



Objection No. 01
CHAMBER OF INDUSTRIAL & COMMERCIAL UNDERTAKINGS
(Govt. of India Recognized)
Objection No. 01

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

(Speed Post/Email)

Ref. No.: CICU/HO/ARR/4319

Dated:07/01/2023

The Secretary,
Punjab State Electricity Regulatory Commission
Site No.3, Block – B, Sector – 18-A
Madhya Marg, Chandigarh - 1600018

Subject: - Detailed views/ suggestions/ objections, to the True-Up for FY 2021-22, APR FY 2022-23 and MYT Petition for the 3rd Control Period from FY 2023-24 and FY 2025-26.

Dear Sir,

Kindly refer to the notice for public hearings issued by the commission and published in the newspapers. Regarding petitions for APR/MYT etc.

- 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. That no efforts are being made by PSPCL for recovery of hefty dues from the Punjab Govt. in shape of Subsidies, Excess interest paid by PSPCL to Punjab Govt earlier years and carrying cost of tariff gap of certain years. It is really a need of the hour now to take the rigorous steps to recover all these kinds of pending dues along with interest from the Punjab Govt 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.
 3. Adoption of a strong will power and dedicated behaviour towards change in policies of PSPCL and Punjab Govt. are really required in the interest of general public.
 4. 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.
 5. 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 & PSPCL has failed to take effective steps to recover these losses incurring regularly, causing increasing in tariff and other cess and surcharges, contributing to

Page 1 of 5

Head Office: M.C. Block No. 2, IInd Floor, Gill Road, Ludhiana - 141003
Telephone: +91-161-2671551, 2670888, 4642551, Fax: +91-161-2671551
Email: training@cicuindia.org | Website: www.cicuindia.org

- higher cost of electricity tariff, which could otherwise be avoided. PSERC should ensure 100% recovery of such amounts in the current year 2022-23 to reduce the revenue requirements.
6. 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.
 7. 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.

3. Energy Audit and T&D Losses:

The number of the feeders with losses more than 15% to 90% has increased from 1526 to 3308 feeders and more than 90% increased from 9 to 14 feeders as per Directives for F.Y.

2022-23 as per petitions, which 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. Disciplinary action should be taken against delinquent officers/officials for their failure to control power theft with recovery of revenue loss by this theft under intimation to the Commission. Special drive to bring it to less than 8% level should be started dedicatedly and immediately for desired results. PSERC should ensure 100% recovery of such theft amounts in the current year 2022-23 to reduce the revenue requirements. 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 there may be no need to increase tariff in coming years. It will also reduce the revenue requirements of the PSPCL.

4. Interest charges and subsidy

- 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 the 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 subsidies, Gap Tariff etc from the Punjab Govt. since long, should be calculated and should be pass on to Punjab Govt. as, if they could repay all such dues in time, PSPCL would not need 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.
- At present free supply of 300 units should be changed to by charging Rs 1 or 2 per unit so that relief be given to consumer but some generation cost be compensate PSPCL.

C. The major ingredients which are forcing PSPCL to increase the tariff rate / demanding more revenue requirement for the proposed F.Y. 2022-23 are interest paid on borrowed funds. Which can be reduced by recovery of remarkable dues from the Punjab Govt., recovery of dues from the defaulted customers Subsidy, costly power purchase. 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. But few 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 in coming financial year, on the other hand it is demanding the 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 Grid as it has surrendered few old power purchase MOUs. 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. 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. Where as excess generation is made by solar system are used by PSPCL without incurring extra expenses.
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 be 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

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

(Office of Chief Accounts Officer (F&A), ARR Section)
3rd Floor, Opp.Kali Mata Mandir, Shakti Sadan, Patiala.
Fax/Ph. No.0175-2790183 Email : fa@pstcl.org

To

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

Memo No. 57 /CAO(F&A)/MYT-III
Dated: 16/01/23

**Subject: Objection No. 1 raised by Chamber of Industrial & Commercial,
Ludhiana in Petition no 73/2022 of PSTCL. (CP-1)**
Ref: Your Office E mail dated 11.01.2023

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

Sudhanshu
o/c Chief Accounts Officer (F&A)
PSTCL, Patiala
Priyanka
16/01/2023
16/1/23
16/1/2023
17/1/23

Er. Sukhminder Singh SDO PSPCL (Retd.)

Co-ordination Electrical Consultant

DEALS IN : ALL KINDS OF ELECTRICITY PROBLEMS RELATED TO PSPCL

19-D, BRS Nagar, Ludhiana - 141012, Punjab

Ref No.....

Dated 09-01-2023

To

The Secretary
PSERC Chandigarh

Sub: Public hearing by PSERC at Ludhiana on 9-1-2023

- 1. UUE Case:- Sarita Sharma w/o Vraj Sharma
village Hussianpura G.T. Road Ludhiana,
A/c No. 300 2812070 under City West
Division Ludhiana.

The subject cited case of UUE was decided by the competent authority i.e. SE Ptm PSTCL, Ludhiana on dt 13-4-2022. But till today i.e. 9-1-2023 the decision of the case has not been implemented by Addl SE city west Division Ludhiana. You are requested to issue instructions to PSPCL for implementation of the decision.

(SUKHMINDER SINGH)
Representative of the firm

(ਪੰਜਾਬ ਰਾਜ ਟਰਾਂਸਮਿਸ਼ਨ ਕਾਰਪੋਰੇਸ਼ਨ ਲਿਮਿਟਿਡ)
ਦਫਤਰ: ਉਪ-ਮੁੱਖ ਇੰਜੀਨੀਅਰ-ਕਮ-ਅਪੈਲੇਟ ਅਥਾਰਟੀ/ਪੀ ਤੇ ਐਮ ਹਲਕਾ
ਸਾਹਮਣੇ ਪੀ.ਏ.ਯੂ. ਫਿਰੋਜ਼ਪੁਰ ਰੋਡ ਲੁਧਿਆਣਾ-141001
ਟੈਲੀਫੋਨ ਨੰ: 0161-2922188 ; ਈਮੇਲ: se-pm-lhd@pstcl.org)



ਕ੍ਰਮ

1. ਸ਼੍ਰੀਮਤੀ ਸਰੀਤਾ ਸਰਮਾ ਪਤਨੀ ਸ਼੍ਰੀ ਵਿਨੈ ਕੁਮਾਰ
ਹੁਸੈਨਪੁਰ, ਲੁਧਿਆਣਾ।
ਖਾਤਾ ਨੰ: 3002812070
2. ਅਸੈਸਿੰਗ ਅਫਸਰ
ਉਪ-ਮੁੱਖ ਇੰਜੀਨੀਅਰ/ਸੰਚਾਲਣ,
ਜ਼ਹਿਰੀ ਵੈਸਟ ਹਲਕਾ, ਪੀ ਐਸ.ਪੀ.ਸੀ.ਐਲ. ਲੁਧਿਆਣਾ।


ਮੀਮੋ ਨੰ:- 1914/15

ਮਿਤੀ: 3.4.2022

ਵਿਸ਼ਾ: ਅਪੀਲ ਅੰਡਰ ਸੈਕਸ਼ਨ 127 ਆਫ ਇਲੈਕਟ੍ਰੀਸਿਟੀ ਐਕਟ-2003 ਬਰਖਿਲਾਫ ਫਾਟੀਨਲ ਆਰਡਰ ਆਫ ਅਸੈਸਮੈਂਟ
ਮੀਮੋ ਨੰ:4101 ਮਿਤੀ 12.04.2021 ਅਤੇ ਸਪੀਕਿੰਗ ਆਰਡਰ ਜਿਸ ਰਾਹੀਂ ਸ਼੍ਰੀਮਤੀ ਸਰੀਤਾ ਸਰਮਾ ਖਾਤਾ ਨੰ
3002812070 (M/s Asha Casting, Hussainpura Ludhiana) ਨੂੰ ਅਣ-ਅਧਿਕਾਰਤ ਰਿਜਲੀ ਦੀ ਵਰਤੋਂ
ਦੇ ਦੋਸ਼ ਤਹਿਤ ਰਕਮ 27,45,090 ਰੁ:ਦਾ ਜੁਰਮਾਨਾ ਪਾਇਆ ਗਿਆ ਸੀ।

ਉਪਰੋਕਤ ਵਿਸ਼ੇ ਦੇ ਸਬੰਧ ਵਿੱਚ ਸ਼੍ਰੀਮਤੀ ਸਰੀਤਾ ਸਰਮਾ ਪਤਨੀ ਸ਼੍ਰੀ ਵਿਨੈ ਕੁਮਾਰ ਵਲੋਂ ਭਾਂਡੇ ਹੁਣੇ ਅਪੀਲ ਤੇ
ਕਾਰਵਾਈ ਮੁਕੱਮਲ ਹੋਣ ਉਪਰੰਤ ਅਪੈਲੇਟ ਅਥਾਰਟੀ ਵਲੋਂ ਜਾਰੀ ਕੀਤੇ ਫੈਸਲੇ ਦੀ ਕਾਪੀ ਆਪ ਜੀ ਨੂੰ ਇਸ ਪੱਤਰ ਨਾਲ ਨਵੀਂ
ਕਰਕੇ ਅਥਾਰਟੀ ਕਾਰਵਾਈ ਹਿੱਤ ਭੇਜੀ ਜਾਂਦੀ ਹੈ।

ਨਵੀਂ ਉਪਰੋਕਤ ਅਨੁਸਾਰ


ਅਪੀਲਟ ਅਥਾਰਟੀ (ਅੰਡਰ ਟੀ.ਏ-2003)
ਨਿਰਦੇਸ਼ਕ ਇੰਜੀਨੀਅਰ/ਪੀ ਤੇ ਐਮ ਹਲਕਾ
ਪੀ.ਐਸ.ਪੀ.ਸੀ.ਐਲ. ਲੁਧਿਆਣਾ

PUNJAB STATE TRANSMISSION CORPORATION LIMITED

Regd. Office: PSEB Head Office, The Mall Patiala-147001, Punjab Corporate

Identity Number: U40109PB2010SGC033814 (www.pstcl.org)

(Office of Chief Accounts Officer (F&A), ARR Section)
3rd Floor, Opp.Kali Mata Mandir, Shakti Sadan, Patiala.
Fax/Ph. No.0175-2790183 Email : fa@pstcl.org

To

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

Memo No. 56 /CAO(F&A)/MYT-III
Dated: 16/01/23

Subject: Objection No. 2 raised by Er. Sukhminder Singh SDO PSPCL (Retd.) in Petition no 73/2022 of PSTCL. (C²-2)

Ref: Your Office E mail dated 11.01.2023

In response to Objection No. 2 raised by Er. Sukhminder Singh SDO PSPCL (Retd.), Co-ordination Electrical Consultant, it is submitted that case of UUE of Smt. Sarita Sharma W/o Vinay Sharma A/c No. 3002812070 under city west Division Ludhiana was decided by SE/P&M, PSTCL, Ludhiana on 13.04.2022 as itself mentioned in Objection. However, decision has to be implemented by Addle SE city West Division Ludhiana PSPCL. Therefore, matter relates to PSPCL.

Sukhinder
o/c Chief Accounts Officer (F&A)
PSTCL, Patiala
Piyanka
16/01/2023
fa
16/01/2023
17/1/23



CYCLE TRADE UNION (REGD)

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

President (M) 98729-53815

REGISTERED

CTU/333/2023

14/01/2023

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

Subject:- Petition No-73 of 2022 of PSTCL appeared in the Tribune Dated 28-12-2022

Dear Sir,

Reference your advertisement appeared on the above subject.

In reply, Our Association strongly oppose, resent any increases / amendment for next years and 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 desired . 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, Chandigarh public hearing dated 19-01-2023

Thanking You
Your Faithfully

For CYCLE TRADE UNION (REGD)

(Jaswant Singh Birdi)
President

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

04
19/1/23
AO/APP
20/1/23

No... PA/CA/OIF&A/PTCL
Date 19/01/23

PUBLIC NOTICE IN RESPECT OF

Petition for True up for FY 2021-22, Annual Performance Review for FY 2022-23 and MYT Petition for control period from FY 2023-24 to FY 2025-26 filed by Punjab State Transmission Corporation Limited (PSTCL) before Punjab State Electricity Regulatory Commission.

- 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 before the Punjab State Electricity Regulatory Commission, Chandigarh Petition for approval of True up for FY 2021-22 and Annual Performance Review for FY 2022-23 under Section 62, 64 & 86 of the Electricity Act, 2003 read with Regulations 11, 12 & 13 of the PSERC MYT Regulations, 2019 and approval of MYT Petition for control period from FY 2023-24 to FY 2025-26 under Section 62, 64 & 86 of the Electricity Act, 2003 read with Regulation 10 of the PSERC MYT Regulations, 2022. The petition has been admitted by the Hon'ble Commission vide order dated 21.12.2022 and taken on record as Petition No. 73 of 2022. *JASWANT SINGH BIRDI(M) 9872953815*
- For the information of general public/stake holders, the summary of the submissions as contained in the table 32, 58 and 89 of the Petition is as under:-

Annual Revenue Requirement of Transmission and SLDC (Rs. Crore)

Sr. No.	Particulars	3rd MYT Control Period				
		True-up 2021-22	APR 2022-23	2023-24	2024-25	2025-26
a.	Employee Cost	593.54	767.24	844.81	914.39	985.99
b.	A & G Expenses	32.10	36.67	44.45	51.43	59.53
c.	R & M Expenses	37.02	38.86	43.80	47.65	50.94
1	O&M Expenses	662.66	842.77	933.06	1013.47	1096.46
2	Depreciation	304.16	317.28	352.77	397.15	436.21
3	Interest Charges	296.26	291.44	310.11	344.00	365.99
4	Interest on Working Capital	30.78	37.23	41.24	45.50	49.59
5	ULDC Charges	8.88	8.88	3.50	3.50	3.50
6	Return on Equity	118.58	137.04	174.11	219.30	262.18
7	Other Expenses	1.02	0.00	0.00	0.00	0.00
8	Gross ARR	1422.34	1634.64	1814.77	2022.92	2213.93
9	Less: (i) Non-Tariff Income	35.80	16.48	20.18	20.18	20.18
10	Less: (ii) Open Access	3.76	4.30	4.30	4.30	4.30
11	Net Revenue Requirement	1382.78	1613.86	1790.29	1998.44	2189.45
12	Add: Incentives (TS Availability)	10.07	0.00	0.00	0.00	0.00
13	Add: Incentives of Oyer Achievement of TS Loss Target	16.39	0.00	0.00	0.00	0.00
14	Total Revenue Requirement	1409.24	1613.86	1790.29	1998.44	2189.45
15	Prior Period Item (Infructuous capital exp. written off during FY 2020-21)	1.64	0.00	0.00	0.00	0.00
16	Gross ARR	1410.88	1613.86	1790.29	1998.44	2189.45

- Copies of the Petition & deficiencies pointed out by the Hon'ble Commission and replies to the deficiencies 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 Yadindra 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.
- Interested persons may inspect and peruse the said Petition and take notes thereof during office hours at the above said offices free of charge.
- Copies of the above documents can also be obtained from the above offices on payment of 300/- for each set.
- 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 18-A, 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.
- The objections as above should be filed in twelve 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 id "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.
- The Punjab State Electricity Regulatory Commission, after perusing the written objections receive 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.

PUNJAB STATE TRANSMISSION CORPORATION LIMITED

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

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

Memo No. 95 /CAO(F&A)/MYT-III
Dated: 27/1/23

Subject: **Objection No. 3 raised by Cycle Trade Union (REGD), Ludhiana
in Petition no 73/2022 of PSTCL.**

Ref: Your Office E mail dated 20.01.2023.

PSTCL has projected the ARR & Tariff for FY 2023-24 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 2023-24, which will be available later on.

Jaswanti
Chief Accounts Officer (F&A)
PSTCL, Patiala
25/1/23
25/1/2022
25/1/23

96
27/1/23

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



STEEL CITY FURNACE ASSOCIATION

Old Central Bank Street, Loha Bazar, Mandi Gobindgarh-147301 (Pb.)

President

Bharat Bhushan Jindal

Cell: +91-96466-00099

General Secretary

Gopal Krishan Singhi

Cell : +91-98140-15731

Ref. No.....

Dated. 20-1-2023 23/1/23

The Secretary,
Punjab State Electricity Regulatory Commission
Plot No-3, Sector 18-A, Madhya Marg, Chandigarh-160018,
Mail Id : secretarypsercchd@gmail.com

IN THE MATTER OF:

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE YEAR 2023-24 FILED BY
PUNJAB STATE POWER CORPORATION LIMITED AND PUNJAB STATE
TRANSMISSION CORPORATION LTD (referred to as PSPCL and PSTCL)

AND

In the matter of petition No. 74 of 2022 filed by PSPCL and 73 of 2022 filed by PSTCL
Respectively showeth,

Punjab state Electricity Regulatory commission (PSERC) has invited objection/comment
form the industry and other consumers on the ARR submitted by PSPCL.

Steel city Furnace association is an association of LS PIU induction Furnace consumers
of PSPCL situated in and around Mandi Gobindgarh. We submit our comments as
under:-

• Return on Equity

1. The Then Punjab State Electricity Board (PSEB) was constituted under Electricity (Supply) Act 1948 as per which PSEB was to finance all its Capital work through Loans only and interest on loan installments were recovered through Tariff. Loans were given by GOP and to escape the interest and installments payable to GOP, PSEB got the loan(s) converted into equity of GOP in PSEB.
2. PSERC issued first tariff order for the year 2002-03 which stated in Para 6.10 that PSEB has been declared by GOP as a body corporate with a Capital of Rs.5 crores with effect from 10th March 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

E-mail : steelcity.furnaces@gmail.com

2002-03 to 2005-06 by PSERC and only 3% Return on NET Fixed assets were allowed as per Supply Act 1948.

3. As is clear, Initial equity of Rs. 2946.11 crore as on 2006-07 onwards on which ROE of Rs.412.46 Cr per year was allowed as per Para 4.15 of TO were loans of GOP camouflaged as Equity to get higher returns thro ROE.
4. On restructuring of PSEB into PSPCL and PSTCL on 16.04.2010, equity (in fact loans) of Rs.2946.11 Crore was also distributed as per provisional FRP/Transfer scheme as Rs.2617.61 Cr and 328.50 Cr and ROE was allowed separately as Rs.366.47 Cr and Rs.45.99 Cr for PSPCL and PSTCL respectively.
5. 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/debt and a part of it shown as equity of Board. This evidently was done to help Discom to reduce its interest and repayment burden as ROE/dividend is not payable under companies Act to GOP till PSEB/PSPCL is running in losses. Thus a methodology devised to keep the tariff on lower side is now being used to increase income of PSPCL by unduly loading the consumers and to meet the financial losses due to inefficient working of PSPCL/PSTCL. Consequently, the consumers of the State are burdened with the higher tariff in the form of 15%-16% ROE on such amount, which is in fact a government loan on which not more than 7-8% interest needs to be allowed.
6. Subsequently, Financial restructuring Plan and Transfer scheme was finalized and notified on 24.12.2012 by GOP. In this notification, an amount of Rs.3132.25 crore standing in the books of PSEB on 15.04.2010 under the head "Consumer Contribution & Govt Grant" etc were also converted into equity of GOP and the same was admitted by PSERC as well. Thus the equity of PSPCL were enhanced from Rs. 2617.61 Cr to 6081.43 Cr (Para 3.16 of TO 2013-14) and from 328.50 Cr to Rs. 605.83 Cr (Para 3.10 of TO 2013-14) respectively. Thus the total equity was increased from 2946.11 Cr to 6687.26 cr.
7. The conversion of consumer contribution and Govt Grants/subsidies was appealed by consumers in APTEL and APTEL directed PSERC to reconsider the issue vide judgment Dated 17-12-2014 in Appeal No 168 and 142 of 2013 as under:-

"48-----we direct the State Commission to adjust the excess amount of ROE in the impugned order from the FY 2011-12 onwards in the ARR/True up for the year to provide relief to the customers."

50.3 The findings of this Tribunal in Appeal no.46 of 2014 shall squarely apply to the present case. The state commission shall re-determine the ROE as per our directions and the excess amount allowed to the distribution licensee with carrying cost shall be adjusted in the next ARR of the respondent no.2.

8. APTEL observed that the Govt can hold any amount as equity in PSPCL and PSTCL but ROE needs to be granted on actually subscribed and paid up equity only i.e cash money infused needs to be counted as equity for the purpose of ROE. PSPCL has filled the Appeal against the order in Supreme court and stay has been granted. Final order of SC is still awaited. However, because of stay granted by the Supreme court, PSERC is granted ROE on Rs.6081.43 Cr to PSPCL and on 605.88 Cr to PSTCL. The CAG also objected to the conversion of non-interest bearing consumer contribution and Govt grants /subsidies etc into equity.
9. Subsequently, MOP, GOP and PSPCL entered into an agreement as per which PSPCL loans of Rs.15628.26 Cr were to be taken over by GOP by issue of SLR bonds by banks and loans were to be taken off the books of PSPCL. UDAY scheme ended on 31.03.2020 and PSPCL proposed in ARR 2020-21 to convert the loan amount of Rs.15628.26 cr as GOP equity in PSPCL i.e increasing GOP equity from 6081.43 cr to 21709.69 cr. PSPCL claimed ROE on Rs.15628.26 @15.90% i.e Rs 2485 cr in addition to ROE of Rs.6081.42 crore. Thus by simply maneuvering the entry of loan amount to equity, PSPCL was to load consumers by 3423 Cr. However, vide tariff order dated 28th May 2021 PSERC rejected the proposal of PSPCL.
10. In the ARR of FY 2022-23 dated 30th November 2021, PSPCL has come out with an entirely new argument that out of Rs.15626.26 crore, Rs.2246.77 were spent on capital expenditure and out of balance 13381.49 crore working capital loan, Rs.2346.19 crore were also diverted towards capital expenditure. Thus total Rs.4592 crore should be treated as equity and ROE should be now allowed on Rs.10674 crore (Rs.6081.43 Crore +Rs.4592 crore) in spite of the fact that 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. The claim of PSPCL was rejected by PSERC and in the tariff order for F-Y 2022-23 ROE was allowed on Rs.6081.43 crore only.

Now in the ARR for F.Y 2023-24 dated 29.11.2022 PSPCL has again shown the opening equity at Rs.10674 crore instead of Rs.6081.43 as allowed by the

PSERC in previous Tariff order for the year 2022-23 . There are no details available in ARR as to why the increased equity has been shown as opening balance of equity while determining return of equity in the tariff order .

The equity which qualify for ROE was determined only at Rs.6081.43 crores only. There was no fresh flow of funds from GOP.
Therefore, this year also ROE should be allowed only at Rs.6081.43 crores only.

It is also worth mentioning that UDAY scheme was accepted by PSPCL, GOP and central Govt . TPA was signed by above three parties and as per para 1.2 (d) of the UDAY, agreement in which 25% of the total loans will be converted into equity of GOP and balance 75% will be given to DISCOM as grants . The para 1.2 (d) in reproduced as under:-

“ The Borrowings made by the State to takeover DISCOM debit during 2015-16 and 2016-17 shall be utilized by Government of Punjab solely for the purpose of Discharging the DISCOM debt and transfer to DISCOM as a mix of grant loan of equity as described in following table:

Year	Total Debt Taken Over	Transfer to Punjab DISCOM in the form of grant	Transfer to Punjab DISCOM in the form of Loan	Transfer to Punjab DISCOM in the form of equity	Rs. In crores Outstanding state loan of Punjab DISCOM
Year 1	50% of the total debt		10418.84		10418.84
Year 2	25% of the total debt		5209.42		15628.26
Year 3	----				15628.26
Year 4	----				15628.26
Year 5	----	11720.26		3900.00	

From the above chart it is quite clear that there is no justification of converting loan of 15628.26 crore into GOP equity as at per Tripade agreement under UDAY scheme . The only 25% loans should have been convert in GOP equity and balance 75% was to be given as grant to PSPCL and PSTCL but converting entire loans into equity of GOP is misconceived and is to load the consumers with higher return on equity and higher tariff and this should not at all be allowed by PSERC.

• **Interest on loan capital:-**

Under the head interest on loan capital at sub head 23.5 it is proposed in the ARR as follows:-

" 23.5 The interest on excess equity treated as loan shall be served at the weighted average interest rate of actual loan taken from the lenders."

But there is no justification at all to allow interest on the excess equity which can not be treated as loan as there was no such provision in UDAY scheme which was adopted by PSPCL, GOP and MOP and as per the UDAY scheme 75% of loans were to be given as grant to PSPCL and PSTCL as explained in para no.10. Therefore the claim of PSPCL should be rejected on this account.

- Voltage Rebate to 66/220 KV industrial consumer

HT rebate is granted in accordance with the Electricity Act 2003 providing that tariff should be in line with the difference of voltage wise cost of supply for the relevant voltage. Hon'ble APTEL has also upheld this provision and voltage rebate was also granted to Punjab consumers in view of the numerous orders issued by APTEL in this regard. Due to the difficulties in implementing voltage wise cost of supply based tariff, voltage rebate is given to partially compensate such consumers. The difference in cost of supply for the consumers connected at 66 KV vis a vis 11 KV consumers as per previous tariff orders issued by the Hon'ble Commission is extracted as under:

Tariff order for the year	Cost of supply Rs/Unit for		Difference
	66 KV industrial	11 KV industrial	
2017 -18	6.32	5.94	0.38
2018-19	6.12	6.63	0.51
2019-20	6.22	6.86	0.64

As is evident, the difference in cost of supply is increasing over the years and is much more than the HT rebate of Rs 0.25/unit available to 66 KV consumers. Instead of increasing the HT rebate to bring the tariff of HT consumers in line with cost of supply as directed by APTEL, HT rebate should be as shown in the above table in accordance with cost of supply and HT rebate is kept fixed at @0.25/unit whereas it should increase as difference in cost of supply of 66 KV and 11KV consumers increases.

Before issuing the tariff order for the F.Y 2021-22 reply from PSPCL was sought on voltage rebate there reply was as under:-

Reply of PSPCL

"PSPCL would like to submit that an increasing voltage rebate will cause reduction in revenue, so it is requested that while considering to fix the voltage rebate in commensuration with cost of supply or on percentage basis as demanded by the objector, Hon'ble commission may keep in the mind the financial interest of PSPCL and allow PSPCL to recover legitimate cost claimed in the petition. If revenue of PSPCL is reduced due to more HT Rebate, then tariff for any other category will have to be increased to compensate for the said revenue loss which may further lead to disturbance of Cross subsidy levels."

PSPCL reply means that 66 KV consumers should subsidize more to the other category of consumers even to the 11 KV consumers of general industry and power intensive industry fed at 11 KV

It is already well known that the industry is already cross subsidizing the other categories of consumers. Here we want to put an example to substantiate our claim for higher H.T Rebate.

For example:-

Suppose the industrial consumers are subsidizing to the other category of consumers such as agricultural and domestic consumers to the tune of Rs.1 per unit. Then the subsidy level for 66 KV consumers will be

$$\text{Rs. } 1 + 64 - 25 = 1.39 \text{ per unit.}$$

This difference is as per cost of supply worked out for the year 2019-20. Although it will be much more in the year 2022-23 and 2023-24.

66 KV consumers should not be made to cross subsidize more to other category of consumers and even to general industry and power intensive units fed at 11 KV. If the 66 KV consumers are given full rebate as per their cost supply then it may increase the Tariff for other categories of consumers by mere a fraction of 1 paisa per KWH which will not pinch other categories at all.

Hence giving a mere 25 Paisa/unit rebate to 66 KV consumers is unfair and unjust also.

- **Two Part Tariff:-**

Two part tariff was introduced a few years back and it was said at the time of introducing two part tariff that this is revenue neutral. There is no difference of revenue for the DISCOM but it does not suit at all to the consumers. Therefore, it is requested that

PSERC should revert back to the single tariff as it is used to be before introduction of two Part Tariff as DISCOM will earn same revenue as by Two Part Tariff.

- **Night Rebate on Tariff**

The night rebate was introduced to encourage the consumers to consume more electricity during night as there is less demand during night hours.

It is worth mentioning that rebate as conveyed is @1.25 INR per unit but due to cap imposed on Tariff, the actual effected of this rebate is only 14 to 15 paise per unit which otherwise should be Rs.1.25 per unit.

The refers, it is humbly requested that the cap imposed for Tariff should be removed and the effected rebate should be at least Rs.1.25 per unit

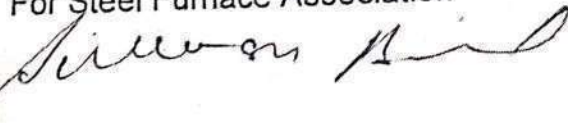
- **Cost of supply for power intensive units:-**

It is prayed that as the cost of supply for power intensive units is less and also the Tariff for power intensive units is different from other categories of consumers, the cost of supply for power intensive units should be separately calculated and the Tariff for these consumers should fixed separately as per cost of supply

- **Prayer:-**

It is humbly requested to please consider our submissions before finalizing the Tariff Order.

For Steel Furnace Association



Auth. Sign

CC : - Chief Engineer-ARR & TR, F-4, Shakti Vihar, PSPCL, Patiala
(E Mail: <ce-arr-tr@pspcl.in>)

✓ Chief Accounts Officer (Finance & Audit), 3rd floor, Shakti Sadan,
Opposite Kali Mata Mandir, PSTCL, Patiala <fa@pstcl.org>



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

(Office of Chief Accounts Officer (F&A), ARR Section)
3rd Floor, Opp. Kali Mata Mandir, Shakti Sadan, Patiala.
Fax/Ph. No. 0175-2790183 Email : fa@pstcl.org

09

To

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

Memo No. 101 /CAO(F&A)/MYT-III
Dated: 30/01/2023

Subject: **Objections No.4 raised by M/s Steel City Furnace Association in
Petition no 73/2022 of PSTCL.**
Ref: Your Office E mail dated 20.01.2023.

(C.P-05)

Vide email under reference your office has forwarded the objection raised by M/s Steel City Furnace Association on Petition no. 73/2022. Point Wise reply to the objections raised is enclosed herewith for kind consideration.

DA/ As above

Sudhik
o/c Chief Accounts Officer (F&A)
PSTCL, Patiala
Piyank
30/01/2023
A
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102
30/01/2023

CC: Sh. Gopal Krishan Singhi, General Secretary M/s Steel City Furnace Association, Old Central Bank Street, Loha Bazar, Mandi Gobindgarh - 147301(Punjab)

Replies to Objection No.- 4 raised by M/s Steel City Furnance Association

• Return on Equity

1. The Then Punjab State Electricity Board (PSEB) was constituted under Electricity (Supply) Act 1948 as per which PSEB was to finance all its Capital work through Loans only and interest on loan installments were recovered through Tariff. Loans were given by GOP and to escape the interest and installments payable to GOP, PSEB got the loan(s) converted into equity of GOP in PSEB.

2. PSERC issued first tariff order for the year 2002-03 which stated in Para 6.10 that PSEB has been declared by GOP as a body corporate with a Capital of Rs.5 crores with effect from 10th March 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 to 2005-06 by PSERC and only 3% Return on NET Fixed assets were allowed as per Supply Act 1948.

3. As is clear, Initial equity of Rs. 2946.11 crore as on 2006-07 onwards on which ROE of Rs.412.46 Cr per year was allowed as per Para 4.15 of TO were loans of GOP camouflaged as Equity to get higher returns thro ROE.

4. On restructuring of PSEB into PSPCL and PSTCL on 16.04.2010, equity (in fact loans) of Rs.2946.11 Crore was also distributed as per provisional FRP/Transfer scheme as Rs.2617.61 Cr and 328.50 Cr and ROE was allowed separately as Rs.366.47 Cr and Rs.45.99 Cr for PSPCL and PSTCL respectively.

5. 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/debt and a part of it shown as equity of Board. This evidently was done to help Discom to reduce its interest and repayment burden as ROE/dividend is not payable under companies Act to GOP till PSEB/PSPCL is running in losses. Thus a methodology devised to keep the tariff on lower side is now being used to increase income of PSPCL by unduly loading the consumers and to meet the financial losses due to inefficient working of PSPCL/PSTCL. Consequently, the consumers of the State are burdened with the

Sudhakar

higher tariff in the form of 15%-16% ROE on such amount, which is in fact a government loan on which not more than 7-8% interest needs to be allowed.

6. Subsequently, Financial restructuring Plan and Transfer scheme was finalized and notified on 24.12.2012 by GOP. In this notification, an amount of Rs.3132.25 crore standing in the books of PSEB on 15.04.2010 under the head "Consumer Contribution & Govt Grant" etc were also converted into equity of GOP and the same was admitted by PSERC as well. Thus the equity of PSPCL were enhanced from Rs. 2617.61 Cr to 6081.43 Cr (Para 3.16 of TO 2013-14) and from 328.50 Cr to Rs. 605.83 Cr (Para 3.10 of TO 2013-14) respectively. Thus the total equity was increased from 2946.11 Cr to 6687.26 cr.

7. The conversion of consumer contribution and Govt Grants/subsidies was appealed by consumers in APTEL and APTEL directed PSERC to reconsider the issue vide judgment Dated 17-12-2014 in Appeal No 168 and 142 of 2013 as under:-

"48-----we direct the State Commission to adjust the excess amount of ROE in the impugned order from the FY 2011-12 onwards in the ARR/True up for the year to provide relief to the customers."

50.3 The findings of this Tribunal in Appeal no.46 of 2014 shall squarely apply to the present case. The state commission shall re- determine the ROE as per our directions and the excess amount allowed to the distribution licensee with carrying cost shall be adjusted in the next ARR of the respondent no.2.

8. APTEL observed that the Govt can hold any amount as equity in PSPCL and PSTCL but ROE needs to be granted on actually subscribed and paid up equity only i.e cash money infused needs to be counted as equity for the purpose of ROE. PSPCL has filled the Appeal against the order in Supreme court and stay has been granted. Final order of SC is still awaited. however, because of stay granted by the Supreme court, PSERC is granted ROE on Rs.6081.43 Cr to PSPCL and on 605.88 Cr to PSTCL. The CAG also objected to the conversion of non-interest bearing consumer contribution and Govt grants /subsidies etc into equity.

9. Subsequently, MOP,GOP and PSPCL entered into an agreement as per which PSPCL loans of Rs.15628.26 Cr were to be taken over by GOP by issue of SLR bonds by banks and loans were to be taken off the books of PSPCL. UDAY scheme ended on 31.03.2020 and PSPCL proposed in ARR 2020-21 to convert the loan amount of Rs.15628.26 cr as GOP equity in PSPCL i.e increasing GOP equity from

6081.43 cr to 21709.69 cr. PSPCL claimed ROE on Rs.15628.26 simply @15.90% i.e Rs 2485 cr in addition to ROE of Rs.6081.42 crore. Thus maneuvering the entry of loan amount to equity, PSPCL was to load consumers by 3423 Cr. However, vide tariff order dated 28th May 2021 PSERC rejected the proposal of PSPCL.

10. In the ARR of FY 2022-23 dated 30th November 2021, PSPCL has come out with an entirely new argument that out of Rs.15626.26 crore, Rs.2246.77 were spent on capital expenditure and out of balance 13381.49 crore working capital loan Rs.2346.19 crore were also divert towards capital expenditure Thus total Rs.4592 crore should be treated as equity and ROE should be now allowed on Rs.10674 crore (Rs.6081.43 Crore +Rs.4592 crore) inspite of the fact that 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. The claim of PSPCL was rejected the PSERC and in the tariff order for F-Y 2022-23 ROE was allowed on Rs.6081.43 crore only.

Now in the ARR for F.Y 2023-24 dated 29.11.2022 PSPCL has again shown the opening equity at Rs.10674 crore instead of Rs.6081.43 as allowed by the PSERC in previous Tariff order for the year 2022-23. There are no details available in ARR as to why the increased equity has been shown as opening balance of equity while determining return of equity in the tariff order. The equity which qualify for ROE was determined only at Rs.6081.43 crores only. There was no fresh flow of funds from GOP.

Therefore, this year also ROE should be allowed only at Rs.6081.43 crores only.

It is also worth mentioning that UDAY scheme was accepted by PSPCL, GOP and central Govt. TPA was signed by above three parties and as per para 1.2 (d) of the UDAY agreement in which 25% of the total loans will be converted into equity of GOP and balance 75% will be given to DISCOM as grants. The para 1.2 (d) in reproduced as under:-

"The Borrowings made by the State to takeover DISCOM debit during 2015-16 and 2016-17 shall be utilized by Government of Punjab solely for the purpose of Discharging the DISCOM debt and transfer to DISCOM as a mix of grant loan of equity as described in following table:

Year	Total Debt taken Over	Transfer to Punjab DISCOM in the form of grant	Transfer to Punjab DISCOM in the form of Loan	Transfer to Punjab DISCOM in the form of Equity	Rs. In cr. Outstanding state loan Punjab DISCOM
Year 1	50% of the total debt		10418.84		10418.84
Year 2	25% of the total debt		5209.42		15628.26
Year 3					15628.26
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Year 5		11720.26		3900.00	

From the above chart it is quite clear that there is no justification of converting loan of 15628.26 crore into GOP equity as at per Tripade agreement under UDAY scheme. The only 25% loans should have been convert in GOP equity and balance 75% was to be given as grant to PSPCL and PSTCL but converting entire loans into equity of GOP is misconceived and is to load the consumers with higher return on equity and higher tariff and this should not at all be allowed by PSERC.

PSTCL's Reply:-

It is submitted here that PSTCL has claimed Return on Equity 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.

• **Interest on loan capital:-**

Under the head interest on loan capital at sub head 23.5 it is proposed in the ARR as follows:-

"23.5 The interest on excess equity treated as loan shall be served at the weighted average interest rate of actual loan taken from the lenders."

But there is no justification at all to allow interest on the excess equity which can not be treated as loan as there was no such provision in UDAY scheme which was adopted by PSPCL, GOP and MOP and as per the UDAY scheme 75% of loans were

Trudhik.

to be given as grant to PSPCL and PSTCL as explained in for para no.10. Therefore the claim of PSPCL should be rejected on this account.

PSTCL Reply:-

Relates to PSPCL.

• **Voltage Rebate to 66/220 KV industrial consumer**

HT rebate is granted in accordance with the Electricity Act 2003 providing that tariff should be in line with the difference of voltage wise cost of supply for the relevant voltage. Hon'ble APTEL has also upheld this provision and voltage rebate was also granted to Punjab consumers in view of the numerous orders issued by APTEL in this regard. Due to the difficulties in implementing voltage wise cost of supply based tariff, voltage rebate is given to partially compensate such consumers. The difference in cost of supply for the consumers connected at 66 KV vis a vis 11 KV consumers as per previous tariff orders issued by the Hon'ble Commission is extracted as under:

Tariff order for the year	Cost of supply Rs/Unit for		Difference
	66 KV industrial	11 KV industrial	
2017-18	6.32	5.94	0.38
2018-19	6.12	6.63	0.51
2019-20	6.22	6.86	0.64

As is evident, the difference in cost of supply is increasing over the years and is much more than the HT rebate of Rs 0.25/unit available to 66 KV consumers. Instead of increasing the HT rebate to bring the tariff of HT consumers in line with cost of supply as directed by APTEL, HT rebate should be as shown in the above table in accordance with cost of supply and HT rebate is kept fixed at @0.25/unit whereas it should increase as difference in cost of supply of 66 KV and 11KV consumers increases.

Before issuing the tariff order for the F.Y 2021-22 reply from PSPCL was sought on voltage rebate there reply was as under:-

Reply of PSPCL

"PSPCL would like to submit that an increasing voltage rebate will cause reduction in revenue, so it is requested that the while considering to fix the voltage rebate in

Sudhakar

commensuration with cost of supply or on percentage basis as demanded by the objector, Hon'ble commission may keep in the mind the financial interest of PSPCL and allow PSPCL to recover legitimate cost claimed in the petition. If revenue of PSPCL is reduced due to more HT Rebate, then tariff for any other category will have to be increased to compensate for the said revenue loss which may further lead to disturbance of Cross subsidy levels."

PSPCL reply means that 66 KV consumers should subsidize more to the other category of consumers even to the 11 KV consumers of general industry and power intensive industry fed at 11 KV

It is already well known that the industry is already cross subsidizing the other categories of consumers. Here we want to put an example to substantiate our claim for higher H.T Rebate.

For example:-

Suppose the industrial consumers are subsidizing to the other category of consumers such as agricultural and domestic consumers to the tune of Rs.1 per unit. Then the subsidy level for 66 KV consumers will be

$$\text{Rs. } 1 + 64 \cdot 25 = 1.39 \text{ per unit.}$$

This difference is as per cost of supply worked out for the year 2019-20. Although it will be much more in the year 2022-23 and 2023-24.

66 KV consumers should not be made to cross subsidize more to other category of consumers and even to general industry and power intensive units fed at 11 KV. If the 66 KV consumers are given full rebate as per their cost supply then it may increase the Tariff for other categories of consumers by mere a fraction of 1 paisa per KWH which will not pinch other categories at all.

Hence giving a mere 25 Paisa/unit rebate to 66 KV consumers is unfair and unjust also.

PSTCL Reply:

Relates to PSPCL.

• Two Part Tariff:-

Two part tariff was introduced as few year back and it was said at the time of introducing two part tariff that this is revenue neutral. There is no difference of revenue for the DISCOM but it does not suits at all to the consumers. Therefore, it is requested that PSERC should revert back to the single tariff as it is used to be before introduction of two Part Tariff as DISCOM will earn same revenue as by Two Part Tariff.

PSTCL Reply:

Relates to PSPCL.

• Night Rebate on Tariff

The night rebate was introduced to encourage the consumers to consume more electricity during night as there is less demand during night hours.

It is worth mentioning that rebate as conveyed is @1.25 INR per unit but due to cap imposed on Tariff, the actual effected of this rebate is only 14 to 15 paise per unit which otherwise should be Rs.1.25 per unit.

The refers, it is humbly requested that the cap imposed for Tariff should be removed and the effected rebate should be at least Rs.1.25 per unit.

PSTCL Reply:

Relates to PSPCL.

• Cost of supply for power intensive units:-

It is prayed that as the cost of supply for power intensive units is less and also the Tariff for power intensive units is different from other categories of consumers, the cost of supply for power intensive units should be separately calculated and the Tariff for these consumers should fixed separately as per cost of supply.

PSTCL Reply:

Relates to PSPCL.

Sudhakar

Date:- 20.01.2023

The Secretary,
Punjab State Electricity Regulatory Commission
Plot No-3, Sector 18-A, Madhya Marg, Chandigarh-160018,
Mail Id : secretarypsercchd@gmail.com

IN THE MATTER OF:

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE YEAR 2023-24 FILED BY
PUNJAB STATE POWER CORPORATION LIMITED AND PUNJAB STATE
TRANSMISSION CORPORATION LTD (referred to as PSPCL and PSTCL)

AND

In the matter of petition No. 74 of 2022 filed by PSPCL and 73 of 2022 filed by PSTCL
Respectively showeth,

Punjab state Electricity Regulatory commission (PSERC) has invited objection/comment
form the industry and other consumers on the ARR submitted by PSPCL.

We Hansco Iron & Steels Pvt Ltd is 66 KV consumers of PSPCL vide A/C No.
3002309530 situated at Jalalpur chowk, Mandi Gobindgarh. We submit our comments
as under:-

• **Return on Equity**

1. The Then Punjab State Electricity Board (PSEB) was constituted under Electricity (Supply) Act 1948 as per which PSEB was to finance all its Capital work through Loans only and interest on loan installments were recovered through Tariff. Loans were given by GOP and to escape the interest and installments payable to GOP, PSEB got the loan(s) converted into equity of GOP in PSEB.
2. PSERC issued first tariff order for the year 2002-03 which stated in Para 6.10 that PSEB has been declared by GOP as a body corporate with a Capital of Rs.5 crores with effect from 10th March 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

Mfrs. of : Alloy Steel Ingots, Alloy Steels (Adamite) Rolls, S.G. Iron Rolls, Steel Castings & S.S. Castings in all grades

IS 2830-2012



CI/M/L 4813869

Regd. Off : Jalalpur Chowk, Amlah Road, MANDI GOBINDGARH-147301 (Pb.)

Tel. : +91-1765-258129

(M) +91-78373-00629, +91-78373-00529, +91-78373-00229

✉ hanscoiron@gmail.com, info@hansco.in • www.hansco.in • www.adamiterolls.com

AN ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018 CERTIFIED COMPANY

CIN No. :

U27100PB2005PTC029195

OUR TRADEMARKS :

HANSCO, HISPL

2002-03 to 2005-06 by PSERC and only 3% Return on NET Fixed assets were allowed as per Supply Act 1948.

3. As is clear, Initial equity of Rs. 2946.11 crore as on 2006-07 onwards on which ROE of Rs.412.46 Cr per year was allowed as per Para 4.15 of TO were loans of GOP camouflaged as Equity to get higher returns thro ROE.
4. On restructuring of PSEB into PSPCL and PSTCL on 16.04.2010, equity (in fact loans) of Rs.2946.11 Crore was also distributed as per provisional FRP/Transfer scheme as Rs.2617.61 Cr and 328.50 Cr and ROE was allowed separately as Rs.366.47 Cr and Rs.45.99 Cr for PSPCL and PSTCL respectively.
5. 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/debt and a part of it shown as equity of Board. This evidently was done to help Discom to reduce its interest and repayment burden as ROE/dividend is not payable under companies Act to GOP till PSEB/PSPCL is running in losses. Thus a methodology devised to keep the tariff on lower side is now being used to increase income of PSPCL by unduly loading the consumers and to meet the financial losses due to inefficient working of PSPCL/PSTCL. Consequently, the consumers of the State are burdened with the higher tariff in the form of 15%-16% ROE on such amount, which is in fact a government loan on which not more than 7-8% interest needs to be allowed.
6. Subsequently, Financial restructuring Plan and Transfer scheme was finalized and notified on 24.12.2012 by GOP. In this notification, an amount of Rs.3132.25 crore standing in the books of PSEB on 15.04.2010 under the head "Consumer Contribution & Govt Grant" etc were also converted into equity of GOP and the same was admitted by PSERC as well. Thus the equity of PSPCL were enhanced from Rs. 2617.61 Cr to 6081.43 Cr (Para 3.16 of TO 2013-14) and from 328.50 Cr to Rs. 605.83 Cr (Para 3.10 of TO 2013-14) respectively. Thus the total equity was increased from 2946.11 Cr to 6687.26 cr.
7. The conversion of consumer contribution and Govt Grants/subsidies was appealed by consumers in APTEL and APTEL directed PSERC to reconsider the issue vide judgment Dated 17-12-2014 in Appeal No 168 and 142 of 2013 as under:-

"48-----we direct the State Commission to adjust the excess amount of ROE in the impugned order from the FY 2011-12 onwards in the ARR/True up for the year to provide relief to the customers."

50.3 The findings of this Tribunal in Appeal no.46 of 2014 shall squarely apply to the present case. The state commission shall re-determine the ROE as per our directions and the excess amount allowed to the distribution licensee with carrying cost shall be adjusted in the next ARR of the respondent no.2.

8. APTEL observed that the Govt can hold any amount as equity in PSPCL and PSTCL but ROE needs to be granted on actually subscribed and paid up equity only i.e cash money infused needs to be counted as equity for the purpose of ROE. PSPCL has filled the Appeal against the order in Supreme court and stay has been granted . Final order of SC is still awaited . however, because of stay granted by the Supreme court, PSERC is granted ROE on Rs.6081.43 Cr to PSPCL and on 605.88 Cr to PSTCL. The CAG also objected to the conversion of non- interest bearing consumer contribution and Govt grants /subsidies etc into equity.
9. Subsequently, MOP ,GOP and PSPCL entered into an agreement as per which PSPCL loans of Rs.15628.26 Cr were to be taken over by GOP by issue of SLR bonds by banks and loans were to be taken off the books of PSPCL. UDAY scheme ended on 31.03.2020 and PSPCL proposed in ARR 2020-21 to convert the loan amount of Rs.15628.26 cr as GOP equity in PSPCL i.e increasing GOP equity from 6081.43 cr to 21709.69 cr. PSPCL claimed ROE on Rs.15628.26 @15.90% i.e Rs 2485 cr in addition to ROE of Rs.6081.42 crore. Thus by simply maneuvering the entry of loan amount to equity, PSPCL was to load consumers by 3423 Cr. However, vide tariff order dated 28th May 2021 PSERC rejected the proposal of PSPCL.
10. In the ARR of FY 2022-23 dated 30th November 2021 , PSPCL has come out with an entirely new argument that out of Rs.15626.26 crore , Rs.2246.77 were spent on capital expenditure and out of balance 13381.49 crore working capital loan , Rs.2346.19 crore were also divert towards capital expenditure Thus total Rs.4592 crore should be treated as equity and ROE should be now allowed on Rs.10674 crore (Rs.6081.43 Crore +Rs.4592 crore) inspite of the fact that 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. The claim of PSPCL was rejected the PSERC and in the tariff order for F-Y 2022-23 ROE was allowed on Rs.6081.43 crore only.

Now in the ARR for F.Y 2023-24 dated 29.11.2022 PSPCL has again shown the opening equity at Rs.10674 crore instead of Rs.6081.43 as allowed by the

PSERC in previous Tariff order for the year 2022-23 . There are no details available in ARR as to why the increased equity has been shown as opening balance of equity while determining return of equity in the tariff order .

The equity which qualify for ROE was determined only at Rs.6081.43 crores only. There was no fresh flow of funds from GOP.
Therefore, this year also ROE should be allowed only at Rs.6081.43 crores only.

It is also worth mentioning that UDAY scheme was accepted by PSPCL, GOP and central Govt . TPA was signed by above three parties and as per para 1.2 (d) of the UDAY agreement in which 25% of the total loans will be converted into equity of GOP and balance 75% will be given to DISCOM as grants . The para 1.2 (d) in reproduced as under:-

" The Borrowings made by the State to takeover DISCOM debit during 2015-16 and 2016-17 shall be utilized by Government of Punjab solely for the purpose of Discharging the DISCOM debt and transfer to DISCOM as a mix of grant loan of equity as described in following table:

Year	Total Debt Taken Over	Transfer to Punjab DISCOM in the form of grant	Transfer to Punjab DISCOM in the form of Loan	Transfer to Punjab DISCOM in the form of equity	Rs. In crores Outstanding state loan of Punjab DISCOM
Year 1	50% of the total debt		10418.84		10418.84
Year 2	25% of the total debt		5209.42		15628.26
Year 3	----				15628.26
Year 4	----				15628.26
Year 5	----	11720.26		3900.00	

From the above chart it is quite clear that there is no justification of converting loan of 15628.26 crore into GOP equity as at per Tripade agreement under **UDAY scheme** . The only 25% loans should have been convert in GOP equity and balance 75% was to be given as grant to PSPCL and PSTCL but converting entire loans into equity of GOP is misconceived and is to load the consumers with higher return on equity and higher tariff and this should not at all be allowed by PSERC.

- **Interest on loan capital:-**

Under the head interest on loan capital at sub head 23.5 it is proposed in the ARR as follows:-

" 23.5 The interest on excess equity treated as loan shall be served at the weighted average interest rate of actual loan taken from the lenders."

But there is no justification at all to allow interest on the excess equity which can not be treated as loan as there was no such provision in UDAY scheme which was adopted by PSPCL, GOP and MOP and as per the UDAY scheme 75% of loans were to be given as grant to PSPCL and PSTCL as explained in para no.10. Therefore the claim of PSPCL should be rejected on this account.

• Voltage Rebate to 66/220 KV industrial consumer

HT rebate is granted in accordance with the Electricity Act 2003 providing that tariff should be in line with the difference of voltage wise cost of supply for the relevant voltage. Hon'ble APTEL has also upheld this provision and voltage rebate was also granted to Punjab consumers in view of the numerous orders issued by APTEL in this regard. Due to the difficulties in implementing voltage wise cost of supply based tariff, voltage rebate is given to partially compensate such consumers. The difference in cost of supply for the consumers connected at 66 KV vis a vis 11 KV consumers as per previous tariff orders issued by the Hon'ble Commission is extracted as under:

Tariff order for the year	Cost of supply Rs/Unit for		Difference
	66 KV industrial	11 KV industrial	
2017 -18	6.32	5.94	0.38
2018-19	6.12	6.63	0.51
2019-20	6.22	6.86	0.64

As is evident, the difference in cost of supply is increasing over the years and is much more than the HT rebate of Rs 0.25/unit available to 66 KV consumers. Instead of increasing the HT rebate to bring the tariff of HT consumers in line with cost of supply as directed by APTEL, HT rebate should be as shown in the above table in accordance with cost of supply and HT rebate is kept fixed at @0.25/unit whereas it should increase as difference in cost of supply of 66 KV and 11KV consumers increases.

Before issuing the tariff order for the F.Y 2021-22 reply from PSPCL was sought on voltage rebate there reply was as under:-

Reply of PSPCL

"PSPCL would like to submit that an increasing voltage rebate will cause reduction in revenue, so it is requested that while considering to fix the voltage rebate in commensuration with cost of supply or on percentage basis as demanded by the objector, Hon'ble commission may keep in the mind the financial interest of PSPCL and allow PSPCL to recover legitimate cost claimed in the petition. If revenue of PSPCL is reduced due to more HT Rebate, then tariff for any other category will have to be increased to compensate for the said revenue loss which may further lead to disturbance of Cross subsidy levels."

PSPCL reply means that 66 KV consumers should subsidize more to the other category of consumers even to the 11 KV consumers of general industry and power intensive industry fed at 11 KV

It is already well known that the industry is already cross subsidizing the other categories of consumers. Here we want to put an example to substantiate our claim for higher H.T Rebate.

For example:-

Suppose the industrial consumers are subsidizing to the other category of consumers such as agricultural and domestic consumers to the tune of Rs.1 per unit. Then the subsidy level for 66 KV consumers will be

$$\text{Rs. } 1 + 64 - 25 = 1.39 \text{ per unit.}$$

This difference is as per cost of supply worked out for the year 2019-20. Although it will be much more in the year 2022-23 and 2023-24.

66 KV consumers should not be made to cross subsidize more to other category of consumers and even to general industry and power intensive units fed at 11 KV. If the 66 KV consumers are given full rebate as per their cost supply then it may increase the Tariff for other categories of consumers by mere a fraction of 1 paisa per KWH which will not pinch other categories at all.

Hence giving a mere 25 Paisa/unit rebate to 66 KV consumers is unfair and unjust also.

• Two Part Tariff:-

Two part tariff was introduced as few year back and it was said at the time of introducing two part tariff that this is revenue neutral. There is no difference of revenue for the DISCOM but it does not suits at all to the consumers. Therefore, it is requested that

PSERC should revert back to the single tariff as it is used to be before introduction of two Part Tariff as DISCOM will earn same revenue as by Two Part Tariff.

- Night Rebate on Tariff

The night rebate was introduced to encourage the consumers to consume more electricity during night as there is less demand during night hours.

It is worth mentioning that rebate as conveyed is @1.25 INR per unit but due to cap imposed on Tariff, the actual effected of this rebate is only 14 to 15 paise per unit which otherwise should be Rs.1.25 per unit.

The refers, it is humbly requested that the cap imposed for Tariff should be removed and the effected rebate should be at least Rs.1.25 per unit

- Cost of supply for power intensive units:-

It is prayed that as the cost of supply for power intensive units is less and also the Tariff for power intensive units is different from other categories of consumers, the cost of supply for power intensive units should be separately calculated and the Tariff for these consumers should fixed separately as per cost of supply

- Prayer:-

It is humbly requested to please consider our submissions before finalizing the Tariff Order.

For Hansco Iron & Steels Pvt Ltd

Gagandeep
Aut. Sign

CC: - Chief Engineer-ARR & TR, F-4, Shakti Vihar, PSPCL, Patiala
(E Mail: <ce-arr-tr@pspcl.in>)

✓ Chief Accounts Officer (Finance & Audit), 3rd floor, Shakti Sadan,
Opposite Kali Mata Mandir, PSTCL, Patiala <fa@pstcl.org>



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

(Office of Chief Accounts Officer (F&A), ARR Section)
3rd Floor, Opp.Kali Mata Mandir, Shakti Sadan, Patiala.
Fax/Ph. No.0175-2790183 Email : fa@pstcl.org

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

Memo No. 103 /CAO(F&A)/MYT-III
Dated: 30/01/2023

Subject: ^(C.P-06) Objections No.5 raised by HANSCO Iron & Steel Pvt. Ltd. in
Petition no 73/2022 of PSTCL.
Ref: Your office E mail dated 20.01.2023

Vide email under reference your office has forwarded the objection raised by HANSCO Iron & Steel Pvt. Ltd. on Petition no. 73/2022. Point Wise reply to the objections raised is enclosed herewith for kind consideration.

DA/ As above
(As of Ob.No 4)

Smolliq
Chief Accounts Officer (F&A)
o/c PSTCL, Patiala
Piyarth
30/01/2023 30/1/23 30/1/2023

104
30/01/2023

CC: M/s HANSCO Iron & Steel Pvt. Ltd. Jalapur Chowk, Amloh Road, Mandi
Gobindgarh – 147301(Punjab)

11

MANDI GOBINDGARH INDUCTION FURNACE ASSOCIATION (REGD.)

GRAIN MARKET, MANDI GOBINDGARH-147301 (PUNJAB)

Ph.: (0) 01765-654165, 252165 • E-mail: inductionfurnaceassociation@gmail.com

Mohinder Gupta
President
M. : 98140-48857

Vijay Bansal
Sr. Vice President
M. : 98140-15500

Ashish Singla
Vice President
M. : 98760-00919

Anil Jindal
Secretary
M. : 98150-85413

The Secretary,
Punjab State Electricity Regulatory Commission,
Plot No 3, Sector 16-A, Madhya Marg, Chandigarh-160 018.
<secretarypsercchd@gmail.com>

Dated : 30/01/2023

Subject: Petition for True Up of 2021-22, Annual Performance Review for the year 2022-23 and Projection for the 3rd MYT period of 2023-24 to 2025-26 filed by Punjab State Transmission Corporation Limited (PSTCL).

Handwritten notes and signatures on the right side of the page, including dates like 31/1/23 and initials.

Sir,

Punjab State Electricity Regulatory Commission (PSERC) has invited objections/comments from the Industry and other categories of consumers on the ARR for 2023-24 submitted by PSTCL. We, M/s Mandi Gobindgarh Induction Furnace Association submit comments on the subject cited Petition submitted by PSTCL as under:-

1. PSTCL was constituted in 4/2010 as successor company to the then PSEB to look after transmission assets and since then Transmission losses for PSTCL system were being assumed as 2.5% on notional basis as boundary metering scheme was under implementation. In the ARR 2017-18 for MYT period of 2017-18 to 2019-20,

Keeping in view the large scale variations and data being yet to be firmed up, Hon'ble Commission ordered that for the MYT period 2017-18 to 2019-20, the Transmission losses shall be 2.5%, 2.40% and 2.30% for FY 2017-18, FY 2018-19 and FY 2019-20 respectively which will be reviewed/trued up for FY 2017-18, FY 2018-19 and FY 2019-20, on the basis of stabilized transmission loss data for full year.

In the ARR for 2018-19, PSTCL submitted the Transmission Loss of 2.80% for 2017-18 and 2.60% for 2018-19 for approval. In the Tariff Order for 2018-19, Commission decided in the TO that although PSTCL has completed Intra-State Boundary metering cum Transmission Level Energy Scheme, the data is yet to be stabilized. The Capital Investment Plan as projected /asked for by PSTCL since last many years is being approved almost as per the projections made by PSTCL. As such, the Commission

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provisionally retained the transmission loss level at 2.50% for FY 2017-18 and 2.40% for FY 2018-19, as approved in the Tariff Order for FY 2017-18.

In the ARR for 2019-20, Transmission loss of 3.12% (actual), 2.80% (RE) and 2.70% (Proj) for 2017-18, 2018-19 and 2019-20 respectively were submitted for approval of PSERC. Hon'ble Commission after analysing the data decided that the actual transmission loss could not be assessed in the absence of truly stabilised data. As such, the Commission retained the transmission loss at 2.50% for 2017-18 and increased the transmission loss level to 2.5% for 2018-19 as well as 2019-20 and decided that it would re-visit the transmission losses on the basis of stabilized transmission loss data for the full year during true up for these years.

Continuing with its earlier approach to get higher ARR initially and then projecting Profit and increase its equity, in its ARR for the last year i.e. 2018-19 (True up), 2019-20 (RE) and Projections for MYT Control Period FY2020-21 to 2022-23 submitted Transmission Loss as 2.86% as per Actuals for 2018-19 and 3% for 2019-20 to 2022-23 for approval. Hon'ble Commission ordered in TO 2020-21 that due to change in calculation methodology and the true picture of losses for the whole year being not yet available, transmission loss level of 2.50% is approved for true-up of FY 2018-19, Also for RE of 2019-20, the loss level of 2.5% is provisionally retained which shall be revisited based on the data of actual losses for the full year during the True Up of the year. Regarding Projections for MYT period FY 2020-21, 2021-22 and 2022-23, as per Business Plan Order, Transmission loss trajectory of reduction of 0.02% every year for 2nd MYT Control Period is approved. The Commission stated that the Transmission losses for the Control Period shall be specified accordingly on the basis the actual losses for FY 2019-20 and since the the actual losses of FY 2019-20 were not available and accordingly, based on the transmission loss level of 2.50% approved for FY 2019-20 in this Tariff Order, the Commission decided to provisionally set the trajectory in Table 83 for 2nd MYT period as 2.48%, 2.46% and 2.44% for FY 2020-21, 2021-22 and 2022-23 respectively.

In the ARR for 2021-22, PSTCL submitted the actual Transmission Loss as 2.217% for 2019-20 and 2.143% for first 6 months of 2020-21. However, in spite of actuals being available PSTCL still proposed to retain the trajectory levels of 2.48% and 2.46% for 2020-21 and 2021-22 respectively. Hon'ble Commission decided in the Tariff order as under:-

True up for 2019-20

3.3.5 The Commission has observed that PSTCL has revised the methodology of calculating the percentage of transmission losses from gross input/output of energy to net input/output of energy. The absolute value of transmission loss is 1385 M kWh though the percentage has gone to 2.69%.

3.3.6 For true up of FY 2019-20, the Commission approves transmission loss of 1385 MkWh and 2.69% of transmission loss.

RE for 2020-21 and Projections for 2020-21 and 2021-22

4.3.7 The Commission observes that the actual Transmission loss reported by PSTCL till December of FY 2020-21 amounts to 2.47%. Since losses in the lean months (Jan-March) are observed to be comparatively higher, the Commission decides to provisionally retain the transmission loss level at 2.48% and 2.46% for FY 2020-21 and FY 2021-22 respectively as approved in the Tariff Order of FY 2020-21. The transmission losses for FY 2020-21 shall be revisited based on the data of actual losses for the full year during the True Up of the year.

PSTCL proposed actual transmission loss of 2.50% for 2020-21 against approved Loss of 2.48%, actual loss of 2.16% for H1 of 2021-22 and projected loss levels of 2.46% and 2.44% for 2021-22 and 2022-23 respectively as per trajectory. Hon'ble Commission approved the Transmission Loss as under:-

True Up of 2020-21

2.3.6 The Commission observed that the Actual Transmission loss submitted by PSTCL is 2.50% (1329.22 MkWh) whereas the Commission has approved the Transmission loss of 2.48% for FY 2020-21.

2.3.9 Thus, the Commission disallows an amount of Rs. 2.78 Crore as loss sharing by PSTCL on account of under-achievement of Transmission Loss trajectory specified by the Commission. Since the amount disallowed is less than the RoE earned by PSTCL in FY 2020-21, the entire amount of Rs. 2.78 Crore is disallowed.

2.3.10 For True-up of FY 2020-21, the Commission approves the transmission loss of 1319.36 MkWh which is 2.48%.

APR for 2021-22 and 2022-23

3.3.1 The Commission, in the MYT Order for 2nd Control Period, had provisionally projected the transmission loss of 2.46% for FY 2021-22 and 2.44% for FY 2022-23

3.3.4 The Commission observes that the actual Transmission loss reported by PSTCL till September of FY 2021-22 is coming to 2.18%. Since losses in the lean months (Jan-March) are observed to be comparatively higher, the Commission decides to retain the transmission loss level at 2.46% and 2.44% for FY 2021-22 and FY 2022-23 respectively as approved in the MYT Order. The transmission losses for FY 2021-22 shall be revisited based on the data of actual losses for the full year during the True Up of the year. for FY 2021-22 shall be revisited based on the data of actual losses for the full year during the True Up of the year.

As is evident from the above discussions, there are wide variations in the projections and actuals since the commissioning of Boundary Metering. In fact the trajectory set in the year 2017-18 had to be revised and since then, there is no visibility of any

pattern/firmness in the Transmission loss levels and its reduction despite the requisite capital investments. It is evident that either this is being done intentionally to claim higher ARR and then show profit or there are some areas where the PSTCL needs to focus. PSTCL has never come out with any study/analysis on such irregular pattern.

PSTCL in its current ARR has claimed Transmission Loss of 2.31% (True up) against trajectory loss of 2.46% in 2021-22 and 2.11% (Actuals) in H1 of 2022-23. Further, as per the practice being adopted in previous years, PSTCL has projected loss level of 2.50% each for MYT period.

Though PSTCL has not offered any reasons for such wide variations in the past since commissioning of Boundary metering but has quickly claimed benefit of Rs 16.39 crore for Lower transmission loss in 2021-22 based on provisional trajectory adopted by the Commission which are required to be revisited as per Commission's own orders.

The implementation of SAMASAT scheme is again delayed and now it is stated to be targetted for commissioning in H2 of 2023-24. There is huge difference of power shown as injected in Distribution system by PSTCL and the figures of power received by PSPCL in its ARR as indicated in deficiency statements.

We therefore request that, the provisional trajectory may be revised based on actuals

We request the Hon'ble Commission that keeping in view the poor performance of PSTCL and due to low transmission loss as per actuals, Transmission Loss level be approved as per trajectory or actuals whichever is lower for these years under consideration since this is a Controllable element of tariff as per PSERC MYT Regulations and boundary metering has already been commissioned in 2017-18 though after 8 long years since PSTCL's formation and 5 years have passed since meters are in place and further, capital expenditure is being approved as required by PSTCL. The claim of incentive for true up be rejected and the 2.5% loss projected for MYT period may be reduced drastically.

We also request for revisiting the provisional loss levels approved by the Hon'ble Commission since 2010-11 and grant relief to consumers. Consumers were made liable for coal washing charges of PSPCL alongwith interest for previous period and on the same principles, they are entitled to relief on this count.

2. Equity and Return on Equity

A) The equity of GOP in the then PSEB was Rs 2806.11 Cr as per first tariff order issued by PSERC 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.

It is evident that this equity (Except of Rs 5 Crore initial capital) was only and only by conversion of GOP Loans. However no ROE was provided on the same in Tariff Order 2002-03 and after till 2005-06 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. The GOP loans given to the then PSEB were 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 and loan installments to insulate consumers from increase in tariff prior to setting up of Regulatory regime. Return on Equity of Rs 412.46 Cr per year was allowed only from 2006-07 onwards as per Para 4.15 of TO.

On formation of PSPCL and PSTCL on 16.4.2010, provisional FRP and transfer scheme was issued by GOP as per which the then existing equity of 2946.11 Cr was divided into two successor entities as Rs 2617.61 Cr for PSPCL and 328.50 Cr for PSTCL and ROE was allowed separately as Rs 366.47 Cr and Rs 45.99 Cr for PSPCL and PSTCL respectively.

GOP finalised FRP and Transfer scheme and notified the same on 24.12.2012 as per which an amount of Rs.3132.35 crore standing in the books of PSEB on 15.4.2010 under the head "Consumer Contributions & Govt Grants" and some other amounts was also converted into equity of GOP and the same was admitted by PSERC as well. Thus the equity of PSPCL was enhanced from Rs 2617.61 Cr to 6081.43 Cr (Para 3.16 of TO 2013-14) and of PSTCL from 328.50 Cr to Rs 605.83 Cr. (Para 3.10 of TO 2013-14). Thus the total equity of PSTCL was increased from 328.50 Cr to 605.83 cr.

PSTCL has been proposing funding of Capital Expenditure with normative 30% equity and 70% funding in the ARRs starting from 2017-18 by manipulating MYT regulations though ARR figures clearly show that PSTCL is funding this equity contribution through loans or alleged reinvestment/redeployment of "Return on Equity" (read "Profit") of the previous period. It is being pointed out that this ROE belongs to the GOP to which this equity belongs. Further, the issued and subscribed share capital as on 31.3.18, 31.3.19, 31.3.20 and 31.3.2021 remained same i.e. Rs 605.88 Cr in the Audited Annual Financial Statements of the respective years attached with ARRs and the same equity of Rs 605.88 Cr is appearing in the Balance Sheet ending 31.3.2022 enclosed with the current ARR. Thus neither there was any investment in equity nor equity shares were issued to GOP. The Profit and Loss statement and paid up equity for these years as per audited Balance Sheet supplied with the ARRs indicated that PSTCL incurred net profit/loss in Rs Cr since its incorporation are as under:-

Year	Amount of Equity	Profit/(Loss)
2017-18	605.88	4.03
2018-19	605.88	(8.23)
2019-20	605.88	(34.96)
2020-21	605.88	20.66
2021-22	605.88	216.47

There are no free reserves as per Annual Financial Statements. No liability of Income tax is shown since cumulatively PSTCL is still under loss. Further, no dividend has been paid back to GOP for holding equity in PSTCL.

In spite of objections of stake holders, tariff order 2019-20 revealed that Hon'ble Commission allowed addition in equity of 96.92 Cr (30% of capex) in True up of 2017-18 raising the equity of GOP from 605.88 Cr to 702.80 Cr without any cash flow. The amount was further revised to Rs 705.71 Cr subsequently. This was clearly wrong as the amount was not invested in cash by GOP and funding was through redeployment of profit of Rs 4.03 Cr earned during the year and balance thro' loan based on the true up capex. In fact the entity was in loss cumulatively and it can not redeploy even this Rs 4.03 Cr and loans can not be redeployed as equity. It is evident that the system was being mis-utilised by the Licensee to earn about 7% of difference of interest rate of loan (8 to 9%) and ROE rate of 15.5%. ROE could be retained by a company to meet losses, if in loss or to pay dividends, if in profit. Accepting the sentiments of consumers, similar demand in true up of 2018-19 seeking equity addition of 73.58 Cr was rejected by PSERC and ROE of Rs 109.38 Cr was allowed in TO 2021-22 for all the three years of 2019-20 (TU) and 2020-21 (RE) and 2021-22.

In the true up of 2020-21, PSTCL again raised demand for addition in the equity based on the redeployment of profit of Rs 20.68 Cr and increased equity from 705.70 Cr to 726.38 Cr. This has been allowed in the True up of 2020-21 in the Tariff Order 2022-23 in spite of objections of the stake holders. **It is submitted here that the Balance sheet now attached with ARR indicated the profit of Rs 17.43 CR for 2020-21 whereas Hon'ble Commission has allowed equity addition of Rs 20.68 Cr.**

Now in the present ARR, PSTCL has again adopted the same methodology and claimed deployment of Rs 77.31 Cr as equity out of profit of Rs 216.48 Cr for the true up of 2021-22. As is evident, the profit earned is being retained by PSTCL and not being paid back to GOP as dividend, whole of the financing of capital works is through loan with interest rate of 8-9%. It is also worth noting that no equity has been actually allotted to GOP, the owner of PSTCL. In this regard we extract the relevant Regulation 18 and 20 as under:-

20. RETURN ON EQUITY

Return on equity shall be computed at the base rate of 15.5% for thermal generating stations, Transmission Licensee, SLDC and run of the river hydro generating stations and at the base rate of 16.5% for the storage type hydro generating stations and run of river generating stations with pondage and 16% for Distribution Licensee on the paid up equity capital determined in accordance with Regulation 19:

19. DEBT EQUITY RATIO

19.1. Existing Projects - In case of the capital expenditure projects having Commercial Operation Date prior to the effective date, the debt-equity ratio shall be as allowed by the Commission for determination of tariff for the period prior to the effective date:

Provided that the Commission shall not consider the increase in equity as a result of revaluation of assets (including land) for the purpose of computing return on equity.

19.2. New Projects - For capital expenditure projects declared under commercial operation on or after the effective date:

(a) A Normative debt-equity ratio of 70:30 shall be considered for the purpose of determination of Tariff;

(b) In case the actual equity employed is in excess of 30%, the amount of equity for the purpose of tariff determination shall be limited to 30%, and the balance amount shall be considered as normative loan;

(c) In case, the actual equity employed is less than 30%, the actual debt-equity ratio shall be considered;

(d) The premium, if any raised by the Applicant while issuing share capital and investment of internal accruals created out of free reserve, shall also be reckoned as paid up capital for the purpose of computing return on equity subject to the normative debt-equity ratio of 70:30,

provided such premium amount and internal accruals are actually utilized for meeting capital expenditure of the Applicant's business.

Thus the true up deployment of Profit as equity for the purpose of ROE in spite of above provisions when paid up equity capital remains same is totally unjustified and as long as paid up equity capital remains same, no addition of equity can be allowed as per Regulations.

It is also strange that PSPCL is bearing the total expenditure of PSTCL as it has negligible income of Rs 42 Cr as other income for 2021-22 out of total income of 1514 Cr (<3%). However, the profit shown for 2021-22 as per audited statement is Rs 216.5 Cr on income of Rs 1514 Cr and on paid up equity of Rs 606 Cr. This profit for 2021-22 works out as 14.3% on revenue earned and as 35.72% on equity basis. It is happening when PSPCL is running in losses and PSTCL's boundary metering has utterly failed and state energy account is still not being issued by SLDC. It is evident that ARR of the Licensee are inflated and higher expenditure is being claimed initially

in ARR whereas actual expenditure at the time of preparing annual financial statements is less.

We also submit that total equity of PSTCL except Rs 5 Cr capital granted initially be withdrawn since there is no cash flow from GOP and all the amounts shown are infact loans taken at 7% to 12% while consumers are being made to pay 15.5% to 16.5% ROE on the same. The case of consumer contribution and GOP grants converted into equity through FRP/Transfer scheme is even more worse for consumers since these amounts were not bearing any interest but after conversion into equity, PSTCL and PSPCL have started earning ROE of around 16% on the same since 16.4.2010 which is nothing but fleecing of the consumers by wrongly interpreting the Regulations. Electricity Act 2003 casts a duty on the SERC to protect the interest of consumers as well.

B) Hon'ble Commission lowered the Interest on Security (Consumption) of consumers from SBI rate plus 2% to RBI rate to lower the ARR of PSPCL though the interest was ultimately paid upfront by consumers in tariff and received back at the close of year. However, here PSERC has allowed PSTCL to earn ROE merely by relocating the figures from Loan to equity and this amount is not only being retained by PSTCL for meeting unapproved expenditure without regulatory scrutiny but also being redeployed for funding equity.

C) It is also submitted that the ROE on Consumer Contribution and GOP Grants etc was challenged before APTEL by some consumers which has decided inter alia that GOP can hold any amount of equity in the Licensee' capital funding but ROE can be given only on the amount duly subscribed (in Cash) and for which shares are duly issued. The order has been challenged by PSPCL and GOP in Supreme Court and Stay has been granted but the final decision on the same is yet to come. The conversion is also objected by CAG in their audit reports holding that the conversion is against the financial principles.

3. It is also added here that Forum of Regulators constituted a sub group for study of ways to reduce retail tariff and a report was prepared on "ANALYSIS OF FACTORS IMPACTING RETAIL TARIFF AND MEASURES TO ADDRESS THEM" (2020). Incidentally, ex Chairperson, PSERC happened to be chairperson of the Sub Group 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.

Further, on Return on Equity, The sub group has stated 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".*

Hon'ble Commission is requested to implement the above recommendation at the earliest and reduce the rate of ROE to prevailing interest rate only as there is no risk factor involved and Hon'ble Commission is allowing the justified revenue as per MYT regulations. Further, all the equity shown in the books is either loan or consumer contribution etc.

3. It is also submitted that Forum of Regulator has carried out a Study on Evolving Principles of Depreciation for Distribution Assets and Operating and Financial norms. One of the recommendation of FOR is as under:-

The SERCs may continue to use RoE based margin determination. This will be dependent on availability of adequate and accurate data from the utilities. Further, the SERCs may carry out detailed diligence of existing performance parameters and fix suitable limits of performance parameters for determination of ROE. As the adoption of smart meters increases, the implementation of Consumer Rights (Rules) becomes easier. To achieve this, the SERCs may develop a roadmap for gradual transition into consumer level performance indices. Simultaneously, SERCs may phase out RoE based distribution margin and retain only consumer level performance parameters as a mechanism for rewards/penalties

This also equally applies to Transmission segment also and need to be implemented.

4. As per Balance Sheet for 2021-22, PSTCL has Other Equity (Reserves and Surpluses) of Rs 2444.75 Cr (Previous year 2225.65 Cr as per balance sheet now supplied and Rs 2232.89 Cr as per balance sheet supplied last year) and Equity of Rs 605.88 Cr. which works out to 4.04 times the equity amount. Consumers are being made to pay 15.5% ROE on the equity amount whereas Reserves and surplus are not earning any revenue for PSTCL or the consumers. Therefore, PSTCL should explore

liquidation of some portion of equity back to GOP so that the burden of ROE is reduced and Tariffs could be lowered,

5.. Total Transmission Capacity in MW worked out by PSTCL as per format T-22 is tabulated as under

Year	As per ARR 2022-23	As Per ARR 2023-24	Max Demand
2020-21	13152		13148
2021-22	13955	13234	13431/15336
2022-23	13540	13456	14311
2023-24		14340	
2024-25		15180	
2025-26		15230	

However, the capacity in Punjab SLDC web site under Availability Tab is 14590 MW as on 30.11.2022. Thus with projected demand of around 14600 MW and transmission capacity of 14340 MW, the state is headed for power cut in 2023-24. Moreover the new capacity addition of 900 Mw and 600 MW in 2023-24 and 2024-25 respectivel will be largely solar and wind power which is infirm power.

8. The total contracted capacity of PSPCL in the year 2023-24 is given as 14340 MW in Table T 22. However, transformation capacity of PSTCL on 31.3.2023 is 41500 MVA which is 2.9 times the peak demand of 14311 MW met so far. The capital investment plan of PSTCL need to be reviewed and it should be commensurate with the reduction trajectory of Transmission loss to give relief to consumers. PSTCL/SLDC may also be directed to carry out TTC and ATC studies for the state system to determine the safe transfer capacity and publish it on web site.

9. As brought out in Para 2.5.1 and 3.7.2 of current ARR, PSTCL has some reservation on net or gross employee cost for calculation of Employee cost. PSTCL has worked out the Employee Cost on net basis. However, PSPCL has not raised any such issue in its Generation, Distribution and Retail Supply ARR. This issue was also raised by PSTCL during previous years also but was not agreed to by PSERC and as submitted by PSPCL in these paras of ARR.

PSTCL has claimed Employees expenses for 2021-22 as Rs 582.63+10.90= Rs.593.53 Cr as per Format T1 whereas in the Balance sheet, the Employee benefit Expenses have been audited as Rs 556.10 Cr. It is evident that Pay as you Go principle is not being followed by PSTCL. Moreover whereas MYT regulation 2019 stated that O&M expenses will be worked out on normative basis, the MYT regulations 2022 state in Note 3 below regulation 25 that it will be on normative or actuals whichever is

lower. PSERC is requested to implement MYT regulations Further, matter needs to be perused vigorously in APTEL.

It is also submitted that Hon'ble Commission should also file SLP's in Hon'ble Supreme Court in cases where its orders are reversed by APTEL as is being done by the PSPCL/PSTCL who are approaching Supreme Court against PSERC.

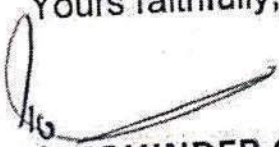
10. Year wise Non-Tariff income figures in Format T28 and T-1 for all years and figures/notes in Para 2.14 and Table 56 of para 3.13 of ARR need to be checked critically with regard to Non Tariff Income not considered for the purpose of ARR. Further, Non-Tariff Income for H2 of 2023-24 and MYT period need to be increased on normative basis.

Licensee has to understand that the exercise of ARR and determination of tariff is not an exercise to recover each and every expenditure from the consumers but only legitimate and justified revenue requirement as permissible under MYT regulations. PSTCL has to realise that the ultimate tariff payable by consumers cannot be increased infinitely and it has to be competitive with regard to neighbouring states.

We request the Hon'ble Commission to allow only prudent costs and revenue requirement strictly in accordance with MYT regulations.

We also crave leave of the Commission for submitting any additional observation/comment at a later date and at the time of hearing. We further request for condoning the delay as we have filed the comments in one month.

Yours faithfully,


(MOHINDER GUPTA)
President

CC : Chief Accounts Officer (Finance & Audit), 3rd floor, Shakti Sadan, Opposite Kali Mata Mandir, PSTCL, Patiala <fa@pstcl.org>



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

(Office of Chief Accounts Officer (F&A), ARR Section)
3rd Floor, Opp.Kali Mata Mandir, Shakti Sadan, Patiala.
Fax/Ph. No.0175-2790183 Email : fa@pstcl.org

To

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

Memo No. 167 /CAO(F&A)/MYT-III

Dated: 13/02/23

Subject: Objections No.6 raised by M/s ^(C.P-11) Mandi Gobindgarh Induction
Furnace Association in Petition no 73/2022 of PSTCL.

Ref: Your office E mail dated 30.01.2023

Vide email under reference your office has forwarded the objection raised by M/s Mandi Gobindgarh Induction Furnace Association w.r.t Petition no. 73/2022. Point Wise reply to the objections raised is enclosed herewith for kind consideration.

DA/ As above

Judhvi
Chief Accounts Officer (F&A)
PSTCL, Patiala

o/c
Piyanka
10/02/2023
10/2/23
10/2/2023
13/2/23

CC: Sh. Mohinder Gupta, President, M/s Mandi Gobindgarh Induction Furnace Association (Regd.), Grain Market, Mandi Gobindgarh – 147301 (Punjab).

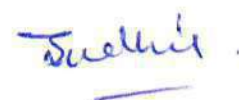
Replies to Objection No.:- 06 raised by M/s Induction Furnance Association

1. PSTCL was constituted in 4/2010 as successor company to the then PSEB to look after transmission assets and since then Transmission losses for PSTCL system were being assumed as 2.5% on notional basis as boundary metering scheme was under implementation. In the ARR 2017-18 for MYT period of 2017-18 to 2019-20,

Keeping in view the large scale variations and data being yet to be firmed up, Hon'ble Commission ordered that for the MYT period 2017-18 to 2019-20, the Transmission losses shall be 2.5%, 2.40% and 2.30% for FY 2017-18, FY 2018-19 and FY 2019-20 respectively which will be reviewed/trued up for FY 2017-18, FY 2018-19 and FY 2019-20, on the basis of stabilized transmission loss data for full year.

In the ARR for 2018-19, PSTCL submitted the Transmission Loss of 2.80% for 2017-18 and 2.60% for 2018-19 for approval. In the Tariff Order for 2018-19, Commission decided in the TO that although PSTCL has completed Intra-State Boundary metering cum Transmission Level Energy Scheme, the data is yet to be stabilized. The Capital Investment Plan as projected/asked for by PSTCL since last many years is being approved almost as per the projections made by PSTCL. As such, the Commission provisionally retained the transmission loss level at 2.50% for FY 2017-18 and 2.40% for FY 2018-19, as approved in the Tariff Order for FY 2017-18.

In the ARR for 2019-20, Transmission loss of 3.12% (actual), 2.80% (RE) and 2.70% (Proj) for 2017-18, 2018-19 and 2019-20 respectively were submitted for approval of PSERC. Hon'ble Commission after analyzing the data decided that the actual transmission loss could not be assessed in the absence of truly stabilized data. As such, the Commission retained the transmission loss at 2.50% for 2017-18 and increased the transmission loss level to 2.5% for 2018-19 as well as 2019-20 and decided that it would re-visit the transmission losses on the basis of stabilized transmission loss data for the full year during true up for these years.



Continuing with its earlier approach to get higher ARR initially and then projecting Profitand increase its equity, in its ARR for the last year i.e. 2018-19 (True up), 2019-20 (RE) and Projections for MYT Control Period FY2020-21 to 2022-23 submitted Transmission Loss as 2.86% as per Actuals for 2018-19 and 3% for 2019-20 to 2022-23 for approval. Hon'ble Commission ordered in TO 2020-21 that due to change in calculation methodology and the true picture of losses for the whole year being not yet available, transmission loss level of 2.50% is approved for true-up of FY 2018-19, Also for RE of 2019-20, the loss level of 2.5% is provisionally retained which shall be revisited based on the data of actual losses for the full year during the True Up of the year. Regarding Projections for MYT period FY 2020-21, 2021-22 and 2022-23, as per Business Plan Order, Transmission loss trajectory of reduction of 0.02% every year for 2nd MYT Control Period is approved. The Commission stated that the Transmission losses for the Control Period shall be specified accordingly on the basis the actual losses for FY 2019-20 and since the actual losses of FY 2019-20 were not available and accordingly, based on the transmission loss level of 2.50% approved for FY 2019-20 in this Tariff Order, the Commission decided to provisionally set the trajectory in Table 83 for 2nd MYT period as 2.48%, 2.46% and 2.44% for FY 2020-21, 2021-22 and 2022-23 respectively.

In the ARR for 2021-22, PSTCL submitted the actual Transmission Loss as 2.217% for 2019-20 and 2.143% for first 6 months of 2020-21. However, in spite of actuals being available PSTCL still proposed to retain the trajectory levels of 2.48% and 2.46% for 2020-21 and 2021-22 respectively. Hon'ble Commission decided in the Tariff order as under:-

True up for 2019-20

3.3.5 The Commission has observed that PSTCL has revised the methodology of calculating the percentage of transmission losses from gross input/output of energy to net input/output of energy. The absolute value of transmission loss is 1385 MKWH though the percentage has gone to 2.69%.

3.3.6 For true up of FY 2019-20, the Commission approves transmission loss of 1385 MKWH and 2.69% of transmission loss.

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RE for 2020-21 and Projections for 2020-21 and 2021-22

4.3.7 The Commission observes that the actual Transmission loss reported by PSTCL till December of FY 2020-21 amounts to 2.47%. Since losses in the lean months (Jan-March) are observed to be comparatively higher, the Commission decides to provisionally retain the transmission loss level at 2.48% and 2.46% for FY 2020-21 and FY 2021-22 respectively as approved in the Tariff Order of FY 2020-21. The transmission losses for FY 2020-21 shall be revisited based on the data of actual losses for the full year during the True Up of the year.

PSTCL proposed actual transmission loss of 2.50% for 2020-21 against approved Loss of 2.48%, actual loss of 2.16% for H1 of 2021-22 and projected loss levels of 2.46% and 2.44% for 2021-22 and 2022-23 respectively as per trajectory. Hon'ble Commission approved the Transmission Loss as under:-

True Up of 2020-21

2.3.6 The Commission observed that the Actual Transmission loss submitted by PSTCL is 2.50% (1329.22 M kWh) whereas the Commission has approved the Transmission loss of 2.48% for FY 2020-21.

2.3.9 Thus, the Commission disallows an amount of Rs. 2.78 Crore as loss sharing by PSTCL on account of under-achievement of Transmission Loss trajectory specified by the Commission. Since the amount disallowed is less than the RoE earned by PSTCL in FY 2020-21, the entire amount of Rs. 2.78 Crore is disallowed.

2.3.10 For True-up of FY 2020-21, the Commission approves the transmission loss of 1319.36 M kWh which is 2.48%.

APR for 2021-22 and 2022-23

3.3.1 The Commission, in the MYT Order for 2nd Control Period, had provisionally projected the transmission loss of 2.46% for FY 2021-22 and 2.44% for FY 2022-23

3.3.4 The Commission observes that the actual Transmission loss reported by PSTCL till September of FY 2021-22 is coming to 2.18%. Since losses in the lean months (Jan- March) are observed to be comparatively higher, the Commission

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decides to retain the transmission loss level at 2.46% and 2.44% for FY 2021-22 and FY 2022-23 respectively as approved in the MYT Order. The transmission losses for FY 2021-22 shall be revisited based on the data of actual losses for the full year during the True Up of the year. for FY 2021-22 shall be revisited based on the data of actual losses for the full year during the True Up of the year.

As is evident from the above discussions, there are wide variations in the projections and actuals since the commissioning of Boundary Metering. In fact the trajectory set in the year 2017-18 had to be revised and since then, there is no visibility of any pattern/firmness in the Transmission loss levels and its reduction despite the requisite capital investments. It is evident that either this is being done intentionally to claim higher ARR and then show profit or there are some areas where the PSTCL needs to focus PSTCL has never come out with any study/analysis on such irregular pattern.

PSTCL in its current ARR has claimed Transmission Loss of 2.31% (True up) against trajectory loss of 2.46% in 2021-22 and 2.11% (Actuals) in H1 of 2022-23. Further, as per the practice being adopted in previous years, PSTCL has projected loss level of 2.50% each for MYT period.

Though PSTCL has not offered any reasons for such wide variations in the past since commissioning of Boundary metering but has quickly claimed benefit of Rs 16.39 crore for Lower transmission loss in 2021-22 based on provisional trajectory adopted by the Commission which are required to be revisited as per Commission's own orders.

The implementation of SAMASAT scheme is again delayed and now it is stated to be targeted for commissioning in H2 of 2023-24. There is huge difference of power shown as injected in Distribution system by PSTCL and the figures of power received by PSPCL in its ARR as indicated in deficiency statements.

We therefore request that, the provisional trajectory may be revised based on actuals

We request the Hon'ble Commission that keeping in view the poor performance of PSTCL and due to low transmission loss as per actuals, Transmission Loss level

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be approved as per trajectory or actuals whichever is lower for these years under consideration since this is a Controllable element of tariff as per PSERC MYT Regulations and boundary metering has already been commissioned in 2017-18 though after 8 long years since PSTCL's formation and 5 years have passed since meters are in place and further, capital expenditure is being approved as required by PSTCL. The claim of incentive for true up be rejected and the 2.5% loss projected for MYT period may be reduced drastically.

We also request for revisiting the provisional loss levels approved by the Hon'ble Commission since 2010-11 and grant relief to consumers. Consumers were made liable for coal washing charges of PSPCL along with interest for previous period and on the same principles, they are entitled to relief on this count.

PSTCL's Reply:-

It is submitted that PSTCL evaluates the PSTCL network (400kV/220kV/132kV) Transmission losses as per the energy data, of various ABT/CEM meters installed at different locations of Grid/ Substations of PSTCL. The data of meters is being downloaded through CMRI. The IT section of PSTCL has developed online portal for uploading of CMRI data and the monthly PSTCL Transmission losses are being calculated by software to minimize any error in data. The PSTCL transmission losses have improved from 4.239% in FY 2016-17 to 2.31% in FY 2021-22 as detailed below:-

Year	PSTCL transmission Losses (in %)	Target transmission approved by PSERC (in %)	PSTCL Losses
2016-17	4.239	2.50	
2017-18	3.118	2.50	
2018-19	2.86	2.50	
2019-20	2.694	2.50	
2020-21	2.50	2.48	
2021-22	2.31	2.46	
2022-23	2.16(Upto Nov. 2022)	2.44	

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Further, SLDC calculates transmission loss figure based upon actual meter data.

PSTCL has installed MVA capacity of 41099.68MVA, and 3866.951 circuit kms of transmission lines. The power flow of transmission elements vary in each block, day, month and season from one location to another location which also impacts transmission losses. SLDC is in process of implementation of SAMAST project. In SAMAST project, block wise PSTCL Transmission losses will be available..Detailed analysis, thereafter, may be helpful in predicting trajectory of transmission losses closer to actual transmission losses.

In respect of difference of figures of energy of PSTCL & PSPCL, it is intimated that energy available to PSPCL includes the energy transferred from PSTCL network (400KV/220kV/132kV network) and energy injected by solar plants, sugar mills, bio mass plants and other 66kV & below energy injection. This may be the reason of difference of energy available with PSPCL from that of energy injection by PSTCL in PSPCL network.

2. Equity and Return on Equity

A) The equity of GOP in the then PSEB was Rs 2806.11 Cr as per first tariff order issued by PSERC as under:-

6.10. EQUITY AND RETURN ON EQUITY

The Government of Punjab has declared the PSEB as a body corporate with aCapital 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.

It is evident that this equity (Except of Rs 5 Crore initial capital) was only and only by conversion of GOP Loans. However no ROE was provided on the same in Tariff Order 2002-03 and after till 2005-06 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. The GOP loans given to the

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then PSEB were 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 and loan installments to insulate consumers from increase in tariff prior to setting up of Regulatory regime. Return on Equity of Rs 412.46 Cr per year was allowed only from 2006-07 onwards as per Para 4.15 of TO.

On formation of PSPCL and PSTCL on 16.4.2010, provisional FRP and transfer scheme was issued by GOP as per which the then existing equity of 2946.11 Cr was divided into two successor entities as Rs 2617.61 Cr for PSPCL and 328.50 Cr for PSTCL and ROE was allowed separately as Rs 366.47 Cr and Rs 45.99 Cr for PSPCL and PSTCL respectively.

GOP finalised FRP and Transfer scheme and notified the same on 24.12.2012 as per which an amount of Rs.3132.35 crore standing in the books of PSEB on 15.4.2010 under the head "Consumer Contributions & Govt Grants" and some other amounts was also converted into equity of GOP and the same was admitted by PSERC as well. Thus the equity of PSPCL was enhanced from Rs 2617.61 Cr to 6081.43 Cr (Para 3.16 of TO 2013-14) and of PSTCL from 328.50 Cr to Rs 605.83 Cr. (Para 3.10 of TO 2013-14). Thus the total equity of PSTCL was increased from 328.50 Cr to 605.83 cr.

PSTCL has been proposing funding of Capital Expenditure with normative 30% equity and 70% funding in the ARR's starting from 2017-18 by manipulating MYT regulations though ARR figures clearly show that PSTCL is funding this equity contribution through loans or alleged reinvestment/redeployment of "Return on Equity" (read "Profit") of the previous period. It is being pointed out that this ROE belongs to the GOP to which this equity belongs. Further, the issued and subscribed share capital as on 31.3.18, 31.3.19, 31.3.20 and 31.3.2021 remained same i.e. Rs 605.88 Cr in the Audited Annual Financial Statements of the respective years attached with ARR's and the same equity of Rs 605.88 Cr is appearing in the Balance Sheet ending 31.3.2022 enclosed with the current ARR. Thus neither there was any investment in equity nor equity shares were issued to GOP. The Profit and Loss statement and paid up equity for these years as per

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audited Balance Sheet supplied with the ARRS indicated that PSTCL incurred net profit/loss in Rs Cr since its incorporation are as under:-

(Rs. In crores)

Year	Amount of Equity	Profit/Loss
2017-18	605.88	4.03
2018-19	605.88	(8.23)
2019-20	605.88	(34.96)
2020-21	605.88	20.66
2021-22	605.88	216.47

There are no free reserves as per Annual Financial Statements. No liability of Income tax is shown since cumulatively PSTCL is still under loss. Further, no dividend has been paid back to GOP for holding equity in PSTCL.

In spite of objections of stake holders, tariff order 2019-20 revealed that Hon'ble Commission allowed addition in equity of 96.92 Cr (30% of capex) in True up of 2017-18 raising the equity of GOP from 605.88 Cr to 702.80 Cr without any cash flow. The amount was further revised to Rs 705.71 Cr subsequently. This was clearly wrong as the amount was not invested in cash by GOP and funding was through redeployment of profit of Rs 4.03 Cr earned during the year and balance thro' loan based on the true up capex. In fact the entity was in loss cumulatively and it can not redeploy even this Rs 4.03 Cr and loans can not be redeployed as equity. It is evident that the system was being mis-utilised by the Licensee to earn about 7% of difference of interest rate of loan (8 to 9%) and ROE rate of 15.5%. ROE could be retained by a company to meet losses, if in loss or to pay dividends, if in profit. Accepting the sentiments of consumers, similar demand in true up of 2018-19 seeking equity addition of 73.58 Cr was rejected by PSERC and ROE of Rs 109.38 Cr was allowed in TO 2021-22 for all the three years of 2019-20 (TU) and 2020-21 (RE) and 2021-22.

In the true up of 2020-21, PSTCL again raised demand for addition in the equity based on the redeployment of profit of Rs 20.68 Cr and increased equity from 705.70 Cr to 726.38 Cr. This has been allowed in the True up of 2020-21 in the

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Tariff Order 2022-23 inspite of objections of the stake holders. It is submitted here that the Balance sheet now attached with ARR indicated the profit of Rs 17.43 CR for 2020-21 whereas Hon'ble Commission has allowed equity addition of Rs 20.68 Cr.

Now in the present ARR, PSTCL has again adopted the same methodology and claimed deployment of Rs 77.31 Cr as equity out of profit of Rs 216.48 Cr for the true up of 2021-22. As is evident, the profit earned is being retained by PSTCL and not being paid back to GOP as dividend, whole of the financing of capital works is through loan with interest rate of 8-9%. It is also worth noting that no equity has been actually allotted to GOP, the owner of PSTCL. In this regard we extract the relevant Regulation 18 and 20 as under:-

20. RETURN ON EQUITY

Return on equity shall be computed at the base rate of 15.5% for thermal generating stations, Transmission Licensee, SLDC and run of the river hydro generating stations and at the base rate of 16.5% for the storage type hydro generating stations and run of river generating stations with pondage and 16% for Distribution Licensee on the paid up equity capital determined in accordance with Regulation 19:

19. DEBT EQUITY RATIO

19.1. Existing Projects - In case of the capital expenditure projects having Commercial Operation Date prior to the effective date, the debt-equity ratio shall be as allowed by the Commission for determination of tariff for the period prior to the effective date:

Provided that the Commission shall not consider the increase in equity as a result of revaluation of assets (including land) for the purpose of computing return on equity.

19.2. New Projects - For capital expenditure projects declared under commercial operation on or after the effective date:

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(a) A Normative debt-equity ratio of 70:30 shall be considered for the purpose of determination of Tariff;

(b) In case the actual equity employed is in excess of 30%, the amount of equity for the purpose of tariff determination shall be limited to 30%, and the balance amount shall be considered as normative loan;

(c) In case, the actual equity employed is less than 30%, the actual debt-equity ratio shall be considered;

(d) The premium, if any raised by the Applicant while issuing share capital and investment of internal accruals created out of free reserve, shall also be reckoned as paid up capital for the purpose of computing return on equity subject to the normative debt- equity ratio of 70:30,

provided such premium amount and internal accruals are actually utilized for meeting capital expenditure of the Applicant's business.

Thus the true up deployment of Profit as equity for the purpose of ROE in spite of above provisions when paid up equity capital remains same is totally unjustified and as long as paid up equity capital remains same, no addition of equity can be allowed as per Regulations.

It is also strange that PSPCL is bearing the total expenditure of PSTCL as it has negligible income of Rs 42 Cr as other income for 2021-22 out of total income of 1514 Cr (<3%). However, the profit shown for 2021-22 as per audited statement is Rs 216.5 Cr on income of Rs 1514 Cr and on paid up equity of Rs 606 Cr. This profit for 2021-22 works out as 14.3% on revenue earned and as 35.72% on equity basis. It is happening when PSPCL is running in losses and PSTCL's boundary metering has utterly failed and state energy account is still not being issued by SLDC. It is evident that ARR of the Licensee are inflated and higher expenditure is being claimed initially in ARR whereas actual expenditure at the time of preparing annual financial statements is less.

We also submit that total equity of PSTCL except Rs 5 Cr capital granted initially be withdrawn since there is no cash flow from GOP and all the amounts shown are

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infactloans taken at 7% to 12% while consumers are being made to pay 15.5% to 16.5% ROE on the same. The case of consumer contribution and GOP grants converted into equity through FRP/Transfer scheme is even more worse for consumers since these amounts were not bearing any interest but after conversion into equity, PSTCL and PSPCL have started earning ROE of around 16% on the same since 16.4.2010 which is nothing but fleecing of the consumers by wrongly interpreting the Regulations. Electricity Act 2003 casts a duty on the SERC to protect the interest of consumers as well.

B) Hon'ble Commission lowered the Interest on Security (Consumption) of consumers from SBI rate plu 2% to RBI rate to lower the ARR of PSPCL though the interest was ultimately paid upfront by consumers in tariff and received back at the close of year. However, here PSERC has allowed PSTCL to earn ROE merely by relocating the figures from Loan to equity and this amount is not only being retained by PSTCL for meeting unapproved expenditure without regulatory scrutiny but also being redeployed for funding equity.

C) It is also submitted that the ROE on Consumer Contribution and GOP Grants etc was challenged before APTEL by some consumers which has decided inter alia that GOP can hold any amount of equity in the Licensee' capital funding but ROE can be given only on the amount duly subscribed (in Cash) and for which shares are duly issued. The order has been challenged by PSPCL and GOP in Supreme Court and Stay has been granted but the final decision on the same is yet to come. The conversion is also objected by CAG in their audit reports holding that the conversion is against the financial principles.

3. It is also added here that Forum of Regulators constituted a sub group for study of ways to reduce retail tariff and a report was prepared on "ANALYSIS OF FACTORS IMPACTING RETAIL TARIFF AND MEASURES TO ADDRESS THEM" (2020). Incidentally, ex Chairperson, PSERC happened to be chairperson of the Sub Group 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

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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.

Further, on Return on Equity, The sub group has stated 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".

Hon'ble Commission is requested to implement the above recommendation at the earliest and reduce the rate of ROE to prevailing interest rate only as there is no risk factor involved and Hon'ble Commission is allowing the justified revenue as per MYT regulations. Further, all the equity shown in the books is either loan or consumer contribution etc.

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PSTCL's Reply:-

It is submitted that PSTCL has claimed Return on Equity as per Regulation 20 of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply) Tariff Regulation, 2022 as notified by Hon'ble Commission.

3. It is also submitted that Forum Regulator has carried out a Study on Evolving Principles of Depreciation for Distribution Assets and Operating and Financial norms. One of the recommendations of FOR is as under:-

The SERCS may continue to use RoE based margin determination. This will be dependent on availability of adequate and accurate data from the utilities. Further, the SERCS may carry out detailed diligence of existing performance parameters and fix suitable limits of performance parameters for determination of ROE. As the adoption of smart meters increases, the implementation of Consumer Rights (Rules) becomes easier. To achieve this, the SERCS may develop a roadmap for gradual transition into consumer level performance indices. Simultaneously, SERCS may phase out RoE based distribution margin and retain only consumer level performance parameters as a mechanism for rewards/penalties

This also equally applies to Transmission segment also and need to be implemented.

PSTCL's Reply:-

No Comments.

4. As per Balance Sheet for 2021-22, PSTCL has Other Equity (Reserves and Surpluses) of Rs 2444.75 Cr (Previous year 2225.65 Cr as per balance sheet now supplied and Rs 2232.89 Cr as per balance sheet supplied last year) and Equity of Rs 605.88 Cr. which works out to 4.04 times the equity amount Consumers are being made to pay 15.5% ROE on the equity amount whereas Reserves and surplus are not earning any revenue for PSTCL or the consumers. Therefore,

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PSTCL should explore liquidation of some portion of equity back to GOP so that the burden of ROE is reduced and Tariffs could be lowered,

PSTCL's Reply:-

It is submitted that Equity of Rs. 605.88 crore of PSTCL is as per notification dated 24.12.2012 of Government of Punjab.

5. Total Transmission Capacity in MW worked out by PSTCL as per format T-22 is tabulated as under

Year	As per ARR 2022-23	As per ARR 2023-24	Max Demand
2020-21	13152		13148
2021-22	13955	13234	13431/15336
2022-23	13540	13456	14311
2023-24		14340	
2024-25		15180	
2025-26		15230	

However, the capacity in Punjab SLDC web site under Availability Tab is 14590 MW as on 30.11.2022. Thus with projected demand of around 14600 MW and transmission capacity of 14340 MW, the state is headed for power cut in 2023-24. Moreover the new capacity addition of 900 Mw and 600 MW in 2023-24 and 2024-25 respectively will be largely solar and wind power which is infirm power.

PSTCL's Reply:-

The state's installed capacity of 14589.81 MW under availability tab on Punjab SLDC comprises of state's own generation along with state's share in central sector plants. However, apart from these sources, the state is entitled to procure power from other sources as well including Short Term Open Access (STOA), Indian Energy Exchange (IEX), real Time Market (RTM), Banking, etc. PSTCL has been making continuous efforts for enhancement of state's ATC/TTC limits through strengthening of ISTS (Inter State Transmission System) transmission elements and intra state transmission network connected with ISTS nodes. PSTCL

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is well aware of the burgeoning power demand of the state and have been working on strengthening of transmission network in this respect. During summer/paddy season 2022, state's ATC/TTC limits have been enhanced from 7100/7700MW to 8500/9000MW by carrying out numerous transmission strengthening works. Further, efforts are being made to significantly enhance state's ATC/TTC limits to 10000/10500MVY (& beyond) through various transmission projects in coming years.

6. The total contracted capacity of PSPCL in the year 2023-24 is given as 14340MW in Table T 22. However, transformation capacity of PSTCL on 31.3.2023 is 41500 MVA which is 2.9 times the peak demand of 14311 MW met so far. The capital investment plan of PSTCL needs to be reviewed and it should be commensurate with the reduction trajectory of Transmission loss to give relief to consumers. PSTCL/SLDC may also be directed to carry out TTC and ATC studies for the state system to determine the safe transfer capacity and publish it on web site.

PSTCL's Reply:-

The transformation capacity of PSTCL, which is 41099.67 MVA, is basically the sum total of all transformers installed in PSTCL network. The same includes transformers at 400/220KV, 220/132KV, 220/66KV, 132/66KV, 132/11KV voltage levels etc. The same is not to be compared with the load catering capacity of the state. Most of the 132KV & below level transformers form a part of the underlying transmission system for the existing 220KV transmission system. Similarly, some of the 220KV & below level transformers form a part of the underlying transmission system for the existing 400KV transmission system. Subsequently, the same are already included in the 400KV & 220KV transformation capacities. Further, the load catering capacity of the state is the sum of state's own generation and the ATC (outside drawl) values of the state power system. Furthermore, it is submitted that the ATC limits are evaluated judiciously by Punjab SLDC and the same are being verified/validated by NRLDC after carrying out thorough load flow studies for the sake of safe & secure operation of the grid.

7. As brought out in Para 2.5.1 and 3.7.2 of current ARR, PSTCL has some reservation on net or gross employee cost for calculation of Employee cost.

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PSTCL has worked out the Employee Cost on net basis. However, PSPCL has not raised any such issue in its Generation, Distribution and Retail Supply ARR. This issue was also raised by PSTCL during previous years also but was not agreed to by PSERC and as submitted by PSPCL in these paras of ARR.

PSTCL has claimed Employees expenses for 2021-22 as Rs 582.63+10.90= Rs.593.53 Cr as per Format T1 whereas in the Balance sheet, the Employee benefit Expenses have been audited as Rs 556.10 Cr. It is evident that Pay as you Go principle is not being followed by PSTCL. Moreover whereas MYT regulation 2019 stated that O&M expenses will be worked out on normative basis, the MYT regulations 2022 state in Note 3 below regulation 25 that it will be on normative or actuals whichever is lower. PSERC is requested to implement MYT regulations Further, matter needs to be perused vigorously in APTEL.

PSTCL's Reply:-

It is submitted that PSTCL has claimed Employee expenses for FY 2023-24 as per Regulation 25 of Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff Regulation, 2022 as notified by Hon'ble Commission.

8. Year wise Non-Tariff income figures in Format T28 and T-1 for all years and figures/notes in Para 2.14 and Table 56 of para 3.13 of ARR need to be checked critically with regard to Non Tariff Income not considered for the purpose of ARR. Further, Non-Tariff Income for H2 of 2023-24 and MYT period need to be increased on normative basis.

PSTCL's Reply:-

It is submitted that PSTCL has claimed Non-Tariff Income as per PSERC, MYT Regulations 2022.

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VIMAL ALLOYS
PRIVATE LIMITED
Cin No. : U27106PB1980PTC004303

Date: 20.01.2023

The Secretary,
Punjab State Electricity Regulatory Commission
Plot No-3, Sector 18-A, Madhya Marg, Chandigarh-160018,
Mail Id : secretarypserechd@gmail.com

IN THE MATTER OF:

AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE YEAR 2023-24 FILED BY PUNJAB STATE POWER CORPORATION LIMITED AND PUNJAB STATE TRANSMISSION CORPORATION LTD (referred to as PSPCL and PSTCL)

AND

In the matter of petition No. 74 of 2022 filed by PSPCL and 73 of 2022 filed by PSTCL Respectively showeth,

Punjab state Electricity Regulatory commission (PSERC) has invited objection/comment form the industry and other consumers on the ARR submitted by PSPCL.

We Vimal Alloys Pvt Ltd, is 66 KV consumers of PSPCL vide A/C No.3007509287 situated at Village Sounti, Amlah. We submit our comments as under:-

• **Return on Equity**

1. The Then Punjab State Electricity Board (PSEB) was constituted under Electricity (Supply) Act 1948 as per which PSEB was to finance all its Capital work through Loans only and interest on loan installments were recovered through Tariff. Loans were given by GOP and to escape the interest and installments payable to GOP, PSEB got the loan(s) converted into equity of GOP in PSEB.
2. PSERC issued first tariff order for the year 2002-03 which stated in Para 6.10 that PSEB has been declared by GOP as a body corporate with a Capital of Rs.5 crores with effect from 10th March 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 to 2005-06 by PSERC and only 3% Return on NET Fixed assets were allowed as per Supply Act 1948.
3. As is clear, Initial equity of Rs. 2946.11 crore as on 2006-07 onwards on which ROE of Rs.412.46 Cr per year was allowed as per Para 4.15 of TO were loans of GOP camouflaged as Equity to get higher returns thro ROE.

Regd. Off. : Shop No. 445, Sector 3-C, G.T. Road, Mandi Gobindgarh-147301 (Pb.) India
Works : Village Sounti, Amlah-147 203 (Pb.) India • Ph. : (W) 01765-230491, 230091
E-mail : info@vimalalloys.com • www.vimalalloys.com



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4. On restructuring of PSEB into PSPCL and PSTCL on 16.04.2010, equity (in fact loans) of Rs.2946.11 Crore was also distributed as per provisional FRP/Transfer scheme as Rs.2617.61 Cr and 328.50 Cr and ROE was allowed separately as Rs.366.47 Cr and Rs.45.99 Cr for PSPCL and PSTCL respectively.
5. 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/debt and a part of it shown as equity of Board. This evidently was done to help Discom to reduce its interest and repayment burden as ROE/dividend is not payable under companies Act to GOP till PSEB/PSPCL is running in losses. Thus, a methodology devised to keep the tariff on lower side is now being used to increase income of PSPCL by unduly loading the consumers and to meet the financial losses due to inefficient working of PSPCL/PSTCL. Consequently, the consumers of the State are burdened with the higher tariff in the form of 15%-16% ROE on such amount, which is in fact a government loan on which not more than 7-8% interest needs to be allowed.
6. Subsequently, Financial restructuring Plan and Transfer scheme was finalized and notified on 24.12.2012 by GOP. In this notification, an amount of Rs.3132.25 crore standing in the books of PSEB on 15.04.2010 under the head "Consumer Contribution & Govt Grant" etc were also converted into equity of GOP and the same was admitted by PSERC as well. Thus, the equity of PSPCL were enhanced from Rs. 2617.61 Cr to 6081.43 Cr (Para 3.16 of TO 2013-14) and from 328.50 Cr to Rs. 605.83 Cr (Para 3.10 of TO 2013-14) respectively. Thus, the total equity was increased from 2946.11 Cr to 6687.26 cr.
7. The conversion of consumer contribution and Govt Grants/subsidies was appealed by consumers in APTEL and APTEL directed PSERC to reconsider the issue vide judgment Dated 17-12-2014 in Appeal No 168 and 142 of 2013 as under:-

*"48-----we direct the State Commission to adjust the excess amount of ROE in the impugned order from the FY 2011-12 onwards in the ARR/True up for the year to provide relief to the customers."
50.3 The findings of this Tribunal in Appeal no.46 of 2014 shall squarely apply to the present case. The state commission shall re-determine the ROE as per our directions and the excess amount allowed to the distribution licensee with carrying cost shall be adjusted in the next ARR of the respondent no.2.*

8. APTEL observed that the Govt can hold any amount as equity in PSPCL and PSTCL but ROE needs to be granted on actually subscribed and paid-up equity only i.e cash money infused needs to be counted as equity for the purpose of ROE. PSPCL has filled the Appeal against the order in Supreme court and stay has been granted. Final order of SC is still awaited. however, because of stay granted by the Supreme court, PSERC is granted ROE on Rs.6081.43 Cr to PSPCL and on 605.88 Cr to PSTCL. The CAG also objected to the conversion of non- interest bearing consumer contribution and Govt grants /subsides etc into equity.

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E-mail : info@vimalalloys.com • www.vimalalloys.com

9. Subsequently, MOP, GOP and PSPCL entered into an agreement as per which PSPCL loans of Rs.15628.26 Cr were to be taken over by GOP by issue of SLR bonds by banks and loans were to be taken off the books of PSPCL. UDAY scheme ended on 31.03.2020 and PSPCL proposed in ARR 2020-21 to convert the loan amount of Rs.15628.26 cr as GOP equity in PSPCL i.e increasing GOP equity from 6081.43 cr to 21709.69 cr. PSPCL claimed ROE on Rs.15628.26 @15.90% i.e Rs 2485 cr in addition to ROE of Rs.6081.42 crore. Thus by simply maneuvering the entry of loan amount to equity, PSPCL was to load consumers by 3423 Cr. However, vide tariff order dated 28th May 2021 PSERC rejected the proposal of PSPCL.

10. In the ARR of FY 2022-23 dated 30th November 2021, PSPCL has come out with an entirely new argument that out of Rs.15626.26 crore, Rs.2246.77 were spent on capital expenditure and out of balance 13381.49 crore working capital loan, Rs.2346.19 crore were also divert towards capital expenditure. Thus total Rs.4592 crore should be treated as equity and ROE should be now allowed on Rs.10674 crore (Rs.6081.43 Crore +Rs.4592 crore) inspite of the fact that 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. The claim of PSPCL was rejected the PSERC and in the tariff order for F-Y 2022-23 ROE was allowed on Rs.6081.43 crore only.

Now in the ARR for F.Y 2023-24 dated 29.11.2022 PSPCL has again shown the opening equity at Rs.10674 crore instead of Rs.6081.43 as allowed by the PSERC in previous Tariff order for the year 2022-23. There are no details available in ARR as to why the increased equity has been shown as opening balance of equity while determining return of equity in the tariff order.

The equity which qualify for ROE was determined only at Rs.6081.43 crores only. There was no fresh flow of funds from GOP. Therefore, this year also ROE should be allowed only at Rs.6081.43 crores only.

It is also worth mentioning that UDAY scheme was accepted by PSPCL, GOP and central Govt. TPA was signed by above three parties and as per para 1.2 (d) of the UDAY agreement in which 25% of the total loans will be converted into equity of GOP and balance 75% will be given to DISCOM as grants. The para 1.2 (d) in reproduced as under:-

" The Borrowings made by the State to takeover DISCOM debit during 2015-16 and 2016-17 shall be utilized by Government of Punjab solely for the purpose of Discharging the DISCOM debt and transfer to DISCOM as a mix of grant loan of equity as described in following table:

Year	Total Debt Taken Over	Transfer to Punjab DISCOM in the form of grant	Transfer to Punjab DISCOM in the form of Loan	Transfer to Punjab DISCOM in the form of equity	Rs. In crores Outstanding state loan of Punjab DISCOM
Year 1	50% of the total debt		10418.84		10418.84

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Year 2	25% of the total debt		5209.42		15628.26
Year 3	----				15628.26
Year 4	----				15628.26
Year 5	----	11720.26		3900.00	

From the above chart it is quite clear that there is no justification of converting loan of 15628.26 crore into GOP equity as at per Tripade agreement under **UDAY scheme**. The only 25% loans should have been convert in GOP equity and balance 75% was to be given as grant to PSPCL and PSTCL but converting entire loans into equity of GOP is misconceived and is to load the consumers with higher return on equity and higher tariff and this should not at all be allowed by PSERC.

• **Interest on loan capital:-**

Under the head interest on loan capital at sub head 23.5 it is proposed in the ARR as follows:-

" 23.5 The interest on excess equity treated as loan shall be served at the weighted average interest rate of actual loan taken from the lenders."

But there is no justification at all to allow interest on the excess equity which can not be treated as loan as there was no such provision in **UDAY scheme** which was adopted by **PSPCL, GOP** and **MOP** and as per the UDAY scheme 75% of loans were to be given as grant to PSPCL and PSTCL as explained in for para no.10. Therefore the claim of PSPCL should be rejected on this account.

• **Voltage Rebate to 66/220 KV industrial consumer**

HT rebate is granted in accordance with the Electricity Act 2003 providing that tariff should be in line with the difference of voltage wise cost of supply for the relevant voltage. Hon'ble APTEL has also upheld this provision and voltage rebate was also granted to Punjab consumers in view of the numerous orders issued by APTEL in this regard. Due to the difficulties in implementing voltage wise cost of supply based tariff, voltage rebate is given to partially compensate such consumers. The difference in cost of supply for the consumers connected at 66 KV vis a vis 11 KV consumers as per previous tariff orders issued by the Hon'ble Commission is extracted as under:

Regd. Off. : Shop No. 445, Sector 3-C, G.T. Road, Mandi Gobindgarh-147301 (Pb.) India
Works : Village Sounti, Amloh-147 203 (Pb.) India • Ph. : (W) 01765-230491, 230091
E-mail : info@vimalalloys.com • www.vimalalloys.com



REGD. OFF. : SHOP NO. 445, SECTOR 3-C, G.T. ROAD, MANDI GOBINDGARH-147301 (PB.) INDIA
WORKS : VILLAGE SOUNTI, AMLOH-147 203 (PB.) INDIA • PH. : (W) 01765-230491, 230091
E-MAIL : INFO@VIMALALLOYS.COM • WWW.VIMALALLOYS.COM



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Tariff order for the year	Cost of supply Rs/Unit for		Difference
	66 KV industrial	11 KV industrial	
2017-18	6.32	5.94	0.38
2018-19	6.12	6.63	0.51
2019-20	6.22	6.86	0.64

As is evident, the difference in cost of supply is increasing over the years and is much more than the HT rebate of Rs 0.25/unit available to 66 KV consumers. Instead of increasing the HT rebate to bring the tariff of HT consumers in line with cost of supply as directed by APTEL, HT rebate should be as shown in the above table in accordance with cost of supply and HT rebate is kept fixed at @0.25/unit whereas it should increase as difference in cost of supply of 66 KV and 11KV consumers increases.

Before issuing the tariff order for the F.Y 2021-22 reply from PSPCL was sought on voltage rebate there reply was as under:-

Reply of PSPCL

"PSPCL would like to submit that an increasing voltage rebate will cause reduction in revenue, so it is requested that while considering to fix the voltage rebate in commensuration with cost of supply or on percentage basis as demanded by the objector, Hon'ble commission may keep in the mind the financial interest of PSPCL and allow PSPCL to recover legitimate cost claimed in the petition. If revenue of PSPCL is reduced due to more HT Rebate, then tariff for any other category will have to be increased to compensate for the said revenue loss which may further lead to disturbance of Cross subsidy levels."

PSPCL reply means that 66 KV consumers should subsidize more to the other category of consumers even to the 11 KV consumers of general industry and power intensive industry fed at 11 KV

It is already well known that the industry is already cross subsidizing the other categories of consumers. Here we want to put an example to substantiate our claim for higher H.T Rebate

For example:-

Suppose the industrial consumers are subsidizing to the other category of consumers such as agricultural and domestic consumers to the tune of Rs.1 per unit. Then the subsidy level for 66 KV consumers will be

$$\text{Rs. } 1 + 64 - 25 = 1.39 \text{ per unit .}$$

This difference is as per cost of supply worked out for the year 2019-20.

Although it will be much more in the year 2022-23 and 2023-24.



VIMAL ALLOYS
PRIVATE LIMITED

Cin No. : U27106PB1980PTC004303

66 KV consumers should not be made to cross subsidize more consumers and even to general industry and power intensive units fed at 11 KV. If the 66 KV consumers are given full rebate as per their cost supply then it may increase the Tariff for other categories of consumers by mere a fraction of 1 paisa per KWH which will not pinch other categories at all .

Hence giving a mere 25 Paisa/unit rebate to 66 KV consumers is unfair and unjust also.

• **Two Part Tariff:-**

Two part tariff was introduced as few year back and it was said at the time of introducing two part tariff that this is revenue neutral . There is no difference of revenue for the DISCOM but it does not suits at all to the consumers . Therefore, it is requested that PSERC should revert back to the single tariff as it is used to be before introduction of two Part Tariff as DISCOM will earn same revenue as by Two Part Tariff.

• **Night Rebate on Tariff**

The night rebate was introduced to encourage the consumers to consume more electricity during night as there is less demand during night hours.

It is worth mentioning that rebate as conveyed is @1.25 INR per unit but due to cap imposed on Tariff, the actual effected of this rebate is only 14 to 15 paise per unit which otherwise should be Rs.1.25 per unit.

The refers, it is humbly requested that the cap imposed for Tariff should be removed and the effected rebate should be at least Rs.1.25 per unit

• **Cost of supply for power intensive units:-**

It is prayed that as the cost of supply for power intensive units is less and also the Tariff for power intensive units is different from other categories of consumers , the cost of supply for power intensive units should be separately calculated and the Tariff for these consumers should fixed separately as per cost of supply

• **Prayer:-**

It is humbly requested to please consider our submissions before finalizing the Tariff Order.

For Vimal Alloys Pvt. Ltd

Director

Enclosure:- 1). Copy of Speed Post Proof sent to Chief Engineer-ARR & TR, F-4, Shakti Vihar, PSPCL, Patiala

2). Copy of Speed Post Proof sent to Chief Accounts Officer (Finance & Audit), 3rd floor, Shakti Sadan, Opposite Kali Mata Mandir, PSTCL, Patiala

3). 11 Nos Photostat copies of the above letter.

Regd. Off. : Shop No. 445, Sector 3-C, G.T. Road, Mandi Gobindgarh-147301 (Pb.) India
Works : Village Sounti, Amlah-147 203 (Pb.) India • Ph. : (W) 01765-230491, 230091
E-mail : info@vimalalloys.com • www.vimalalloys.com

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

To

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

Memo No. 150 /CAO(F&A)/MYT-III

Dated: 07/02/23

(C.P-07)

**Subject: Objections No.7 raised by VIMAL ALLOYS Pvt. Ltd. in Petition
no 73/2022 of PSTCL.**

Ref: Your office E mail dated 31.01.2023

Vide email under reference your office has forwarded the objection
raised by VIMAL ALLOYS Pvt. Ltd. on Petition no. 73/2022. Point Wise reply to
the objections raised is enclosed herewith for kind consideration.

DA/ As above

(As of 06.02.23)

151
07/02/23

Sudhij
Chief Accounts Officer (F&A)
PSTCL, Patiala
Piyanka
06/02/2023
06/23
07/2/23

CC: M/s VIMAL ALLOYS Pvt. Ltd, Shop No. 445, Sector 3-C, G.T. Road, Mandi
Gobindgarh – 147301(Punjab)