also provided in the PSERC MYT Regulations 2022. In such situation, it is not prudent to refer to the power rates in power exchange which are based on market forces and not on cost of supply basis as being done by PSERC.

Prayer

1. **There is no case for allowing any increase in ARR as sought by PSPCL for FY 2022-23 <u>and FY 2024-25 in fact tariff should be reduced especially for subsidizing class of consumers.</u>**
2. **Carry forward the rationalization of Electricity Tariff in the State based on the principle of category wise 'Cost To Serve' principle**
3. **Reduce the electricity tariff of the subsidizing class of consumers particularly EHT category of consumers.**
4. **Ensure tariff rationalization of subsidized class of consumers or ask State Government to compensate the Board through explicit subsidy.**
5. **Voltage wise rebate should be given in commensurate with realistic Category wise cost of supply and be increased to minimum 70 paisa/unit.**

6. **Continue with threshold consumption based incentive, existing peak TOD charges and night tariff rebate without any change as it happens to flatten the demand curve and also helps in demand side management.**

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To

The Secretary,
Punjab State Electricity Regulatory Commission,
Site no. 3, sector 18A, Chandigarh-160018

Memo No. 59 /CAO(F&A)/MYT-III (APR-I)
Dated: 24/01/24

(CP-45)

Subject: **Objection No. 5 raised by Steel Furnace Association of India, in Petition no 63/2023 of PSTCL.**

Ref: Your Office E mail dated 10.01.2024.

With reference to Objection cited in the subject above, regarding Return on Equity, it is submitted here that, PSTCL has claimed ROE as per Regulation 20 of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2022 as notified by Hon'ble Commission. Rest of the objections relates to PSPCL.

Chief Accounts Officer (F&A)
O/c PSTCL, Patiala

Priyanka 23/01/2024 23/1/24. Kritika 23/1/24

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24/01/24

CC: Dr. Harish Anand, Steel Furnace Association of India, Dhandari Industrial Focal Point, Ludhiana-141010.