ਪੰਜਾਬ ਰਾਜ ਬਿਜਲੀ ਨਿਯਾਮਕ ਆਯੋਗ

PUNJAB STATE ELECTRICITY REGULATORY COMMISSION

PSTCL

TARIFF ORDER FOR FY 2025-26

PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SITE NO. 3, BLOCK B, SECTOR 18-A MADHYA MARG, CHANDIGARH

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PUNJAB STATE ELECTRICITY REGULATORY COMMISSION

SITE NO. 3, BLOCK B, SECTOR 18-A MADHYA MARG, CHANDIGARH

PETITION No. 60 OF 2024 FILED BY PUNJAB STATE TRANSMISSION CORPORATION LIMITED FOR TRUE UP OF ARR FOR FY 2023-24 AND DETERMINATION OF TARIFF FOR FY 2025-26 FOR ITS TRANSMISSION BUSINESS AND SLDC BUSINESS.

COMMISSION: Sh. Viswajeet Khanna, Chairperson
Sh. Paramjeet Singh, Member

Date of Order: 28th March, 2025

ORDER

The Punjab State Electricity Regulatory Commission (the Commission), in exercise of the powers vested under the Electricity Act, 2003 (Act), passes this order for the True up of ARR for FY 2023-24 and approval of revised forecast of ARR and Determination of Tariff for FY 2025-26 for Transmission and SLDC Business of the Punjab State Transmission Corporation Limited (PSTCL). The Petition filed by PSTCL, facts presented by PSTCL in its various submissions, objections received by the Commission from consumer organizations and individuals, issues raised by the public in the public hearings held at Ludhiana, Hoshiarpur, Bathinda and Chandigarh, observations of the Government of Punjab (GoP) and the responses of PSTCL to the objections have been considered. The State Advisory Committee constituted by the Commission under Section 87 of the Act has also been consulted and all other relevant facts and material on record have been considered before passing this Order.

1.1 Background

The Commission has, in its previous Tariff Orders, determined the tariff in pursuance to the ARRs and Tariff Applications submitted for the integrated utility by the Punjab State Electricity Board (Board) for FY 2002-03 to FY 2006-07, FY 2008-09 to FY 2010-11 and by PSTCL for FY 2011-12 to FY 2024-25. The Tariff Order for FY 2007-08 had been passed by the Commission in Suo-Motu proceedings.

PSTCL has submitted that the Punjab State Transmission Corporation Limited is the Transmission Licensee for Transmission of Electricity in the areas as notified by the Government of Punjab vide notification No. notification. 1/9/08-EB(PR)/196 dated 16.04.2010. PSTCL is vested with the function of Intra-State Transmission of electricity in the State of Punjab and the operation of the State Load Dispatch Centre

(SLDC). Further, in terms of Section 39 of the Electricity Act, 2003, the Govt. of Punjab notified PSTCL as the State Transmission Utility (STU).

The Commission notified the Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail supply Tariff) Regulations, 2022 (PSERC MYT Regulations 2022) vide notification no. PSERC/Secy/Regu.165 dated 27.10.2022 for the 3rd MYT Control Period. These regulations have been followed while passing the present Tariff Order.

1.2 True up of ARR for FY 2023-24 & Revised ARR and Determination of Tariff for FY 2025-26.

The Petition filed by PSTCL was received on 28.11.2024. PSTCL has filed the present Petition for True up of ARR for FY 2023-24, Revised ARR forecast for FY 2025-26 and determination of tariff for FY 2025-26 for its Transmission and SLDC Business.

The petitioner has prayed:

a) To admit the Petition seeking approval of True up of ARR FY 2023-24 in accordance with PSERC MYT Regulations, 2022 as amended from time to time for Transmission Business and SLDC Business.
b) To approve the Revised ARR forecast for FY 2025-26 and determination of proposed Tariff for FY 2025-26 for Transmission Business and SLDC in accordance with PSERC MYT Regulations 2022, as amended from time to time;
c) To approve Revenue gap/(Surplus) arising on account of True-up of FY 2023-24 along with carrying cost through Tariff in FY 2025-26, as worked out in the Petition;
d) To invoke its power under Regulation 64 in order to allow the deviations from PSERC MYT Regulations 2022, wherever sought in the Petition;
e) To allow additions/alterations/modifications/changes to the Petition at a future date;
f) To allow any other relief, order or direction, which the Commission deems fit to be issued;
g) To condone any error/omission and to give an opportunity to rectify the same;

The petition was admitted vide Order dated 04.12.2024. It was directed to upload the petition on the website of PSTCL as well as the website of the Commission. Further, PSTCL was directed to publish a public notice containing the highlights of the ARR for inviting the objections from the public/stakeholders. The deficiencies observed in the petition by the Commission were conveyed to PSTCL vide Orders dated

11.12.2024, 31.12.2024, 23.01.2025 and e-mail dated 13.02.2025. PSTCL submitted its reply to the deficiencies vide memo No. 1077 dated 19.12.2024, memo No. 46 dated 09.01.2025, memo No. 105 dated 05.02.2025, e-mail dated 27.02.2025 and memo No. 126 dated 20.02.2025. Various meetings were taken with PSTCL on the data submitted in the ARR. The relevant correspondence between the Commission and PSTCL was placed on the website of the Commission.

1.3 Objections & Public Hearing:

A public notice was published by PSTCL in The Hindustan Times (English) Times of India (English), Punjab Kesari (Hindi), Punjabi Jagran (Punjabi) & Punjabi Tribune (Punjabi) on 11.12.2024 inviting objections from the general public and stake holders in the said petition filed by PSTCL. PSTCL submitted that copies of the Petition including deficiencies pointed out by the Commission and the reply of PSTCL to the deficiencies were made available in the offices of the CAO (Finance & Audit), PSTCL 3rd Floor Shakti Sadan, Opposite Kali Mata Mandir, The Mall Patiala. Liaison Officer, PSTCL Guest House, near Yadvindra Public School, Phase-8, Mohali, Chief Engineer/P&M, PSTCL, Ludhiana and offices of Superintending Engineers, P&M Circles, Ludhiana, Patiala, Jalandhar, Amritsar and Bhatinda. The information was made available on the website of PSTCL i.e. www.pstcl.org and the Commission's website i.e. www.pserc.punjab.gov.in. The relevant correspondence with PSTCL was also uploaded on the website of the Commission. In the said public notice dated 11.12.2024, objectors were advised to file their objections with the Secretary of the Commission within 21 days of the publication of notice, with an advance copy to PSTCL. The public notice also indicated that the Commission, after perusing the objections received, may invite such objector(s) as it considers appropriate for hearing on the dates to be notified in due course. The public hearings were held at Ludhiana, Hoshiarpur, Bathinda & Chandigarh, as per details hereunder:

Venue	Proposed Date & time of public hearing	Category of consumers to be heard
LUDHIANA Multi Purpose Hall, Power Colony, PSPCL, Opp. PAU Ferozepur Road, Ludhiana	**January 16, 2025** (Thursday) 11:30 AM onwards	All consumers/organizations of the area
Hoshiarpur Ashok Chakra Meeting Hall, District Administrative Complex, 1 st Floor, O/o Deputy Commissioner, Hoshiarpur.	**January 17, 2025** **(Friday)** 12:00 PM onwards	All consumers/organizations of the area including consumers/organizations of Jalandhar & Amritsar area

Venue	Proposed Date & time of public hearing	Category of consumers to be heard
BATHINDA Conference Room, Guest House, Thermal Colony, PSPCL, Bathinda.	**January 20, 2025 (Monday)** 12:00 PM onwards	All consumers/organizations of the area
CHANDIGARH Commission's office i.e. Site No 3, Sector 18-A, Madhya Marg, Chandigarh – 160018.	**January 21, 2025 (Tuesday)** 11.30 AM onwards	All consumers/ organizations
	01.00 PM onwards	Officers'/ Staff Associations of PSPCL and PSTCL

A public notice to this effect was published in various newspapers and was also uploaded on the website of the Commission. All the objectors who had filed their objections and other persons/organizations interested in presenting their views /suggestions were invited to participate in the public hearings.

1.4 The Commission held public hearings as per schedule from 16.01.2025 to 21.01.2025 at Ludhiana, Hoshiarpur, Bathinda & Chandigarh. The views of PSTCL on the objections/comments received from the public and other stakeholders were heard by the Commission during presentation given by PSTCL on 04.03.2025.

1.5 The Government of Punjab was asked by the Commission vide DO letter No. 2127 dated 20.12.2024 and DO No. 95-96 dated 27.01.2025 to give its views in Petition No. 60 of 2024 filed by Punjab State Transmission Corporation Limited. The Govt. of Punjab submitted its reply/views vide memo no. POWER-PR/29/2024-POWER REFORM/214 Dated 11.03.2025

1.6 The Commission received 04 written objections including the comments of Government of Punjab. PSTCL was directed to send its response to the objections raised by the respective objectors. The Commission has duly considered all these objections. The number of objections/comments received from consumer groups, organizations and others are detailed below:

Sr. No.	Category	No. of Objections
1.	Chamber of Industrial and Commercial Undertakings	2
2.	Industries/Consumers	1
3.	Govt. of Punjab	1
	Total	4

The complete list of objectors is given in **Annexure- I** of this Tariff Order. PSTCL submitted its comments on the objections to the Commission. PSTCL was directed to send the responses to the respective objectors also. A summary of issues raised in objections, the response of PSTCL and the view of the Commission are contained in **Annexure- II** to this Tariff Order.

1.7 State Advisory Committee

A meeting of the State Advisory Committee constituted under Section 87 of the Act was convened on 20.02.2025 for taking its views on the ARR. The minutes of the meeting of the State Advisory Committee are enclosed as **Annexure – III** to this Order.

1.8 In addition, all subsequent and relevant correspondence between the Commission and PSTCL was made available on the website of the Commission. The Commission has, thus, taken the necessary steps to ensure that due process, as contemplated under the Act and Regulations framed by the Commission, is followed and adequate opportunity is given to all stakeholders to present their views.

1.9 Compliance of Directives

In its previous Tariff Orders, the Commission issued certain directives to PSTCL in the public interest. A summary of directives issued during previous years, status of compliance along with the fresh directives of the Commission in this petition is given in Chapter- **4** of this Tariff Order.

Chapter 2
True up for FY 2023-24

2.1 Background

The Commission had approved the Annual Revenue Requirement (ARR) of PSTCL for FY 2023-24 in its Order dated 15.05.2023 for the 3rd MYT Control Period of FY 2023-24 to FY 2025-26, which was based on expenditure and revenue estimates of PSTCL for its Transmission and SLDC Businesses.

This Chapter contains the true-up of FY 2023-24, based on the prudence check conducted by the Commission in respect of the data submitted by PSTCL in Petition No. 60 of 2024.

2.2 Transmission System Availability

PSTCL has submitted its month-wise Transmission System (TS) Availability for FY 2023-24 as under:

Table No 2.1: Transmission System (TS) Availability of PSTCL for FY 2023-24

Sr. No.	Month	TS Availability (%)
1.	April-23	99.9072%
2.	May-23	99.8909%
3.	June-23	99.7253%
4.	July-23	99.9076%
5.	August-23	99.7514%
6.	September-23	99.8843%
7.	October-23	99.9297%
8.	November-23	99.9598%
9.	December-23	99.8124%
10.	January-24	99.8377%
11.	February-24	99.9312%
12.	March-24	99.9182%
	Average Availability	**99.8678%**

This is further discussed in **para 2.17**.

2.3 Transmission Loss

The Commission, in the MYT Order dated 15.05.2023 for the 3rd Control Period, had provisionally set the transmission loss trajectory as under:-

Table No 2.2: Transmission loss trajectory provisionally allowed for the 3rd Control Period

Sr. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	**Transmission Loss trajectory (%)**	2.42%	2.40%	2.38%
*The opening targeted losses shall be reviewed as per the actual losses of FY 2022-23 but will not be considered if higher than the approved trajectory				

In view of the above, in the Tariff Order for FY 2024-25, the Commission reviewed and finalised the opening transmission loss trajectory of 3rd MYT Control period (FY 2023-24 to FY 2025-26) based upon the actual achievement of PSTCL during FY 2022-23 i.e. 2.27% with a reduction of 0.02% for each subsequent year as under:-

Table No 2.3: Final Transmission Loss trajectory approved for the 3rd Control Period

Sr. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	**Transmission Loss trajectory (%)**	2.25%	2.23%	2.21%

PSTCL's Submission:

2.3.1. Actual transmission loss submitted by PSTCL is as under:-

Table No 2.4: Transmission Losses as submitted by PSTCL for FY 2023-24

Sr. No.	Month	Energy injected in PSTCL Substations (A)	Energy exported from PSTCL Substations (B)	Transmission Losses (A-B)	
		MWh	MWh	MWh	%
1.	April-23	3863174.37	3779551.26	83623.10	2.16%
2.	May-23	4867987.65	4769149.83	98837.81	2.03%
3.	June-23	6586173.98	6450462.76	135711.23	2.06%
4.	July-23	7810204.61	7634004.95	176199.66	2.26%
5.	August-23	9095633.75	8894400.71	201233.03	2.21%
6.	September-23	7542826.64	7379687.11	163139.53	2.16%
7.	October-23	4922986.67	4808307.52	114679.15	2.33%
8.	November-23	3541547.21	3453899.27	87647.94	2.47%
9.	December-23	3992474.28	3893597.32	98876.96	2.48%
10.	January-24	4543931.18	4430312.59	113618.59	2.50%

Sr. No.	Month	Energy injected in PSTCL Substations (A)	Energy exported from PSTCL Substations (B)	Transmission Losses (A-B)	
		MWh	MWh	MWh	%
11.	February-24	4139333.01	4044023.37	95309.64	2.30%
12.	March-24	4284342.19	4191484.29	92857.90	2.17%
13.	**Total Losses for FY 2023-24**	**65190615.54**	**63728880.99**	**1461734.55**	**2.24%**

PSTCL has further submitted as under:

- The Commission had approved the transmission loss target of 2.25% for FY 2023-24 in the Tariff Order for FY 2024-25 whereas actual Transmission Losses of PSTCL for FY 2023-24 is 2.24% against the target of 2.25%.
- PSERC MYT Regulations, 2022 dealing with Gain/Loss on account of Transmission losses is as under:-

"53. TRANSMISSION LOSS

……

53.3 *The Commission may stipulate a trajectory for Transmission Loss in accordance with Regulation 4.4(c) as part of the Multi-Year Tariff framework applicable to the Transmission Licensee:*

Provided *further that any variation between the actual level of Transmission Loss, as determined by the State Load Despatch Centre and the approved level shall be subject to provisions of Regulation 29:*

Provided *further that any gain / loss sharing with the Transmission Licensee on account of over-achievement/under-achievement of the Transmission Loss trajectory specified by the Commission, shall be capped to the Return on Equity earned by the Transmission Licensee for the respective year.*

"29. SHARING OF GAINS AND LOSSES ON ACCOUNT OF CONTROLLABLE AND UNCONTROLLABLE FACTORS

….

…

29.3. *The approved aggregate gain and loss to the Applicant on account of controllable factors shall be dealt with in the following manner:*

(a) 50% of such gain shall be passed on to consumer over such period as may be specified in the Order of the Commission;

(b) The balance amount of such gain shall be allowed to be retained by the Applicant;

(c) Loss, if any, will be borne by the Applicant.

- Accordingly, PSTCL claims its share of over-achievement of Transmission loss trajectory. The calculations of gain on over achievement of Transmission loss target are based on the Short Term Power Purchase rate provided by PSPCL, as per table below :-

Table No 2.5: Calculation of Short Term Power Purchase Rate for FY 2023-24

Sr. No.	Particulars	FY 2023-24
1	Short Term Power Purchase including through exchange (Rs. Crore)	3,028
2	Energy Purchase in units (MU)	6,272
3	Short Term Power Purchase Rate Per unit (Rs./Unit)	4.83

Table No 2.6: Gain on Account of Over Achievement of Transmission loss Target

Sr. No.	Particulars	(Rs. /Units)
1	Energy Inflow (in MU)	65,190.62
2	Transmission Loss Trajectory for FY 2023-24	2.25%
3	Target Transmission Loss (MU) (65190.62 X 2.25%) **(A)**	1466.79
4	Actual Transmission Loss (in MU) **(B)**	1,461.73
5	Over-Achievement (in MU) (A-B)	5.05
6	Short-term power purchase rate (Rs./kwh)	4.83
7	Gain on account of Over-achievement of Target {{(5.05x10^6) x 4.83 } / 10^7} (Rs. Crore)	2.44
8	**50% Share of PSTCL as per Regulation 29 (Rs. Crore)**	**1.22**

PSTCL has requested the Commission to approve the amount of Rs. 1.22 Crore as gain on account of over-achievement of Transmission loss Trajectory specified by the Commission for FY 2023-24.

2.3.2. PSTCL vide letter dated 20.01.2025 submitted additional submission as under:

"In para 2.4 (Table-5) of the said petition, PSTCL had made submission to the Commission to approve incentives amounting Rs. 1.22 Crore on account of achievement of Transmission losses target considering the short-term Power Purchase Rate @ 4.83 Rs/kWh as provided by PSPCL. However, PSPCL in its Petition No. 61 of 2024 had submitted to the Commission that the short-term Power Purchase is @ 5.01 Rs/kWh at Para 2.24.2 (Table-2.30) of the petition. In this regard, it is requested by PSTCL that the Incentives on account of achievement of

Transmission losses target may be approved considering the Short-term Power Purchase Rate @ 5.01 Rs/kWh or at the rate allowed to PSPCL by the Commission."

Commission's Analysis:

2.3.3. The Commission observes that the Actual Transmission loss submitted by PSTCL for FY 2023-24 is 2.24% (1461.73 MkWh) whereas the Commission has approved the Transmission loss of 2.25%.

2.3.4. The relevant section of Regulation 29.3 and 53.3 of PSERC MYT Regulation 2022 is as under:

"29. SHARING OF GAINS AND LOSSES ON ACCOUNT OF CONTROLLABLE AND UNCONTROLLABLE FACTORS

….

29.3. The approved aggregate gain and loss to the Applicant on account of controllable factors shall be dealt with in the following manner:

(a) 50% of such gain shall be passed on to consumer over such period as may be specified in the Order of the Commission;

(b) The balance amount of such gain shall be allowed to be retained by the Applicant;

(c) Loss, if any, will be borne by the Applicant."

"***53. TRANSMISSION LOSS***

….

53.3. The Commission may stipulate a trajectory for Transmission Loss in accordance with Regulation4.4(c) as part of the Multi-Year Tariff framework applicable to the Transmission Licensee:

Provided further that any variation between the actual level of Transmission Loss, as determined by the State Load Dispatch Centre and the approved level, shall be subject to provisions of Regulation29:

Provided further that any gain / loss sharing with the Transmission Licensee on account of overachievement/ under-achievement of the Transmission Loss trajectory specified by the Commission shall be capped to the Return on Equity earned by the Transmission Licensee for the respective year."

The Commission notes that during FY 2023-24, distribution losses of PSPCL are less than the normative distribution losses allowed by the Commission. Accordingly, PSPCL has not made any excess procurement of power rather PSPCL needed less power than anticipated, with normative distribution losses, resulting in no excess short-term power purchase. Thus, with the reduction in transmission losses, even though PSPCL has not been able to reduce its short-term power purchase, there is a decreasing requirement of overall power purchase. Accordingly, the Commission decides to allow average power purchase rate of Rs. 4.83/kWh for FY 2023-24 for calculating the gain on account of over achievement of transmission loss.

2.3.5. Accordingly, the Commission has calculated the gain on account of over achievement of transmission loss by PSTCL as under:

Table No 2.7: Gain on account of over-achievement of Transmission Loss

Sr. No.	Particulars	Formulae	
1.	Actual Transmission Loss (in MU)	A	1461.73
2.	Target Transmission Loss (in MU)	B = 2.25% x 65190.62*	1466.79
3.	Over achievement (in MU)	C= B-A	5.06
4.	Average power purchase rate (Rs./kWh)	D	4.83
5.	Gain on account of over-achievement of Transmission Loss (in Rs. Crore)	E= C*D/10	2.44
6.	Share of PSTCL in total Gain (Rs. Crore)	F = E*50%	1.22

**Total Import of energy at PSTCL substations in MUs as submitted by PSTCL*

2.3.6. Thus, the Commission allows an amount of Rs. 1.22 Crore as gain sharing to PSTCL on account of over-achievement of Transmission Loss trajectory specified by the Commission. Since the amount allowed is less than the RoE earned by PSTCL in FY 2023-24, the entire amount of Rs. 1.22 Crore is allowed.

2.3.7. For True-up of FY 2023-24, the Commission approves the absolute value of transmission loss of 1461.73 MkWh.

2.4 Capital Expenditure

PSTCL's Submission:

2.4.1 PSTCL has submitted that it had made an Investment of Rs. 468.16 Crore including directly added assets of Rs. 3.30 Crore during FY 2023-24. Out of the total investment, the amount of Rs. 44.87 Crore (14.63 + 30.24) was funded through Contributory Works and works under PSDF scheme.

2.4.2 PSTCL further submitted that it had capitalized Rs. 441.54 Crore from the CWIP during FY 2023-24 including directly added assets of Rs. 3.30 Crore. Out of the total capitalized expenditure, Rs. 64.97 Crore (22.14 + 42.83) was funded through Contributory Works and works under PSDF schemes.

The details for Capital Investment for Transmission and SLDC are shown in the following table:

Table No 2.8: Details of Capital Expenditure and Capitalisation submitted by PSTCL for FY 2023-24 (Rs. Crore)

Sr No.	Particulars	Transmission	SLDC	PSTCL
i	Contributory	21.81	0.00	21.81
ii	PSDF (Govt Funding)	49.19	4.82	54.01
iii	**Others (Spill Over)**	180.49	2.33	182.82
iv	**Others (New)**	192.53	1.08	193.60
1	**Opening CWIP**	**444.02**	**8.23**	**452.25**
i	Contributory	14.63	0.00	14.63
ii	PSDF (Govt Funding)	20.62	9.62	30.24
iii	**Others (Spill Over)**	69.64	0.46	70.10
iv	**Others (New)**	348.69	1.20	349.89
2	**Capital Expenditure**	**453.58**	**11.28**	**464.86**
3	Add: Directly Added Assets	**3.17**	**0.13**	**3.30**
	Total Capital Expenditure incurred during the year	**456.75**	**11.41**	**468.16**
i	Contributory	22.14	0.00	22.14
ii	PSDF (Govt Funding)	42.83	0.00	42.83
iii	**Others (Spill Over)**	88.92	2.61	91.53
iv	**Others (New)**	281.74	0.00	281.74
4	**Capitalization**	**435.63**	**2.61**	**438.24**
5	Add: Directly Added Assets	**3.17**	**0.13**	**3.30**
	Total Capitalization	**438.80**	**2.74**	**441.54**
i	Contributory	14.30	0.00	14.30
ii	PSDF (Govt Funding)	26.98	14.44	41.42
iii	**Others (Spill Over)**	161.21	0.17	161.38
iv	**Others (New)**	259.48	2.28	261.76
6	**Closing CWIP**	**461.97**	**16.89**	**478.86**

PSTCL vide e-mail dated 19.12.2024 submitted the details of assets directly transferred to GFA during FY 2023-24 as under:

Table No 2.9: Detailed break-up of assets directly transferred to GFA during FY 2023-24 (Rs. Crore)

Sr. No.	Particulars	FY 2023-24
1	Land and building	0.94
2	Plant and Machinery	1.48
3	Lines, cable Network etc	0.01
4	Furniture and fixture	0.17
5	Office Equipment	0.70
6	**Total Assets directly transferred to GFA**	**3.30**

Commission's Analysis:

2.4.3 The Commission observes that Capital Investment for FY 2023-24 approved vide Order dated 15.05.2023 determining ARR of the 3rd control period is as under:-

Table No 2.10: Capital Expenditure for FY 2023-24 (Rs. Crore)

Sr. No.	Description	Approved in ARR of 3rd control period Order	Capital Expenditure Submitted by PSTCL for true-up
1.	Transmission Business	491.72	456.75
2.	SLDC Business	8.28	11.41
3.	**PSTCL**	**500.00**	**468.16**

2.4.4 The Commission observes that works submitted at Sr. No. 99 to 100 of Format T-14 & T-15 are contributory works but PSTCL has included these works for seeking capital expenditure. PSTCL in its reply dated 20.12.2024 that the works mentioned at Sr. No. 99 to 100 were inadvertently accounted for as other works instead of contributory works. The rectification entries were passed in FY 2023-24 to correctly classify these works. The Commission has also considered these works as Contributory works vide its order dated 17.11.2024 in Review Petition No. 1/2024.

Keeping in view PSTCL reply as above, the Commission excludes these works of Rs. (-)0.40 Crore from Capital Expenditure and includes the same in contributory works.

2.4.5. The Commission also observed that in format T-14 and T-15, the spill over works of 1st MYT Control period (FY 2017-18 to FY 2019-20) submitted against the Sr. No. 1 to 49 & 64 to 67 and schemes at Sr No. 1 to 30 & 103 to 105 of 2nd MYT Control Period (FY 2020-21 to FY 2022-23) are not part of the schemes approved vide Order dated 21.12.2022 in Petition No. 50 of 2022 for the 3rd MYT Control period (FY 2023-24 to FY 2025-26). PSTCL was asked to submit the present status of these works, reasons of delay alongwith the reasons of excess expenditure (if any) than approved by the Commission for these schemes.

PSTCL submitted the status of these works and reasons for excess expenditure vide email dated 07.01.2025. The Commission has taken note of the submissions made by PSTCL in the Petition and subsequent replies. The Commission notes that Regulation 9.15 provides that, in case the capital expenditure incurred for ongoing approved schemes exceeds the amount as approved in the capital expenditure plan, the balance amount and the incidental cost shall be trued up by the Commission after prudence check after the end of Control Period. Further, since these schemes pertains to 1st MYT Control Period and 2nd MYT Control Period, hence, the Commission provisionally accepts PSTCL's submissions in this regard and shall peruse the details of the same while doing the true up of Capital expenditure at the end of 3rd MYT Control Period (FY 2023-24 to FY 2025-26).

2.4.6. As per details submitted in ARR format T-14 & T-15, details of capital works of FY 2023-24 include 2 No. contributory works at Sr. No. 99 to 100 against which entry of amount Rs. -0.40 Crore has been shown thereby making overall capital expenditure of 419.99 Crore. As such the total amount of capital works becomes Rs. 419.99 - (Rs. -0.40Crore) = Rs. 420.39 Crore.

Accordingly, the Commission provisionally allow a capital expenditure (excluding Capital Expenditure due to Contributory Works and Works under PSDF Scheme) of Rs. 420.39 Crore. The Capital Expenditure shall be trued-up as per actuals at the end of 3rd MYT Control Period (FY 2023-24 to FY 2025-26). Contributory/PSDF works shall be over & above the approved Capital Expenditure.

2.4.7 PSTCL has also incurred an expenditure of Rs.3.30 Crore during FY 2023-24 on procurement of assets directly which is being allowed.

Table No 2.11: Capital expenditure as approved by the Commission for FY 2023-24

(Rs. Crore)

Sr. No.	Description	Transmission	SLDC	PSTCL
1	**Capital Expenditure on Spillover schemes during FY** 2023-24			
1a	Contributory works	14.23	0.00	**14.23**
1b	Works under PSDF Scheme	20.62	9.62	**30.24**
1c	Others	69.64	0.46	**70.10**
1	**Total Capital Expenditure on Spillover schemes**	**104.49**	**10.08**	**114.57**

Sr. No.	Description	Transmission	SLDC	PSTCL
2	**Total Capital Expenditure on New schemes**	**349.09**	**1.20**	**350.29**
3	**Total Capital Expenditure during FY 2023-24 (1+2)**	**453.58**	**11.28**	**464.86**
4	**Total Capital Expenditure during FY 2023-24 without contributory and PSDF schemes (1+2-1a-1b)**	**418.73**	**1.66**	**420.39**
5	Add: Assets directly purchased and transferred to GFA (Table No 2.9)	**3.17**	**0.13**	**3.30**
6	**Net Capital Expenditure(3+5)**	**456.75**	**11.41**	**468.16**

2.5 Capitalization and Capital Works in Progress

PSTCL's Submission:

2.5.1 The details of Capitalization as submitted in petition for true up FY 2023-24 is as under:

Table No 2.12: Details of Capitalization submitted by PSTCL for FY 2023-24

(Rs. Crore)

Sr. No.	Description	Transmission	SLDC	PSTCL
1	**Capitalization on Spillover schemes during FY 2023-24**			
1a	Contributory works	22.14	0.00	22.14
1b	Works under PSDF Scheme	42.83	0.00	42.83
1c	Others	88.92	2.61	91.53
1	**Total Capitalization on Spill over schemes**	153.89	2.61	156.50
2	**Total Capitalization on New schemes**	281.74	0.00	281.74
3	**Total Capitalization during FY** 2023-24 **(1+2)**	**435.62**	**2.61**	**438.24**
4	**Less: Assets written off**	0.00	0.00	0.00
5	Add: Assets directly purchased and transferred to GFA	**3.17**	**0.13**	**3.30**
6	**Total Capitalization (3+4 +5)**	**438.80**	**2.74**	**441.54**

2.5.2 The details for Capital Works in Progress for Transmission and SLDC as claimed by PSTCL are as under:

Table No 2.13: Capital Works in Progress submitted by PSTCL for FY 2023-24

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Opening Capital Work in Progress	**444.02**	**8.23**	**452.25**
2	Add: Addition of Capital Expenditure during the year	**456.75**	**11.41**	**468.16**
3	Less: Transferred to GFA during the Year	**438.80**	**2.74**	**441.54**
4	**Closing Capital Work in Progress**	**461.97**	**16.90**	**478.87**

Commission's Analysis:

2.5.3 The Commission has trued up the Capitalisation as under :

Table No 2.14: Details of Capitalization approved by the Commission for FY 2023-24 (Rs. Crore)

Sr. No.	Description	Transmission	SLDC	PSTCL
1	**Capitalization on Spillover schemes during FY** 2023-24			
1a	Contributory works	22.14	0.00	22.14
1b	Works under PSDF Scheme	42.83	0.00	42.83
1c	Others	88.92	2.61	91.53
1	**Total Capitalization on Spill over schemes**	153.89	2.61	156.50
2	**Total Capitalization on New schemes**	281.74	0.00	281.74
3	**Total Capitalization during FY 2023-24 (1+2)**	**435.63**	**2.61**	**438.24**
4	Add: Assets directly purchased and transferred to GFA	**3.17**	**0.13**	**3.30**
5	**Total Capitalization (3+4 +5)**	**438.80**	**2.74**	**441.54**

2.5.4 As per the capex and capitalization approved, the capital work in progress as approved for FY 2023-24 is as under:

Table No 2.15: Capital Works in Progress approved by the Commission for FY 2023-24 (Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Opening Capital Work in Progress(approved in true-up of FY 2022-23)	**450.69**	**5.15**	**455.84**
2	Add: Addition of Capital Expenditure during the year (Table 2.13)	**456.75**	**11.41**	**468.16**
3	Less: Transferred to GFA during the Year(Table 2.14)	**438.80**	**2.74**	**441.54**
4	Closing Capital Work in Progress	**468.64**	**13.82**	**482.46**

2.6 Funding of Capital Expenditure

PSTCL's Submission:

2.6.1 PSTCL has submitted that their funding requirement consists of Capital Expenditure of Spill over Schemes from the 1st MYT Control Period i.e., from 2017-18 to FY 2019-20 and Capitalization of New Schemes i.e., Schemes started after 01.04.2020.

2.6.2 PSTCL further submitted that assets funded through Contributory Work & PSDF in FY 2023-24 has also not been considered for funding through Equity or Loans in FY 2023-24. Thus, during FY 2023-24, funding requirement for Transmission Business is Rs. 354.55 Crore (Rs. 69.64 Crore for Capital Expenditure of Spill over schemes, Rs. 284.91 Crore for Capitalization of New Schemes including Rs. 3.17 Crore for Directly Capitalized Asset). Funding requirement for Capital Investment for SLDC Business is Rs. 0.59 Crore (Rs. 0.46 Crore for Capital Expenditure of Spill over schemes, Rs. 0.13 Crore for Directly Capitalized Assets). Thus, the total funding for Capital Investment for PSTCL as a whole is Rs. 355.14 Crore during FY 2023-24.

2.6.3 The following table shows the Capital Investment claimed by PSTCL for funding through loans and equity for Transmission and SLDC for FY 2023-24: -

Table 2.16: Actual Funding Requirement for FY 2023-24 claimed by PSTCL

(Rs. Crore)

Sr No.	Particulars		Transmission	SLDC	PSTCL
1	**Funding for CAPEX of Spill over Schemes**	**Total**	**69.64**	**0.46**	**70.10**
2		Equity	20.89	-	20.89
3		Loan	48.75	0.46	49.21
4	**Funding for Capitalization of New Schemes Including Directly Added Assets**	Capitalization of New	281.74	-	281.74
5		Add: Directly Added	3.17	0.13	3.30
6		**Total**	**284.91**	**0.13**	285.04
7		Equity	41.18	-	41.18
8		Loan	243.72	0.13	243.85
9	**Total Funding Required for Investment**	**Total**	**354.55**	**0.59**	**355.14**
10		Equity	62.08	-	**62.08**
11		Loan	292.47	0.59	**293.06**

Commission's Analysis:

2.6.4 The relevant section of Regulation 19.2 of PSERC MYT Regulation 2022 is as under:

" 19. DEBT EQUITY RATIO

….

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."

2.6.5 As PSTCL has booked a profit of Rs.62.08 Crore in FY 2023-24 funding requirement has been determined by the Commission accordingly.

2.6.6 PSTCL has not considered funding of SLDC schemes through equity and has considered 100% funding through a loan of Rs.0.59 Crore for their SLDC business. The Commission had considered an equity investment in the Transmission capex. No equity was considered for the SLDC as per the earlier submission by PSTCL.

2.6.7 Therefore the details of funding through loan and equity allowed by the Commission for FY 2023-24 are as under:-

Table No 2.17: Funding as approved by the Commission for FY 2023-24 (Rs. Crores)

<table>
<tr><th rowspan="2">Sr. No.</th><th colspan="2" rowspan="2">Particulars</th><th colspan="3">FY 2023-24</th></tr>
<tr><th>Transmission</th><th>SLDC</th><th>PSTCL</th></tr>
<tr><td>1</td><td rowspan="3">CAPEX of Spill over Schemes</td><td>Total Funding Required for Capex of spill over schemes (Table 2.11)</td><td>69.64</td><td>0.46</td><td>70.10</td></tr>
<tr><td>2</td><td>Funding through Equity</td><td>20.89</td><td>0.00</td><td>20.89</td></tr>
<tr><td>3</td><td>Funding through Loan</td><td>48.75</td><td>0.46</td><td>49.21</td></tr>
<tr><td>4</td><td rowspan="5">Capitalization of New Schemes Including Directly Added Assets</td><td>Capitalization of New Works (Table 2.14)</td><td>281.74</td><td>0.00</td><td>281.74</td></tr>
<tr><td>5</td><td>Add: Directly Added Assets (Table 2.14)</td><td>3.17</td><td>0.13</td><td>3.30</td></tr>
<tr><td>6</td><td>Total Funding required</td><td>284.91</td><td>0.13</td><td>285.04</td></tr>
<tr><td>7</td><td>Funding through Equity</td><td>41.19</td><td>0</td><td>41.19</td></tr>
<tr><td>8</td><td>Funding through Loan</td><td>243.72</td><td>0.13</td><td>243.85</td></tr>
<tr><td>9</td><td rowspan="3">Total Funding Required for Investment</td><td>Total Funding Required (1+6)</td><td>354.55</td><td>0.59</td><td>355.14</td></tr>
<tr><td>10</td><td>Funding through Equity (2+7)</td><td>62.08</td><td>0.00</td><td>62.08</td></tr>
<tr><td>11</td><td>Funding through Loan (3+8)</td><td>292.47</td><td>0.59</td><td>293.06</td></tr>
</table>

2.7 Operation and Maintenance Expenses

A. Employee Expenses

2.7.1 In the ARR Petition for FY 2023-24, PSTCL had projected employee expenses of Rs. 827.46 Crore for its Transmission Business and Rs. 17.35 Crore for its SLDC Business for FY 2023-24. The Commission had approved employee cost of Rs. 739.59 Crore for the Transmission Business and Rs. 9.88 Crore for the SLDC Business for FY 2023-24.

PSTCL's Submission:

2.7.2 PSTCL has calculated the Normative O&M expenses as per Regulation 25.1of PSERC MYT Regulations, 2022.

2.7.3 In the Tariff Order for FY 2023-24, the Commission had approved employee costs of Rs. 739.59 Crore for Transmission and Rs. 9.88 Crore for SLDC.

2.7.4 PSTCL has stated that terminal Liabilities have been taken on actual basis as per the following table for FY 2023-24.

Table No 2.18*: Actual Employee Terminal Benefits for FY 2023-24* (Rs. Crore)

Sr No.	Particulars	TRANSMISSION	SLDC	PSTCL
1	Share of Pension, Gratuity and Medical	499.35	0.00	499.35
2	Share of Leave Encashment	37.71	0.00	37.71
3	NPS CPF, PF, LWF	16.65	0.62	17.27
4	Gratuity & Leave Encashment Paid to Employee's Recruited by PSTCL	0.07	0.00	0.07
5	**Total Employee Terminal Benefits Cost**	**553.78**	**0.62**	**554.40**
6	**Add:** Additional Share of Pension etc intimated by PSPCL after finalization of accounts of FY 2023-24	20.47	0.00	20.47
7	**Less:** Additional Share of Pension of FY 2023-24 already claimed in True up of FY 2022-23	0.05	0.00	0.05
8	**Total Actual Employee Terminal Benefits Cost**	**574.20**	**0.62**	**574.82**

2.7.5 PSTCL has considered the base figures of FY 2022-23 as per Actual Audited Accounts after excluding the extra-ordinary non-recurring expenditures of Rs. 14.89 Crore on account of Impact of Pay revision related to FY 2021-22 paid in FY 2022-23. Baseline other employee cost for FY 2023-24 is as under:-

Table No 2.19*: Actual Audited Other Employee Cost for FY 2022-23*

(Rs Crore)

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Total Employee Cost	773.20	7.90	781.10
2	**Less:** Terminal Benefits	540.41	0.45	540.86
3	Actual Other Employee Cost for FY 2022-23	232.79	7.45	240.24
4	**Less:** Impact of Pay revision relates to FY 2021-22 paid in FY 2022-23	13.96	0.93	14.89
5	Baseline Other Employee Cost for FY 2022-23	**218.83**	**6.52**	**225.35**

2.7.6 PSTCL has considered the month wise data of Wholesale Price Index (All Commodity) Base year 2011-12 and Consumer Price Index (Industrial Workers) Base year 2016 as issued by Government of India on its official websites For Calculation of Indexation during FY 2023-24, which is as follows: -

Table No 2.20: **Calculation of Index of FY 2023-24**

Sr No.	Particulars	FY 2022-23	FY 2023-24	Increase (%)
1	CPI (Month Wise Average)	131.12	137.92	5.19%
2	WPI (Month Wise Average)	152.53	151.42	-0.73%
3	**Index (CPI: WPI: 50:50)**	**-**	**-**	**2.23%**

2.7.7 The Petitioner has considered the computation of Normative Employee cost on the basis of net amount after adjustment of expenses capitalised instead of gross amount in line with the approach adopted by the Commission without prejudice to the outcome of appeals filed by PSTCL with the Hon'ble APTEL. The effect of the same may be considered by the Commission if the matter is ruled in favour of PSTCL.

2.7.8 PSTCL further requested the Commission to allow the following expenditure additionally: -

I. PSTCL has commissioned 220 KV S/s Ultra Tech, Patiala in FY 2023-24, and its employee cost is not included in baseline expenditure and has been claimed separately by PSTCL during FY 2023-24 amounting to Rs. 1.03 Crore.

II. 400 KV S/s Dhanansu was Commissioned in March, 2023. During, FY 2022-23, employee cost of 400 KV S/s Dhanansu was claimed for one month only i.e. March 2023 and that employee cost for one month is already included in base employee expenses. Therefore, PSTCL claims additional employee cost for 11 months of 400 KV S/s Dhanansu amounting to Rs. 1.93 Crore.

III. Huge employee vacancies have occurred in PSTCL. During the FY 2023-24, PSTCL has recruited some new employees, whose costs is not included in the baseline expenses. Therefore, PSTCL additionally claims the employee cost amounting to Rs. 5.51 Crore for the newly recruited employees.

IV Due to commissioning of SAMAST project in mid of the FY 2023-24, the employee cost for six months amounting to Rs. 1.42 Crore has been considered additionally for FY 2023-24.

V PSTCL would like to inform that, as per Punjab Government Rules, newly recruited employees are paid only Basic Pay during their probation period, which lasts for 3 years. For employees recruited in FY 2020-21, the probation period ended in FY 2023-24. Upon regularization, these employees are entitled to their full salary instead of just the basic pay. Therefore, PSTCL has claimed an additional cost of Rs. 0.40 Crore for the increased salary resulting from the regularization of these employees during FY 2023-24.

The impact of above facts is as per the following table: -

Table No 2.21*:* Employee Cost for Extra-ordinary items FY 2023-24 (Rs Crore)

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Employee Cost for New Recruitment	5.51	0.00	5.51
2	Employee Cost for SAMAST Project	0.00	1.42	1.42
3	Employee Cost for Regularization of Newly Recruited Employees	0.40	0.00	0.40
4	Employee Cost for 220 KV New Sub Stations (220 KV Ultra Tech, Patiala)	1.03	0.00	1.03
5	Employee Cost for 400 KV Dhanansu (11 months)	1.93	0.00	1.93
6	**Additional Employee Cost for extra-ordinary items**	**8.87**	**1.42**	**10.29**

2.7.9 Normative Other Employee Cost of PSTCL is as follow:-

Table No. 2.22: Normative Other Employee Cost for FY 2023-24 (Rs. Crore)

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Baseline Other Employee Cost	218.83	6.52	225.35
2	Escalation Factor (CPI:WPI: 50:50)	2.23%	2.23%	
3	**Normative Employee Cost for FY 2023-24**	**223.71**	**6.67**	**230.38**
4	Add: Additional Employee Cost for extra-ordinary *items*	8.87	1.42	10.29
5	**Normative Employee Cost for FY 2023-24**	**232.58**	**8.09**	**240.66**

2.7.10 PSTCL stated that the Calculation of Actual Other Employee Cost is as under:-

Table No. 2.23: Actual Other Employee Cost for FY 2023-24 (Rs. Crore)

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Total Employee Cost excluding provision	769.74	8.39	778.13
2	**Less:** Terminal Benefits excluding provision for gratuity, leave encashment etc.	553.71	0.62	554.33
3	**Actual Other Employee Cost for FY 2023-24**	**216.03**	**7.77**	**223.88**

Table No 2.24*: Employee Cost of PSTCL for FY 2023-24 (Rs Crore)*

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Employee Terminal Benefits	574.18	0.62	574.80
2	Other Employee Cost	216.03	7.77	223.80
3	**Normative Employee Cost for FY 2023-24**	**790.21**	**8.39**	**798.60**

2.7.11 As per PSERC MYT Regulations, 2022, PSTCL requests the Commission to approve the total employee cost amounting to Rs. 790.21 Crore for Transmission and Rs. 8.39 Crore for SLDC.

Commission's Analysis:

1. 1) Terminal Benefits

2.7.12 The Terminal benefits expenses are to be determined as per Regulation 25.1 of PSERC MYT Regulations, 2022. Relevant notes of Regulation 25 of MYT Regulations, 2022 are reproduced below for reference:

> *"Note-4: Terminal Liabilities such as death-cum-retirement gratuity, Ex-Gratia, pension including family pension, commuted pension, leave encashment, LTC, medical reimbursement including fixed medical allowance in respect of the State PSU / Government pensioners will be approved as per the actuals paid by the Applicant.*

…

Note 9: With regard to unfunded past liabilities of pension and gratuity, the Commission will follow the principle of 'pay as you go'. The Commission shall not allow any other amount towards creating fund for meeting unfunded past liability of pension and gratuity."

2.7.13 The terminal benefits of employees of erstwhile PSEB are to be apportioned in the ratio of 88.64% and 11.36% between PSPCL and PSTCL respectively as per the Transfer Scheme. PSTCL's share @11.36% of terminal benefit claimed as Rs.499.35 Crore is allowed.

2.7.14 In addition to the above, an amount of Rs. 37.71 Crore of terminal benefits towards share of Earned leave encashment and an amount of Rs.17.27 Crore of terminal benefits towards NPS, CPF, PL and LWF are also allowed for FY 2023-24.

2.7.15 PSTCL has claimed Gratuity & leave encashment for employees recruited by PSTCL amounting to Rs.0.07 Crore as per Annual Audited Accounts. PSTCL has also claimed additional share of Pension after finalization of accounts amounting to Rs 20.47 Crores. The same has been considered as reflected in the balance sheet.

2.7.16 The Terminal benefits thus allowed by the Commission are as under:-

Table No 2.25: Terminal Benefits approved by the Commission for FY 2022-23

(Rs. Crore)

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Share of Pension, Gratuity and Medical	499.35	0.00	499.35
2	Share of Leave Encashment	37.71	0.00	37.71
3	NPS CPF, PF, LWF	16.65	0.62	17.27
4	Gratuity & Leave Encashment Paid to Employee's Recruited by PSTCL	0.07	0.00	0.07
5	**Total Employee Terminal Benefits Cost**	**553.77**	**0.62**	**554.39**
6	Add: Additional Share of Pension etc intimated by PSPCL after finalization of accounts	20.47	0.00	20.47
7	Less: Additional Share of Pension already claimed in True up of FY 2022-23	0.05	0.00	0.05
8	**Total Employee Terminal Benefits Cost**	**574.18**	**0.62**	**574.80**

Therefore, the Commission allows terminal benefits of Rs. 574.18Crore for Transmission Business and Rs.0.62 Crore for SLDC Business for FY 2023-24 i.e. a total of Rs. 574.80 Crore for PSTCL.

A. 2) Other Employee Cost

2.7.17 The Employee Costs are determined as per Regulation 25.1 of PSERC MYT Regulations, 2022. Relevant sections of Regulation 25.1 of MYT Regulations, 2022 are reproduced below for reference:-

"25.1. The O&M expenses for the nth year of the Control Period shall be approved based on the formula shown below:

O&Mn = (R&Mn + EMPn + A&Gn) x (1-Xn)

Where,

- *R&Mn –Repair and Maintenance Costs of the Applicant for the nth year;*
- *EMPn –Employee Cost of the Applicant for the nth year;*
- *A&Gn –Administrative and General Costs of the Applicant for the nth year;*

It should be ensured that all such expenses capitalized should not form a part of the O&M expensesbeing specified here. The above components shall be computed in the manner specified below:

….

(ii) EMPn+ A&Gn= (EMPn-1 + A&Gn-1)*(INDEX n/INDEX n-1)

INDEXn - Inflation Factor to be used for indexing the Employee Cost and Administrative and General Costs for nth year. This will be a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) of nth year and shall be calculated as under:-

*INDEXn = 0.50*CPIn + 0.50*WPIn*

'WPIn' means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year.

'CPIn' means the average rate (on monthly basis) of Consumer Price Index (Industrial workers) over the year for the nth year."

2.7.18 Further, the Commission has calculated the Price ***INDEX*** as under:

Table No 2.26: Calculation of INDEX

Sr. No.	Particulars	FY 2022-23	FY 2023-24	Increase (%)
1	CPI	377.616	397.2	5.186221
2	WPI	152.525	151.42	-0.72666

INDEX n = (0.5*5.186221) +(0.5*-0.72666) = 2.23**%**

2.7.19 The Commission determines the baseline valuesas per Regulation 8.2 of MYT Regulation,2022 reproduced below:

"*…………*

**Employee cost, A&G costs and R&M costs are considered normative as per the formula specified in Regulation 25 individually. The changes on account of Inflation Index and/or statutory levies shall be adjusted during the True-up. However, if the actual expenditure is less than normative, than the allowable expenditure shall be limited to actual expenditure incurred by the petitioner."*

Therefore, employee cost for FY 2023-24 on the basis of audited accounts for 2022-23 are determined as under:-

Table No 2.27: Baseline Other Employee Cost for FY 2023-24(As per audited Accounts) (Rs Crore)

Sr. No	Particulars	Transmission	SLDC	PSTCL
1	Total Employee Cost for FY 2022-23 as per audited accounts	773.20	7.90	781.10
2	**Less:** Terminal Benefits (including provisions)	540.41	0.45	540.86
3	Other Employee Cost for FY 2022-23	232.79	7.45	240.24
4	Less: Impact of pay Revision included in FY 2022-23	13.96	0.93	14.89
5	Actual other Employee cost for FY 2022-23(Baseline for FY 2023-24)	218.83	6.52	225.35

2.7.20 Accordingly, the Commission considers the actual employee cost for FY 2022-23 to determines the normative employee cost for FY 2023-24 as under:-

Table No 2.28: Other Employee Cost calculations (Rs. Crores)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Other Employee Cost of previous year	218.83	6.52	225.35
2.	Inflation Factor	2.23%	2.23%	
3.	**Other Employee Cost**	**223.70**	**6.67**	**230.37**
4.	Indexed Employee Cost for 220 KV S/s Bathinda transferred from PSPCL to PSTCL (Not included in Base Expenses)	1.03	0.00	1.03
5.	Employee Cost for 400 KV S/s Dhanansu (For 11 month)	1.93	0.00	1.93
6.	Employee cost for SMAST Project	0.00	1.42	1.42
7.	Total Normative other employee cost	226.66	8.09	234.75
8.	**Actual Other Employee Cost for FY 2023-24(Table no 2.23)**	**216.03**	**7.77**	**223.80**

2.7.21 Note 3 of Regulation 25.1is reproduced below:

"Note 3: O&M expense shall be allowed on normative basis or actual whichever is lower and shall be trued-up only to the account of variation in Wholesale Price Index and Consumer Price Index.

2.7.22 In view of the above Regulation, the actual employee cost of PSTCL is lower than the normative accordingly, the Commission approves "other employee cost" of Rs. 216.03 Crore for Transmission Business and Rs. 7.77 Crore for SLDC Business i.e. a total of Rs. 223.80 Crore for PSTCL for FY 2022-23.

2.7.23 Accordingly the total employee cost for PSTCL is as under:-

Table No. 2.29: Total employee cost approved by the Commission (Rs Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	**Actual Other Employee Cost for FY 2023-24(Table 2.28)**	**216.03**	**7.77**	**223.80**
2	**Total Employee Terminal Benefits Cost(Table 2.25)**	**574.18**	**0.62**	**574.80**
3	**Total**	**790.21**	**8.39**	**798.60**

B. A&G Expenses

2.7.24 In the ARR Petition for FY 2023-24, PSTCL had projected A&G expenses of Rs. 42.39 Crore for it's the Transmission Business and Rs. 2.06 Crore for its SLDC Business for FY 2023-24. The Commission had approved A&G expenses of Rs. 29.40 Crore for the Transmission Business and Rs. 0.70 Crore for the SLDC Business for FY 2023-24.

PSTCL's Submission:

2.7.25 PSTCL stated that it has considered the additional A&G expenses on account of assets added during the year on average basis, as per the MYT Regulations, 2022. To calculate the additional A&G expenses, it has determined the percentage of A&G expenses to Gross Fixed Assets (GFA) for FY 2022-23.

2.7.26 PSTCL further stated that the baseline expenditure includes the expense on account of assets added during the previous year on an average basis. Hence, the base has been updated for the full year for the additions made during the previous year to be a true reflective for calculations of A&G expense during the relevant year.

Table No 2.30: **Calculation of %age of A&G expenses with GFA (Rs Crore)**

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Opening GFA as on 01.04.2022	10655.50	28.89	10684.39
2	Add: Addition to GFA	259.83	4.99	264.82

Sr No.	Particulars	Transmission	SLDC	PSTCL
3	Less: Retirement to GFA	19.70	0.00	19.70
4	Closing GFA as on 31.03.2023	10895.63	33.88	10929.51
5	**Average GFA for FY 2022-23**	**10775.57**	**31.38**	**10806.95**
6	Actual A & G expenditure for 2022-23	26.26	0.73	26.99
7	**%age of A&G w.r.t GFA**	**0.244%**	**2.326%**	

2.7.27 PSTCL submitted that the lease charges amounting to Rs. 0.83 Crore have been accounted for under Interest & Finance charges in the books of accounts of PSTCL in compliance with Ind AS issued by The Institute of Chartered Accountants of India. However, as per PSERC MYT Regulations, 2022 lease charges are part of A & G expenses. As per Audited Financial Accounts for FY 2022-23, lease charges are not included in A & G expense. Therefore, not being a part of base A & G expenses, PSTCL requests the Commission to allow the Lease charges under A & G expenses separately.

Extraordinary A & G Expense

2.7.28 In addition, to the A & G expenses escalated on baseline expenditure, PSTCL also claims some extra ordinary expenses of A & G expenses, which are not included in baseline expenditure. During FY 2023-24, certain expenses related to Consultancy Charges, Specialized Training and Travelling etc. were incurred in addition to the baseline A & G expenses of FY 2022-23 for the smooth functioning of SLDC as under:-

Table No 2.31*: Extraordinary A & G Expenses incurred during FY 2023-24*

(Rs Crore)

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Consultancy Charges for Obtaining ISO-27001 certification	0.00	0.06	0.06
2	Specialized Training & Travelling expenses to Employees	0.00	0.14	0.14
3	Electricity expenses on account of SAMAST Project	0.00	0.12	0.12
4	Legal Charges on account of Court Cases/Petition	0.00	0.08	0.08
5	**Total Extra-ordinary A & G during FY 2023-24**	**0.00**	**0.40**	**0.40**

Considering the above, Normative A & G expenses of PSTCL is as under:-

Table No. 2.32: Normative A & G Expenses for FY 2023-24 **(Rs. Crore)**

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Net Asset added during FY 2023-24 **(A)**	403.85	2.74	406.59
2	%age of A&G w.r.t GFA **(B)**	0.244%	2.326%	
3	Additional A&G expenses on account of average asset addition during FY 2023-24. (A X B) = **(C)**	0.49	0.03	0.52
4	A & G Expenses for FY 2022-23 **(D)**	26.26	0.73	26.99
5	Add : A & G Expenses for assets addition during the FY 2022-23 (not included in base expenses) **('E)**	0.29	0.06	0.35
6	Baseline A & G Expense **(D + E)=F**	26.56	0.79	27.35
7	Escalation Factor (CPI:WPI: 50:50)	2.23%	2.23%	
8	Escalated A&G expenses for FY 2023-24 **(G)**	27.15	0.81	27.96
9	**Total A & G Expenses for FY 2023-24 (C + G)**	**27.64**	**0.84**	**28.48**
10	Add: Audit fee (76.122)	0.05	0.00	0.05
11	Add: License & Petition fee (76.129)	0.52	0.00	0.52
12	Add**:** Lease Charges (78.859)	0.83	0.00	0.83
13	Extraordinary A & G Expenses incurred during FY 2023-24	0.00	0.40	0.40
14	**Normative A&G Expenses**	**29.04**	**1.24**	**30.28**

2.7.29 PSTCL stated that the actual A & G Expenses as per Audited Accounts for FY 2023-24 including lease rental charges are Rs. 27.37 (26.54 + 0.83) Crore for Transmission and Rs. 1.11 Crore for SLDC.

PSTCL requests the Commission to approve the actual A & G expenses being lower than normative amounting to Rs. 27.37 Crore for transmission and Rs. 1.11 Crore for SLDC.

Commission's Analysis:

2.7.30 PSTCL has changed the methodology w.e.f. 01.04.2021 from its previous submission in ARR petitions. PSTCL has added additional A&G expenses on account of asset addition during 2023-24 for working out the A&G expenses for true-up of FY 2023-24.

2.7.31 The A&G expenses are to be determined as per Regulation 25.1of PSERC MYT Regulations, 2022 on normative or actual whichever is lower. The relevant sections are as given in para 2.7.17 wherein no formula has been prescribed for adding A&G expenses on account of asset addition for the relevant year with respect to GFA.

2.7.32 The Commission has considered the baseline value for A&G expenses on the basis of actual A&G expenses incurred as per audited accounts of FY 2022-23 as under:

Table No 2.33: Base A&G Expenses on the basis of Audited Accounts for FY 2022-23

(Rs Crore)

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Actual A & G Expenses (as per Audited Accounts of FY 2022-23)	26.87	0.73	27.60
2	Less: Audit fee	0.05	0.00	0.05
3	Less: License & Petition fee	0.55	0.00	0.55
4	**A&G Expenses to be considered as baseline valuesfor FY 2023-24**	**26.26**	**0.73**	**26.99**

2.7.33 Further, the Commission has calculated the INDEX as 2.23% as given in Table 2.26. Accordingly, the Commission has calculated the Normative A&G expenses as under:

Table No.2.34: Calculation for Normative A&G expenses for FY 2023-24

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	A&G expenses for FY 2022-23	**26.26**	**0.73**	**26.99**
2.	Escalation Factor *(CPI:WPI::50:50)*	2.229%	2.229%	
3.	**Normative A&G expenses for FY 2022-23**	**26.85**	**0.75**	**27.60**

2.7.34 The actual A&G expenses as per the audited accounts for FY 2023-24 are Rs 25.97 Crore for Transmission and Rs 1.11 Crore for SLDC excluding audit, license and ARR fees. The normative expenses of Rs 26.85 Crores for Transmission and Rs 0.75 Crore for SLDC are higher than the actuals.

2.7.35 Note 7of Regulation 25.1 of PSERC MYT Regulations 2022 states as under:

"…

Note 7: Any expenditure on account of license fee, initial or renewal, fee for determination of tariff and audit fee shall be allowed on actual basis, over and above the A&G expenses approved by the Commission."

2.7.36 Accordingly, the Commission approves the A&G expenses for the FY 2023-24 as under:

Table 2.35: A&G expenses as approved by the Commission for FY 2023-24(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	A&G expenses for FY 2023-24 as per audited accounts.	25.97	1.11	27.08
2.	Add: Audit fee	0.05	0.00	0.05
3.	Add: License & ARR fee	0.52	0.00	0.52
4.	Add Lease Charges	0.83	0.00	0.83
5.	**Total A&G Expenses**	**27.37**	**1.11**	**28.48**

2.7.37 Thus, the Commission approves A&G expenses as Rs. 27.37 Crore for Transmission Business and Rs. 1.11 Crore for SLDC Business i.e. Rs. 28.48 Crore for PSTCL for FY 2023-24.

C. Repair & Maintenance (R&M) Expenses

2.7.38 In the ARR Petition for FY 2023-24, PSTCL projected R&M Expenses of Rs. 40.05 Crore for its Transmission Business and Rs.3.75 Crore for its SLDC Business for FY 2023-24. The Commission approved Rs. 41.79 Crore and Rs. 3.82 Crore as R&M expenses for Transmission Business and SLDC Business of PSTCL respectively.

PSTCL's Submission:

2.7.39 PSTCL submitted that it has considered the "K" Factor as determined by the Commission and which is constant for 3rd Control Period as per PSERC MYT Regulations, 2022.

2.7.40 PSTCL further submitted that in addition, to the R & M expenses escalated on baseline expenditure, it has also claims of some extra ordinary expenses of R & M expenses, which are not included in the baseline expenditure.

2.7.41 PSTCL has taken over 220 KV sub-station at G.N.D.T.P Bathinda. A huge R&M expense has been incurred during FY 2023-24 to bring it at par with other sub-stations. These expenditures were not in baseline expenditure for FY 2022-23.

2.7.42 Further, PSTCL has also replaced the breakers etc. older than 25 years. Other Extra Ordinary R & M are as under:-

Table No. 2.36: Extraordinary R&M Expenses incurred during FY 2023-24 (Rs.Crore)

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Additional R & M expense for replacement of panels/relays at G.N.D.T.P Sub-station, Bathinda	1.13	0.00	1.13
2	Expenditure for dismantling, dragging, packaging, loading, transportation & inspection of 315 MVA 400/220/33 KV Siemens make ICT Sr no 130048	1.58	0.00	1.58
3	Additional expenditure at 220 KV Substations - Lalton Kalan (CKt 1 & 2) and Sahnewal for smooth working of HTLS Conductor	0.28	0.00	0.28
4	Additional expenditure of 66 KV phase 7 bay at P&mDhandari Kalan	0.09	0.00	0.09
5	Additional expenditure of Bay equipment of 66 KV Talwara Line 1 & 2 and 66 KV Bansal Alloy	0.34	0.00	0.34
6	Additional expenditure to HTLS and bay elements at 66 KV Malot Road (Ckt 1 & 2) lines	0.16	0.00	0.16
7	Additional Expenditure on Change/replacement of breakers etc. older than 25 years under P & M Division Ablowal	1.44	0.00	1.44

Sr No.	Particulars	Transmission	SLDC	PSTCL
8	Additional Expenditure on erection of Towers fallen due to storm at 400 KV s/s Bhalwan, Dhuri	1.37	0.00	1.37
9	**Total Extra-ordinary R & M during FY 2023-24**	**6.39**	**0.00**	**6.39**

2.7.43 PSTCL stated that as per Data released by Department of Economics Affairs/GOI, WPI index has been decreased by 0.73% since last year. However, there is no reduction in repairing/servicing cost since last year. Moreover, WPI does not capture the service portion. Hence, It requests the Commission that negative escalation factor should not be considered while calculating the normative R & M expenses.

Accordingly, the R&M expenses for FY 2023-24 are submitted as under: -

Table No 2.37: Normative R & M Expenses submitted by PSTCL for FY 2023-24

(Rs Crore)

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Opening GFA as on 01.04.2023	10895.62	33.88	10929.50
2	**Add:** Addition to GFA	438.80	2.74	441.54
3	**Less:** Retirement to GFA	34.95	0.00	34.95
4	Closing GFA as on 31.03.2024	11299.47	36.62	11336.09
5	Average GFA for FY 2023-24	11097.54	35.25	11132.79
6	**K - Factor (Determined by PSERC)**	0.32371%	2.71243%	
7	**Normative R&M Expenses for FY 2023-24**	**35.92**	**0.96**	36.88
8	Extraordinary R&M Expenses incurred during FY 2023-24	6.39	0.00	6.39
9	**Total Normative R & M Expenses for FY 2023-24**	**42.32**	**0.96**	**43.27**

2.7.44 PSTCL stated that the actual R & M Expenses as per Audited Accounts for FY 2023-24 is Rs. 40.57 Crore for Transmission and Rs. 0.85 Crore for SLDC.

PSTCL requests the Commission to approve the actual R & M expenses being lower than normative amounting to Rs. 40.57 Crore for Transmission and Rs. 0.85 Crore for SLDC.

Commission's Analysis:

2.7.45 The R&M expenses are to be determined as per Regulation 25.1 of PSERC MYT Regulations, 2022. Relevant sections of Regulation 25.1 of MYT Regulations, 2022 are reproduced below for reference:

"25.1. The O&M expenses for the nth year of the Control Period shall be approved based on the formula shown below:
O&Mn = (R&Mn + EMPn + A&Gn) x (1-Xn)
Where,

- *R&Mn –Repair and Maintenance Costs of the Applicant for the nth year;*
- *Employee Cost of the Applicant for the nth year;*
- *A&Gn –Administrative and General Costs of the Applicant for the nth year;*
- *It should be ensured that all such expenses capitalized should not form a part of the O&M expenses being specified here. The above components shall be computed in the manner specified below:*
  (i) R&Mn= K*GFA*WPIn/WPIn-1
  Where,
- *'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the nth year. The value of 'K' will be specified by the Commission in the MYT order.*
- *'**GFA**' is the average value of the gross fixed assets of the nth year.*
- ***WPIn** means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year."*

2.7.46 The Commission agrees that R&M expenses for the assets funded through Contributory Works and assets funded through Government Grant under PSDF Scheme shall be borne by PSTCL since these assets are operated and maintained by the Petitioner.

2.7.47 The Opening GFA for Transmission Business and SLDC for the purpose of calculating R&M expenses is considered as Rs 10894.98 Crore and Rs 33.78 Crore respectively as per closing of true up of FY 2022-23 in the tariff order of FY 2024-25.

2.7.48 The addition of GFA during the year is considered based on the addition of GFA as determined in Table 2.15. Retirement of assets of Rs 34.95 Crores for Transmission Business and nilfor SLDC Business have been considered as submitted by PSTCL.

2.7.49 K factor has been determined as below on the basis of actual R&M expenses in the audited accounts of FY 2022-23 which will be constant for the 3rd MYT Control Period:

Table No 2.38: Computation of K-factor for R&M Expenses for the 3rd Control Period

(Rs Crore)

Sr. No.	**Particulars**	**Transmission**	**SLDC**
1.	Opening GFA as on 31.3.2022	10655.16	28.89
2.	Closing GFA as on 31.3.2023	10894.98	33.78
3.	Average GFA	10775.07	31.34

Sr. No.	Particulars	Transmission	SLDC
4	Repair & Maintenance expenses as per Audited Accounts of FY 2022-23	34.88	0.85
5	**K factor(2/1)**	**0.0032371**	**0.0271305**

2.7.50 PSTCL has claimed Rs 6.39 Crore for extra ordinary R&M expenditure during FY 2023-24.The Commission observes that R&M expenses are allowed on the basis of average GFA with escalation of WPI and K factor (which remains constant for the control period), therefore any increase in R&M expenditure cannot be allowed as extra ordinary expenditure over and above the normative .

2.7.51 The Commission does not consider the submission of PSTCL regarding non-consideration of negative escalation factor. Thus considers negative increase in WPI Index as (-)0.72666% as per Table no 2.26.

2.7.52 Accordingly, the R&M expenses for FY 2023-24 are determined by the Commission as under:

Table No 2.39: R&M expenses determined by the Commission for FY 2023-24

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	**Opening GFA for the purpose of R&M expenses (as per closing of FY 2022-23)**	**10894.98**	**33.78**	**10928.76**
2.	Addition during the year(Table 2.14)	438.80	2.74	441.54
3.	(-) Retirement of assets(Table 2.37)	34.95	0.00	34.95
4.	Closing GFA for the purpose of R&M expenses	11298.83	36.52	11335.35
5.	Average GFA for the purpose of R&M expenses	11096.90	35.15	11132.05
6.	K factor (table 2.38)	0.32371%	2.7124%	
7.	Escalation Factor (*Increase in WPI Index)(Table 2.26)*	0.99273	0.992733	
8.	**R&M Expenses**	**35.66**	**0.95**	**36.61**

2.7.53 Actual R & M Expenses as per Audited Accounts for FY 2023-24 is Rs. 40.57 Crore for Transmission and Rs. 0.85 Crore for SLDC. Thus, the Commission approves Rs. 36.61 Crore (Rs. 35.66 Crore for Transmission Business + Rs. 0.95 Crore for SLDC Business) of R&M expense for FY 2023-24.

2.7.54 The O&M expenses as approved by the Commission for FY 2023-24 are as under:-

Table 2.40: O&M Expenses for FY 2023-24 as approved by the Commission

(Rs Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Total Employee Cost	790.21	8.39	798.60
2	Total A&G Expenses	27.37	1.11	28.48
3	Total R&M Expenses	35.66	0.95	36.61
4	**Total O&M Expenses**	**853.24**	**10.45**	**863.69**

2.8 Depreciation Charges

2.8.1 In the ARR Petition of FY 2023-24, PSTCL had claimed revised estimate of depreciation charges of Rs. 349.53 Crore for Transmission Business and Rs. 3.24 Crore for SLDC Business against which the Commission had approved depreciation charges of Rs. 329.39 Crore for Transmission Schemes and Rs. 3.24 Crore for SLDC Business for FY 2023-24.

PSTCL's Submission:

2.8.2 PSTCL has claimed Depreciation in line with the methodology specified in Regulation 21 of the PSERC MYT Regulations, 2022, as amended from time to time.

2.8.3 PSTCL submits the details of depreciation as per the annual audited accounts for FY 2023-24, after excluding depreciation towards impairment loss. PSTCL has also not considered any depreciation on account of assets funded through Contributory Works and works under PSDF Scheme in FY 2023-24. Therefore, GFA has been considered excluding assets on account of Land & Land Rights and Contributory & PSDF schemes.

Table No 2.41*:* Calculation of Rate of Depreciation as submitted by PSTCL for FY 2023-24

(Rs Crore)

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Opening GFA	7677.64	29.03	7706.67
2	**Add:** Addition to GFA	373.83	2.74	376.57
3	**Less:** Retirement to GFA	34.95	0.00	34.95
4	**Less:** Addition of Land during the Year	0.94	0.00	0.94
5	Closing GFA	**8015.58**	**31.77**	**8047.35**
6	Average GFA	7846.61	30.40	
7	Depreciation during the year(Audited Figure)	321.26	2.30	323.56
8	**Depreciation (% of Average)**	**4.09%**	**7.56%**	

2.8.4 PSTCL submitted that it has segregated the depreciation on assets created from Spill over schemes and New Schemes for the purpose of segregating repayments of loan for different schemes using the average rate of depreciation calculated as above.

2.8.5 Following tables show the segregated depreciation of spill over schemes and New Schemes: -

Table No 2.42: **Depreciation for Spill over Schemes for FY 2023-24** **(Rs. Crore)**

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Opening GFA	7392.69	23.89	7416.57
2	**Add:** Addition to GFA	88.92	2.61	91.53
3	**Less:** Retirement to GFA	34.95	0.00	34.95
4	**Less:** Addition of Land during the Year	0.00	0.00	0.00
5	Closing GFA	**7446.66**	**26.50**	**7473.16**
6	Average GFA	7419.67	25.19	
7	**Depreciation (% of Average)**	4.09%	7.56%	
8	Depreciation during the year (Audited Figure)	303.78	1.90	305.68

Table No 2.43: Depreciation for New Schemes for FY 2023-24 **(Rs. Crore)**

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Opening GFA	284.96	5.15	290.11
2	**Add:** Addition to GFA	284.91	0.13	285.04
3	**Less:** Retirement to GFA	0.00	0.00	0.00
4	**Less:** Addition of Land during the Year	0.94	0.00	0.94
5	Closing GFA	**568.93**	**5.28**	**574.21**
6	Average GFA	426.95	5.21	432.16
7	**Depreciation (% of Average)**	4.09%	7.56%	
8	Depreciation during the year (Audited Figure)	17.48	0.39	17.87

2.8.6 PSTCL requests the Commission to approve the Depreciation of Rs. 321.26 Crore for transmission and Rs. 2.29Crore for SLDC for FY 2023-24 as PSERC MYT Regulations, 2022 based on the audited accounts for FY 2023-24.

Commission's Analysis:

2.8.7 The Depreciation Charges are determined as per Regulation 21 of PSERC MYT Regulations, 2022. Regulation 21 of the PSERC MYT Regulations, 2022 specifies as under:

"21.1. The value base for the purpose of depreciation shall be the capital cost of the assets admitted by the Commission:

Provided that the depreciation shall be allowed after reducing the approved original cost of the retired or replaced or decapitalized assets:

Provided that the land, other than the land held under lease and land for reservoir in case of hydro generating station, shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the assets:

Provided further that Government. grants and consumer contribution shall also be recognized as defined under Indian Accounting Standard 20 (IND AS 20) notified by the Ministry of Corporate Affairs.

21.2. The residual/salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of historical capital cost of the asset:

Provided that I.T. Equipment and Software shall be depreciated 100% with zero salvage value.

21.3. The Cost of the asset shall include additional capitalization.

21.4. The Generating Company, Transmission and Distribution Licensee shall provide the list of assets added during each Year of the Control Period and the list of assets completing 90% of depreciation in the Year along with Petition for true-up and tariff determination for ensuing Year.

21.5. Depreciation for Distribution, generation and transmission assets shall be calculated annually as per straight line method over the useful life of the asset at the rate of depreciation specified by the Central Electricity Regulatory Commission from time to time:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation/ put in use of the asset shall be spread over the balance useful life of the assets:

Provided further that in case of hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the asset.

21.6. Depreciation shall be chargeable from the first year of commercial operation/asset is put in use. In case of commercial operation of the asset/put in use of asset for part of the year, depreciation shall be charged on pro rata basis."

2.8.8 The Commission determines the depreciation for FY 2023-24 as per the Regulation 21 stated above. The Opening GFA for the Spillover schemes and new schemes is considered as per the closing GFA for FY 2022-23 and the same is net of land and land rights and consumer contribution and grants.

2.8.9 The Commission has considered the addition of GFA for depreciation as approved by the Commission and has not considered the addition of assets funded through Contributory Work and works under PSDF scheme(for which grants will be received) as given below:-

Table No 2.44: Net capitalisation for FY 2023-24 (Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	Total
1	Transferred to GFA (Table 2.14)	**438.80**	**2.74**	**441.54**
2	Less :Contributory works (Table 2.14)	22.14	0.00	22.14
3	Less: PSDF works(Table 2.14)	42.83	0,00	42.83
4	**Net capitalization**	**373.83**	**2.74**	**376.57**
4 a	Capitalization of spillover schemes(Table no 2.14)	88.92	2.61	91.53
4 b	Capitalization of new schemes including assets directly purchased (Table no 2.14)	284.91	0.13	285.04

2.8.10 The Commission has considered the Fixed Asset Register submitted by PSTCL vide reply dated 19.12.2024 and further determined weighted average rate of depreciation for FY 2023-24 as under:

Table 2.45: Weighted average rate of depreciation for FY 2023-24 as considered by the Commission (Rs.Crore)

Sr. No.	Particulars	Transmission	SLDC
1	Opening GFA as on 01.04.2023	10894.98	33.78
2	Less Land as on 31.03.2022	2943.70	4.75
3	Less Consumer contributions and grants	274.38	0.00
4	Opening GFA (net of land and land rights and consumer contribution and grant)	7676.90	29.03
5	Add: Additions during the year (net of land and land rights and consumer contribution and grant)(Table 2.14)	**373.83**	**2.74**
6	Less: Retirement of assets(Table 2.41)	34.95	0.00
7	Less addition of land during the year(Table 2.41)	0.94	0.00
8	Closing GFA (net of land and land rights)	**8014.84**	**31.77**
9	Average Gross Fixed Assets((4+8)/2)	**7845.87**	**30.40**
10	Depreciation as per audited accounts	321.26	2.30
11	**Average rate of depreciation**	**4.09%**	**7.56%**

2.8.11 Accordingly, the depreciation approved by the Commission for Spillover and New Schemes for Transmission and SLDC Business is as under:

Table No. 2.46: Depreciation approved by the Commission for FY 2023-24 for Transmission Business (Rs. Crore)

Sr. No	Particulars	Amount
(I)	**Spillover Schemes**	
1.	Opening GFA (excluding land and land rights as per closing of FY 2022-23)	**7392.98**
2.	Add: Additions to GFA during the year(Table 2.44)	88.92
3.	Less: Retirement of GFA	34.95

Sr. No	Particulars	Amount
4.	Closing GFA	**7446.95**
5.	Average GFA	7419.96
6.	**Depreciation @4.094% of average GFA**	**303.79**
(II)	**New Schemes**	
7.	Opening GFA (excluding land and land rights as per closing of FY 2022-23)	283.92
8.	Add: Additions to GFA during the year(Table 2.44)	284.91
9.	Less :Addition of land during the year	0.94
10.	Closing GFA	567.89
11.	Average GFA	425.91
12.	**Depreciation @4.094% of average GFA**	**17.44**
13.	**Total Depreciation(6+12)**	**321.23**

Table No. 2.47: Depreciation approved by the Commission for FY 2023-24 for SLDC Business

Sr. No.	Particulars	Amount
(I)	**Spillover Schemes**	
1.	Opening GFA (excluding land and land rights as per closing of FY 2022-23)	23.88
2.	Add: Additions to GFA during the year(Table 2.44)	2.61
3.	Less Retirement of assets	0.00
4.	Closing GFA	26.49
5.	Average GFA	25.19
6.	**Depreciation @7.56% of average GFA**	**1.90**
(II)	**New Schemes**	
7.	Opening GFA (excluding land and land rights as per closing of FY 2022-23)	5.15
8.	Add: Additions to GFA during the year(Table 2.44)	0.13
9.	Closing GFA	5.28
10.	Average GFA	5.21
12.	**Depreciation @7.56% of average GFA**	**0.39**
13.	**Total Depreciation(6+12)**	**2.29**

Table No 2.48: Depreciation approved by the Commission for FY 2023-24 for PSTCL

(Rs. Crore)

Sr. No	Particulars	Amount
(I)	**Transmission**	
1.	Opening GFA (excluding land and land rights)	7676.90
2.	Add: Additions to GFA during the year	373.83
3.	Less: Retirement of GFA	34.95
4.	Less: Addition of land during the year	0.94
5.	Closing GFA	8014.84
6.	Average GFA	7845.87
7.	**Depreciation @4.09% of average GFA**	**321.23**
(II)	**SLDC**	

Sr. No	Particulars	Amount
1.	Opening GFA (excluding land and land rights)	29.03
2.	Add: Additions to GFA during the year	2.74
3.	Less: Retirement to GFA	0
4.	Closing GFA	31.77
5.	Average GFA	30.40
6.	**Depreciation @7.56% of average GFA**	**2.30**
7.	**Total Depreciation**	**323.53**

2.8.12 The Commission approves depreciation of Rs.321.23 Crore for Transmission Business and Rs.2.30 Crore for SLDC Business for FY 2023-24.

2.9 Interest and Finance Charges

2.9.1 In the ARR Petition of FY 2023-24, PSTCL had claimed revised estimates of Interest and Finance charges of Rs. 307.63 Crore (net of capitalization of Rs. 8.02 Crore of interest charges) for its Transmission Business and Rs.2.47 Crore for SLDC Business for FY 2023-24. The Commission approved interest charges of Rs. 274.56 Crore for Transmission Business (including Spillover and new schemes) and Rs. 2.46 Crore for SLDC Business for FY 2023-24.

PSTCL's Submission:

2.9.2 For the purpose of the true-up for FY 2023-24, PSTCL has considered the opening balance of loan equal to the closing balance of loans for FY 2022-23 as approved by the Commission in True up of FY 2022-23 in Tariff Order for FY 2024-25 dated 14.06.2024.

2.9.3 PSTCL submitted that it has considered the weighted average rate of interest on long-term loans @ 8.86% for transmission and 8.55% for SLDC.

2.9.4 PSTCL has considered addition of loans of Rs. 292.47 Crore for Transmission and Rs. 0.59 Crore for SLDC as discussed in the previous section of CAPEX and its Funding. Out of Rs. 292.47 Crore for transmission, Rs. 243.72 Crore additions are on account of New Schemes and Rs. 48.75 Crore is on account of Spill over Schemes. Loan Addition of Rs. 0.59 Crore of SLDC includes Rs 0.13 Crore on account of New Schemes and Rs. 0.46 Crore is on account of Spill over Schemes.

2.9.5 PSTCL stated that it has considered the repayment of loan equivalent to depreciation claimed above as per Audited Accounts for FY 2023-24 without subtracting the depreciation on assets commissioned before 16.04.2010 in line with the approach adopted by the Commission without prejudice to the outcome of appeals filed by

PSTCL with the Hon'ble APTEL. The effect of the same may be considered by the Commission if the matter is ruled in favour of PSTCL.

2.9.6 PSTCL has considered the loan segregation for Spill over Schemes and New Schemes as per the funding requirement of PSTCL discussed previously. The following tables shows the calculation of Interest Charges for Spill over Schemes and New Schemes.

Table No 2.49*: Interest on Loan for Spill Over Schemes submitted by PSTCL for FY 2023-24 (Rs. Crore)*

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Opening Balance	2,867.00	10.88	2,877.88
2	**Add:** Addition during the year	48.75	0.46	49.21
3	**Less:** Repayment during the year	303.78	1.90	305.68
4	Closing Balance	2,611.97	9.44	2,621.41
5	Average Loan for the year	2,739.49	10.16	2749.65
6	Interest Rate	8.86%	8.55%	
7	**Interest Charges for the year**	**242.69**	**0.87**	**243.56**

Table No 2.50: **Interest on Loan for New Schemes submitted by PSTCL for FY 2023-24 (Rs Crore)**

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Opening Balance	188.26	4.91	193.17
2	**Add:** Addition during the year	243.72	0.13	243.85
3	**Less:** Repayment during the year	17.48	0.39	17.87
4	Closing Balance	414.50	4.65	419.15
5	Average Loan for the year	301.38	4.78	306.16
6	Interest Rate	8.86%	8.55%	
7	**Interest Charges for the year**	**26.70**	**0.41**	**27.11**

2.9.7 PSTCL has considered capitalisation of interest charges of Rs. 3.86 Crore only for the Spill over CAPEX of Rs. 70.10 Crore during FY 2023-24.

2.9.8 PSTCL has also paid Miscellaneous Finance Charges during the FY 2023-24. Calculation of Interest Charges for all schemes for FY 2023-24 is as follows: -

Table No 2.51*: Interest on Loan for All Schemes submitted by PSTCL for FY 2023-24 (Rs Crore)*

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	**Interest Charges**	**269.39**	**1.28**	**270.67**
2	**Add:** Misc. & Finance Charges	0.31	0.00	0.31
3	**Less:** Interest Capitalized	3.80	0.06	3.86
4	**Normative Interest & Finance Charges**	**265.90**	**1.22**	**267.12**

2.9.9 PSTCL requests the Commission to approve the Interest Charges of Rs. 265.90 Crore for transmission and Rs. 1.22 Crore SLDC for FY 2023-24 as PSERC MYT Regulations, 2022.

Commission's Analysis:

2.9.10 The Commission determines the Interest on loan capital as per Regulation 23 of the PSERC MYT Regulations, 2022. Relevant sections are reproduced as under:

> *"23.1. For existing loan capital, interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the actual rate of interest and the schedule of repayment as per the terms and conditions of relevant agreements. The rate of interest shall be the actual rate of interest paid/payable (other than working capital loans) on loans by the Licensee.*
>
> *23.2. Interest and finance charges on the future loan capital for new investments shall be computed on the loans, based on one (1) year State Bank of India (SBI) MCLR/ any replacement there of as notified by RBI as may be applicable as on 1st April of the relevant year, plus a margin determined on the basis of current actual rate of interest of the capital expenditure loan taken by the Generating Company, Licensee or SLDC and prevailing SBIMCLR.*
>
> *23.3. The repayment for each year of the tariff period shall be deemed to be equal to the depreciation allowed for the corresponding year. In case of de-capitalisation of assets, the repayment shall be adjusted by taking into account cumulative depreciation made to the extent of de-capitalisation.*
>
> *23.4. The Commission shall allow obligatory taxes on interest, finance charges (including guarantee fee payable to the Government) and any exchange rate difference arising from foreign currency borrowings, as finance cost.*
>
> *23.5. The interest on excess equity treated as loan shall be serviced at the weighted average interest rate of actual loan taken from the lenders.*
>
> *Provided also that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered."*

A. Interest and Finance Charges for Transmission

2.9.11 The Commission has considered the opening balance of loans for Spillover schemes of Transmission Business for FY 2023-24 as Rs.2867.00 Crore while the opening of loan for new schemes is considered as Rs. 188.26 Crore.

2.9.12 The Commission has considered the approved addition of loan as explained in Table 2.17.

2.9.13 PSTCL has not provided the loan master to determine the rate of interest but only provided the weighted average rate of interest during the year. PSTCL while replying to the deficiencies dated 19.12.2024 supplied the required information. Therefore, the Commission considers weighted average rate of 8.86% for transmission and 8.55% for SLDC as submitted by PSTCL after prudence check.

2.9.14 The Commission considers the repayment of loan equal to depreciation allowed for the corresponding year as per regulation 23.3 of PSERC MYT Regulation 2022.

2.9.15 Accordingly, the Commission has calculated the interest on loan for Transmission Business for FY 2023-24 as under:

Table 2.52: Interest on loan for Spill over schemes of Transmission Business as ap by the Commission for FY 2023-24 (Rs. Crore)

Sr. No.	Particulars	Amount
1.	Opening balance of loan	2867.00
2.	Add: Receipt of loan during the year(Table 2.17)	48.75
3.	Less: Repayment of loan during the year(Table 2.46)	303.79
4.	Closing balance of loan	2611.96
5.	Average Loan	2739.48
6.	**Interest Charges @ 8.859%**	**242.69**

Table2.53: Interest on loan for New schemes of Transmission Business as approved by the Commission for FY 2023-24 (Rs. Crore)

Sr. No.	Particulars	Amount
1.	Opening balance of loan	188.26
2.	Add: Receipt of loan during the year(Table 2.17)	243.72
3.	Less: Repayment of loan during the year(Table 2.46)	17.44
4.	Closing balance of loan	414.54
5.	Average Loan	301.40
6.	**Interest Charges @ 8.859%**	**26.70**

Interest on GP Fund

2.9.16 PSTCL has not claimed interest on GP fund during FY 2023-24 .

The Commission therefore approves NIL interest on GP Fund .

Capitalization of Interest Charges

2.9.17 In the True up Petition for FY 2023-24, PSTCL has considered capitalization of interest charges of Rs.3.86 Crore (Rs 3.80 Crore for Transmission and Rs 0.06 Crore for SLDC business), only for the Spill over capital expenditure of Rs 70.10 Crore during FY 2023-24.

The Commission, as per past practice, approves capitalization of interest of Rs.3.86 Crore for FY 2023-24 for capital expenditure due to spillover schemes.

Finance Charges and Guarantee Charges.

2.9.18 The Commission approves the Finance charges of Rs. 0.31Crore for Transmission Business based on Audited Annual Accounts for FY 2023-24 as claimed by PSTCL as per Regulation 23.4 of PSERC MYT Regulations 2022.

2.9.19 The Commission approves interest and finance charges for Transmission Business of PSTCL for FY 2023-24 as under:

Table No 2.54: Interest & Finance Charges for Transmission Business for FY 2023-24 as approved by the Commission (Rs.Crore)

Sr. No.	Particulars	Amount
1.	Interest on Loans due to Spillover schemes	**242.69**
2.	Interest on Loans due to New schemes	26.70
3.	Finance Charges	0.31
4.	Interest on GP fund	0.00
5.	**Gross Interest on Long Term Loans (1+2+3+4+5)**	269.70
6.	Less: Capitalization	3.80
7.	**Net Interest and finance Charges on Long Term Loans (5-6)**	**265.90**

Thus, the Commission approves Net Interest and Finance Charges of Rs. 265.90Crore for Transmission Business for FY 2023-24.

B. Interest and Finance charges for SLDC Business

2.9.20 The Commission has considered the closing balance of loans for SLDC Business of Rs. 10.88 Crore for FY 2022-23 as the opening balance of loans for Spillover schemes of SLDC Business for FY 2023-24, while the opening of loan for new schemes is considered as Rs.4.92 Crore.

2.9.21 The Commission has considered the approved addition of loan as explained in Table no. 2.15.

2.9.22 As per Regulation 23.3 of PSERC MYT Regulation 2022, the repayment of loan is considered equal to depreciation allowed for the corresponding year.

2.9.23 As per the loan master submitted by PSTCL, the Commission considers the rate of interest of 8.55% on long-term loans as submitted by PSTCL for determination of interest for SLDC business.

2.9.24 The Commission has calculated the interest on loan for SLDC Business for FY 2023-24 as under:

Table No 2.55: Interest on loan for Spill over schemes of SLDC Business for FY 2023-24

(Rs. Crore)

Sr. No.	Particulars	Amount
1.	Opening balance of loan	10.88
2.	Add: Receipt of loan during the year(table 2.17)	0.46
3.	Less: Repayment of loan during the year(Table 2.47)	1.90
4.	Closing balance of loan	9.44
5.	Average Loan	10.16
6.	**Interest Charges @ 8.55%**	**0.87**

Table No 2.56: Interest on loan for New schemes of SLDC Business for FY 2023-24

(Rs. Crore)

Sr. No.	Particulars	Amount
1.	Opening balance of loan	4.92
2.	Add: Receipt of loan during the year(table 2.17)	0.13
3.	Less: Repayment of loan during the year(Table 2.47)	0.39
4.	Closing balance of loan	4.66
5.	Average Loan	4.79
6.	**Interest Charges @ 8.55%**	**0.41**

2.9.25 PSTCL has not claimed Finance Charges for SLDC Business.

2.9.26 The Commission approves interest and finance charges for SLDC Business of PSTCL for FY 2023-24 as under:

Table No 2.57: Interest & Finance Charges for SLDC Business for FY 2023-24 as approved by the Commission (Rs. Crore)

Sr. No.	Particulars	Amount
1.	Interest on Loans due to Spillover schemes	0.87
2.	Interest on Loans due to New schemes	0.41
3.	Less:Interest capitalised	0.06
4.	**Gross Interest on Long Term Loans (1+2-3)**	**1.22**

Thus, the Commission approves Interest and Finance Charges of Rs. 1.22Crore for SLDC Business for FY 2023-24.

2.9.27 Total Interest on loan approved by the Commission for PSTCL for FY 2023-24 is as under:

Table No 2.58: Interest on loan approved by the Commission for PSTCL for FY 2023-24 (Rs Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Interest on loan	265.90	1.22	267.12

2.10 Interest on Working Capital

2.10.1 In the ARR Petition for FY 2023-24, PSTCL had claimed revised estimated of interest on working capital of Rs. 40.37 Crore on the total working capital of Rs. 505.20 Crore for Transmission Business and Rs 0.87 Crore for SLDC business against which the Commission approved interest on working Capital of Rs. 35.93Crore for FY 2023-24 on total working capital of Rs. 449.63 Crore for transmission and Rs 0.66 Crores on total working capital of Rs.8.25 Crore for SLDC business.

PSTCL's Submission:

2.10.2 PSTCL has submitted that it has computed the Interest on Working Capital as per the provisions of PSERC MYT Regulations, 2022. It has considered the actual weighted average rate of interest i.e. @ 8.795% for Working Capital loans for Transmission business and SLDC business.

Table No 2.59*: Normative Interest on Working Capital for FY 2023-24 (Rs Crore)*

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Receivables equivalent to two (2) months of fixed cost calculated on normative target availability	264.35	5.41	269.76
2	Maintenance Spares @ 15% of O&M expenses	128.72	1.55	130.28
3	Operation & Maintenance expenses for 1 (One) Month	71.51	0.86	72.38
4	**Total Working Capital (Normative)**	**464.59**	**7.83**	**472.41**
5	Rate of Interest applied (As per Norms)	8.795%	8.795%	
6	**Normative Interest on Working Capital**	**40.86**	**0.69**	**41.55**

PSTCL requests the Commission to approve the Normative Interest on Working Capital of Rs. 40.86 Crore for transmission and Rs. 0.69 Crore SLDC for FY 2023-24 as PSERC MYT Regulations, 2022.

Commission's Analysis:

2.10.3 The Commission has computed the interest on working capital as per Regulation 50and 24.1 of the PSERC MYT Regulations, 2022 specifies as under:

"50.1. Components of Working Capital

The Working Capital shall cover the following:

(a) O&M Expenses for 1month;

(b) Maintenance spares @ 15% of the O&M expenses;

(c) Receivables equivalent to two (2) months of fixed cost calculated on normative target availability.

50.2. Rate of Interest

The rate of interest on working capital shall be as per Regulation 24.1."

"24.1The rate of interest on working capital shall be equal to the actual rate of interest paid on working capital loans by the Licensee/Generating Company/SLDC or the one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI as may be applicable as on 1st April of the relevant year plus 250 basis points, whichever is lower. The interest on working capital shall be payable on normative basis notwithstanding that the Licensee/Generating Company/SLDC has not taken working capital loan from any outside agency or has exceeded the working capital loan amount worked out on the normative figures."

2.10.4 The Commission has considered the short-term loans as submitted by PSTCL for determination of interest rate for Transmission business and calculated the rate of interest on loan capital as per Regulation 24.1.

2.10.5 PSTCL has submitted the weighted average rate of interest of working capital loans. The Commission considers the interest at the weighted average rate of approved loans as submitted by PSTCL @8.795%for Transmission Business and SLDC as MCLR rate on 1st April 2023 (8.50%)+250 basis points comes to 11.00% which is higher ,and approves the Interest on Working Capital as under:

Table 2.60: Interest on Working Capital for Transmission and SLDC business of PSTCL for FY 2023-24 approved by the Commission (Rs Crore)

Sr. No.	Particulars	Transmission	SLDC
1.	Receivables equivalent to two months (Table 2.72/6)	71.10	0.87
2.	Maintenance spares @ 15% of Operation and Maintenance expenses (Table 2.40*0.15)	127.99	1.57
3.	Operation and Maintenance expenses for one month as approved by the Commission (Table 2.40/12)	263.49	5.43
4.	Working Capital requirement	**462.58**	**7.87**
5.	**Interest on Working Capital (@ 8.795%)**	**40.68**	**0.69**

2.10.6 The Commission approves working capital requirements of Rs.462.58Crore and interest thereon of Rs. 40.68 Crore for Transmission Business of PSTCL for FY 2023-24 and Rs 0.69 Crores for SLDC.

2.10.7 The Total Interest on Working Capital approved by the Commission for PSTCL for FY 2023-24 is as under:

Table 2.61: Interest on Working Capital approved by the Commission for PSTCL for FY 2023-24

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	**Interest on Working Capital**	**40.68**	**0.69**	**41.37**

The Commission approves total Interest on Working Capital as Rs.41.37 Crore for PSTCL for FY 2023-24.

2.11 Return on Equity

2.11.1 In the ARR Petition for FY 2023-24, PSTCL had claimed Return on equity of Rs. 174.11Crore on opening equity of Rs. 964.62Crore and addition of Rs 317.27Crores during FY 2023-24. The Commission had approved Return on equity of Rs. 151.28Crore on opening equity of Rs. 934.76 Crore and addition of Rs 82.47 Crores during the year.

PSTCL's Submission:

2.11.2 PSTCL has booked a profit of Rs. 62.08 Crore as per Audited Accounts for FY 2023-24. Further, PSTCL submits that it has partly funded the Capital Expenditure (30% for Capital Expenditure) through equity infusion in FY 2023-24, by reinvesting Rs. 62.08 Crore in FY 2023-24.

2.11.3 For the purpose of calculating Return on Equity for FY 2023-24 on normative basis, PSTCL has considered the ROE at the rate of 15.50% in accordance with the PSERC MYT Regulations, 2022.

2.11.4 The computation of normative ROE for FY 2023-24 is submitted in the following table:

Table No 2.62: **Return on Equity for PSTCL for FY 2023-24 (Rs Crore)**

Sr No.	Particulars	FY 2023-24
1	Equity at the opening of Year (as approved by PSERC in True up of FY 2022-23)	880.85
2	Addition During the Year	62.08
4	**Equity at the Closing of Year**	**942.93**
5	Average Equity during the Year	911.89
6	Rate for Return on Equity	15.50%
7	**Return on Equity**	**141.34**

Commission's Analysis:

2.11.5 The Commission determines the Return on Equity in accordance with Regulation 20 of PSERC MYT Regulations, 2022 which is reproduced 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:

Provided that Equity invested in foreign currency shall be converted to rupee currency based on the exchange rate prevailing on the date(s) it is subscribed:

Provided further that assets funded by consumer contributions, capital subsidies/Government. grants shall not form part of the capital base for the purpose of calculation of Return on Equity."

2.11.6 The Commission has considered the closing of equity for FY 2022-23 as the opening equity for FY 2023-24.

2.11.7 Since PSTCL has booked profit of Rs. 62.08 Crore in audited accounts for FY 2023-24 and funding requirement is of Rs 354.55 Crores, therefore equity addition of only Rs 62.08 Crores is being considered instead of Rs 85.47Crores (30% of 354.55) through equity infusion by reinvesting. The Commission has considered addition of equity of Rs. 62.08 Crore.

2.11.8 As earlier informed by PSTCL in tariff order for FY 2024-25, that since inception the equity has been considered as equity of Transmission business and no equity was considered for SLDC business.

2.11.9 The Commission determines Return on Equity @15.50% on the average equity for the year which is calculated as under:

Table No. 2.63: Return on Equity for FY 2023-24 for Transmission as allowed by the Commission **(Rs. Crore)**

Sr. No.	Particulars	FY 2023-24
1.	Opening Equity	880.85
2.	Addition of equity during the year (Table 2.17)	62.08
3.	Closing Equity	942.93
4.	Average Equity	911.89
5.	Rate of Return on Equity (%)	15.50%
6.	**Return on Equity**	**141.34**

2.11.10 Thus, the Commission approves ROE of Rs.141.34 Crore to PSTCL for FY 2023-24 as under:

Table No 2.64: Return on Equity approved by the Commission for FY 2023-24

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	**Return on Equity**	**141.34**	**0**	**141.34**

2.12 Unified Load Dispatch &Communication (ULDC) Charges

2.12.1 In the ARR Petition for FY 2023-24, PSTCL had revised its estimates for ULDC Charges to Rs. 12.00 Crore for its SLDC Business and the Commission had approved Rs 8.88 Crores based on audited accounts for FY 2021-22.

2.12.2 PSTCL submitted the actual Unified Load Dispatch Centre (ULDC) Charges based on Audited Accounts as shown in the following Table: -

Table No 2.65: ULDC Charges for FY 2023-24 (Rs Crore)

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	ULDC Charges - SLDC own Share	0.00	13.78	13.78
2	ULDC Charges - BBMB Share	0.00	0.78	0.78
3	NRLDC fees and Charges	0.00	4.68	4.68
	Total	**0.00**	**19.24**	**19.24**

Accordingly, the Commission approves ULDC charges of Rs. 19.24 Crore for the SLDC Business of PSTCL for FY 2023-24.

2.13 Non-Tariff Income

2.13.1 In the ARR Petition for FY 2023-24, PSTCL had projected revised estimates of Rs.20.00 Crore for Non-Tariff Income for its Transmission Business and Rs. 0.18 Crore for SLDC Business for FY 2023-24 against which the Commission approved Non-Tariff Income of Rs.35.57 Crore for Transmission Business and Rs. 0.23 Crore for its SLDC Business for FY 2023-24.

PSTCL's Submission:

2.13.2 PSTCL submitted that it has considered the non-tariff income as indicated in Note 30 of audited accounts. It has not considered the income towards the certain heads wherein expenses were not allowed by the Commission in previous Tariff Orders as under:

a) Income of Rs. 0.32 Crore towards interest received on refund of income tax has not been considered because the Commission neither allowed expenses under the head of Income Tax nor interest on amount deducted as TDS.

b) Income of Rs. 3.69 Crore towards provision withdrawn on unserviceable / obsolete items and losses under investigation has not been considered.

c) PSTCL has earned DPS of Rs. 3.17 crore for late Payment Charges. PSTCL also considered the adjustment of Rs. 2.30 Crore of financing cost on Late Payment. Thus, Net Income from Late Payment Surcharges amounting to Rs. 0.87 Crore has been considered.

d) PSTCL has earned rebate on early payment of NRLDC Charges of Rs. 0.15 Crore. PSTCL also considered the adjustment of Rs. 0.08 Crore of financing cost borne due to early payment. Thus, Net Income from Rebate on early payment amounting to Rs. 0.07 Crore has been considered.

e) PSTCL has not considered the amount of Rs. 0.05 Crore for interest earned on fixed deposits reflected in Audited Accounts under Non-Tariff Income. PSTCL would like to submit that income from interest on Fixed deposits are not actually earnings made on surplus amounts available with PSTCL, whereas these are Fixed deposits are made so as to issue letter of credit for availing cash credit facility and cost of funds is more than the interest earned.

In view of above, Petitioner submits NTI for FY 2023-24 as shown in the following table:-

Table No. 2.66: Details of Non-Tariff Income for FY 2023-24 (Rs. Crore)

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Income from sale of scrap	0.46	0.00	0.46
2	Gain on account of sale of fixed assets	10.06	0.00	10.06
3	Income from staff welfare activities	0.01	0.00	0.01
4	Rental for staff quarters	0.54	0.03	0.57
5	Penalty imposed on suppliers/contractors	10.90	0.87	11.77
6	NOC charges from Open access customers	0.07	0.08	0.15
7	Credit balances written back:			
8	- Sundry creditors	0.03	0.00	0.03
9	- Security Deposit/EMD	0.21	0.00	0.21
10	Departmental Charges on Contribution/Deposit Works	4.58	0.00	4.58
11	Oil Testing Fees	1.09	0.00	1.09
12	Salary Deposit - Short period notice	0.59	0.00	0.59
13	Lease Rental fibre optic - PGCIL	0.37	0.00	0.37
14	Work Appraisal fees	0.02	0.00	0.02

Sr No.	Particulars	Transmission	SLDC	PSTCL
15	Rent Received from Punjab Police	1.19	0.00	1.19
16	Net Late Payment Surcharge - PSPCL	0.82	0.04	0.86
17	Net Rebate on early payment to NRLDC	0.00	0.07	0.07
18	Income from O & M of bays of PGCIL			
19	- PGCIL	3.80	0.00	3.80
20	- M/s Ultratech	1.05	0.00	1.05
21	- Ganguwal - Mohali Line	0.17	0.00	0.17
22	Miscellaneous Income	1.96	0.01	1.97
23	**Total**	**37.92**	**1.10**	**39.02**

2.13.3 PSTCL requests the Commission to approve the Non-Tariff Income of Rs. 37.92 Crore for Transmission and Rs. 1.10 Crore for SLDC for FY 2023-.24 as per PSERC MYT Regulations, 2022.

Commission's Analysis:

2.13.4 The Commission determines the Non-Tariff Income in accordance with Regulation 27 of PSERC MYT Regulations, 2022 which is reproduced as under:

" 27.1The following components of income shall be treated as non-tariff income for the generation, transmission, SLDC and distribution businesses, as applicable:

(a) Meter/metering equipment rentals;

(b) Serviceline charges;

(c) Net revenue from late payment surcharge (late payment surcharge less financing cost of late payment surcharge);

(d) Interest on advances to suppliers/contractors;

(e) Interest on staff loans and advances;

(f) Income from trading;

(g) Income from staff welfare activities;

(h) Excess found on physical verification;

(i) Interest on investments, fixed and call deposits and bank balances;

(j) Net recovery from penalty on coal liaison agents;

(k) Prior period income;

(l) Income from open access charges i.e. petition fee, cross subsidy surcharge, additional surcharge, transmission and/or wheeling charges, scheduling charges etc.;

(m)Miscellaneous receipts and any other income not included above;

The Petitioner shall submit full details of its forecast of non-tariff income to the Commission as a part of ARR filing.The amount received by the Petitioner on account of non-tariff Income shall be deducted from the aggregate revenue requirement for calculating the net revenue requirement of Petitioner's business."

2.13.5 Accordingly, the Commission approves Rs. 37.92 Crore for Transmission Business and Rs. 1.10 Crore for SLDC Business as Non-Tariff Income for FY 2023-24.

2.14 Other Expenses

2.14.1 PSTCL has considered the other debits of Rs. 1.72 Crore for FY 2023-24 on account of Sundry debits written off as per Note 37 of Audited accounts of FY 2022-23. Other Provisions for losses and doubtful debts has not been considered. PSTCL requests the Commission to approve Other Expenses of Rs. 1.72 Crore.

2.14.2 The Commission approves other debits of Rs. 1.72 Crore for FY 2023-24.

2.15 Income from Open Access Customers

2.15.1 PSTCL has Claimed a receipt of Transmission Charges of Rs. 5.24 Crore and SLDC Charges of Rs. 0.21 Crore from Open Access Customers based on Audited Accounts of PSTCL for FY 2023-24, details are as follows: -

Table No 2.67: **Revenue from Open Access during FY 2023-24 (Rs Crore)**

Sr No.	Particulars	Transmission	SLDC	PSTCL
1	Transmission Charges from Railways - LTA	4.20	0.08	4.28
2	Transmission Charges from MTOA Customers (M/s Winsome Yarns Ltd & M/s Nahar Sugar))	0.08	0.00	0.08
3	Transmission Charges from STOA Customers	0.96	0.13	1.09
4	**Total (G..H - 61.830)**	**5.24**	**0.21**	**5.45**

2.15.2 As per Regulation 27.1 of PSERC MYT Regulations, 2022, the Commission approves Income from Open Access Customers as Rs.5.24 Crores for Transmission and Rs. 0.21 Crores for SLDC business.

2.16 Annual Revenue Requirement

2.16.1 The summary of the Annual Revenue Requirement for Transmission Business, SLDC Business and overall business of PSTCL for FY 2023-24 is shown in the following tables:

Table No 2.68: Annual Revenue Requirement for Transmission for FY 2023-24

(Rs Crore)

Sr. No.	Particulars	Approved in Tariff Order for FY 2023-24	Claimed by PSTCL in the true up of FY 2023-24	Approved by the Commission
1a	Employee Expenses (Table 2.40)	739.59	790.21	790.21
1b	A&G Expenses (Table 2.40)	29.40	27.37	27.37
1c	R&M Expenses (Table 2.40)	41.79	40.57	35.66
1	**O&M Expenses** (Table 2.40)	**810.78**	**858.15**	**853.24**
2	Interest Charges (Table 2.58)	274.56	265.90	265.90
3	Return on Equity (Table 2.64)	151.28	141.34	141.34
4	Depreciation (Table 2. 48)	329.39	321.26	321.23
5	Interest on Working Capital (Table 2.61)	35.93	40.86	40.68
6	Other Expenses	0.00	1.72	1.72
7	**Annual Revenue Requirement (ARR)**	**1601.94**	**1629.23**	**1624.11**
8	Less: Non-Tariff Income	35.57	37.92	37.92
9	Less: Income from Open Access Customers	3.66	5.24	5.24
10	**Net ARR**	**1562.71**	**1586.07**	**1580.95**

Table No. 2.69: Annual Revenue Requirement for SLDC for FY 2023-24

(Rs. Crore)

Sr. No	Particulars	Approved in Tariff Order for FY 2023-24	Claimed by PSTCL in the true up of FY 2022-23	Approved by the Commission
1a	Employee Expenses (Table 2.40)	9.88	8.39	8.39
1b	A&G Expenses (Table 2.40)	0.70	1.11	1.11

Sr. No	Particulars	Approved in Tariff Order for FY 2023-24	Claimed by PSTCL in the true up of FY 2022-23	Approved by the Commission
1c	R&M Expenses (Table 2.40)	3.82	0.85	0.95
1.	O&M Expenses (Table 2.40)	**14.40**	**10.35**	**10.45**
2.	Interest Charges (Table 2.58)	2.47	1.22	1.22
3.	ULDC Charges	8.88	19.24	19.24
4.	Depreciation (Table 2.48)	3.24	2.29	2.30
5.	Interest on Working Capital (Table 2.61)	0.66	0.69	0.69
6.	Other Expenses	0.00	0.00	0.00
7.	**Annual Revenue Requirement (ARR)**	**29.65**	**33.79**	**33.90**
8.	Less: Non-Tariff Income	0.23	1.10	1.10
9.	Less: Income from Open Access Customers	0.09	0.21	0.21
10.	**Total ARR**	**29.33**	**32.48**	**32.59**

2.16.2 The summary of the Annual Revenue Requirement of PSTCL for FY 2023-24 is as under:

Table 2.70: Annual Revenue Requirement for PSTCL (Transmission & SLDC) for FY 2023-24

(Rs. Crore)

Sr. No.	Particulars	Approved in Tariff Order for FY 2023-34	Claimed by PSTCL in the true up of FY 2023-24	Approved by the Commission
1a	Employee Expenses	749.47	798.60	798.60
1b	A&G Expenses	30.10	28.48	28.48
1c	R&M Expenses	45.61	41.42	36.61
1	O&M Expenses	**825.18**	**868.50**	**863.69**
2	Interest Charges	277.03	267.12	267.12
3	Return on Equity	151.28	141.34	141.34
4	ULDC Charges	8.88	19.24	19.24
5	Depreciation	332.63	323.55	323.53
6	Interest on Working	36.59	41.55	41.37

Sr. No.	Particulars	Approved in Tariff Order for FY 2023-34	Claimed by PSTCL in the true up of FY 2023-24	Approved by the Commission
	Capital			
7	Other Expenses	0.00	1.72	1.72
8	**Annual Revenue Requirement (ARR)**	**1631.59**	**1663.02**	**1658.01**
9	Less: Non-Tariff Income	35.80	39.02	39.02
10	Less: Revenue from Open Access	3.75	5.45	5.45
11	**Net Aggregate Revenue Requirement**	**1592.04**	**1618.55**	**1613.54**

2.17 Availability and Incentive on Transmission System Availability

PSTCL's Submission:

2.17.1 PSTCL has submitted that in accordance with PSERC MYT Regulations, 2022, PSTCL is eligible for incentive for overachieving the availability targets for transmission system availability which has been verified and certified by SLDC. As per PSERC MYT Regulations, 2022, the Normative Annual Transmission System Availability Factor (NATAF) for incentive computation has been considered as 99% provided that no Incentive shall be payable for availability beyond 99.75%. The net transmission charges inclusive of incentive based on fixed charges for Transmission and computation of incentive are given as per the table below:-

Table 2.71: Incentive on account of TS Availability submitted by PSTCL for FY 2023-24

(Rs. Crore)

Sr No.	Month	Transmission Availability	Max Incentive Available upto 99.75%	Transmission Charges at NATAF (In Crore)	Transmission Charges Inclusive of Incentives (In Crore)	Incentives (In Crore)
1	Apr-23	99.9072%	99.7500%	130.01	130.99	0.98
2	May-23	99.8909%	99.7500%	134.34	135.36	1.02
3	Jun-23	99.7253%	99.7253%	130.01	130.96	0.95
4	Jul-23	99.9076%	99.7500%	134.34	135.36	1.02
5	Aug-23	99.7514%	99.7500%	134.34	135.36	1.02
6	Sep-23	99.8843%	99.7500%	130.01	130.99	0.98
7	Oct-23	99.9297%	99.7500%	134.34	135.36	1.02

Sr No.	Month	Transmission Availability	Max Incentive Available upto 99.75%	Transmission Charges at NATAF (In Crore)	Transmission Charges Inclusive of Incentives (In Crore)	Incentives (In Crore)
8	Nov-23	99.9598%	99.7500%	130.01	130.99	0.98
9	Dec-23	99.8124%	99.7500%	134.34	135.36	1.02
10	Jan-24	99.8377%	99.7500%	134.34	135.36	1.02
11	Feb-24	99.9312%	99.7500%	125.67	126.63	0.95
12	Mar-24	99.9182%	99.7500%	134.33	135.35	1.02
				1586.08	**1598.06**	**11.98**

PSTCL has requested the Commission to approve the Incentives on achieving the Target of Transmission System Availability of Rs. 11.98 Crore for FY 2023-24 as PSERC MYT Regulations, 2022.

Commission's Analysis:

2.17.2 The Commission determines the Incentive on Transmission System Availability for FY 2023-24 in accordance with Regulation 51 of PSERC MYT Regulations, 2022 which is reproduced as under:

" Normative Annual Transmission System Availability Factor (NATAF)

(a) For recovery of Annual Fixed Cost, NATAF shall be as 98.5% for AC system: (b) For Incentive, NATAF shall be more than 99% for AC system: Provided that no Incentive shall be payable for availability beyond 99.75%:"

2.17.3 The Commission observes that the transmission system availability of PSTCL has been verified by SLDC. Accordingly, the Commission determines the incentive for over achievement of transmission system availability by PSTCL, on the basis of the ARR of Transmission Business approved in Table 2.68 of this Tariff Order, as under:-

Table No. 2.72: Incentive on Transmission System (TS) Availability for FY 2023-24 determined by the Commission (Rs. Crore)

Sr. No.	Month	TS Availability (%)	Monthly Transmission Charges	Transmission Charges inclusive of Incentive	Incentive
1.	Apr-23	99.9072%	129.59	130.57	0.98
2.	May-23	99.8909%	133.91	134.92	1.01
3.	Jun-23	99.7253%	129.59	130.54	0.95
4.	Jul-23	99.9076%	133.91	134.92	1.01

Sr. No.	Month	TS Availability (%)	Monthly Transmission Charges	Transmission Charges inclusive of Incentive	Incentive
5.	Aug-23	99.7514%	133.90	134.92	1.02
6.	Sep-23	99.8843%	129.59	130.57	0.98
7.	Oct-23	99.9297%	133.90	134.92	1.02
8.	Nov-23	99.9598%	129.59	130.57	0.98
9.	Dec-23	99.8124%	133.90	134.92	1.02
10.	Jan-24	99.8377%	133.90	134.92	1.02
11.	Feb-24	99.9312%	125.27	126.21	0.94
12.	Mar-24	99.9182%	133.90	134.91	1.01
13.	**Total**		**1580.95**	**1592.89**	**11.94**

2.17.4 **Thus, the Commission allows the incentive of Rs. 11.94 Crore for FY 2023-24 to PSTCL for achieving higher transmission system availability than the Normative Annual Transmission System Availability Factor (NATAF) specified in the PSERC MYT Regulations, 2022.**

2.18 Net Revenue Requirement

2.18.1 Considering the Incentive on Transmission System Availability, gain on over-achievement of transmission loss target and Carrying cost on Previous years, the summary of the Net Revenue Requirement for Transmission Business, SLDC Business and overall business of PSTCL for FY 2023-24 is shown in the following tables:

Table No 2.73: Annual Revenue Requirement for Transmission Business for FY 2023-24

(Rs Crore)

Sr. No.	Particulars	Approved in Tariff Order for FY 2023-24	Claimed by PSTCL in the true up of FY 2023-24	Approved by the Commission
1.	**Net Aggregate Revenue Requirement (Table 2.68)**	**1562.71**	**1586.07**	**1580.95**
2.	Add: Incentive on Transmission System Availability (Table 2.72)	-	11.98	11.94
3.	Add: Gain sharing on overachievement of Transmission Loss target (Table 2.7)	-	1.22	1.22
4.	**Net ARR**	**1562.71**	**1599.27**	**1594.11**

Table No 2.74: Annual Revenue Requirement for SLDC Business for FY 2023-24

(Rs Crore)

Sr. No.	Particulars	Approved in Tariff Order for FY 2023-24	Claimed by PSTCL in the true up of FY 2023-24	Approved by the Commission
1.	Net ARR(Table 2.69)	29.33	32.48	32.59

2.18.2 The summary of the Annual Revenue Requirement of PSTCL for FY 2023-24 is as under:

Table No 2.75: Annual Revenue Requirement for PSTCL for FY 2023-24 (Rs Crore)

Sr. No.	Particulars	Approved in Tariff Order for FY 2023-24	Claimed by PSTCL in the true up of FY 2023-24	Approved by the Commission
1	Total ARR (Table 2.73+2.74)	1592.04	1631.75	1626.70

Thus, the Commission Trues up an annual Revenue Requirement of Rs.1626.70 Crores for PSTCL for FY 2023-24.

Chapter 3
Annual Revenue Requirement of FY 2025-26

3.1 Background

3.1.1 In accordance with the provisions of PSERC MYT Regulations, 2022, the Commission, in its Tariff Order dated 15.05.2023 had approved the Annual Revenue Requirement (ARR) of PSTCL for FY 2025-26, which was based on expenditure and revenue estimates of PSTCL for its Transmission and SLDC businesses. In the current Petition, PSTCL has projected the Annual Revenue Requirement for FY 2025-26, separately for its Transmission business and SLDC business. The Commission has analyzed the same in this chapter.

3.1.2 Regulation 15.1 of PSERC MYT Regulations, 2022 specifies the Components of ARR for Transmission and SLDC Businesses as below:

> *"15.1. The ARR of the Transmission business and SLDC business shall comprise of the following components:*
> *(a) Return on Equity;*
> *(b) Interest and Finance Charges on Loan Capital;*
> *(c) Interest Charges on Working Capital;*
> *(d) Depreciation;*
> *(e) Operation and Maintenance Expenses;*
> *(f) ULDC Charges;*
> *(g) Statutory levies and taxes, if any.*
> *Less:*
> *(h) Non-Tariff income*
> *(i) Income from other business"*

3.2 Transmission System Availability

PSTCL's Submission:

3.2.1 PSTCL submits that the transmission system availability of the network will be discussed at the time of true up.

Commission's Analysis:

3.2.2 The Commission expects that PSTCL shall maintain the transmission system availability of transmission network more than 99%. The Commission shall consider its actual Transmission System Availability for FY 2025-26 for incentive, if permissible as per PSERC MYT Regulations, 2022 at the time of true up for the respective year.

3.3 Transmission Loss

3.3.1 In the Tariff Order for FY 2024-25, the Commission finalised the transmission loss trajectory of the 3rd MYT Control period (FY 2023-24 to FY 2025-26) based upon the actual achievement of 2.27% loss by PSTCL during FY 2022-23 with a reduction of 0.02% for each subsequent year as under:-

Table No. 3.1: Transmission Loss trajectory approved for the 3rd Control Period:

Sr. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	**Transmission Loss trajectory (%)**	2.25%	2.23%	2.21%

PSTCL's Submission:

3.3.2 The impact of Transmission Losses will be claimed at the time of True up.

Commission's Analysis:

3.3.3. The transmission loss target for FY 2025-26 shall be 2.21% as finalized in the Tariff Order for FY 2024-25.

3.4 Capital Expenditure and Capitalization

PSTCL's Submission:

3.4.1 PSTCL has projected capital expenditure and capitalisation for its Transmission and SLDC Business during FY 2024-25 and FY 2025-26 as per the works approved by the Commission in line with the Capital Investment Plan for the 3rd Control Period in Petition No 50 of 2022 and Petition no. 15 of 2024. The detailed work wise list with actual expenditure will be submitted during the true up exercise of the respective years. The estimated capital expenditure and capitalisation for the FY 2024-25 & FY 2025-26 is as under: -

Table No. 3.2: Estimated Capital Expenditure and Capitalization Submitted by PSTCL

(Rs. Crore)

Sr. No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
i	**-** Contributory	14.30	0.00	14.30	9.43	0.00	9.43
ii	**-** PSDF (Govt. Funding)	26.98	14.44	41.42	9.37	22.53	31.90
iii	Other's (Spill Over)	161.21	0.17	161.38	0.00	0.00	0.00
iv	Other's (New)	259.48	2.28	261.76	452.44	3.11	455.55

Sr. No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
1	**Opening CWIP**	**461.97**	**16.89**	**478.86**	**471.24**	**25.64**	**496.88**
i	- Contributory	9.58	0.00	9.58	6.33	0.00	6.33
ii	- PSDF (Govt. Funding)	15.11	8.09	23.20	5.24	12.62	17.86
iii	- Other's (Spill Over)	51.59	0.03	51.62	0.00	0.00	0.00
iv	- Other's (New)	501.38	1.27	502.65	794.31	0.32	794.63
2	**Capital Expenditure**	**577.66**	**9.39**	**587.05**	**805.88**	**12.94**	**818.82**
i	- Contributory	14.45	0.00	14.45	9.54	0.00	9.54
ii	- PSDF (Govt Funding)	32.72	0.00	32.72	4.72	35.15	39.87
iii	- Other's (Spill Over)	212.80	0.21	213.01	0.00	0.00	0.00
iv	- Other's (New)	308.42	0.43	308.85	615.67	2.99	618.66
3	**Capitalization**	**568.39**	**0.64**	**569.03**	**629.93**	**38.14**	**668.07**
i	- Contributory	9.43	0.00	9.43	6.22	0.00	6.22
ii	- PSDF (Govt Funding)	9.37	22.53	31.90	9.89	0.00	9.89
iii	- Other's (Spill Over)	0.00	0.00	0.00	0.00	0.00	0.00
iv	- Other's (New)	452.44	3.11	455.55	631.08	0.44	631.52
4	**Closing CWIP**	**471.24**	**25.64**	**496.88**	**647.19**	**0.44**	**647.63**

Commission's Analysis:

3.4.2 The Commission observes that PSTCL was allowed a CIP of Rs. 500 Crore during each year of the 3rd MYT Control period (FY 2023-24 to FY 2025-26) vide Order dated 21.12.2022 in Petition No. 50 of 2022. PSTCL was allowed to prioritize the works at its level out of the schemes considered by the Commission so as to complete them within the optimum time with specified completion targets. PSTCL was also given liberty to approach the Commission to enhance the capping limit if its actual capital expenditure approaches the annual capped limit of Rs.500 Crore in any of the financial years of the 3rd MYT Control Period.

3.4.3 PSTCL has now submitted its expected capital expenditure of Rs. 794.63 Crore for FY 2025-26 which is in excess of Rs. 500 Crore. PSTCL has thus asked the Commission for enhancement of annual capped limit of Rs. 500 Crore in the Financial year. However, no list of works or reasons of projecting excess capital expenditure have been submitted by PSTCL.

In view of the above, the Commission provisionally retain the same CIP (i.e. Rs. 500 Crore for FY 2025-26) as approved vide Order dated

21.12.2022 in Petition No. 50 of 2022, in this tariff Order. However, PSTCL is allowed to prioritize the works out of the schemes considered by the Commission in Petition No. 50 of 2022 at its level so as to complete them within the optimum time with specified completion targets. PSTCL shall also be at liberty to seek the approval of the Commission to enhance the capping limit if its actual capital expenditure approaches the annual capped limit of Rs. 500 Crore in FY 2025-26 with the detailed list of additional works and with proper justifications. The provisional capital expenditure allowed in this Tariff Order shall be trued up at the end of the 3rd MYT control period.

3.4.4 The Commission provisionally considers the capital expenditure and capitalization for FY 2025-26 as under:

Table No. 3.3: Capital expenditure and Capitalization provisionally approved by the Commission. (Rs. Crore)

Sr. No.	Particulars	FY 2024-25	FY 2025-26
1	**Transmission**		
1a	**Capital Expenditure**		
	Capex of 1st MYT	80.96	61.57
	Capex of 2nd MYT	208.46	107.49
	Capex New Schemes	208.45	330.01
	Total Capital Expenditure	**497.87**	**499.07**
1b	**Capitalization**		
	Capitalization of 1st MYT	46.41	142.98
	Capitalization of 2nd MYT	223.80	178.05
	Capitalization of New Schemes	223.80	178.04
	Total Capitalization	**494.01**	**499.07**
2	**SLDC**		
2a	**Capital Expenditure**		
	Capex of 1st MYT	0.40	0.00
	Capex of 2nd MYT	1.23	0.43
	Capex New Schemes	0.50	0.50
	Total Capital Expenditure	**2.13**	**0.93**
2b	**Capitalization**		
	Capitalization of 1st MYT	0.40	0.00
	Capitalization of 2nd MYT	3.09	0.43
	Capitalization of New Schemes	2.50	0.50
	Total Capitalization	**5.99**	**0.93**

Sr. No.	Particulars	FY 2024-25	FY 2025-26
3	**Total PSTCL**		
3a	**Capital Expenditure**	**500.00**	**500.00**
3b	**Capitalization**	**500.00**	**500.00**

3.5 Funding of Capital Expenditure

PSTCL's Submission:

3.5.1 PSTCL submits that its funding requirement consists of Capital Expenditure of Spill over Schemes from the 1st MYT Control Period from 2017-18 to FY 2019-20 and Capitalization of New Schemes i.e., Schemes of the 2nd Control Period commencing from 01.04.2020.

3.5.2 The following Table shows the estimated Capital Investment claimed by PSTCL for funding through loans and equity for Transmission and SLDC for FY 2024-25 & FY 2025-26: -

Table No. 3.4: Funding Requirement for Capital Investment submitted by PSTCL (Rs Crore)

Sr. No.	Particulars		FY 2024-25			FY 2025-26		
			Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
1	**CAPEX of Spill over Schemes**	**Total**	**51.59**	**0.03**	**51.62**	**-**	**-**	**-**
2		Equity	15.48	-	15.48	-	-	-
3		Loan	36.11	0.03	36.14	-	-	-
4	**Capitalization of Schemes**	**Total**	**308.42**	**0.43**	**308.85**	**615.67**	**2.99**	**618.66**
5		Equity	92.53	-	92.53	184.70	-	184.70
6		Loan	215.89	0.43	216.32	430.97	2.99	433.96
7	**Total Funding Required**	**Total**	360.01	0.47	**360.48**	615.67	2.99	**618.66**
8		Equity	108.00	-	108.00	184.70	-	184.70
9		Loan	252.01	0.47	252.48	430.97	2.99	433.96

Commission's Analysis:

3.5.3 PSTCL has proposed equity funding for FY 2025-26 for Transmission only stating that equity is considered as equity of Transmission. Therefore, the Commission has considered funding of Transmission as per Regulation 19.2 of PSERC Regulation 2022 in the debt-equity ratio of 70:30 and 100% funding of SLDC through loans, which will be reviewed based on actual funding during the time of True-up of FY 2025-26. **Accordingly, the Commission allows the funding as under:**

Table No. 3.5: Funding for FY 2024-25 and FY 2025-26 as provisionally approved by the Commission (Rs. Crore)

Sr. No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
1	CAPEX of Spill over Schemes for Ist control Period	80.96	0.40	81.36	61.57	0.00	61.57
2	Capitalisation of Schemes for 2nd control period	223.80	3.09	226.89	178.05	0.43	178.48
3	Capitalization of New Schemes for 3rd control period	223.80	2.50	226.30	178.04	0.50	178.54
4	**Total funding**	**528.56**	**5.99**	**534.55**	**417.66**	**0.93**	**418.59**
5	**Funding through Equity(30% of 4)**	**158.57**	**0.00**	**158.57**	**125.30**	**0.00**	**125.30**
6	**Funding through Loan (70% of 4)**	**369.99**	**5.99**	**375.98**	**292.36**	**0.93**	**293.29**
7	Funding through Loan (Spillover schemes for 2nd control period & New Schemes of 3rd control period) (70% of 2+3)	313.32	5.59	318.91	249.26	0.93	250.19
8	Funding through Loan (Spill Over Schemes for 1st Control period)(70% of 1)	56.67	0.40	57.07	43.10	0.00	43.10

3.6 Operation and Maintenance Expenses

PSTCL's Submission:

3.6.1 As per Regulation 25 of PSERC MYT Regulations, 2022, PSTCL makes its submission for Employee Costs, R&M and A&G Expenses as under

A. Employee Cost

3.6.2 PSTCL submitted that it has claimed Terminal benefits which includes elements such as Pension and Gratuity, leave encashment, Medical Reimbursement, etc. for the FY 2025-26 based on actual Terminal Benefits paid during FY 2023-24 by estimating 5% increase on yearly basis. However, Actual Terminal Benefits will be claimed during True up of FY 2025-26.

Table No. 3.6: Estimated Employee Terminal Benefits submitted by PSTCL (Rs. Crore)

Sr No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
1	Base Terminal Benefits	**574.18**	**0.62**	574.80	602.89	0.65	603.54
2	**Add:** Increase @ 5%	28.71	0.03	28.74	30.14	0.03	30.17
3	**Claimed Terminal Benefits**	**602.89**	**0.65**	**603.54**	**633.03**	**0.68**	**633.71**

Other Employee Cost

3.6.3 The Petitioner has considered the computation of Normative Employee cost on the basis of net amount after adjustment of expenses capitalised instead of gross amount in line with the approach adopted by the Commission without prejudice to the outcome of appeals filed by PSTCL with the Hon'ble APTEL. The effect of the same may be considered by the Commission if the matter is ruled in favour of PSTCL.

Manpower requirement for New Substations

3.6.4 PSTCL has considered the commissioning of New Sub-Stations in FY 2024-25 and FY 2025-26 as discussed above. Considering the Normative Employee Cost added during FY 2024-25, PSTCL has added the Indexed Employee Cost of the additional Manpower for Newly added Substations during FY 2024-25 & FY 2025-26.

Impact of Pay Circulars adopted by PSTCL

3.6.5 PSTCL has considered the impact of pay circulars adopted by PSTCL during FY 2023-24 and FY 2024-25 separately. These circulars have impact during FY 2024-25 and onwards as the same is not included in the baseline figures of FY 2023-24.

3.6.6 WPI and CPI indexes have been calculated based on the average of six months data available up to September 2024, which shall be reviewed during the true up of the year.

Table No. 3.7: **Calculation of Index**

Sr No.	Particulars	FY 2023-24 (Apr 23 to Sept 23)	FY 2024-25 (Apr 24 to Sept 24)	Increase (%)
1	CPI	136.95	141.55	3.36%
2	WPI	150.97	154.13	2.10%
3	**Index (50:50)**	**-**	**-**	**2.73%**

3.6.7 Normative Other Employee Cost of PSTCL is as follow: -

Table No. 3.8: Computation of Normative Other Employee Cost (Rs. Crore

Sr No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
1	Baseline Other Employee Cost	216.03	7.77	223.80	228.47	7.99	236.46
2	Escalation Factor	2.73%	2.73%		2.73%	2.73%	

Sr No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
3	Indexed Employee Cost	**221.93**	**7.99**	**229.92**	**234.70**	**8.20**	**242.90**
4	Add: Employee Cost for New Sub Station	3.47	-	3.47	3.57	-	3.57
5	Add: Impact of Pay Revision	3.07	-	3.07	13.16	-	13.16
6	**Net Other Employee Cost**	**228.47**	**7.99**	**236.46**	**251.43**	**8.20**	**259.63**
7	Terminal Benefits	602.89	0.65	603.54	633.03	0.68	633.71
8	**Normative Employee Cost**	**831.36**	**8.64**	**840.00**	**884.46**	**8.88**	**893.34**

Commission's Analysis:

3.6.8 The employee cost are determined as per Regulation 25 and 8.2 of PSERC MYT Regulation , 2022 as reproduced as under:

"25. OPERATION AND MAINTENANCE (O&M) EXPENSES)

25.1. The O&M expenses for the nth year of the Control Period shall be approved based on the formula shown below:

O&Mn = (R&Mn + EMPn + A&Gn) x (1-Xn)

Where,

*(i) R&Mn= K*GFA*WPIn/WPIn-1*

Where,

'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the nth year. The value of 'K' will be specified by the Commission in the MYT order.

'GFA' is the average value of the gross fixed assets of the nth year.

WPIn means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year.

(ii) EMPn+ A&Gn= (EMPn-1 + A&Gn-1)(INDEX n/INDEX n-1)*

INDEXn - Inflation Factor to be used for indexing the Employee Cost and Administrative and General Costs for nth year. This will be a combination of the Consumer Price Index (CPI) and the Wholesale Price Index (WPI) of nth year and shall be calculated as under:-

*INDEXn = 0.50*CPIn + 0.50*WPIn*

'WPIn' means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year.

'CPIn' means the average rate (on monthly basis) of Consumer Price Index (Industrial workers) over the year for the nth year.

……..

... Note 3: O&M expense shall be allowed on normative basis or actual whichever lower and shall be trued-up only to the account of variation in Wholesale Price Index and Consumer Price Index.

… Note 4: Terminal Liabilities such as death-cum-retirement gratuity, Ex-Gratia, pension including family pension, commuted pension, leave encashment, LTC, medical reimbursement including fixed medical allowance in respect of the State PSU / Government pensioners will be approved as per the actuals paid by the Petitioner.

Note 5: O&M expenses made on account of extraordinary situations (if any) shall be submitted to Commission for its approval. Such expenses shall be filed separately and will not be subjected to provisions of Regulation 29. The amount approved by the Commission shall be trued up.

Note 6: Exceptional increase in employee cost on account of Pay Commission based revision for State PSU / Government employees will be considered separately by the Commission.

Note 7: Any expenditure on account of license fee, initial or renewal, fee for determination of tariff and audit fee shall be allowed on actual basis, over and above the A&G expenses approved by the Commission.

Note 8: O&M expenses of assets taken on lease/hire-purchase and those created out of the consumers' contribution shall be considered in case the Generating Company or the Licensee has the responsibility for its operation and maintenance and bears O&M expenses.

Note 9: With regard to unfunded past liabilities of pension and gratuity, the Commission will follow the principle of 'pay as you go'. The Commission shall not allow any other amount towards creating fund for meeting unfunded past liability of pension and gratuity.

Note 10: O&M expenses for gross fixed assets added during the year, if not accounted already, shall be considered from the date of commissioning on pro-rata basis.

…."

As per Regulation 8.2 of MYT Regulation,2022

"…………..

**Employee cost, A&G costs and R&M costs are considered normative as per the formula specified in Regulation 25 individually. The changes on account of Inflation Index and/or statutory levies shall be adjusted during the True-up. However, if the actual expenditure is less than normative, than the allowable expenditure shall be limited to actual expenditure incurred by the petitioner."*

1) Terminal Benefits

3.6.9 In this petition PSTCL has submitted terminal benefits with 5% increase on yearly basis. PSTCL has not considered the impact of arrears of the 6th pay Commission revision. The Commission considers terminal benefits as claimed by PSTCL amounting to Rs. 633.71 Crores (Table 3.8). The same will be reviewed in the true up of the year on actual paid basis.

2) Other Employee Cost

3.6.10 The Commission has calculated the Price ***INDEX*** as under, taking 9 months of data available up to 31.12.2024 which shall be reviewed during the true up of the year:

Table No. 3.9: Calculation of INDEX

Sr. No.	Particulars	2023-24 (APR 2023 -Dec 2024)	2024-25 (APR 2024 -Dec 2024)	Increase (%)
1	CPI	396.1600	410.2400	3.55411%
2	WPI	151.4667	154.8111	2.20804%

INDEX = (0.5*3.55) +(0.5*2.21) = 2.88**%**

3.6.11 PSTCL has claimed the impact of pay revision and the Indexed Employee Cost of the additional manpower for newly added Substations during FY 2024-25 & FY 2025-26.

3.6.12 The aforesaid expense of Rs 16.73 (3.57+13.16) Crore claimed by PSTCL shall be reviewed during the time of truing up of the respective year. The Commission has considered the other employee cost amounting to Rs 216.03 Crore and Rs.7.77 Crore (Table 2.28) for Transmission and SLDC business respectively as allowed in true-up of FY 2023-24, in this order, as the opening base employee cost for FY 2024-25 to determine the other employee cost for FY 2025-26. The same will be reviewed by taking into consideration the actual expenses of FY 2024-25. Accordingly, the Commission has calculated the Normative other Employee Cost for FY 2024-25 to arrive at the opening other employee cost to be considered for FY 2025-26 as under:

Table No. 3.10: Calculation of Normative other employee cost for FY 2024-25

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	Total
1.	Other Employee Cost of FY 2023-24	216.03	7.77	223.80
2	Escalation factor	1.0288	1.0288	
3	**Normative Other Employee Cost for FY 2024-25**	**222.25**	**7.99**	**230.25**

Table No. 3.11: Normative Employee Cost as approved by the Commission for FY 2025-26

(Rs. Crores)

Sr. No.	Particulars	Amount
Transmission Business		
1.	Normative Other Employee Cost FY 2024-25(Table 3.10)	222.25
2.	Escalation Factor	1.0288
3.	**Normative Other Employee Cost FY 2025-26**	**228.66**
4.	Terminal Benefits (para 3.6.9)	633.03
5.	**Total Employee Cost**	**861.69**
SLDC Business		
1.	Other Employee Cost of 2024-25	7.99
2.	Escalation Factor	1.0288
3.	**Other Employee Cost for FY 2025-26**	**8.22**
4.	Terminal Benefits	0.68
5.	**Total Employee Cost**	**8.90**

3.6.13 Therefore, the Commission provisionally allows Employee Cost of Rs. 861.69 Crore for Transmission Business and Rs.8.90 Crore for SLDC Business i.e., Employee Cost of Rs. 870.59 Crore for FY 2025-26 to PSTCL and the same shall be reviewed during the true up of the respective years.

B. Administration & General (A&G) Expenses

PSTCL's Submission:

3.6.14 PSTCL has submitted that for computation of Normative A&G expense for FY 2025-26, the Petitioner has considered the baseline values of FY 2024-25 notionally calculated on the basis of FY 2023-24.

3.6.15 PSTCL further submitted that it has also considered the additional A & G Expenses on account of asset addition in line with the Note – 10 of Regulation 25 of PSERC MYT Regulations, 2022.

3.6.16 Baseline expenditure includes the expense on account of assets added during the previous year on an average basis. Hence, the base has to be updated for full year for the additions made during the previous year to be a true reflective for calculations of A&G expense during the relevant year.

3.6.17 The A&G expenses have been escalated with an escalation factor of 2.73% as under:

Table No. 3.12: Computation of Normative A & G Expenses as submitted by PSTCL

(Rs Crore)

Sr No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
1	Net Asset added during the year **(A)**	568.40	0.64	569.04	629.93	38.14	668.07
2	%age of A&G (as in True up) **(B)**	0.244%	2.326%		0.244%	2.326%	
3	Additional A&G expenses on account of asset addition during year **(A X B) = ('C)**	0.69	0.01	0.70	0.77	0.44	1.21
4	A & G Expenses for previous year **(D)**	26.81	1.11	27.92	28.73	1.18	29.91
5	Add : A & G Expenses for assets addition during the previous year (not included in base expenses) **('E)**	0.49	0.03	0.52	0.69	0.01	0.70
6	Baseline A & G Expense **(D + E) = F**	27.30	1.14	28.44	29.42	1.19	30.61
7	**Escalation**	2.73%		2.73%			
8	**Escalated A&G expenses (G)**	28.04	1.17	29.21	30.23	1.22	31.45
9	**Total A&G Expenses (C + G)**	**28.73**	**1.18**	**29.91**	**31.00**	**1.66**	**32.66**
10	Add: Audit fee	0.05	0.00	0.05	0.05	0.00	0.05
11	Add: License & Petition fee	0.52	0.00	0.52	0.52	0.00	0.52
12	**Normative A & G Expenses**	**29.30**	**1.18**	**30.48**	**31.57**	**1.66**	**33.23**

Commission's Analysis:

3.6.18 In the MYT Petition for FY 2023-24, PSTCL projected A&G Expenses of Rs. 56.84 Crore for its Transmission Business and Rs. 2.69 Crore for its SLDC Business for FY 2025-26. The Commission approved Rs. 34.69 Crore and Rs. 0.83 Crore as A&G expenses for Transmission Business and SLDC Business of PSTCL respectively.

3.6.19 The A&G expenses are to be determined as per Regulation 25.1 of PSERC MYT Regulations, 2022. The relevant sections are as given in para 3.6.8 wherein no formula has been prescribed for determination of baseline A&G expenses on asset addition.

3.6.20 The Commission has determined the A&G expenses for FY 2025-26 considering the A&G expenses amounting to Rs 26.85 Crore and Rs 0.75 Crore for Transmission and SLDC business respectively as allowed in FY 2023-24, as the opening A&G expenses for FY 2024-25 and index as per Table no 3.9 for determining normative A&G expenses for FY 2024-25. The same will be reviewed by taking into consideration the actual expenses of FY 2024-25 and other norms/benchmarks in subsequent tariff orders. Audit fee and License/ARR fee have been considered as per true up of FY 2023-24 provisionally. Accordingly, the Commission has calculated the Normative A&G expenses for FY 2024-25 to arrive at the opening A&G expenses to be considered for FY 2025-26 as under.

Table No. 3.13: A&G expenses as approved by the Commission FY 2025-26

(Rs. Crore)

Sr. No.	Particulars	Amount
	Transmission Business	
1.	**Opening A&G for FY 2024-25**	26.85
2.	Escalation Factor	1.0288
3.	**Normative A&G Expenses for FY 2024-25**	**27.62**
4.	Escalation Factor	1.0288
5	**Normative A&G Expenses for FY 2025-26**	**28.42**
6.	Audit Fee	0.05
7.	Add: Licence/ARR Fee	0.52
8.	**A&G Expenses**	**28.99**
	SLDC Business	
1.	**Opening A&G for FY 2024-25**	0.75
2.	Escalation Factor	1.0288
3.	**A&G expenses for FY 2024-25**	**0.77**
4.	Escalation Factor	1.0288
5.	**Normative A&G expenses for FY 2025-26**	**0.79**

3.6.21 Therefore, the Commission provisionally allows A&G expenses of Rs. 28.99 Crore for Transmission Business and Rs. 0.79 Crore for SLDC Business i.e. A&G expenses of Rs. 29.78 Crore for FY 2025-26 for PSTCL which shall be reviewed during the true up of the respective years.

C. Repair & Maintenance (R&M)

3.6.22 In the MYT Petition for FY 2023-24, PSTCL projected R&M Expenses of Rs. 46.90 Crore for its Transmission Business and Rs. 4.05 Crore for its SLDC Business for FY 2025-26. The Commission approved Rs. 56.53 Crore and Rs. 4.43 Crore as R&M expenses for Transmission Business and SLDC Business of PSTCL respectively.

PSTCL's Submission:

3.6.23 PSTCL has submitted that it has considered the notionally calculated baseline values of FY 2024-25 for Computation of Normative R & M expense of FY 2024-25.

3.6.24 PSTCL further submitted that for the computation of Normative R&M expenses, it has considered the "K" Factor as determined by the Commission in Table – 4.17 of Tariff order for FY 2024-25 and which is constant for the 3rd Control Period as per PSERC MYT Regulations, 2022.

3.6.25 The R&M expenses have been escalated with an escalation factor of 2.10%.

3.6.26 Accordingly, the R&M expenses for FY 2025-26 are submitted as under: -

Table 3.14: Computation of Normative R&M Expenses as claimed by PSTCL (Rs. Crore)

Sr No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
1	Opening GFA	11299.47	36.62	11336.09	11867.86	37.26	11905.12
2	**Add:** Addition	568.40	0.64	569.04	629.93	38.14	668.07
3	Closing GFA	11867.87	37.26	11905.13	12497.79	75.40	12573.19
4	Average GFA	11583.66	36.94	11620.60	12182.83	56.33	12239.16
5	**K - Factor**	0.32371%	2.71243%		0.32371%	2.71243%	
6	Escalation	102.10%	102.10%		102.10%	102.10%	
7	**Normative R & M Expenses**	**38.28**	**1.02**	**39.30**	**40.26**	**1.56**	**41.82**

3.6.27 PSTCL submitted that the normative O&M Expenses for FY 2025-26 are as per table below:

Table 3.15: Normative O&M Expenses claimed by PSTCL (Rs. Crore)

Sr No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
1	Employee Expenses	831.36	8.64	840.00	884.46	8.88	893.34
2	A&G Expenses	29.30	1.18	30.48	31.56	1.66	33.22
3	R&M Expenses	38.28	1.02	39.30	40.26	1.56	41.82
4	**Normative O & M Expenses**	**898.94**	**10.84**	**909.78**	**956.28**	**12.10**	**968.38**

3.6.28 **PSTCL requests the Commission to approve the Normative O&M expenses of Rs. 956.28 Crore for and Transmission and Rs. 12.10 Crore for SLDC for FY 2025-26 as per PSERC MYT Regulations, 2022 which shall be reviewed during the trueing up of FY 2025-26.**

Commission's Analysis:

3.6.29 **As per Regulation 25.1 of PSERC MYT Regulations 2022, the R&M expenses are to be determined as under:**

" (i) R&Mn= K*GFA*WPIn/WPIn-1

Where,

'K' is a constant (expressed in %) governing the relationship between R&M costs and Gross Fixed Assets (GFA) for the nth year. The value of 'K' will be specified by The Commission in the MYT order.

*'**GFA**' is the average value of the gross fixed assets of the nth year.*

***WPIn** means the average rate (on monthly basis) of Wholesale Price Index (all commodities) over the year for the nth year."*

3.6.30 The 'K' factor as considered in the tariff order of FY 2024-25 has been revised on the basis of audited figures of FY 2022-23 as per Table no 2.38 of this order. This will remain constant for the 3rd MYT period. The opening GFA is considered as per the closing GFA approved during true up of FY 2023-24.

3.6.31 After considering the k-factor, increase in WPI as per table no 3.9 and projected capitalization (Table No 3.3) as approved in the Tariff order of FY 2023-24 for FY 2024-25 and FY 2025-26, the Commission has calculated the R&M Expenses for FY 2024-25 in order to determine R&M expenses for FY 2025-26 as under:

Table No 3.16: GFA for R&M Expenses for FY 2024-25 as provisionally approved by the Commission (Rs. Crore)

Sr. No.	Particulars	Amount
	Transmission Business	
1	Opening GFA (Table 2.39)	11298.83
2	Addition during the year(Table 3.3)	494.01
3	Closing GFA for FY 2024-25	11792.84
	SLDC	
1	Opening GFA(Table 2.39)	36.52
2	Addition during the year (Table 3.3)	5.99
3	Closing GFA for FY 2024-25	42.51

Table No 3.17: R&M Expenses for the FY 2025-26 as provisionally approved by the Commission (Rs. Crore)

Sr. No.	Particulars	Amount
	Transmission Business	
1	Opening GFA	11792.84
2	Addition during the year (Table 3.3)	499.07
3	Closing GFA	12291.91
4	Average GFA	12042.38
5	k-factor	0.0032371
6	Escalation factor	1.028810
7	**R&M Expenses**	39.84
	SLDC	
1	Opening GFA	42.51
2	Addition during the year (Table 3.3)	0.93
3	Closing GFA	43.44
4	Average GFA	42.98
5	k-factor	0.0271305
6	Escalation factor	1.028810
7	**R&M Expenses**	1.19
8	**Total R&M Expenses for PSTCL**	**41.03**

3.6.32 Thus, the Commission approves O&M expenses for the FY 2025-26 as under:

Table No 3.18: O&M Expenses of PSTCL for FY 2025-26

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	Total
1.	Employee Expenses(Table 3.11)	861.69	8.90	870.59
2.	A&G Expenses(Table 3.14)	28.99	0.79	29.78
3.	R&M Expenses(Table 3.17)	39.84	1.19	41.03
4.	**O&M Expenses**	**930.52**	**10.88**	**941.40**

3.7 Depreciation Charges

3.7.1 In the MYT Petition of FY 2023-24, PSTCL had claimed depreciation charges of Rs. 431.61 Crore for Transmission Business and Rs. 4.60 Crore for SLDC Business for FY 2025-26 against which the Commission had approved depreciation charges of Rs. 324.72 Crore for Spillover Schemes and Rs. 44.93 Crore for New Schemes of Transmission Business and Rs. 2.05 Crore for Spillover schemes and Rs. 2.55 Crore for New Schemes of SLDC Business.

PSTCL's Submission:

3.7.2 PSTCL submitted that Regulation 21 of the PSERC MYT Regulations, 2022, provides for computation of Depreciation for each year of the Control Period.

3.7.3 PSTCL further submitted that it has considered the opening GFA for FY 2024-25 equal to closing GFA of FY 2023-24. PSTCL has considered addition to GFA during FY 2024-25 & FY 2025-26 as per capitalization projected by PSTCL.

3.7.4 PSTCL stated that it has also not considered any Depreciation on account of assets funded through Contributory Works and works under PSDF Scheme in FY 2024-25 & FY 2025-26. Therefore, GFA has been considered excluding assets on account of Contributory and PSDF and Land.

3.7.5 PSTCL further stated that it has considered the weighted average rate of depreciation computed as 4.09% for Transmission Business and 7.56% for SLDC based on audited accounts for FY 2023-24. The depreciation has been computed by applying weighted average rate of depreciation on average GFA during the year. Accordingly, PSTCL submits the depreciation for FY 2025-26 as under: -

Table No 3.19: Calculation of Rate of Depreciation as claimed by PSTCL **(Rs Crore)**

Sr. No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
1	Opening GFA	8015.58	31.77	**8047.35**	8536.80	32.41	**8569.21**
2	**Add:** Addition to GFA	521.22	0.64	**521.86**	615.67	2.99	**618.66**
3	Closing GFA	8536.80	32.41	**8569.21**	9152.47	35.40	**9187.87**
4	Average GFA	8276.19	32.09	**8308.28**	8844.64	33.91	**8878.55**
5	**Depreciation (% of Average)**	4.09427%	7.57245%		4.09427%	7.57245%	
6	Depreciation during the year	338.85	2.43	**341.27**	362.12	2.56	**364.68**

3.7.6 PSTCL submitted that it has segregated the depreciation on assets created from Spill over schemes (Works Started before 01.04.2020) and New Schemes (Works started after 01.04.2020) using the average rate of depreciation calculated as above.

Following tables shows the segregated depreciation of spill over schemes and New Schemes: -

Table No 3.20: Depreciation on Spill Over Schemes claimed by PSTCL (Rs Crore)

Sr. No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
1	Opening GFA	7446.66	26.50	**7473.16**	7659.46	26.71	**7686.17**
2	**Add:** Addition to GFA	212.80	0.21	**213.01**	0.00	0.00	**0.00**
3	Closing GFA	7659.46	26.71	**7686.17**	7659.46	26.71	**7686.17**
4	Average GFA	7553.06	26.60	**7579.66**	7659.46	26.71	**7686.17**
5	**Depreciation (% of Average)**	4.09427%	7.57245%		4.09427%	7.57245%	
6	Depreciation during the year	309.24	2.01	**311.25**	313.60	2.02	**315.62**

Table No 3.21: Depreciation on New Schemes claimed by PSTCL (Rs Crore)

Sr. No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
1	Opening GFA	568.92	5.27	**574.19**	877.34	5.71	**883.05**
2	**Add:** Addition to GFA	308.42	0.43	**308.85**	615.67	2.99	**618.66**
3	Closing GFA	877.34	5.71	**883.05**	1493.01	8.70	**1501.70**
4	Average GFA	723.13	5.49	**728.62**	1185.18	7.20	**1192.38**
5	**Depreciation (% of Average)**	4.09427%	7.57245%		4.09427%	7.57245%	
6	Depreciation during the year	29.61	0.41	**30.02**	48.52	0.54	**49.06**

3.7.7 PSTCL requests the Commission to approve the Depreciation of Rs. 362.12 Crore for Transmission and Rs. 2.56 Crore SLDC for FY 2025-26.

Commission's Analysis:

3.7.8 Regulation 21 of the PSERC MYT Regulations, 2022 specifies as under:

"21.1. The value base for the purpose of depreciation shall be the capital cost of the assets admitted by The Commission:

Provided that the depreciation shall be allowed after reducing the approved original cost of the retired or replaced or decapitalized assets:

Provided that the land, other than the land held under lease and land for reservoir in case of hydro generating station, shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the assets:

Provided further that Government. grants and consumer contribution shall also be recognized as defined under Indian Accounting Standard 20 (IND AS 20) notified by the Ministry of Corporate Affairs.

21.2. The residual/salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of historical capital cost of the asset:

Provided that I.T. Equipment and Software shall be depreciated 100% with zero salvage value.

21.3. The Cost of the asset shall include additional capitalization.

21.4. The Generating Company, Transmission and Distribution Licensee shall provide the list of assets added during each Year of the Control Period and the list of assets completing 90% of depreciation in the Year along with Petition for true-up and tariff determination for ensuing Year.

21.5. Depreciation for Distribution, generation and transmission assets shall be calculated annually as per straight line method over the useful life of the asset at the rate of depreciation specified by the Central Electricity Regulatory Commission from time to time:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation/ put in use of the asset shall be spread over the balance useful life of the assets:

Provided further that in case of hydro generating stations, the salvage value shall be as provided in the agreement signed by the developers with the State Government for creation of the asset.

21.6. Depreciation shall be chargeable from the first year of commercial operation/asset is put in use. In case of commercial operation of the asset/put in use of asset for part of the year, depreciation shall be charged on pro rata basis."

3.7.9 The Commission determines the depreciation as per the Regulation 21 stated above. The Opening GFA for the Spillover schemes and New schemes is considered as per the Closing GFA of Spillover schemes and New schemes respectively approved by the Commission in the True-Up of FY 2023-24. Weighted average rate of depreciation of 4.0942% for Transmission Business and 7.56% for SLDC Business as determined during True-Up of FY 2023-24 in this Tariff Order has been considered. The addition to GFA has been considered as approved in the MYT order of the third control period in the tariff order of FY 2023-24. The depreciation for FY 2024-25 for Spillover and New Schemes for Transmission and SLDC Business is determined provisionally to work out the Depreciation of FY 2025-26 as under:

Table No 3.22: Depreciation provisionally approved by the Commission for FY 2024-25 for Transmission Business (Rs. Crore)

Sr. No	Particulars	Amount
(I)	**Spillover schemes**	
1.	Opening GFA (excluding land and land rights & contributory and PSDF works) (Table 2.46)	7446.95
2.	Add: Additions to GFA during the year (Table 3.3)	46.41
3.	Closing GFA	7493.36
4.	Average GFA	7470.16
5.	**Depreciation @4.0942% of average GFA**	**305.85**
(II)	**New schemes**	
6.	Opening GFA (excluding land and land rights)	567.89
7.	Add: Additions to GFA during the year (Table 3.3)	447.60
8.	Closing GFA	1015.49
9.	Average GFA	791.69
10.	**Depreciation @4.0942% of average GFA**	**32.41**
11.	**Total Depreciation**	**338.26**

Table No 3.23: Depreciation provisionally approved by the Commission for FY 2024-25 for SLDC Business (Rs. Crore)

Particulars		Amount
(I)	**Spillover schemes**	
1.	Opening GFA (excluding land and land rights) (Table 2.47)	26.49
2.	Add: Additions to GFA during the year(Table 3.3)	0.40
3.	Closing GFA	26.89
4.	Average GFA	26.69
5.	**Depreciation @7.57245%of average GFA**	**2.02**
(II)	**New schemes**	
6.	Opening GFA (excluding land and land rights) (Table 2.47)	5.28
7.	Add: Additions to GFA during the year (Table 3.3)	5.59
8.	Closing GFA	10.87
9.	Average GFA	8.08
10.	**Depreciation @7.57245% of average GFA**	**0.61**
11.	**Total Depreciation**	**2.63**

Table No 3.24: Depreciation provisionally approved by the Commission for FY 2025-26 for Transmission Business (Rs. Crores)

Sr. No	Particulars	Amount
(I)	**Spillover schemes**	
1.	Opening GFA (excluding land and land rights & contributory and PSDF works)	7493.36
2.	Add: Additions to GFA during the year(Table 3.3)	142.98
3.	Closing GFA	7636.34
4.	Average GFA	7564.85
5.	**Depreciation @4.0942% of average GFA**	**309.73**
(II)	**New schemes**	
6.	Opening GFA (excluding land and land rights)	1015.49
7.	Add: Additions to GFA during the year (Table 3.3)	356.09
8.	Closing GFA	1371.58
9.	Average GFA	1193.54
10.	**Depreciation @4.0942% of average GFA**	**48.87**
11.	**Total Depreciation (5+11)**	**358.60**

Table No 3.25: Depreciation approved by the Commission for FY 2025-26 for SLDC Business (Rs. Crore)

Sr. No	Particulars	Amount
(I)	**Spillover schemes**	
1.	Opening GFA (excluding land and land rights)	26.89
2.	Add: Additions to GFA during the year (Table 3.3)	0.00
3.	Closing GFA	26.89
4.	Average GFA	26.89
5.	**Depreciation @7.57245% of average GFA**	**2.03**
(II)	**New schemes**	
6.	Opening GFA (excluding land and land rights)	10.87
7.	Add: Additions to GFA during the year (Table 3.3)	0.93
8.	Closing GFA	11.80
9.	Average GFA	11.34
10.	**Depreciation @7.57245%of average GFA**	**0.86**
11.	**Total Depreciation(5+11)**	**2.89**

Table No 3.26: Depreciation approved by the Commission for FY 2025-26 for PSTCL (Rs. Crores)

Sr. No	Particulars	Amount
(I)	**Transmission**	
1.	Opening GFA (excluding land and land rights)	8508.85
2.	Add: Additions to GFA during the year(Table 3.3)	499.07
3.	Closing GFA	9007.92
4.	Average GFA	8758.39
5.	**Depreciation @4.0942% of average GFA**	**358.60**
(II)	**SLDC**	
6.	Opening GFA (excluding land and land rights)	37.76
7.	Add: Additions to GFA during the year(Table 3.3)	0.93
8.	Closing GFA	38.69
9.	Average GFA	38.23
10.	**Depreciation @7.57245%of average GFA**	**2.89**
11.	**Total Depreciation**	**361.49**

3.7.10 The Commission provisionally approves depreciation of Rs. 358.60 Crore and Rs. 2.89 Crore for Transmission and SLDC business respectively for FY 2025-26.

3.8 Interest and Finance Charges

3.8.1 In the MYT Petition of FY 2023-24, PSTCL had claimed Interest and Finance charges of Rs. 362.62 Crore (net of capitalization of Rs.2.51 Crore of interest charges) for its Transmission Business and Rs. 3.37 Crore for SLDC Business for FY 2025-26. The Commission approved interest charges of Rs. 272.20 Crore for Transmission Business (including Spillover and new schemes) and Rs. 3.36 Crore for SLDC Business for FY 2025-26.

PSTCL's Submission:

3.8.2 PSTCL submitted that it has considered the opening balances of loans for FY 2024-25 equal to closing balances of FY 2023-24. Addition has been considered as per funding plan as discussed earlier in this chapter.

3.8.3 PSTCL further submitted that it has considered the repayment equal to the depreciation of corresponding year as per PSERC MYT Regulations, 2022.

3.8.4 PSTCL submitted that it has considered the weighted average rate of interest on long term loans as 8.86% for Transmission Business and 8.55% for SLDC as computed in True up of FY 2023-24 based on Audited Figures.

3.8.5 PSTCL has considered the loan segregation for Spill over Schemes and New Schemes as per the funding requirement of PSTCL.

3.8.6 Following tables shows the calculation of Interest Charges for Spill over Schemes and New Schemes.

Table No 3.27: Interest on Loan for Spill Over Schemes claimed by PSTCL (Rs Crore)

Sr. No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	**SLDC**	**PSTCL**	**Transmission**	**SLDC**	**PSTCL**
1	Opening Balance	2,611.97	9.44	**2,621.41**	2,338.84	7.46	**2,346.30**
2	**Add:** Addition	36.11	0.03	**36.14**	-	-	**-**
3	**Less:** Repayment	309.24	2.01	**311.25**	313.60	2.02	**315.62**
4	Closing Balance	2,338.84	7.46	**2,346.30**	2,025.24	5.44	**2,030.68**
5	**Average Loan**	**2,475.41**	**8.45**	**2,483.86**	**2,182.04**	**6.45**	**2,188.49**
6	Interest Rate	8.859%	8.55%		8.859%	8.55%	
7	Interest Charges for the year	219.30	0.72	**220.02**	193.31	0.55	**193.86**

Table No 3.28: Interest on Loan for New Schemes **(Rs Crore)**

Sr. No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	**SLDC**	**PSTCL**	**Transmission**	**SLDC**	**PSTCL**
1	Opening Balance	414.50	4.65	**419.15**	600.79	4.67	**605.46**
2	**Add:** Addition	215.90	0.43	**216.33**	430.97	2.99	**433.96**
3	**Less:** Repayment	29.61	0.41	**30.02**	48.52	0.54	**49.06**
4	Closing Balance	600.79	4.67	**605.46**	983.24	7.12	**990.36**
5	**Average Loan**	**507.65**	**4.66**	**512.31**	**792.02**	**5.89**	**797.91**
6	Interest Rate	8.859%	8.55%		8.859%	8.55%	
7	Interest Charges for the year	44.97	0.40	**45.37**	70.16	0.50	**70.66**

3.8.7 PSTCL has also projected the Miscellaneous Finance Charges amounting Rs. 0.31 Crore based on Audited Accounts of FY 2023-24. Calculation of Interest Charges for all schemes for FY 2025-26 is as under:-

Table No 3.29: Interest Charges on Loan for All Schemes claimed by PSTCL

(Rs Crore)

Sr. No.	Particulars	FY 2024-25			FY 2025-26		
		Transmission	SLDC	PSTCL	Transmission	SLDC	PSTCL
1	Interest Charges for the year	264.27	1.12	**265.39**	263.47	1.05	**264.52**
2	**Add:** Misc. & Finance Charges	0.31	0.00	**0.31**	0.31	0.00	**0.31**
3	**Less:** Interest Capitalized	3.80	0.06	**3.86**	-	-	**-**
4	**Normative Interest & Finance Charges**	**260.78**	**1.06**	**261.84**	**263.78**	**1.05**	**264.83**

PSTCL requests the Commission to approve the Interest Charges of Rs. 263.78 Crore for Transmission and Rs. 1.05 Crore SLDC for FY 2025-26.

Commission's Analysis:

3.8.8 The Commission determines the Interest on loan capital as per Regulation 23 of the PSERC MYT Regulations, 2022 which is reproduced as under:

"23.1. For existing loan capital, interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the actual rate of interest and the schedule of repayment as per the terms and conditions of relevant agreements. The rate of interest shall be the actual rate of interest paid/payable (other than working capital loans) on loans by the Licensee.

23.2. Interest and finance charges on the future loan capital for new investments shall be computed on the loans, based on one (1) year State Bank of India (SBI) MCLR/ any replacement there of as notified by RBI as may be applicable as on 1st April of the relevant year, plus a margin determined on the basis of current actual rate of interest of the capital expenditure loan taken by the Generating Company, Licensee or SLDC and prevailing SBIMCLR.

23.3. The repayment for each year of the tariff period shall be *deemed to be equal to the depreciation allowed for the corresponding year. In case of de-capitalisation of assets, the repayment shall be adjusted by taking into account cumulative depreciation made to the extent of de-capitalisation.*

23.4. The Commission shall allow obligatory taxes on interest, finance charges (including guarantee fee payable to the Government) and any exchange rate difference arising from foreign currency borrowings, as finance cost.

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

Provided also that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered."

3.8.9 To determine the opening loan for FY 2025-26 the Commission first determines the closing loan for FY 2024-25. For this it considers the Opening loan for Spillover schemes and New schemes as per the Closing loan approved by the Commission for Spillover schemes and New schemes respectively in the true up of FY 2023-24 in this Tariff Order.

3.8.10 The Commission has considered the approved addition of loan as explained in Table No.3.5.

3.8.11 As per regulation 23.3 of PSERC MYT Regulation 2022, the repayment of loan is considered equal to depreciation allowed in Table 3.22,3.23,3.24 and 3.25.

3.8.12 For the Spillover schemes i.e., for existing loans, the rate of interest on loan capital is as per Regulation 23.1 and is considered as 8.859% for Transmission business and 8.55% for SLDC business as approved during the True-up of FY 2023-24 in this Tariff Order.

3.8.13 The Commission determines closing balance of long-term loans provisionally for Transmission Business and SLDC Business for FY 2024-25, by considering the closing of FY 2023-24 as the opening for FY 2024-25 and funding as approved in MYT order dated 15.05.2023 in table no 166 to 169 as under:

Table No 3.30: Closing Balance of loan for Spill over schemes of Transmission Business for FY 2024-25 **(Rs. Crores)**

Sr. No.	Particulars	Amount
1.	Opening balance of loan (Table 2.52)	2611.96
2.	Add: Receipt of loan during the year (Table 3.5)	56.67
3.	Less: Repayment of loan during the year (Table 3.22)	305.85
4.	Closing balance of loan as on 31.03.2024	2362.78

Table No.3.31: Closing Balance of loan for New schemes of Transmission Business for FY 2024-25 (Rs. Crores)

Sr. No.	Particulars	Amount
1.	Opening balance of loan (Table 2.53)	414.54
2.	Add: Receipt of loan during the year (Table 3.5)	313.32
3.	Less: Repayment of loan during the year(Table 3.22)	32.41
4.	Closing balance of loan as on 31.03.2025	695.45

Table No.3.32: Closing Balance of loan for Spillover schemes of SLDC Business FY 2024-25 (Rs. Crores)

Sr. No.	Particulars	Amount
1.	Opening balance of loan (Table 2.55)	9.44
2.	Add: Receipt of loan during the year (Table 3.5)	0.40
3.	Less: Repayment of loan during the year(Table 3.23)	2.02
4.	Closing balance of loan as on 31.03.2025	7.82

Table No. 3.33: Closing Balance of loan for New schemes of SLDC Business FY 2024-25 (Rs. Crores)

Sr. No.	Particulars	Amount
1.	Opening balance of loan (Table 2.56)	4.66
2.	Add: Receipt of loan during the year	5.59
3.	Less: Repayment of loan during the year(Table 3.23)	0.61
4.	Closing balance of loan as on 31.03.2025	9.64

3.8.14 The Commission determines Interest on long term loans for Transmission Business and SLDC Business by considering the closing of FY 2024-25 as determined above as the opening for FY 2025-26 and funding as provisionally approved in Table 3.5 as under:

Table No 3.34: Interest on loan for Spill over schemes of Transmission Business for FY 2025-26 (Rs. Crores)

Sr. No.	Particulars	Amount
1.	Opening balance of loan	2362.78
2.	Add: Receipt of loan during the year(Table 3.5)	43.10
3.	Less: Repayment of loan during the year(Table 3.24)	309.73
4.	Closing balance of loan	2096.15
5.	Average Loan	2229.47
6.	**Interest Charges @ 8.86%**	**197.53**

Table No. 3.35: Interest on loan for New schemes of Transmission Business for FY 2025-26 (Rs. Crores)

Sr. No.	Particulars	Amount
1.	Opening balance of loan	695.45
2.	Add: Receipt of loan during the year (Table 3.5)	249.26
3.	Less: Repayment of loan during the year(Table 3.24)	48.87
4.	Closing balance of loan	895.84
5.	Average Loan	795.65
6.	**Interest Charges @ 8.86 %**	**70.49**

Table No. 3.36: Interest on loan for Spillover schemes of SLDC Business FY 2025-26 (Rs. Crores)

Sr. No.	Particulars	Amount
1.	Opening balance of loan	7.82
2.	Add: Receipt of loan during the year (Table 3.5)	0.00
3.	Less: Repayment of loan during the year (Table 3.25)	2.03
4.	Closing balance of loan	5.79
5.	Average Loan	6.80
6.	**Interest Charges @ 8.55%**	**0.58**

Table No. 3.37: Interest on loan for New schemes of SLDC Business FY 2025-26 (Rs. Crores)

Sr. No.	Particulars	Amount
1.	Opening balance of loan	9.64
2.	Add: Receipt of loan during the year (Table 3.5)	0.93
3.	Less: Repayment of loan during the year(Table 3.25)	0.86
4.	Closing balance of loan	9.71
5.	Average Loan	9.67
6.	**Interest Charges @ 8.55%**	**0.83**

The Commission approves Interest on long term loans of Rs.268.02 (197.53+70.49) Crore for Transmission Business and Rs. 1.41 (0.58+0.83) Crore for SLDC Business for FY 2025-26.

Finance and Guarantee charges:

3.8.15 PSTCL has claimed finance charges and guarantee fee of Rs. 0.31 Crore for FY 2025-26. The Commission has considered the submissions of PSTCL and has provisionally approved the finance charges and guarantee fees as Rs. 0.31 Crore for FY 2025-26, as submitted by PSTCL.

3.8.16 PSTCL has claimed interest capitalization of Rs 2.51 Crore for FY 2025-26 and the same has been considered by the Commission which will be reviewed during True-up of respective years. Accordingly, The Commission determines Interest and Finance Charges for Transmission Business and SLDC Business as under:

Table No. 3.38: Interest and Finance charges approved by the Commission for Transmission Business FY 2025-26 (Rs. Crores)

Sr. No	Particulars	Amount
1.	Interest charges for Spillover schemes of Transmission Business	197.53
2.	Interest charges for New schemes of Transmission Business	70.49
3.	Add Finance/Guarantee charges	0.31
4.	Less: Interest capitalized	2.51
5.	**Net Interest charges**	**265.82**

Table 3.39: Interest and Finance charges approved by the Commission for SLDC Business FY 2025-26 (Rs. Crores)

Sr. No	Particulars	Amount
1.	**Interest charges of spillover scheme**	**0.58**
2.	**Interest charges of New scheme**	**0.83**
3	**Total**	**1.41**

3.8.17 Thus, the Commission approves Net Interest and Finance Charges of Rs. 267.23 (265.82+1.41) Crore for PSTCL for FY 2025-26.

3.9 Interest on Working Capital

3.9.1 In the MYT Petition for FY 2023-24, PSTCL had claimed interest on working capital of Rs. 48.49 Crore and Rs. 1.10 Crore for Transmission business and SLDC business respectively against which the Commission had approved Rs. 40.07 Crore and Rs. 0.71 Crore for Transmission business and SLDC business respectively.

PSTCL's Submission:

3.9.2 PSTCL submitted that it has computed the Interest on Working Capital as per the provisions of PSERC MYT Regulations, 2022. The Petitioner has applied the rate of interest for Working Capital loans for Transmission business and

SLDC business @ 8.80%. based on True up of FY 2023-24 calculated as actual weighted average.

3.9.3 The calculation of Interest on Working Capital is as follows:

Table No. 3.40: Interest on Working Capital Submitted by PSTCL for FY 2025-26

(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1	Receivables equivalent to 45 days of fixed cost calculated on normative target availability	221.08	4.25	225.33
2	Maintenance Spares @ 15% of O&M expenses	143.44	1.82	145.26
3	Operation & Maintenance expenses for 1 (One) Month	79.69	1.01	80.70
4	**Total Working Capital (Normative)**	**444.21**	**7.08**	**451.29**
5	Rate of Interest applied (As per Norms)	8.795%	8.795%	
6	**Normative Interest on Working Capital**	**39.07**	**0.62**	**39.69**

3.9.4 **PSTCL requests the Commission to approve the Normative Interest on Working Capital of Rs. 39.07 Crore for Transmission and Rs. 0.62 Crore for SLDC for FY 2025-26 as PSERC MYT Regulations, 2022.**

Commission's Analysis:

3.9.5 The Commission has computed the interest on working capital as per Regulation 50 of the PSERC MYT Regulations, 2022 specifies as under:

"50.1. Components of Working Capital
The Working Capital shall cover the following:
(a) O&M Expenses for 1month;
(b) Maintenance spares @ 15% of the O&M expenses;
(c) Receivables equivalent to two (2) months of fixed cost calculated on normative target availability.
50.2. Rate of Interest
The rate of interest on working capital shall be as per Regulation 24.1."

"24.1 The rate of interest on working capital shall be equal to the actual rate of interest paid on working capital loans by the Licensee/Generating Company/SLDC or the one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI as may be applicable as on 1st April of the relevant year plus 250 basis points, whichever is lower. The interest on working capital shall be payable on normative basis notwithstanding that the Licensee/Generating Company/SLDC has not taken working capital loan

from any outside agency or has exceeded the working capital loan amount worked out on the normative figures. "

3.9.6 Considering the rate of interest as approved in the True-Up of FY 2023-24 i.e., 8.795% for Transmission Business and SLDC Business, the Commission observes that the actual rate of interest is lower than State Bank of India 1 yr. MCLR (8.50%) plus 250 basis points for the relevant year (11% for FY 2023-24) and therefore determines and approves the Interest on working capital as follows**:**

Table 3.41 Interest on Working Capital as approved by the Commission for FY 2025-26 (Rs Crores)

Sr. No.	Particulars	Amount
	Transmission Business	
1.	Receivables for two months (Table 3.46)	289.46
2.	Maintenance spares @15% of O&M (Table 3.18)	139.58
3.	O&M Expenses for one month (Table 3.18)	77.54
4.	Total Working Capital	506.58
5.	Rate of Interest (%)	8.795%
6.	**Interest on Working Capital**	**44.55**
	SLDC	
7.	Receivables for two months (Table 3.47)	5.64
8.	Maintenance spares @15% of O&M(Table 3.18)	1.63
9.	O&M Expenses for one month (Table 3.18)	0.91
10.	Total Working Capital	8.18
11.	Rate of Interest (%)	8.795%
12.	**Interest on Working Capital**	**0.72**

3.9.7 The Commission approves working capital requirements of Rs. 506.58 Crore and interest thereon of Rs.44.55 Crore for Transmission Business and working capital of Rs 8.18 Crores and interest thereon of Rs 0.72 Crores for SLDC Business for FY 2025-26 for PSTCL to be reviewed during the true up of the respective year

3.10 Return on Equity

3.10.1 In the MYT Petition for FY 2023-24, PSTCL had claimed Return on equity of Rs. 262.18 Crore against which the Commission had approved Return on equity of Rs. 191.96 Crore.

PSTCL's Submission:

3.10.2 PSTCL submitted the computation of normative ROE for FY 2025-26 in the following table: -

Table No 3.42: **Estimated Return on Equity** **(Rs. Crore)**

Sr No.	Particulars	FY 2024-25	FY 2025-26
1	Equity at the opening of Year	942.93	1050.93
2	Addition During the Year	108.00	184.70
3	Equity at the Closing of Year	1050.93	1235.63
4	Average Equity during the Year	996.93	1143.28
5	Rate for Return on Equity	15.50%	15.50%
6	**Return on Equity**	**154.52**	**177.21**

PSTCL requests the Commission to approve the Return on Equity of Rs. 177.21 Crore for FY 2025-26.

Commission's Analysis:

3.10.3 The Commission determines the Return on Equity for the Control Period in accordance with Regulation 20 of PSERC MYT Regulations, 2022 which is reproduced 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:

Provided that Equity invested in foreign currency shall be converted to rupee currency based on the exchange rate prevailing on the date(s) it is subscribed:

Provided further that assets funded by consumer contributions, capital subsidies/Govt. grants shall not form part of the capital base for the purpose of calculation of Return on Equity..”

3.10.4 The Commission has considered the opening equity for FY 2023-24 from the closing equity approved in the True-Up of FY 2023-24. Addition of equity is considered as approved in MYT Order dated 15.05.2023 for FY 2024-25 in Table no 136. The Commission determines Equity for the year FY 2024-25 in order to determine opening equity for FY 2025-26 and is calculated as follows:

Table No 3.43: Equity for FY 2024-25 for Transmission as allowed by the Commission (Rs Crore)

Sr. No.	Particulars	Amount
1.	Opening Equity as per closing of FY 2023-24 (Table 2.63)	942.93
2.	Addition of equity during the year (Table 3.5)	158.57
3.	Closing Equity	1101.50

Table No 3.44: Return on Equity for FY 2025-26 for Transmission as allowed by the Commission (Rs Crore)

Sr. No.	Particulars	Amount
1.	Opening Equity	1101.50
2.	Addition of equity during the year (Table 3.5)	125.30
3.	Closing Equity	1226.80
4.	Average Equity	1164.15
5.	Rate of Return on Equity (%)	15.50%
6.	**Return on Equity**	**180.44**

3.10.5 Thus, the Commission provisionally approves Return on Equity of Rs. 180.44 Crore to PSTCL for FY 2025-26 which shall be reviewed during the true up of FY 2025-26.

3.11 Unified Load Dispatch & Communication (ULDC) Charges

3.11.1 PSTCL has claimed ULDC Charges of Rs. 19.24 Crore as per ULDC charges of FY 2025-26 for its SLDC Business.

3.11.2 Accordingly, the Commission approves ULDC charges of Rs. 19.24 Crore to PSTCL for its SLDC Business for FY 2025-26 which will be reviewed during true up of FY 2025-26.

3.12 Non-Tariff Income

3.12.1 The Commission had approved Non-Tariff Income of Rs. 37.92 Crore for Transmission and Rs. 1.10 Crore for SLDC for FY 2023-24 based on latest Audited Accounts of FY 2023-24 available.

3.12.2 PSTCL has claimed the Non-Tariff Income of Rs. 24.57 Crore for Transmission and Rs. Rs 1.39 Crore for SLDC business.

3.12.3 Non-Tariff Income is to be determined as per Regulation 27 of PSERC MYT Regulations 2022.

3.12.4 The Commission considers the Non-tariff Income for FY 2025-26 as Rs. 37.92 Crore for Transmission Business and Rs. 1.10 Crore for SLDC Business as approved in true up of FY 2023-24 which will be reviewed during true up of FY 2025-26.

Table No. 3.45: Non-Tariff Income for FY 2025-26 as provisionally approved by the Commission
(Rs. Crore)

Sr. No.	Particulars	Transmission	SLDC	PSTCL
1.	Non-Tariff Income	37.92	1.10	39.02

3.13 Income from Open Access Customers

3.13.1 The Commission in its order dated 15.05.2023, had approved Revenue from Open Access Customer of Rs. 3.66 Crore for Transmission Charges and Rs. 0.09 Crore for SLDC Operating Charges for FY 2025-26 based on latest Audited Accounts of FY 2021-22 available.

3.13.2 PSTCL has claimed a receipt of Transmission Charges of Rs. 5.24 Crore and SLDC Operating Charges of Rs. 0.21 Crore from Open Access Customers based on Audited Accounts of PSTCL for FY 2023-24.

3.13.3 PSTCL requests the Commission to approve the Open Access Charges of Rs. 5.24 Crore for Transmission and Rs. 0.21 Crore for SLDC for FY 2025-26.

3.13.4 Accordingly, the Commission has considered Open Access Charges of Rs. 5.24 Crore for Transmission and Rs. 0.21 Crore for SLDC for FY 2025-26 which will be reviewed during true up of FY 2025-26.

3.14 Annual Revenue Requirement

3.14.1 The summary of the Annual Revenue Requirement for Transmission Business, SLDC Business and overall business of PSTCL for FY 2025-26 is shown in the following tables:

Table No. 3.46: Annual Revenue Requirement for Transmission Business for FY 2025-26

(Rs. Crore)

Sr. No.	Particulars	Approved by the Commission in the tariff order FY 2023-24	Claimed by PSTCL in FY 2025-26	Approved by the Commission
1a	Employee costs (Table 3.18)	814.82	884.46	861.69
1b	A&G expenses (Table 3.18)	34.69	31.56	28.99
1c	R&M expenses (Table 3.18)	56.53	40.26	39.84
1.	Total O&M Expenses	**906.04**	**956.28**	**930.52**
2.	Interest charges (Table 3.38)	272.20	263.78	265.82
3.	Return on Equity (table 3.44)	191.96	177.21	180.44
4.	Depreciation (Table 3.26)	369.64	362.12	358.60
5.	Interest on Working Capital (Table 3.41)	40.07	39.07	44.55
6.	**Total Revenue Requirement**	**1779.91**	**1798.46**	**1779.93**
7.	Less: Non-tariff Income (Table 3.45)	35.57	24.57	37.92
8.	Less: Revenue from Open Access	3.66	5.24	5.24
9.	**Total Revenue Requirement**	**1740.68**	**1768.65**	**1736.77**

Table No 3.47: Annual Revenue Requirement for SLDC for FY 2025-26 (Rs. Crore)

Sr. No.	Particulars	Approved by the Commission in the tariff order FY 2023-24	Claimed by PSTCL in the Revised Estimates of FY 2025-26	Approved by the Commission
1a	Employee costs (Table 3.18)	9.89	8.88	8.90
1b	A&G expenses (Table 3.18)	0.83	1.66	0.79
1c	R&M expenses (Table 3.18)	4.43	1.56	1.19
1.	Total O&M Expenses	**15.15**	**12.10**	**10.88**
2.	Interest charges (Table 3.39)	3.36	1.05	1.41
3.	Return on Equity	0.00	0.00	0.00
4.	ULDC Charges	8.88	19.24	19.24
5.	Depreciation (Table 3.26)	4.60	2.56	2.89
6.	Interest on Working Capital (Table 3.41)	0.71	0.62	0.72
7.	**Total Revenue Requirement**	**32.70**	**35.57**	**35.14**
8.	Less: Non-tariff Income (Table 3.45)	0.23	1.39	1.10
9.	Less: Revenue from Open Access	0.09	0.21	0.21
10.	**Total Revenue Requirement**	**32.38**	**33.97**	**33.83**

The summary of the Annual Revenue Requirement of PSTCL as a whole for FY 2025-26 is as under:

Table No. 3.48: Annual Revenue Requirement for PSTCL for FY 2025-26

(Rs. Crore)

Sr. No.	Particulars	Approved by the Commission in the tariff order FY 2023-24	Claimed by PSTCL in the Revised Estimates of FY 2025-26	Approved by the Commission
1a	Employee costs (Table 3.18)	824.71	893.34	870.59
1b	A&G expenses	35.52	33.22	29.78
1c	R&M expenses	60.96	41.82	41.03
1.	Total O&M Expenses	**921.19**	**968.38**	**941.40**
2.	Interest charges	275.56	264.83	267.23
3.	Return on Equity (Table 3.44)	191.96	177.21	180.44
4.	ULDC Charges	8.88	19.24	19.24
5.	Depreciation (Table 3.26)	374.24	364.68	361.49
6.	Interest on Working Capital	40.78	39.69	45.27
7.	**Total Revenue Requirement**	**1812.61**	**1834.03**	**1815.07**
8.	Less: Non-tariff Income	35.80	25.96	39..02
9.	Less: Revenue from Open Access	3.75	5.45	5.45
10.	**Total Revenue Requirement**	**1773.06**	**1802.62**	**1770.60**

3.15 Recovery of excess payment of interest on GPF Liability

The Government of Punjab (Department of Power) vide its notification No. 1/4/04-EB (PR) /620 dated 24.12.2012 under Punjab Power Sector Reforms Transfer (First amendment) Scheme, 2012 amended clause 6 of the original transfer scheme notified by the GoP vide its notification No. 1/9/08-EB(PR)/196 dated 16.04.2010 as under:

(10-B) The General Provident Fund Trust, shall be funded by Powercom and Transco both, as per the apportionment made in the Opening Balance Sheet, on and with effect from the 16th April, 2010, and the same shall be funded over a period of ten years commencing on and with effect from the 1st April, 2013, alongwith interest as applicable:

Provided that for the period commencing from 16th April, 2010 to 31st March, 2013, the Powercom and Transco shall be liable to pay interest on the apportioned

General Provident Fund liability, at the rate as applicable for the respective financial years.

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

Punjab State Transmission Corporation Limited (PSTCL) while submitting Petition No. 60 dated 28.11.2024 for true up for FY 2023-24 and Annual Revenue Requirement for FY 2025-26 has not claimed any interest on GPF liability for FY 2023-24 and FY 2025-26. On the other hand Punjab State Power Corporation Limited (PSPCL) while submitting Petition No. 61 dated 29.11.2024 for true up for FY 2023-24 and Annual Revenue Requirement for FY 2025-26 has claimed interest on GPF liability for FY 2023-24 and FY 2025-26 stating that it is statutory payment. The Commission vide interim order dated 15.01.2025 asked PSTCL to submit the following:

i. Details of monthly instalments to be paid to GP Fund Trust as agreed upon after unbundling of erstwhile PSEB
ii. Interest to be paid as on 1st April 2023 along with corpus,
iii. Complete details of defaults in monthly payments
iv. Interest thereon due to default with rate of interest applied

PSTCL vide memo No. 126/CAO(F&A)/MYT-III/APR-III dated 20.02.2025 submitted the details sought as under:

Table No: 3.49: PSTCL's GPF liability as on 31.03.2013

Sr No.	Particulars	Amount (Rs.)	Cumulative (Rs.)
1	**Opening balance as on 16.04.2010**	**1732460209**	**1732460209**
2	GPF rate of Interest @8% from 16.04.2010 to 31.03.2011	132521340	1864981549
3	GPF rate of Interest @8% from 01.04.2011 to 30.11.2011	99465683	1964447232
4	GPF rate of Interest @8.6% from 01.12.2011 to 31.03.2012	53462804	2017910036
5	GPF rate of Interest @8.8% from 01.04.2012 to 31.03.2013	177576083	2195486119
6	**Total outstanding balance as on 31.03.2013 (1to5)**	**2195486119**	
7	**Monthly instalment payable from 01.04.2013 (6/120)**	**18295718**	

The Commission observed that PSTCL had also been claiming interest on default/late payments made to the GP Fund Trust. Therefore, on the basis of submission of PSTCL of month-wise/year-wise details of interest on GPF (without default) and interest claimed on GPF, the Commission disallows excess payment of Rs.0.80 Crore claimed by PSTCL during FY 2013-14 to FY 2022-23 and determines the carrying cost on the excess payment disallowed as under:

Table No.3.50 : Excess payment made to PSTCL along with carrying cost

(Rs. Crore)

Sr. No	Financial Year	Interest allowable on monthly instalment	Interest claimed & allowed in True up	Excess interest made to PSPCL	Working Capital rate of Interest allowed in True up	Carrying Cost	Total Amount Recoverable
I	II	III	IV	V(IV-III)	VI	VII	VIII(V+VII)
1	2013-14	18.23	18.04	-0.19	11.65%	-0.21	**-0.40**
2	2014-15	16.31	16.65	0.34	11.70%	0.34	**0.68**
3	2015-16	14.44	14.40	-0.04	11.95%	-0.04	**-0.08**
4	2016-17	11.57	11.56	-0.01	11.74%	0.00	**-0.01**
5	2017-18	9.48	9.46	-0.02	10.59%	-0.01	**-0.03**
6	2018-19	7.76	7.76	0.00	9.96%	0.00	**0.00**
7	2019-20	6.18	6.37	0.19	10.09%	0.08	**0.27**
8	2020-21	3.96	4.36	0.40	9.65%	0.14	**0.54**
9	2021-22	2.40	2.40	0.00	7.99%	0.00	**0.00**
10	2022-23	0.84	0.97	0.13	8.01%	0.02	**0.15**
11	2023-24				8.80%		
12	**TOTAL**	**91.17**	**91.97**	**0.80**		**0.32**	**1.12**

Thus, the Commission disallows excess interest allowed on GPF liability during FY 2013-14 to FY 2022-23 to PSTCL along with carrying cost amounting to Rs. 1.12 (0.80+0.32) Crore as PSTCL had failed to deposit initial corpus along with interest to the GP Fund Trust as per the schedule during this period.

3.16 Impact of review petition no 1 of 2024

The Commission had allowed the following along with carrying cost in review petition no1 of 2024 whose impact is to be considered in this tariff Order as detailed below:

Table No 3.51: Expenses allowed by the Commission in Review Petition No.1 of 2024

(Rs. Crore)

Sr No	Particulars	Amount
1	Interest and Finance Charges for 2nd Control Period	4.17
2	Carrying cost	1.41
3	**Total**	**5.58**

3.17 Carrying cost on Revenue Gap

The Commission in Tariff Order for FY 2023-24 has approved Net ARR of Rs. 1562.71 Crore for Transmission Business and Rs. 29.33 Crore for SLDC Business for FY 2023-24. Now after truing up of FY 2023-24, the net ARR has been redetermined as Rs 1626.70 Crore. The Commission determines the revenue gap of Rs. 34.66 Crore which is allowed to be recovered during FY 2025-26. The rate of interest for working out carrying cost has been considered as 8.795% as approved in true up of FY 2023-24 in para 2.10.5 of chapter 2 of this order. Revenue Gap/(Surplus) for FY 2023-24 after considering various components in True up is as below: -

Table No. 3.52 : Carrying Cost on Revenue Gap/(Surplus) for True up of FY 2023-24

(Rs. Crore)

Sr.No	Particulars	Transmission	SLDC	TOTAL
1	Net ARR after True up for FY 2023-24 (Table 2.73 & 2.74)	1594.11	32.59	1626.70
2	Net ARR Approved in Tariff Order dated 31.05.2023	1562.71	29.33	1592.04
3	**Revenue Gap after True-up of FY 2023-24(1-2)**	**31.40**	**3.26**	**34.66**
4	Carrying Cost on sr.3 @ 8.795% for 6 months years FY 2023-24	1.38	0.14	1.52
5	Carrying Cost on sr.3 @8.795% for 1 years for FY 2024-25	2.76	0.29	3.05
6	Carrying Cost on sr.3 @8.795% for 6 months years for FY 2025-26	1.38	0.14	1.52
7	**Net Carrying cost allowable**	**5.52**	**0.57**	**6.09**

3.18 Net Revenue Requirement

The summary of the ARR for PSTCL for FY 2025-26 is as under:-

Table No. 3.53: Net ARR as approved by the Commission for FY 2025-26

(Rs. Crore)

Sr. No	Particulars	Transmission	SLDC	Total
1	Total Revenue Requirement FY 2025-26 (Table 3.46 ,3.47)	1736.77	33.83	1770.60
2	Add :Revenue Gap for FY 2023-24 (Table 3.52)	31.40	3.26	34.66
3	Add: Carrying cost on Revenue Surplus/Gap for FY 2023-24(Table 3.52)	5.52	0.57	6.09
4	Add: Impact of Review Petition no 1 of 2024(Table 3.51)	5.58	0.00	5.58
5	Less: Recovery of excess payment of interest on GPF Liability (Table 3.50)	1.12	0.00	1.12
6	NET ARR	1778.15	37.66	1815.81

Chapter 4

Directives for FY 2025-26

Sr. No.	Issues	PSERC Comments & Directive	PSTCL's Reply	PSERC Comments & Directive for FY 2025-26
4.1	**Boundary metering, Energy Audit and Reduction in Transmission Losses**	PSTCL was directed to make all out effort to expeditiously implement the forecasting and scheduling activities and the SAMAST Scheme. However, as per latest monthly status dated 03.01.2024, 519 nos. energy meters are still to be installed and installations of all meters is expected to be completed by 31.03.2024. SLDC reported that the system is ready for implementation of PSERC (Forecasting, Scheduling, Deviation Settlement and Related Matters of Solar and Wind Generation Sources) Regulations, 2019 through SAMAST Software modules after rigorous testing and validation on actual data. Accordingly, the Commission notified that the commercial mechanism regarding deviation settlement of Solar and Wind generators shall come into force w.e.f. 01.02.2024. However, there is inordinate delay in starting the commercial mechanism as per PSERC (Deviation Settlement Mechanism and related matters) Regulation 2020. PSTCL is directed to make all out efforts to ensure	1. All efforts have been made to implement the scheme at the earliest. 2. All required meters have already been installed at 2 Nos. IPP's, 3 Nos. State Thermal Generators, 5 Nos. State Hydel Generators, 56 Nos. RE Generators, 1 No Open Access Generator, 12 OA Consumers and 177 Nos. PSTCL sub stations. 3. Data-Centre is operational since Dec-22 and interface metering has also been completed. 4. Software based scheduling of RE Solar was commercialized w.e.f 01.09.2023 onwards. DSM bills are being issued to QCAs w.e.f. 01.02.2024. Software modules i.e Open Access entity registration, Forecasting ,Scheduling, Transmission Outage Planning, Financial Accounting, Meter Data Acquisition System and Website and Mobile application and DSM (for RE portion) are already in operational use by SLDC.	PSTCL is directed to ensure continuous all out efforts for expeditious completion of the SAMAST. In this regard, monthly status report be sent invariably. PSTCL was directed to issue weekly inter-state bills through SAMAST on trial basic as per CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2024 to various eligible entities w.e.f. 15.03.2025 and expeditiously resolve discrepancies, if any, intimated by aforementioned entities. PSTCL is directed to furnish status report in this regard within 15 days of issue of Tariff Order.

Sr. No.	Issues	PSERC Comments & Directive	PSTCL's Reply	PSERC Comments & Directive for FY 2025-26
		expeditious implementation of SAMAST scheme and Intra-State DSM operational. Regular monthly update be sent to the Commission. Further, vide memo dated 26.2.2024, PSPCL has already been directed to ensure compliance with the State Grid Code.	5. After implementation of 4th block, the software based scheduling through SAMAST portal of all applicable Intra state entities has been commenced commercially w.e.f 10.07.2024 onwards. 6. Energy Accounting Software Module, Open Access and Scheduling Module have been completed. MDP Module and MIS Module are expected to be completed by 30.11.2024. 7. As new CERC DSM regulations 2024 has been effected w.e.f 16.09.2024, so DSM Software Modules is expected to be completed by 31.12.2024.	
4.2	**Loading Status of PSTCL Transmission lines and Substations**	PSTCL was directed to identify the transmission lines which were potentially vulnerable to overloading and take proactive steps to prevent the same. Further, the quarterly report on utilisation of the capex fund, for erection of substation and transmission lines to prevent overloading and physical progress was to be furnished. The Commission notes that quarterly report has not been supplied by the PSTCL. Still twenty two transmission lines in Quarter-1 and twenty six transmission lines in Quarter-2 are overloaded. Some lines like 220 kV Mohali Nalagarh circuits and 220 kV Patran Sunam are overloaded upto extent	PSTCL has furnished loading status of Transmission lines and sub-stations ending September, 2024.	In the Tariff Order for FY 2024-25, inter alia, PSTCL was directed: (i) to submit the Quarterly report of utilization of the CAPEX in CIP and physical progress of erection of sub-stations and transmission lines to prevent overloading. (ii) to submit within three months of the Tariff Order, the timeline of taking remedial measures to mitigate the overloading of already overloaded lines. (iii) to submit within three months of the Tariff Order, the report regarding identification of the lines potentially vulnerable to overloading and measures to pre-empt the same. However, none of the above has been submitted by PSTCL. Only a compilation of

Sr. No.	Issues	PSERC Comments & Directive	PSTCL's Reply	PSERC Comments & Directive for FY 2025-26
		of 120% and 115% respectively. PSTCL is directed to submit quarterly report on utilisation of CAPEX in CIP and physical progress of erection of sub-station and transmission lines to prevent overloading. Further, PSTCL is directed to submit within three months of the tariff order, the timelines of taking remedial measures to mitigate the overloading on already overloaded lines and the report regarding identification of the lines potentially vulnerable to overloading and the measures to pre-empt the same.		data in respect of overloading of lines has been submitted. Still 23 nos. transmission lines are overloaded upto 124%. PSTCL is directed to furnish the details in respect of (ii)&(iii) above within one month of issue of tariff order and to ensure to furnish quarterly reports as per (i) above failing which the Commission will be constrained to initiate appropriate action.
4.3	**Maintenance of voltage wise and category wise details of fixed assets:**	The reply given by PSTCL has been noted. However, the Commission does not see any reason to exempt PSTCL from compliance of the directive. The Commission again directs PSTCL to comply with the directive within the next three months failing which action will be initiated for non-compliance.	As per Directive, PSTCL prepared the Voltage wise Assets of one circle and requested to the Commission to provide a meeting for discussing the allocation method for applying the same for all the other Assets. In the meeting, it was asked to prepare a list of Assets of 400KV which has also been furnished by PSTCL for consideration.	Neither a formal meeting was held in this regard nor instructions were passed on to the utility. PSTCL should comply with the Directive within the next three months failing which action will be initiated for non compliance.
4.4	**Reactive Compensation**	PSTCL is directed to furnish within one month of issue of tariff order, report regarding sub-station/location the wise capacitors bank installed vis-a-vis the recommendation of the CPRI alongwith present operative condition of installed capacitor banks. Further, PSTCL is directed to intimate quarterly report regarding installation of capacitor banks (11 kV & 66 kV) having total capacity of 700 MVAR procured	In regard to the recommendation of the CPRI, it has been gathered from the field offices that capacitor banks have already been installed at most of the recommended sub-stations. Moreover, PSTCL has issued PO no. 6104 and 6105 both dt. 22.11.2023 for the supply of 132kV, 66kV and 11kV Capacitor banks with total capacity of 688.431 MVAR, against which 44 nos.	PSTCL has intimated the status of procurement of 132 kV, 66 kV and 11 kV capacitor banks with total capacity of 688.431 MVAR and their status of installation. Further, it has also been intimated that the capacitor banks are being installed at the recommended sub-stations. As per the intimated status, PSTCL has installed 114.184 MVAR whereas 74.687 MVAR capacitor banks are under installation. Further, capacitor banks with 499.56 MVAR are yet to be received. Accordingly,

Sr. No.	Issues	PSERC Comments & Directive	PSTCL's Reply	PSERC Comments & Directive for FY 2025-26
		vide LOA dated 01.11.2023.	11kV Capacitor banks (total capacity of 59.884 MVAR) have been installed at various sub-stations and 7 nos.11kV Capacitor banks (total capacity of 9.527 MVAR) are under installation. Also, 11 nos. 66kV Capacitor Banks (119.46 MVAR) have been received, out of which 5 nos. 66kV Capacitor Banks (54.3 MVAR) are under installation & 6 nos. 66kV Capacitor Banks (65.16 MVAR) shall be installed soon on the priority basis. Further, 11 nos. 66kV Capacitor Banks (119.46 MVAR) and 2 nos. 132kV Capacitor banks (21.72 MVAR) shall be delivered by the end of November 2024 and balance 33 nos. 66kV Capacitor banks (358.38 MVAR) are expected to be delivered by the end of December, 2024.	PSTCL is directed to furnish a report regarding the installation of 11 kV, 66 kV & 132 kV capacitors banks within one month of the issue of tariff order.
4.5	**Preventive maintenance of transmission lines.**	PSTCL was directed to take immediate steps to bring down the restoration time for faults on transmission lines. The Commission notes that the downtime/restoration of transmission lines is still inordinately high. The 220 kV Sadaur Barnala line remained under shutdown for 1099 hrs. The outage due to transient fault is of the order of 29 hrs in case of 220 kV Pong Dasuya line and outages due to lighting and thunderstorm is order of 26 hrs in case of 220 kV Nakian - Nawan shahr line. During 1st and 2nd quarters of 2023-24, PSTCL have reported 656 and 633	PSTCL has submitted that 220 kV Sadaur Barnala line 6 Nos. towers collapsed due to cascading effect on 18.05.2023 and line was restored on 02.07.2023 after dismantlement, execution of new erection and re-sag work of 220 kV line. Further, PSTCL has submitted that due to huge shortage of manpower for maintenance activity, best efforts are being done to follow the maintenance schedule. However, due to grim situation of manpower, it is not possible to follow the maintenance	PSTCL was directed to (i) Take remedial measures to bring down the tripping of the transmission lines and restoration time and to send a status report within three months of the issue of this Tariff Order; (ii) submit a certificate from Director/Technical that the prescribed maintenance schedules are being strictly adhered to; (iii) submit the status report within three months of issue Tariff Order regarding the maintenance practices/schedules/techn ologies being used in other organizations in the country for adoption in PSTCL. (iv) use of drone system to

Sr. No.	Issues	PSERC Comments & Directive	PSTCL's Reply	PSERC Comments & Directive for FY 2025-26
		tripping/breakdowns on transmission lines respectively, which are on a very high side. PSTCL is directed to take immediate remedial steps to bring down tripping/breakdowns on the transmission line and restoration time for faults on transmission lines and to sent a status report within three months of the issue of the tariff order. Further: a) As per Directive, PSTCL was asked to submit a certificate from Director (Technical) that prescribed maintenance schedules are being strictly adhered but a certificate signed by Engineer-in-Chief (PSTCL), Ludhiana has been submitted. Certificate of Director/Technical should invariably be submitted. b) The details have been submitted with regard to maintenance practices/ schedules/ technologies being used in other organizations in the country. The task force report gives a view about various suggestions but none of these suggestions have been implemented e.g. for the replacement of existing porcelain disc insulators. The Board has considered the agenda on 24.06.2023 but no further progress regarding Board's decision and how PSTCL plans to do it has been mentioned. Also, it has been indicated that they	schedule because the maintenance manpower is being used to perform shift duties. Apart from this there is continuous increase of load demand and system is being operated at its full capacity. So there is heavy wear and tear of equipments and there are budgetary constraints to replace such equipments, which are giving troubles. Further, the newly recruited manpower is in the process of learning as the experienced manpower of PSPCL has been repatriated in order to develop PSTCL's own cadre. The newly recruited officials are not very sound in handling such trouble shootings at the time of emergency. PSTCL further submitted that in first two phase Porcelain disc insulators of 4 nos. 400 kV lines have been replaced. Replacement of Porcelain disc insulators with polymer disc insulators of various 220 kV overhead transmission lines in polluted area under P&M Circle, Ludhiana have also been completed. Due to budgetary constraints remaining lines will be taken up in phased manner. Further, the work order to check 220 kV Mansa-HMEL cicuit due to high no. of trippings, using drone system on trial basis has been issued. After obtaining and examining the report. Similar action will be intiated for other	identify the shortcomings of the 400 kV transmission lines. (v) creation of a separate circle of 400 kV system. PSTCL has intimated only about replacement of Porcelain disc insulators with polymer insulators on a few line. The Commission observes that the downtime/ restoration of transmission line is still inordinately high. The 132 KV Verka-Kathunangal and 220 kV G1-RTP Ckt No3 remained under breakdown for 52 hours and 67 hours respectively. Moreover, the 220 kV Algon-Makhu circuit 1&2 remained under breakdown for exceptionally high time of 1868 hrs. The details in respect of comprehensive remedial measures to bring down tripping of lines and restroation time have not been intimated as sought vide (i) above. Similarly the certificate/status report in respect of (ii),(iii)&(v) have not been furnished. Accordingly, PSTCL is directed to furnish the above information within one month of the issue of the tariff order. PSTCL has referred to budgetary constaints for replacement of equipment and shortage of manpower. But the capex and the employee cost sought by PSTCL are being consistently allowed by the Commission. Thus the reasoning given by PSTCL is untenable. PSTCL is accordingly directed to immediately take all out measures to augment/replace the equipment as per the requirement and to ensure adequate manpower. Further, the reference of PSTCL to lack of experienced/trained manpower exhibits grave failure of their HR policies.

Sr. No.	Issues	PSERC Comments & Directive	PSTCL's Reply	PSERC Comments & Directive for FY 2025-26
		have learnt about Haryana Vidyut Prasaran Nigam Limited using drone system to identify the shortcomings of 400 kV transmission line but no details regarding whether PSTCL is going for same or not has been detailed. Similarly, regarding man power i.e. creating separate circle of 400kV system no progress has been indicated. They have mentioned that creation is under consideration of Committee. All the details submitted are dated 27.06.2023 & have not been updated. Accordingly, PSTCL is directed to submit the status report within three months of issue of the tariff order.	lines in PSTCL as per need.	Such a scenario of depletion of experienced manpower referred to by PSTCL could have been easily foreseen. PSTCL is directed to ensure remedial measures in this regard. A status report in respect of the foregoing be submitted within three months of the issue of the tariff order.
4.6	**Strengthening of the State Load Despatch Centre (SLDC)**	PSTCL was directed to submit status report along with the timelines for strengthening of the SLDC. The Commission notes that the required report regarding strengthening of SLDC has not been supplied by PSTCL. As per Electricity Act, 2003, the SLDC shall be responsible for optimum scheduling and despatch of electricity within a State, monitor grid operation in accordance with State Grid Codes. The Commercial mechanism regarding deviation settlement of solar and wind generation has come in the force w.e.f. 01.02.2024 and the commercial mechanism as per intra-state DSM Regulations shall be made operational in the near future. Moreover, with	1. Monthly status report is being sent every month to Commission. 2. Punjab SLDC has been categorized as Large SLDC by Ministry of Power and issued Workforce Staffing norms as per Workforce Adequacy guidelines for SLDCs. Steps are being taken to strengthen the SLDC. 3. Power System Operator Training is being provided to SLDC employees as per training calendar issued by NPTI. Currently more than 67% PSO trained employees are posted in SLDC.	PSTCL has intimated that steps are being taken to strengthen the SLDC and Power System Operator training is being provided to SLDC employees. Further, the agenda regarding incentives/compensation for SLDC employees is being placed in the BoD meeting. Nonetheless, since the SLDC is the nerve centre of the operation of the power system in the state, PSTCL is directed to send the steps being taken and the quarterly status report in respect of the strengthening of the SLDC as per MoP's workforce staffing guidelines for the large SLDCs.

Sr. No.	Issues	PSERC Comments & Directive	PSTCL's Reply	PSERC Comments & Directive for FY 2025-26
		implementation of GEOA Regulation and issuance of guidelines for Banking, the role of SLDC for implementation of these regulation shall be enormous. Accordingly, PSTCL was directed to deploy adequately trained and motivated manpower with a pre-defined training calendar, minimum tenure and with appropriate incentive/compensation. However, PSTCL has only intimated some cursory measures such as stop gap arrangements to fix headquarters of 10 Nos. officers/officials under SLDC organisation. PSTCL is directed to take concrete steps for strengthening of SLDC in time bound manner and submit status report of the same as already directed within three months of issue of Tariff Order.	Further Agenda regarding Incentive/ compensation for Punjab SLDC employees is under consideration and is being placed in BOD meeting.	
4.7	**Capital Expenditure and Capitalisation**	The Commission directs PSTCL to keep submitting the six-monthly details of Capital Expenditure and Capitalization with clear break up between Spill Over and New Schemes for Transmission and SLDC Business separately to enable monitoring and progress of work being done.	List of Capex & Capitalization has been furnished for the SLDC Organization, HIS & D Organization, P&M Organization and TS Organization.	The Reply is noted. The Commission directs PSTCL to keep submitting the six-monthly details of Capital Expenditure and Capitalization with clear break up between Spill Over and New Schemes for Transmission and SLDC Business separately to enable monitoring and progress of work being done in future also.
4.8	**Transmission charges and losses power drawn by other states through PSTCL Transmission system.**	PSTCL is directed to earnestly take up the matter and recover the due transmission charges from the states/utilities for which energy is transmitted through the transmission lines operated and maintained by PSTCL. As reported by PSTCL, if other states are not signing MoUs and not paying due	**66KV UT lines:-** PSTCL is maintaining 220KV Ganguwal-Mohali Line and associated 4 No. 66KV Chandigarh bays. Accordingly, Electricity Department of UT Chandigarh is liable to sign MOU and pay O&M charges of 220KV Ganguwal-Mohali Line and bay maintenance	PSTCL is directed to expedite the recovery of transmission charges from UT Chandigarh for 220kV Ganguwal-Mohali line and associated 4 No. 66kV Chandigarh bays, HVPNL for 132kV Ropar Pinjore Line and with JKPDD for 66kV bay at 132kV Pathankot.

Sr. No.	Issues	PSERC Comments & Directive	PSTCL's Reply	PSERC Comments & Directive for FY 2025-26
		charges, PSTCL is directed to propose further action to be taken in the matter.	charges of associated 4 No. 66KV Chandigarh bays to PSTCL. Multiple correspondence & personal visits were being made by PSTCL officers repeatedly to Electricity Department of UT Chandigarh for getting release of pending payment of O&M charges of 220kV Ganguwal-Mohali Line and associated 4 No. 66kV bays, as well as to obtain consent for signing of MOU in order to streamline the payment basis for future. But Electricity Department of UT Chandigarh is deliberately delaying the decision of signing of MOU and clearance of long pending dues on the pretext of internal discussions & issues in reaching consensus for making payment as per CERC Norms. Further, UT electricity Chandigarh made the payment of Rs.20,37,849/- only (for the FY 2019-20 to FY 2022-23) against O&M charges of 220 KV Ganguwal-Mohali line and 04 No., 66 KV Bays on dated 20.11.23 by its own developed methods instead of MOP/CERC regulations. The UT has calculated these O&M charges of 220 KV Ganguwal-Mohali line and 04 Nos., 66 KV Bays by mixing own developed methods with TIE-4 regulation by keeping aside all the regulations approved by regulating authorities. The TIE-4	

Sr. No.	Issues	PSERC Comments & Directive	PSTCL's Reply	PSERC Comments & Directive for FY 2025-26
			Norms was prepared by erstwhile PSEB in 2004 having mtc. Cost of 66KV bay is around Rs 500/- per year by applying escalation @ 4%. The scope of these regulations limited to day to day minor mtc. activities. These charges does not include employee cost, interest on Capital cost or any other major expenditure being incurred on replacement/repair time to time through special estimates. Accordingly, the matter regarding Non-payment of outstanding dues by UT Chandigarh has been taken up with NRPC through 49th Commercial Subcommittee meeting held on dated 11.03.2024 and 50th meeting held on dated 27.08.2024 at NRPC New Delhi. After detailed discussion, NRPC directed that matter may be resolved bilaterally. **132KV Ropar-Pinjore line:-** Regarding signing of MOU and release of pending payments by HVPNL of O&M of 132 Ropar-Pinjore ckt 1&2 bays. PSTCL is maintaining 132 kV Ropar-Pinjore (D/C) Bays since 1969. HVPNL is liable to pay O&M charges and has to sign MOU, to streamline the regular payment process. Till now HVPNL has not paid O&M charges. PSTCL has done number of correspondences with HVPNL for payment of long pending dues.	

Sr. No.	Issues	PSERC Comments & Directive	PSTCL's Reply	PSERC Comments & Directive for FY 2025-26
			HVPNL is deliberately delaying the decision of signing of MOU and clearing of long pending dues. Recently, 132 kV S/S Pinjore has been upgraded to 220 kV S/S and new S/S has been constructed namely 132 kV S/S Nanakpur. Therefore, HVPNL has shifted old Pinjore line to new 132 kV S/S Nanakpur and forcefully connected the line to 132 kV S/S Nanakpur without approval and intimation to PSTCL. Following that meetings of higher officials of PSTCL and HVPNL were conducted and upon discussion Draft MOU has been sent to HVPNL on dated 08.08.2024 for consent and consideration. 132kV Ropar Pinjore Ckt-1 is kept switched off after its tripping on dated 07.08.2024 at 13:16 hrs and subsequent removal of jumpers of this Ckt from LILO point (of 132kV Ropar-Pinjore-Nanakpur) without permit in unauthorized unsafe and surreptitious manner. It is further informed that a meeting was held between worthy Director/Technical PSTCL and Director/Technical, HVPNL on dated 13.09.2024, in the meeting HVPNL ensured to send the proposal for the payment of pending dues but till date no proposal has been received from their end.	

Sr. No.	Issues	PSERC Comments & Directive	PSTCL's Reply	PSERC Comments & Directive for FY 2025-26
			132kV Chohal-Hamirpur line:- Since the line is owned and maintained by PSTCL and PSTCL is beneficiary as flow of power through this line is mostly from Hamirpur to Chohal, so no MOU is required to be signed. **66kV Pathankot-Kathua line:-** Ownership of the line is with J&K power development department so no Transmission charges are applicable. However O&M charges of 66KV bay at 132KV Pathankot is chargeable and Dy.CE/Amritsar has been asked to sign the MOU with JKPDD. **220kV Sarna-Udhampur line:-** This line is owned by J&K power development department and bay at Sarna is owned by PSTCL. Most of the time the power flow is from Udhampur to Sarna and beneficiary is PSTCL, so no MOU for O&M charges is required.	

Chapter 5

Determination of Transmission Charges and SLDC Charges

5.1 Annual Revenue Requirement

5.1.1 The Commission has determined the ARR for PSTCL for FY 2025-26 as Rs. 1815.81 Crore, comprising of Rs. 1778.15 Crore for Transmission business and Rs. 37.66 Crore for SLDC business. As, there is only one Distribution Licensee (PSPCL) in the State of Punjab, all the SLDC charges and transmission charges will be borne by PSPCL during FY 2025-26.

5.2 Transmission System Capacity

5.2.1 The Commission has determined the Transmission capacity (net) of PSTCL system from the data submitted by PSTCL as 13644.30 MW for FY 2025-26 after excluding the Renewable Generations at 66kV or below.

5.3 Determination of Transmission Tariff

PSERC MYT Regulations, 2022 specify that transmission tariff will have the following components:

i) SLDC Charges or System Operation Charge
ii) Reactive Energy Charges
iii) Transmission Charges or Network Usage Charges

5.4 SLDC Charges or System Operation Charge:

5.4.1 The Commission has approved the ARR of SLDC business for FY 2025-26 at Rs. 37.66 Crore in this Tariff Order. Accordingly, the Commission determines the SLDC Charges or System Operation Charge as under:

Table No. 5.1: Monthly SLDC Charges or System Operation Charge

(Rs. Crore/month)

Sr. No.	Particular	New charges w.e.f. 01.04.2025 to 31.03.2026
1.	SLDC Charges or System Operation Charge	(37.66/12)= 3.138

5.5 Reactive Energy Charges

5.5.1 The reactive energy charges, if any, raised by NRLDC on PSTCL will be recoverable from PSPCL directly by PSTCL.

5.6 Transmission Charges or Network Usage Charges:

5.6.1 The ARR for the Transmission Business of PSTCL has been determined at Rs. 1778.15 Crore for FY 2025-26 in this Tariff Order. Accordingly, the Commission determines the Transmission Charges as under:

Table No. 5.2: Transmission Charges

(Rs. Crore/month)

Sr. No.	Particular	New charges w.e.f. 01.04.2025 to 31.03.2026
1.	Transmission Charges	(1778.15/12) = 148.179

5.7 Determination of Open Access Transmission and SLDC Charges

5.7.1 SLDC Operation Charges and Transmission Charges for Open Access customers are determined as per the provisions of Open Access Regulations notified by the Commission.

5.7.2 On the basis of the approved ARR for SLDC business of PSTCL, the SLDC Operation Charges for Open Access customers during FY 2025-26 are determined as under:-

Table No. 5.3: SLDC Operation Charges for Open Access Customers for FY 2025-26

Sr. No.	Particulars	Unit	Quantum
1.	Revenue Requirement (ARR) of SLDC business for FY 2025-26	Rs. Crore	37.66
2.	Transmission System Capacity (net)	MW	13644.30
3.	SLDC Operation Charges for Long Term and Medium-Term Open Access customers	Rs./MW/ Month	2300.11
4.	Composite SLDC operating charges to be paid by Short Term Open Access Customers for each transaction as per PSERC Open Access Regulations.	Rs. Per day or part of the day	2000

5.7.3 On the basis of the approved ARR for Transmission Business of PSTCL, the Transmission Charges for Open Access customers for use of the transmission system during FY 2025-26 are determined as under:

Table No. 5.4: Open Access Transmission Charges for FY 2025-26

Sr. No.	Particulars	Unit	Quantum
1.	Revenue Requirement (ARR) of Transmission business for FY 2025-26	Rs. Crore	1778.15
2.	Transmission System Capacity (net)	MW	13644.30
3.	Transmission Charges for Long Term and Medium-Term Open Access customers	Rs./MW/ Month	108601.52
4.	Transmission Charges for Short Term Open Access Customers (based on 74532 MkWh of energy input at transmission boundary, as approved in Chapter 3 of PSPCL Order for FY 2025-26)	Rs./MWh	238.575

5.8 Date of Effect

The Commission decides to make the revised Transmission Charges and SLDC Charges determined above applicable w.e.f. 1st April, 2025 and these shall remain operative till 31st March 2026.

This Order is signed and issued by the Punjab State Electricity Regulatory Commission on this day, the 28th March, 2025.

Date: 28th March, 2025
Place: CHANDIGARH

Sd/-	**Sd/-**
(Paramjeet Singh) **MEMBER**	**(Viswajeet Khanna)** **CHAIRPERSON**

Certified

Sd/-

Secretary
Punjab State Electricity Regulatory Commission,
Chandigarh.

<u>ANNEXURE-I</u>

LIST OF OBJECTORS

Objection No.	Name & Address of Objector
1.	Dr. Harish Anand, Steel Furnace Association of India (Punjab Chapter), C/o Upper India Steel Mfg. & Engg. Co. Ltd. Dhandari Industrial Focal Point, Ludhiana-141010
2.	Chamber of Industrial & Commercial Undertakings, Office Complex: E-648/A, Phase-V, Focal Point, Ludhiana-141010
3.	Apex Chamber of Commerce & Industry (Punjab), Room No. 204, 2^{nd} Floor, Savitri Complex-1, G.T. Road, Dholewal, Ludhiana
4.	Government of Punjab, Department of Power (Power Reforms Wing), Chandigarh

ANNEXURE-II

PSTCL-Objections

Objection No. 1: Dr. Harish Anand, Steel Furnace Association of India, Ludhiana.

Issue. These comments upon the revenue requirement of the PSPCL for the aforesaid years are being offered in the light of principles enunciated in the Electricity Act, 2003, State Electricity Regulatory Commission's regulations, tariff orders passed by the PSERC in the past and decision of Appellate Tribunal for Electricity. The true up for FY 2023-24 and projections for FY 2025-26 should be based on MYT regulations only and extra expenses claimed by PSPCL should not be accepted simply because such expenses are actually incurred.

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

1. The distribution company should be separated from generation business as sufficient time has been given for this exercise. It is high time that challenge related to old thermal plants in the state, frequent back-down requirements and related fixed cost as well as setting up new thermal power plants in state or outside state of Punjab, if required at all, to be dealt in a composite manner and Discom should be made a separate company, which must evaluate the gains and cost of sourcing power from alternative sources.
2. Like Madhya Pradesh, Gujarat, Karnataka and other states in India even Haryana, the multi discoms model should be adopted for increasing competition in the state. Even private players may also be allowed in discom business for healthy competition. It will also highlight the inefficiencies related to theft of power, mismanagement or related to law & order situation. The interest of the consumers, who have been paying properly, areas of lower T&D losses should be separated from nonpaying consumers' area and higher T&D losses as has been pointed in ARR as well as tariff order.

   As shown in the balance sheet of the Discom, the legal expenses of the Discom is about Rs.7 crore, which indicates the coffer of the discom for fighting legal battles against PSERC as well as other parties. Further, this is funded from funds collected from the consumers of the state in the name of reasonable expenses of power supplied in the State. This prevailing arrangement is giving highly unfair and undue advantages to the Discom. If the matter is not decided in Discom favour at PSERC level, same is taken to APTEL and even when lost the case at APTEL, Discom move to Supreme Court. It is found that PSERC does not follow up to supreme court and discom become net gainer all the times. No private entity is so resourceful to contest the case for 10-15-20 years unlike Discom and remain at disadvantage. At least such legal battles should not be allowed to be fight on public money. Similarly, it is found that short term political objectives seems to be driving the ever increasing employee cost, which can only be checked with the entry of private player. Therefore, it is highly recommended that private energy players should be allowed in the power distribution field to stop such misuse of legal provisions of the Electricity Act,2003, which seems to be giving unassailing power to Discom.
3. **Return on equity**

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

Subsequently, MoP, GoI introduced UDAY scheme for stressed power sector and PSPCL, GoP and MoP entered into a tripartite agreement as per which PSPCL loans of Rs 15628.26 Cr were to be taken over by GoP through issue of SLR bonds by banks in the name of GoP and loans were to be taken off the books of PSPCL. It is not known whether the SLR bonds were actually issued or not. However, the UDAY scheme was up to 31.3.2020 and PSPCL proposed in previous year's ARR 2020-21 to convert the loan amount of Rs 15628.26 Cr as GoP equity in PSPCL thereby increasing GoP equity from 6081.43 Crore to 21709.69 Crore. It was also proposed to recover RoE on this loan converted equity amount of Rs 15628.26 @ 15.90% which works out to Rs 2485 Crore in addition to Return on Equity on Rs 6081.42 Crore. Thus, by simply maneuvering the entry of loan amount to equity, consumers were to be asked to pay Rs. 3423 Crore. This is clearly against the interest of the consumers. However, as per the Tariff Order dated 28th May 2021, claim of such return on equity was rejected by the Commission and RoE was kept the same at Rs.974.74 Crore on equity of Rs. 6081.43 Crore for FY 2020-21.
Instead of agreeing to the decision of the Commission and knowing fully well that the equity amount being not a cash flow does not qualify to be equity for RoE purpose, and being aware of the fact that APTEL has already rejected PSPCL's previous similar attempt and an audit para in this regard is already raised by CAG, Now in current ARR for FY 2024-25 dated 30th November 2023, PSPCL has come out with an entirely new argument for claiming increased equity and higher amount as Return on Equity. It is claimed that out of Rs.15628.26 crore, Rs.2246.77 crore was spent on capital expenditure and 13381.49 crore were working capital loan, out of which Rs. 2346.19 crore were also diverted towards capital expenditure. As per PSPCL, taking together, Rs.4592 crore should be treated as equity and return on equity should be now allowed on Rs. 10674 crore (Rs.6081.43 crore + Rs.4592 crore). PSERC and APTEL have amply made clear that only cash flow is to be treated as equity for the purpose of ROE, MYT regulations provide that equity should be actually infused for creation of useful assets. Therefore, there is no case for allowing Return on Equity beyond Rs.6081.43 crore, which in principle is also under litigation, on which APTEL has decided adversely and matter is in Supreme Court. It is also pertinent to mention that all the assets considered for supply of electricity to the consumers of the States as admitted by PSERC are already accounted for and linked with corresponding source of funding through debts. Hence, there is apparently no case for allowing return on equity beyond the admitted amount of equity.
It is pertinent to state here that PSPCL submitted the effect of UDAY scheme on the ARR of 2016-17 vide its letter no 481/CC/DTR/Dy CAO/245/Vol 1 dated 12.4.2016 which clearly states that whole of the amount taken over by GoP under UDAY scheme comprises of debt. Further, the tripartite agreement executed under UDAY scheme provided that 75% of the amount taken over by GoP will be converted into grant of GoP to PSPCL at the close of the scheme. Further, GoP was to compensate the loss of PSPCL in a graded manner. However, so far neither any grant has been given by GoP in terms of UDAY tripartite agreement nor any loss compensation has been given/shown in ARR. Thus, PSPCL has failed to get any relief in the form of Grant of 75% of debt or compensation for the losses which would have given relief to the consumers in the shape of lower tariffs but has acted proactively to convert whole of the loan of GoP into equity and claim RoE for the same to load the consumers through higher tariff. The demand needs to be rejected out rightly.
It is evident that in violation of the UDAY Scheme resolution, the amount of debt of Rs.15628 crore was converted into equity by PSPCL. As such, return on such debts has been artificially increased by showing it as equity and return sought is almost double as Regulations provide for return on equity @15-16% assuming 70:30 ratio of debt and equity. Even in such case, the amount of equity is to be kept at actual or 30% whichever is lower. Hence, it is the basic tenet that higher return should not be given on equity, when it is not infused in cash and debt should not be proposed by PSPCL / allowed by PSERC to be camouflaged as equity with the sole aim of claiming higher return.
As per PSPCL's own admission, the assets created by PSPCL as well as erstwhile Electricity Board/Electricity branch of PWD through debt, consumer contributions and

Govt grants and not through any infusion of equity, there is need to investigate the source of funding of assets created by Discom/Board. It is pertinent to note that PSPCL has itself admitted that gross fixed assets of GNDTP were created through loans and no infusion of equity was made at any stage. The relevant part is reproduced below

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

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

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

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

i. Initial equity of Rs. 2946.11 Crore of PSEB, which became equity of PSPCL is also nothing but government loans, which was got converted into equity on different occasions by the then PSEB management(s) to reduce loan liability in its Books and to escape liability of payment of Interest on such loans to insulate consumers from increase in tariff prior to setting up of Regulatory regime. While there is no objection on such conversion for accounting purpose but for fixing tariff, apparently, there is no differentiation between loans given by GoP to Board/PSPCL and equity. In fact, all the assets of PSEB/PSPCL/PSTCL were/are created by borrowing and a part of it shown as equity of Board. This evidently has been done to help Discom to reduce its interest burden as no ROE/dividend is payable to Government of Punjab till PSEB/PSPCL incurs losses. Thus, a methodology devised to keep the tariffs on lower side is now being used to increase income of PSPCL by unduly loading the consumers and meeting the losses due to inefficient working of PSPCL. Consequently, the consumers of the State are burdened with the higher tariff and financial loss in the form of 15%-16% Return on Equity on such amount, which is in fact a government loan on which not more than 7-8% interest needs to be allowed.
ii. The consumer contribution and Govt grants, which have been shown as part of equity (Rs.3135.32 crore) is also not equity in any sense and the same should be reduced from the equity and taken back to consumer contribution or to be written off for ARR purpose and no return on equity to be allowed on the same. In this regard, MYT regulations of PSERC and APTEL decision should be relied upon-when no tangible benefits are given to consumers through equity infusion, the same cannot be burdened with higher interest cost in the garb of return on equity.
iii. PSPCL has claimed Rs.15628 crore as equity for previous years and this year, out of it Rs.4592 crore is claimed as additional equity over and above of Rs.6081.43 crore and return on equity is claimed on the same for FY 2021-22 and FY 2022-23. Tomorrow, if PSPCL raised loans from some sources, invest and create some assets and show the same as equity instead of loan for ARR purpose, how commission would approach the same?

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

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

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

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

- *RoE for generation and transmission should be linked to the 10 year G Sec rate (average rate for the previous 5 years) plus risk premium subject to a cap as may be decided by appropriate Commission.*
- *For a discom, the RoE could be fixed based on the risk premium assessed by the State Commission. Income tax reimbursement should be limited to the RoE component only.*
- *Performance of Distribution licensees has a significant impact on retail tariff for the consumers. Therefore, there is a need to link recovery of RoE with the performance of the utilities, based on the indicators such as supply availability, network availability, AT&C loss reduction”.*

Prayer:

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

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

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

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

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

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

C Therefore, there is no case for allowing Return on Equity beyond Rs.6081.43 crore, which in principle is also under litigation, on which APTEL has decided adversely and matter is in Supreme Court.

2. Norms of operation for generating stations

PSPCL has asked for relying on actual figures for generating stations which are quite old and as such could not meet the parameters given in MYT regulations. In this regard, PSPCL has also relied upon CERC regulations. PSPCL has also asked for relaxation in PSERC MYT regulations for this purpose. This matter has been fully dealt with in the earlier tariff orders. No new information has been put forward by PSPCL. Hence there is no reason to revisit the approved norms set by PSERC and accordingly power generation and norms thereon need to be trued up as per Regulations.

Segregation of Accounts for Distribution, retail supply and generation business of PSPCL. Erstwhile, PSEB was bifurcated into PSPCL and PSTCL on 16.4.2010 whereby PSPCL was assigned the Generation, Distribution and retail sale components of the business and PSTCL was assigned the Transmission and SLDC business. Since then the accounts of the PSPCL and PSTCL are being prepared on aggregate basis and ARR is allocated based on normative basis in the ratio of Fixed Assets of each sub business.

The statutory requirement of maintaining separate accounts is being defied with for the last 12 years and Hon'ble Commission is also accepting the arguments of PSPCL year after year. It is high time that PSPCL should comply with the requirement otherwise, Hon'ble Commission needs to start penalty recovery from PSPCL.

3. Subsidized agriculture consumption to be capped

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

4. <u>Diversion fund figure to be updated</u>

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

5. Voltage Rebate for 66 KV consumers:

T&D losses for 66 KV consumers as per open access regulations worked out in TO 2018-19 are 4.28% for 2018-19 against total T&D losses of 14%. In addition to T&D loss, the 66 KV consumer has to be compensated for the investment and operating cost of the 66/11 KV transformer and switchyard. In one of the previous Annual Revenue Requirement (ARR), the voltage wise cost of supply worked out by PSPCL in the Reply to Deficiencies (Page 183) for 2019-20 for 66 KV industry is Rs 5.77 and for 11 KV industry as Rs 6.59 indicating a difference of 82 paisa per unit. However, the rebate being given to consumers connected at 66 KV is only 25 paisa per unit. Voltage rebate need to be enhanced appropriately and fixed in percentage terms as per pattern of Voltage Surcharge being charged on percentage.

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

6. **Fix industrial Tariff as per category wise cost of supply**

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

7. **T&D losses**

   It is prayed to the Commission to approve only reasonable T&D losses by keeping agriculture consumption well within approved range.

   Also pertinent to note that in the current ARR, it is clearly conceded by PSPCL that wide spread theft has been the major bane for higher distribution losses. Major culprit areas were Border, South and West of Punjab. Therefore, it submitted that burden of higher distribution losses were not of technical nature but are of commercial in nature and consumers should not be burdened with them and T&D losses level should continue to be fixed on trajectory adopted by Commission by capping agriculture consumption for true up as well as projections for FY2025-26.

8. **Power purchase cost**

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

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

9. **Employee cost**

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

   The comparison of the different states shows that PSPCL (91 paisa/unit) is the highest cost among other states like Maharashtra(62 paisa/unit), Madhya Pradesh(58 paisa/unit), Gujarat(52 paisa/unit), Rajasthan (63 paisa/unit), Uttrakhand (29 paisa/unit) and Haryana(42 paisa/unit).

   If the PSPCL per unit employee cost restricted to 60paisa/unit against 56 paisa/unit, average of above 7 states mentioned above, it would result into saving of Rs.0.31/unit. On an energy sale of 59211 MU, it works out to be about Rs.1850 crore. The any other sale figure may marginally change the absolute amount of saving but there will remain around Rs.1800-1900 crore.

   Therefore, it is also prayed that the employee cost taken together the pension liability as well as salary and other perks etc. total employee cost should be capped at 60 paisa/unit for FY 2024-25 and FY2025-26, which may be proportionately linked with the average of states Discom of above states for subsequent 5 years. The prayer made in the ARR by Discom on page 3, related to progressive funding of the terminal benefits trust be not considered at all to protect the consumer interests as provided the electricity act, 2003.

10. **T&D losses**

    The T&D loss path as provided in MYT regulations and followed in the earlier Tariff orders be followed for true of T&D losses, projecting T&D losses and fixation of agriculture consumption of electricity.

11. **True up of the ARR for FY 2023-24 based on audited figures.**

It is submitted that the ARR should be trued up on the basis of the MYT regulations, which clearly mention that CERC norms be followed to the extent possible. Therefore, either it is of T&D losses, norms related to generations of power of new or old plants, Shahpur kandi projects, employee cost etc. should be trued up on the basis of approved norms only. Now, Discom is in profit as claimed publicly, the excess cost than approved related to any aspect of supply of power should only be borne by Discom only.

The Electricity Act 2003 also provides for the safeguarding consumer interest by subjecting all expenses to the prudent check. Therefore, the PSERC should protect the industry from becoming unviable due to such high electricity cost due to high employee cost by capping per units employee cost at 60 paisa/unit and remaining cost must be absorbed by State Government/Discom.

PSPCL has claimed royalty to Punjab Government to the tune of Rs.19.70 crore for ensuing. The same should be approved only after the receipt of the power on actual basis.

12 **Overdue receivables**

In the ARR chapter 6: Status of directive compliances, page 129 of the current ARR, it is stated that there are outstanding dues of 5252 crore and out of which Rs. 2836 crore is due towards Government department. We opined that prepaid meter be installed in government offices. However, as far as outstanding from Government office is concerned (Rs.2836 crore), the same should be deducted from the Government loans given to PSPCL or the Government equity be reduced by Rs.2836 crore plus due interest for delayed payments and return on equity be reduced by the same amount. This should be left to the government as how to deal with these outstanding amount of various government offices. Similarly, it is also humbly suggested that a detailed MIS system be developed to track such accounts where power is regularly supplied but payment is not received. Such account holders may be pursued suitably to pay due bill amount to PSPCL. Honest consumers should not be made to suffer through higher tariff for such lapse of GOP/PSPCL.

13. The capex and other interest related expenses incurred on RSD should be allowed till the completion of the project and even thereafter only that capex to be accepted which is related to power generation.

Comments on ARR for FY 2025-26

1. Our first and foremost comments on the ARR FY2025-26 is that there seems to be very high chances of wrong projections as the preceding year FY 2024-25 information related to ARR, which should be immediate reference for projections is not given. In this way, it is very difficult to judge the latest demand, latest power cost and other generations of power variables and other important information. In our view, the discom should be asked to provide the same and only then any meaningful projections can be made.
2. Further, PSPCL has projected the energy consumption for FY 2025-26 on higher side. It is submitted that only the actual sale data of previous 5 years may be referred on audited balance sheet and actual sale reported thereon for projection of different categories sales. It is prayed to the Commission that the sales projection may be downwardly revised to make true estimates of the demand of power for FY 2025-26.
3. If the above argument finds merit then there would be lower demand of power in the State and accordingly the surplus power, which is shown as negligible would also surface in revised calculations. The same can be used to continue threshold consumption based incentive for the industry. It is pertinent to note that while outflow in threshold incentive is only for one year for a unit, which increased consumption over threshold level but PSPCL gain year after year due to higher consumption as it is not possible to keep on increasing the power consumption above threshold level every year, which happens due to investment made by the industry in any year for many years to come. The threshold incentive has worked in the past and has given gain to the Discom. Therefore, the same should be continue to incentives higher consumption in the state industry and generate employment for people and revenue for the State.

   This fact can be verified from the PSPCL ARR information related to surplus power for FY 2023-24 audited figures. As per For D2, page 195 of the main ARR for FY2025-26, it is stated that the surplus power is 7810.47 MU and cost of the same is Rs.953.53 crore. However, in the tariff order dated 14th June 2024, chapter 5, table 5.2 and para 5.1.5, it is reported that the surplus power would be negligible and accordingly the threshold rebate would not be required, which is given to use the surplus power.

"***The Commission had introduced threshold rebate to incentivize the consumers to consume more power so as to reduce the burden of additional fixed cost of surrendered power to some extent by utilizing the large volume of surplus energy available with PSPCL. The Commission further notes that there has been a significant increase in demand and the total Sale of PSPCL has increased from 47855.53 MkWh in FY 2019-20 to 59300.57 MkWh in FY 2022-23. Further, PSPCL has also relinquished its allocated share of power from Anta, Auraiya and Dadri power stations of NTPC which were having high energy charges. From the submissions made by PSPCL in the petition, it is observed that for FY 2024-25, PSPCL has projected a surplus of only 204 MkWh which is likely to be surrendered. As such, the Commission feels that the rebate offered for utilization of surplus power as threshold rebate is no longer viable in today's scenario since there is hardly any surplus power available to be utilized judiciously to maximise revenue and spread the fixed costs. Accordingly, the Commission decides to discontinue the threshold rebate being allowed to the consumers of the State for FY 2024-25."***

Now the data for FY2024-25 related to surplus power is not shared while in the ARR, in the same table mentioned above, it is admitted that there would be 2744.22 MU surplus power in FY 2025-26.

i. **Therefore, it is submitted that to utilized the surplus power, the threshold consumption rebate be started again.**
ii. **Further for FY 2024-25, as no projection for surplus power was made, it is prayed that no fixed charges on surplus power be allowed at the time of true up of FY2024-25.**
iii. **It is also prayed that incentives and disincentives related policy decisions should be based on audited figure only as estimates seems to be far away from the actual figures and may be biased for specific policy outcome.**

4. PSPCL has asked for revising the T&D losses, Power generation parameters for thermal plants based on actuals. However, these issues are raised again and again and it is also important to note that capex approved by the Commission is also based on such lower T&D losses and higher thermal power plant efficiency norms. The approach of the Commission should be adhered and continued for true up as well as for projections.

5. The detailed comments on retune on equity is given in the preamble of the comments on ARR. However, it is stated here that the return on equity should be given on equity actually infused in PSPCL, for which consumer have gained some benefits. Further, as the matter is pending in Supreme Court, the Hon'ble Commission may approve the return on equity on actually infused equity. For keeping in view the Forum of Regulators views, the return on equity shall be allowed at the return on equity rate of about 8%.

6. High cost of solar power needs to be examined

i. The analysis of the power purchase cost given on page 199(FY 2023-24 actual) of the current ARR of PSPCL revealed that there is abnormal high power cost of solar power at above Rs.6.74/unit. This is strange as power cost from solar source is about Rs.2.50-Rs.2.80/unit against about Rs.7 projected in the ARR. It is submitted that these power purchase from solar source need serious examination and the same should not allowed.
ii. Even if the long term agreement is binding then why the power sourcing is growing, If it is an old agreement, power availability should come down due to the working of degradation factor, which generally bring down power generation by about 0.5% minimum. There must be some agreement stating year wise availability of power from such source. Accordingly, the power sourcing should come down instead of growing as projected in the ARR.
iii. Further, if new agreements are made, which led to higher number of units then it should not be allowed at a rate above than Rs.2.50-Rs.2.70/unit. Why, PSPCL is

signing agreement at such onerous price of solar power? This need serious examination by Hon'ble Commission and we pray to the Hon'ble Commission to kindly look into the matter.

Based on above facts and arguments, it can be safely deduced that the higher ARR claimed for FY2023-24 true-up as well as for FY 2025-26 (projections) are not based on sound facts and based on actuals at most of the places than approved norms by PSERC and as such there would be no requirement of increase in revenue requirement in the current ARR.

Comments on Tariff related issues

The tariff petition of PSPCL and power tariff revision in the State is based on cost plus basis subject to the prudent check. PSPCL is sourcing power from own thermal stations, IPP in Punjab and central government power generating stations among others. The power sourced from power exchange is miniscule part of the power purchased by PSPCL. Besides this fact, the power available at exchange is not a perennial supply based power and highly erratic in nature and based on short term contract, which is mostly based on urgency of the buyer and seller than any long term commitment. As such referring to power rates at power exchange to draw policy for PSPCL power tariff fixation purpose is highly irrational and devoid of any merit. Therefore, referring to the same for power tariff in the state in early morning hours and peak hours etc. is highly objectionable. **We strongly condemned the practice of PSPCL of referring such ad hoc power rates for making tariff for permanent supply of power. Therefore, we submit to the Hon'ble Commission not to give any heed to such prayers, which are based on casual approach. There would be many times, when power exchange is traded at very low rates but discom never pass the benefits of such low rates reflected at exchange. Fully understanding the ad hoc nature of power exchange power rates, we never refer to the same for lowering the power purchase cost of the Discom. Similar maturity is also expected from Discom also. Further, if the national level power rates to be referred then power exchange traded power is not even 10% of the total power traded at national level. Therefore, increasing the peak hour rates from Rs.2/unit to Rs.2.50 per unit, higher rates for morning etc. should be out rightly rejected. PSERC follows the average cost of supply principle for tariff fixation so referring to power exchange rates is totally absurd and show discom in very poor light.**

More ever, as per MoP, the TOD tariff in solar hours should be lower than normal tariff as being done in some other states. Therefore, the discom should done away with peak load exemption charges and reduce the daytime tariff also.

1. **Shift TOD period to 1st June from 16 June presently is not correct.**

   In ARR, para 6.1.10, page 99, PSPCL has proposed that TOD tariff be started from 1st June instead of 16th June. It is prayed that the peak load restriction on industry should be completely done away as industry is not putting burden on the system, which need to be moderated by way of penalizing the drawl of electricity during peak hours. Such assertion is also verified from the fact that PSPCL has been giving power supply to agriculture sector during the same period. If supply during the peak load hours need to be moderated, the discom should not have augmented stress on the system by giving supply to agriculture sector. Hence, the peak load restrictions must be done away till specific detailed information is shared with consumers, which shows that peak load hours supply to industry need to be moderated.

2. **Increase TOD tariff to Rs.2.50/unit from Rs.2/unit during peak load restrictions period devoid of merit**

   As submitted above when there is no need of imposing peak load exemption charges, there is no reason to increase the same from Rs.2.00/unit to Rs.2.50/unit. Further, MOP also circulated amendment in Electricity Act, 2003 suggesting reducing the electricity tariff during day keeping to ensure that the consumer should benefit from the lower tariff during daytime due to higher solar energy availability and at lower cost than thermal power. Some other commissions like MPERC has also introduced day time tariff rebate of 20% in Tariff order 2024-25.

To take the advantage of the lower tariff due to availability of cheaper solar power during day time, even PSPCL has started giving power to agriculture sector during day time by procuring cheaper power in day thus making saving in power purchase cost. It is apprehended that due to giving power to agriculture sector during day time, the power purchase cost of PSPL in day time may have gone up due to higher purchase than normal case when power is given to agriculture sector in night while overall the purchase cost by replacing high cost thermal power in night by solar power in day time may come down. Thus, in this case, the extra cost if there is any due to higher purchase of solar power for agriculture sector, should be charged from agriculture sector rather than giving benefit of saving in power cost to all consumers except industrial consumers. Other way of handing the strategic shifting of agriculture sector supply to day time is to keep the average cost of supply model intact and keep tariff of all class of consumers based on same. Thus, agriculture sector also benefits due to day time power supply, discom save in power purchase cost and all consumers benefit/suffer without any discrimination.

3. **A new peak load hours slab from 6 am to 9 am during Ist December to 28th February is also proposed, which we object strongly.**
   It should not accepted and PSPCL should strengthen its system to meet the growing demand of the power in the State rather than taking temporary measures of proposing peak load restrictions. These are the tools of power shortage regime and in power surplus regime (where power supply can be augmented through putting new capacity), there is no place for such archaic measures in contemporary times. Infact, PSPCL should move to a regime where any kind of power consumption restrictions should not be allowed.
   Increased demand during morning hours of winter season is a normal feature experienced by all Discom in the Northern and Eastern India and as usual has to be met through full loading of backed down units of thermal plants, full scheduling of power from CGS, coordination with dam/pondage based hydro plants like Bhakhra, Pong, RSD, Shanan etc, for additional generation and drawl of banked power.
   With commissioning of Shahpur Kandi Project shortly, RSD will be used as a peaking station in the next winter season which will also help PSPCL to meet morning peak demand.
   It is also submitted that that Industry should not be penalized for the action of the morning demand is solely due to domestic and NRS sector due to Geyser and heating load and others.
4. PSPCL has proposed increase in Peak load charges from Rs.2/KVAh to Rs.2.5/per KVAh. PSPCL also propose to discontinue the TOD rebate of Rs.0.75/KVAh during 1st April to 31st May of each year. At most of the places, PSPCL has given reference to the high rate of power in power exchange during contemporary times. However, we strongly object to such proposal as **there are times when the power cost at exchange is very low while PSPCL is charging full tariff from consumers/government (in form of subsidy). Whether the Discom agree to reduce tariff when the power in exchange goes below the PSPCL power Tariff? It is submitted that power tariff in Punjab as fixed by PSERC are based on average cost of supply method and not on opportunity cost basis as** also provided in the PSERC MYT Regulations 2022. In such situation, it is not prudent to refer to the power rates in power exchange which are based on market forces and not on cost of supply basis as being done by PSERC.
5. **PSPCL proposed in Para 6.1.1 to 6.1.5 of ARR that due to high Market clearing rates for night hours prevailing on power exchange and almost same demand during night hours of 1st April to 15th June, TOD night rebate of 75 paisa/unit for these 2.5 months need to be discontinued.**
   The basis on which night rebate is granted is the need to make the load curve flat to bring down the extent of backing down of the thermal plants during night hours to achieve their efficient operations. It is evident from ARR that PSPCL has claimed extra costs to cover the loss in operating parameters of frequent start stop of its thermal

plants and has claimed that its thermal plants are not operating efficiently sue to excessive back downs. PSPCL has also not enclosed the load curve for these months for unrestricted demand and unrestricted availability to justify its claim. Therefore, the incentive of rebate for night hours in fact supports PSPCL as it reduces the start stops/back down to some extent and should be continued from 1st April to 15th June.

Due to artificial suppression of demand during April to June so as to minimize firing incidents of matured wheat crop and minimizing usage of power for running tubewells before 16th June for sowing paddy, power purchase during this period particularly during night hours is very meager and negligible. Further PSPCL has more than required installed and contracted capacities for which industrial consumers have borne the depreciation through tariff and have first right on the generation. Therefore, the proposal lacks justification and the night rebate for April to 15th June may be continued for 2024-25.

6. **Green tariff rate be reduced to 10 paisa/unit**
   The green tariff, the extra tariff paid by the consumers for taking credit of green energy is fixed at 24 paisa/unit in Tariff Order given in June 2024. It is submitted that revenue generated from green energy tariff may be shared with the consumers. It is opined that the green tariff be reduced to 10 paisa//unit as there are not many takers for green energy.

Prayer:

1. **There is no case for allowing any increase in ARR as sought by PSPCL for FY 2025-26 in fact tariff should be reduced especially for subsidizing class of consumers.**
2. **The tariff proposals given by PSPCL related to increasing peak hours time, including morning time in peak hour times, preponing the peak hour times to 1st June and withdrawal of 75 paisa/rebate for night be rejected as based on unfair, causal and short sightedness approach of PSPCL.**
3. **Carry forward the rationalization of Electricity Tariff in the State based on the principle of category wise 'Cost To Serve' principle**
4. **Reduce the electricity tariff of the subsidizing class of consumers particularly EHT category of consumers.**
5. **Ensure tariff rationalization of subsidized class of consumers or ask State Government to compensate the Board through explicit subsidy.**
6. **Voltage wise rebate should be given in commensurate with Category wise cost of supply and be increased to minimum 70 paisa/unit.**
7. **Continue with threshold consumption based incentive and night tariff rebate as it happens to flatten the demand curve and also helps in demand side management.**
8. **The green energy tariff be reduced to 10 paisa/unit considering the miniscule demand for the same and promote the market development for green energy.**

Reply of PSTCL:- The objections/suggestion/comments raised by M/s Steel City Furnace Association of India (Punjab Chapter) relates to PSPCL. Further, PSTCL has projected the ARR & Tariff for FY 2025-26 in line with the applicable regulations as specified by the 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 the Commission. The same is also subject to True-up on the basis of Audited Accounts, which will be available later on.

Commission's view:- The objection relates to PSPCL and has been considered in PSPCL Tariff Order as objection No. 3.

Objection No. 2: Chamber of Industrial & Commercial Undertakings

1. The PSPCL is hardly doing any kind of rigorous and consistent efforts to adopt the latest technology in power transmission & distribution systems. The same old equipment & technology are being used since last many years and no effort has been made to use the latest technologies such as Smart Grids and distribution system automation to reduce outage time/maintenance/man-power cost. It needs to adopt latest cost effective technology and compact man-less power plants/sub stations to

reduce its operation cost and help to reduce revenue requirements.

2. It is really a need of the hour to take the rigorous steps to recover all these kinds of pending dues along with interest from the Punjab Govt. and others so that burden of interest cost paid by PSPCL on borrowed funds to financial institutions could be reduced to a certain extent which further leads to reduce the fixed cost of the PSPCL and there would be hardly a need to increase the tariff of electricity as demanded by the PSPCL and reduce revenue requirement. Adoption of a strong will power and dedicated behavior towards change in policies of PSPCL and Punjab Govt. are required to achieve the desired results. The fixed and the variable costs of PSPCL are higher than the adjoining states like HP, J&K and Haryana etc. the cost analysis should be done to reduce it in comparison to these states.
3. PSPCL should need to increase efficiency in the generation of power through adoption of latest technology and optimum utilisation of scarce resources rather than resorting to power cuts and hike in tariff rates which will never help in the long term to survive and also not good in the public interest. The Punjab Govt. and PSPCL need to do collective efforts to tackle the problems. Repeated tariff revisions to get temporary relief will not serve the purpose.
4. **Revenue loss due to non-recovery of default amount as well as current billing charges towards the Govt. Depts. & Boards/Trust/Corporations/Religious Bodies etc.** are Increasing at significant rate/amount. Cases applied by industry under one time settlement scheme (OTS) are largely pending for settlement without any progress and final decision, contributing to higher cost of electricity tariff, which could otherwise be avoided. **PSERC should ensure 100% recovery of such amounts in the current year 2024-25 to reduce the revenue requirements.**
5. Misuse of free & subsidized power and unauthorized load extension particularly by AP consumers must be controlled effectively to avoid heavy revenue losses. Restructuring of demand during paddy season should be planned and executed more efficiently for regular and quality power supply to consumers.
6. **The supply of electricity can become profit making business. Quality power supply should be provided for 24 hours. Frequent scheduled/unscheduled power cuts with poor power supply must be controlled at all cost.**

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

<u>1.Employee Cost:</u>

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.

<u>2. Cost of Power Purchase:</u>

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

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

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

3. Energy Audit and T&D Losses:

As per PSPCL Directives for F.Y. 2024-25 (CHAPTER 7 of petition), there are over all 2620 no. feeders having loses more than 15% to 90%. Feeders with losses 25-50% has increased from 987 to 1426, feeders with losses 50-60% have increased from 256 to 326, feeders with losses 60-70% have increased from 116 to 194, feeders with losses 70-80% have increased to 31 to 131 feeders with losses 80-90% have increased from 11 to 23. The power theft causes Punjab approx. Rs. 2600 crore loss.

PSPCL needs to focus on these in order to reduce overall T&D losses. **It indicates that the ramped theft is being allowed in the areas of these locations, which is not possible without connivance of the PSPCL's officials/officers**. These losses should not be passed on to the consumers. PSERC & PSPCL should take a serious note of this unacceptable situation and plan to achieve substantial reduction of losses to bring it in the acceptable limits immediately. Necessary legal action should be taken against the all concerned parties. **PSERC should ensure 100% recovery of such theft amounts in the current year 2024-25 so as to reduce the revenue requirements of PSPCL.**

As per MOP guidelines under APDRP, AT&C losses (Not T&D) are required to be brought to below 8% limit with annual sustained Improvement. The Global average is 6-8% and Punjab average is about 18%.

<u>If these guide lines are followed in true spirit there may be no need to increase tariff in coming years.</u>

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 per unit cost of power. Effective steps should be made to recover the following dues from various sources which would help to reduce the borrowed funds.
- Further impact of interest paid on Borrowed Funds on account of non-recovery of Gap Tariff etc. from the Punjab Govt. should be calculated for payment. So that PSPCL may repay all such dues in time, and need not to borrow more funds for survival.
- Interest payment should be worked out through loan bailout by the Govt. or through asset selling (spare land/building etc.) and should not be passed on to the customers. There is enough land with PSPCL, which can be spared (and sold to repay the loans) by constructing multi-storey buildings & compact power substations.
- Subsidy to scheduled casts/weaker sections of Society and AP consumers should be given in cash /direct transfer in their bank accounts by the Govt. Instead of providing free electricity through PSPCL. It will lead to stop misuse of energy. **The estimated subsidy at exiting tariff for FY 2025-26 for domestic consumers will be Rs. 6860 crores and agricultural consumers Rs. 10413 crores.**

C. The major ingredients which are forcing PSPCL to increase the tariff rate / demanding more revenue requirement for the proposed year are interest paid

on borrowed funds and its payback instalments, which can be reduced by recovery of remarkable dues from the Punjab Govt. & defaulted customers, subsidy gap tariff and costly power purchase, besides improving working efficiency and low-cost generation of solar power. All these factors are required to be controlled immediately without any further delay, otherwise, it would majorly effect the financial health of the industry directly and subsequently that of the PSPCL and the Punjab Govt.

<u>**Suggestions are given bellow:**</u>

1. **The Quantum of subsidy amount approx. Rs. 10413 crores to the AP Consumers should be reduced drastically by conscious planning with long term vision by Punjab Govt**. such as reducing the area under paddy fields with alternate suitable cropping pattern implementations and levying some suitable tariff instead of total free electricity.
2. PSPCL should increase its base of equity rather than resorting to borrowed funds and further the loan bailout plan through waive off/repayment by selling the non-performing assets etc. should be worked out without further delay so that heavy interest expenses on borrowed funds could be avoided in future otherwise Situation would be so pathetic of industrial consumers but also with majority of public. On one hand, free electricity is being given to certain class of customers and on the other hand, the energy bill will become unaffordable by all other categories of consumers especially MSME and other industrial consumers.
3. PSPCL is a service sector utility and it should operate at optimum efficiency by utilizing the optimum use of resources, may it be material or man power. Efficient utilization of all these would help in reducing its overhead charges. It should increase its productivity and reduce its losses by introducing the latest technologies rather than charging extra cost from the consumers, especially MSME and Industry.
4. With the increase in the per unit price of electricity consumed in the way proposed by the PSPCL will lead to exorbitant rise in input cost of the industry and it will have no option but to close their units or shift to other states. The competitions have become global, it may not be able to compete the open market. The closure of industrial units will not only affect the prosperity of the state but will result in un-employment and unrest in the state also.
5. Upgrading more and more existing power transformers are being added at the existing grid sub stations in the cities instead of erecting new sub stations near the load centre. New sub stations are being proposed/erected at technically-non-suitable locations under compulsions, which are resulting In more T & D losses and poor quality of power. State Govt. should be impressed upon to provide land to the PSPCL for construction of more substations in the cities to ease the bottlenecks of grid constraints so that the atmosphere is more conducive for growth of the industry. This will reduce the cost of lines, substation structure/line loses.
6. During the heavy rain/storms, all feeders get tripped. On those days, the demand decreases due to tripping of all the feeders and drastic fall in temperature and the thermal plants of PSPCL run without load. It is felt that it may not be possible to re-energize all feeders in short span of time to ensure continuity of supply under all-weather condition by adaption of digital technology and mobile service/maintenance vehicles. Feeders having prominent/bulk industrial & commercial loads (which are independent of weather) should be robust enough to with stand it, so that surplus power is used and billed in that period.

D. In the end it is submitted that:-

1. On the one hand PSPCL is claiming power surplus scenario, on the other hand it is demanding additional revenue/tariff revision/ surcharges from PSERC for revenue gap up-to FY 2025-26 Rs. 5090.89 crores. To meet this gap the PSPCL has requested to Hon'ble Commission PSERC to increase the exiting retail supply tariff.
2. The entire world and the leading states of India are going for green energy, whereas Punjab is still going for the old technology of thermal plants by the Private Suppliers. Therefore, more Green Energy / Solar Power generation capacity should be installed in the state on PPP mode. For existing solar energy producers and giving (exporting) power to PSPCL Grid should be paid the excess exported units (other than imported units/self-consumption) at the commercial rates of their category in the respective financial year (ending 31 Sept.). So that consumers of all categories come forward to install solar system. At present surplus generated solar units are elapsed and PSPCL is charging 10% off generated units. Whereas excess generation is made by solar system are used by PSPCL without Incurring extra expenses. It should be rectified immediately.
3. On the one hand, benefits are being given by the State Govt. for Investment in Punjab and on the other hand, no relief is being given to the existing units which are getting sick day by day and moving out of State. Therefore, power tariff incentives should be given to the existing and new industry.
4. PSPCL is going for system up-gradation and network augmenting work in all major cities of Punjab through R-APDRP. On the one hand PSPCL is charging higher tariff from industrial consumers and on the other hand nothing is being done to ensure the quality and reliability of supply of power to the industry.

Reply of PSTCL:- The objections/suggestions/comments raised by Chamber of Industrial & Commercial Undertakings relates to PSPCL. Further, PSTCL has projected the ARR & Tariff for FY 2025-26 in line with the applicable regulations as specified by the 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. The same is also subject to True-up on the basis of Audited Accounts, which will be available later on.

Commission's view:- The objection relates to PSPCL and has been considered in PSPCL Tariff Order as objection No. 11.

Objection No. 3: Apex Chamber of Commerce & Industry (Punjab)

1. PSPCL is penalising the consumers detected with Unauthorised Use of Energy (UUE) with astounding amounts since the calculation methodology is prescribed in such a way that the penalty amount imposed on such a consumer runs into Crores of Rupees though his monthly billing is only in thousands of Rupees.
   Since the Monthly tariff and billing of all medium and large NRS and Industrial consumers is linked with the contract demand, as such consumers do not promptly intimate the load of various machineries lying connected or unconnected or installed after release of connection. However, on detection of UUE, all the electrical load lying in the factory is considered as connected and CD/consumption is proportionately increased. The difference is charged at double the rate in the revised category / slab of tariff though temporary tariff is only 1.25 times. In this way the Subsidy of the GOP availed initially by the consumer is also recovered from him. This is in-spite of the fact that it is not a case of Theft, the consumer has not crossed the CD and the fault of consumer is only that he failed to convey the ground situation to PSPCL.
   It is requested that the matter may be looked into and the situations leading to UUE be simplified. The calculation methodology be simplified and made rationale so that penalty is proportional to the irregularity.
2. The newly introduced Billing Format by PSPCL is confusing and does not contain the full data of consumer. The bill shows the amounts chargeable but

does not provide the methodology of calculations. One format for all consumers is not serving the purpose due to variations in Rates of fixed charges and energy charges for different categories and sub categories of consumers, slabs of tariff, different rates of rebates and surcharges for voltage, TOD and threshold, PIU and General load in one premises, NRS and Domestic load in one premises, Seasonal/ Special Night Tariff, GOP subsidy etc. As PSPCL has failed to prepare a self-speaking Bill Format, We request the Hon'ble Commission to intervene in the matter.

3. Hon'ble Commission vide its Tariff Order for the year 2023-24 increased the Fixed charges (Rs/KVA/Month) of industry and NRS consumers by Rs 20/- to Rs 40/- and Energy Charges (Rs/KVAH) by Rs 0.30 to 0.40. The night rebate for April and May for industry was reduced from Rs 1.25/KvaH to Rs 0.75 and for balance 6 Months from Rs 1.25 to Rs 1.00 per KVaH.

   Thereafter vide Tariff order for 2024-25, Tariff of Industry was further increased by Rs 5/KVA/Month for Fixed charges and Rs 0.15/KVAH for Energy Charges while there was no increase for NRS consumers.

   Both in the year 2023-24 and 2024-25, appropriate increase was given to PSPCL for the entire revenue gap worked out by the Hon'ble Commission, As per table 4-1 of present ARR, PSPCL will be surplus of 2528.16 Cr in 2025-26 with the prevailing tariff and after adjusting the Revenue Gap of Rs 7619.06 Cr, Net Revenue gap for 2025-26 is worked out as 5090.90 Cr.

   We submit that the revenue gap is primarily due to the APTEL orders on earlier ARRs for which Petitions were filed by PSPCL in 2013, 2014 and 2015 for which final orders were issued by APTEL in 2023-24 i.e. after about 9 to 11 years and other review petitions/revenue adjustments which need to be checked prudently by the Hon'ble Commission. It is also submitted that PSPCL is surplus in revenue both in 2023-24 and 2025-26 as per ARR, has earned profit in the year 2024-25 as per half yearly Balance sheet, has surplus in FPPAS fund for 2023-24 and in all likely hood in 2024-25 also.

   Further, the consumer Contribution is also set to increase due to steep revision in Standard Cost data and extra revenue likely to be earned with increase in availability of low cost solar and wind power. The interest sate are also likely to come down, The revenue requirement for 2025-26 is also likely to be reduced after prudence check by the Hon'ble Commission.

   Therefore, there should not be any requirement for an increase in Tariff. Any minor shortfall if still persists, may be carried forward to be settled in true up.

4. It is also submitted that PSPCL has been filing appeals in Hon'ble APTEL every year for the disallowed revenues in Tariff Orders and many more orders on remand by APTEL are likely to be issued year after year. IPPs are also filing appeals for the disallowed revenues by Hon'ble PSERC and payments withheld by PSPCL. Further CPSUs are also filing review petitions and appeals for disallowed expenditures and amounts payable as per PPAs but not paid by Discom. Since the Advocate fees and incidental expenditure incurred by PSPCL though against the interest of consumers are also being passed on to consumers, we request that there should be some cap on Carrying cost to be loaded to consumers in such cases and balance should be borne by PSPCL,

5. **Special Night Tariff for Industries**

   PSERC has been allowing the industry to opt for Special Night Tariff since 2019-20 which has helped the industry to continue operations during the Covid era and other periods of low demand of steel products. This has helped the industry to compete with the other states.

   However, PSPCL has now, in Para 6.2 of chapter 6 of ARR, requested for discontinuation of the Special night tariff on the ground that the demand scenario has changed and now there is no significance difference during day and night hours. Further due to increasing RE power primarily solar in the energy mix and lowering of energy prices, same should be utilized by shifting industry to day time. Market clearing price of power at power exchange during night is higher than the day power. PSPCL has also given data and arguments in favor of its proposal.

We submit that the submissions regarding GERC are totally wrong and misleading. Special Night Rebate is being granted by GERC on Tariff Category HTP-IV which is continuing as per Page 266-67 in TO 2024-25.

It is submitted that electricity during night for Special Night Tariff is made available from long term contracts and own thermal and Hydel plants for which these consumers have borne the depreciation. The electricity purchased during paddy period is due to extra load coming from Agriculture and domestic consumers and as such extra purchase is also chargeable to these categories. PSPCL is still facing huge demand differential during day and night period in non-paddy months and this category of special Night Tariff helps flattening of load curve. Further, DAM prices at power exchange are market driven and may or may not repeat in the coming years.

The proposal has been submitted by PSPCL in the last two ARRs and Hon'ble Commission had been rejecting the same. This provision needs to be reviewed as a slight relief to industrial units in distress due to frequently changing market scenario and to help industry, particularly steel industry to survive in difficult times.

6. Issues relating to Power Quality Meters

PSERC notified the Power Quality Regulations and many LS PIU consumers installed the Power Quality meters in the hope that they will be able to switch over to the General tariff and get some saving on the billing. Many others have given the option to PSPCL to install meter on monthly rent basis. The data relating to harmonics is available with PSPCL/Meter Vendor and being processed for compliance / noncompliance with the Regulations. Inspite of requests for making the raw data available along with the results regarding compliance or percentage of non-compliance from PSPCL or the supplier of meters. It is learnt that an mobile APP has been developed but it still is not giving raw data.

PSPCL has recovered penalty for non-installation of PQ meters @ Rs 50/KVA/month from many consumers and simultaneously, PSPCL has also filed Petition for extension of time lines. Since the deadline for installation of meters is yet to be decided by the Commission, the penalty needs to be returned to such consumers.

The data made available so far has been reviewed by members and it is seen that members having only induction furnaces (without associated rolling mill) are complying of TDD limit without any additional harmonic filtering equipment.

Thus, they were compliant of TDD in respect of current harmonics ab initio i.e since the date of installation of Induction furnaces but were made to pay higher PIU tariff due to wrong reporting of PSPCL. We request that consumers having only induction furnace be removed from the list of Designated consumers.

The reply given by CE/Commercial, PSPCL, Patiala vide their letter no 12-15/Petition 46/2024 Dated 3.1.2025 on comments offered by our association on Petition No 46 for 2nd sub para of Para titled 13.11.1 on page 7 is as under:-

As is evident from the above, the highest figure of TDD amongst the weekly 1008 (6*24*7) figures will be same in 95th and 99th percentile points since both are 10 minutes based (say it is 16). The TDD limit for 95th percentile basis is 8 and for 99th percentile points it is 12. The highest excess (out of 16-8 and 16-12) will be on which penalty will be applicable. Thus, there is no relief if the consumer has passed the 99th Percentile	The query was dealt in seminar arranged by PSPCL in Ludhiana. Further, the Highest value taken for 95th & 99th calculation will always be different as highest 5% samples will be left in case of 95th & highest 1%

basis as it has failed in 95th percentile point. The regulation need to be received to remove this anomaly.	samples will be left in case of 99th percentile.

However, the Regulation 13.11.1 reads as under: -

13.11 The Highest exceed TDD value over and above the specified limits from amongst the weekly 99th percentile short time (10 min.) and weekly 95th percentile short time (10 min) current harmonic values during 7 continuous days measurement period completed during a billing month shall be considered for calculating the compensation.

Processed data is not providing the highest figure of TDD at 95% and 99% percentile points to work out the penalty. The data reports being provided do not indicate the said values. Further, the wording of the Regulation need to be modified in view of the reply given by PSPCL.

7. PSPCL issued Commercial Circular no 26/2024 dated 5.9.2024 withdrawing the Subsidy of Rs 2.50/unit to Domestic Consumers having connected load of up to 7 KW granted from 1.11.2021. In table 7.5 of the Tariff Order 2024-25, Hon'ble Commission assessed the Subsidy on this account as Rs 1401.45 crore for full year. Thus, the admissible assessed subsidy for 157 days up to 5.9.2024 works out to only 603 Cr (subject to true up). Thus, GOP subsidy for 2024-25 is reduced by 798 Crore. Since PSPCL is claiming full amount of GOP subsidy as per tariff order, this amount cannot be allowed to be parked with PSPCL till true up and need to be counted to assess the correct ARR of PSPCL.
8. Unit No 2 of GHTP Lehra Mohabbat is not working since 13.5.2022 due to damage to ESP. Hon'ble Commission would have disallowed the demand of Fixed Charges in case such damage would have occurred to any IPP project. Since the outage continues for the last 32 months as on date, the fixed charges for the unit beyond the reasonable period for the repairs should be disallowed.
9. As per reports, PSPCL has sold power during evening peak hours of paddy season while forcing the industrial consumers to reduce their demand by imposing peak load TOD surcharge of Rs 2/- per unit.
10. This is an unfair trade practice by PSPCL which is profiting at the cost of consumers who are bearing the cost of generating stations and other infrastructure of PSPCL. As such we request PSERC to withdraw the Peak load charges.

Reply of PSTCL: - Point No. 1 to 10 of objection No. 3 does not relate to PSTCL.

Commission's view: - The issue No. 1 to 10 relates to PSPCL and has been considered in PSPCL Tariff Order as objection No. 10.

11. PSPCL and PSTCL were constituted in 4/2010 as successor companies to PSEB and since then Transmission losses were being assumed as 2.5% on a notional basis. In the MYT ARR submitted in 2016 for 2017-18, 2018-19 and 2019-20, PSTCL had projected Transmission Loss trajectory as 2.80% for 2017-18, 2.60% for 2018-19 and 2.50% for 2019-20. Against this, in the TO 2017-18, PSERC approved the trajectory as 2.50% for 2017-18, 2.40% for 2018-19 and 2.30% for 2019-20. However, due to non-finalization of boundary metering, the Transmission Losses were being claimed by PSTCL on higher side but PSERC provided the transmission loss notionally as 2.5% in TO 2017-18, 2018-19 and 2019-20. The Transmission losses for MYT period 2019-20 were worked out on actual basis as 2.217% as per Table 16 of PSTCL TO which were further revised to 2.69% based on revised methodology which were approved during true up exercise for 2019-20.

    For 2nd MYT period, Transmission loss was approved as 2.48% for 2020-21, 2.46% for 2021-22 and 2.44% for 2022-23. During true up also the loss levels were maintained as 2.48% for 2020-21 and 2.46% for 2021-22 and PSTCL was penalized for under achievement in 2020-21 and incentive given for over achievement in 2021-22.

Trued up Transmission loss for 2022-23 has been worked out as 2.27% in the ARR of PSTCL for 2024-25 against Target loss level of 2.44% as per Trajectory fixed by PSERC. Further as per Table 15 of ARR, PSTCL has claimed Rs 30.72 Cr as Gain on account of over achievement of Transmission Loss. Further, the loss level has not been indicated for ensuing year 2024-25 on Page 50, Para 4.4. For the MYT period 2023-24 to 2025-26, the PSTCL again proposed to take Transmission Loss as fixed 2.50% for all the 3 years of the control period 2023-24 to 2025-26 against which the Commission approved Loss level of 2.42%, 2.40% and 2.38% for the years 2023-24, 2024-25 and 2025-26 respectively.

This is very typical working of PSTCL whereby the consumers of Punjab are being unduly loaded with higher tariff. Firstly, PSTCL get higher transmission loss fixed from PSERC on flimsy grounds, then actually achieves lower loss and then claims incentive/sharing of gains, then gets into profit at the year end, pays Income Tax to the Govt of India and instead of paying the return on equity to Govt of Punjab, invests the balance as equity in creation of new assets and increases the equity contribution and then claims return on equity of enhanced equity. This all amount gets loaded on to the consumer through tariff decided by the Commission.

On one side PSPCL/PSERC are trying to lower the expenditure on Power Purchase by saving every penny as is evident from sourcing maximum coal from captive mine and refusing to accept power purchase from Rice straw based plants in the state above the threshold of Rs 5.00, reducing the tariff of RE plants of PEDA and other developers, on other side PSTCL is using every technique to increase its revenue by using such practices.

The Commission’s attention is also invited to para 4.3.4 the Tariff order for PSTCL for the year 2023-24 which provides as under:-

4.3.4 In the Business Plan Order including the Capital Investment Plan Order dated 21st December 2022, the Commission has approved the Transmission loss trajectory with reduction of 0.02% every year for the 3rd Control Period from the approved losses for FY 2022-23. Transmission losses for the Control Period shall be specified accordingly on the basis of the actual transmission losses for FY 2022-23 but will not be considered if found higher than the approved trajectory.

We accordingly request that the trajectory of Transmission loss be revisited for the last year of the previous control period and for current control period to save the consumers from any tariff hike on this account.

Reply of PSTCL:-

PSTCL evaluates the Transmission Losses (400kv/220kv/132kv) as per the energy data of various meters installed at different locations of Grid/Substations. SLDC has implemented SAMAST project. In SAMAST Project, old energy meters which were not compatible with new technology AMR have been replaced with new energy meters. The meter data is received from all grid/substations through AMR system. However, at few locations where DCUs are not installed, the energy data of these meters is being downloaded through CMRI. the Commission at para no. 4.3.4 of Tariff Order for FY 2024-25 dated 14.06.2024 has also revised the Transmission Loss target of 2.25% for FY 2023-24, 2.23% for FY 2024-25 and 2.21% for FY 2025-26. Transmission losses of PSTCL have improved from 4.239% in FY 2016-17 to 2.24% in FY 2023-24 as below:-

Year	Actual PSTCL Transmission losses (in %)	Trajectory approved by PSERC
2016-17	4.239	2.50%
2017-18	3.118	2.50%
2018-19	2.86	2.50%
2019-20	2.694	2.69%

2020-21	2.50	2.48%
2021-22	2.31	2.46%
2022-23	2.27	2.44%
2023-24	2.24	2.25%
2024-25	*	2.23%
2025-26	*	2.21%

*These shall be calculated at the end of Financial Year.

Further, SLDC calculates transmission loss figure based upon actual meter data. This data is integrated in the software developed by the firm and software-based calculation/checking of data has reduced manual intervention.

Apart from the above, additional transmission elements i.e. transmission lines/transformers/synchronous condenser or other elements will be added in coming years thereby increasing the installed MVA capacity of PSTCL system which may add in transmission losses during lean period. The direction of power flow in PSTCL system along with the outage elements/loaded elements/lightly loaded transmission elements of future year cannot be ascertained presently so there can be some deviations in PSTCL transmission losses which are beyond the control of any transmission utility.

Commission's view:- The Commission, in the MYT Order dated 15.05.2023 for the 3rd Control Period, had provisionally set the transmission loss trajectory as under: -

Transmission loss trajectory provisionally allowed for the 3rd Control Period

Sr. No	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Transmission Loss trajectory (%)	2.42%	2.40%	2.38%
*The opening targeted losses shall be reviewed as per the actual losses of FY 2022-23 but will not be considered if higher than the approved trajectory				

Further, in the Tariff Order for FY 2024-25, the Commission reviewed and finalised the opening transmission loss trajectory of 3rd MYT Control period (FY 2023-24 to FY 2025-26) based upon the actual achievement of PSTCL during FY 2022-23 i.e. 2.27% with a reduction of 0.02% for each subsequent year as under:-

Final Transmission Loss trajectory approved for the 3rd Control Period

Sr. No.	Particulars	FY 2023-24	FY 2024-25	FY 2025-26
1	Transmission Loss trajectory (%)	2.25%	2.23%	2.21%

If PSTCL achieves better transmission loss than approved Transmission Loss, 50% of such gain is passed on to the consumer whereas the entire loss due to non-achievement of the approved transmission loss is borne by the PSTCL.

12. Laying Distribution System on 22/33 KV on steel poles in congested areas

While we are thankful to the Commission for accepting request of the Industry for allowing the contract demand up to 5000 KVA on 11 KV, we also want to bring to the notice of this Commission that as per recent orders of the Central Electricity Authority, PSPCL has issued Letter dated 5.12.2024 as per which, solid tapping of 66 KV lines has been completely discontinued. With this, release of additional CD with change of voltage will be impossible for industries located in big cities like Ludhiana, Amritsar and Jalandhar as there is no right of way for 66 KV lines. Even if land space is arranged by the industry and 66 KV line is located nearby. PSPCL will not release such load. This will stop the industrial progress of the state and also affect PSPCL financially.

it is therefore suggested that Hon'ble Commission may allow 22 KV or 33 KV lines on steel poles in such areas to provide adequate electricity for the industry. Such practice of laying distribution lines of 22 and/or 33 KV are already prevailing in Maharashtra and

Himachal and PSPCL may also be asked to develop procedure for release of connections on 22/33 KV on steel poles.

We also submit that industry and business houses located in the state is still facing tough challenges from the neighboring and other states where the tariff is quite low. Many other bottlenecks are being faced like the issue of sourcing the raw material and shortage of scrap from foreign countries, dumping of cheap steel products and tough competition being given by other countries etc.

Industry is thankful to the hand holding of GOP, Commission, PSPCL and other departments. The cost of power is a major contributor of the total value addition cost and as such, the tariff and rebates of electricity play crucial role in its viability. Accordingly, Industry requests for further concessions in power rates, increase in voltage rebate, one tariff for all consumers of LS category irrespective of CD and merger of power intensive and general industry into one category for which we request the Hon’ble Commission for favorable action.

Reply of PSTCL:- This point does not relate to PSTCL.

Commission’s view:- This issue relates to PSPCL and has been considered in PSPCL Tariff Order as objection No. 10.

Objection No. 4 Department of Power, Government of Punjab

1 i) As per Transfer Scheme notified by Government of Punjab upon unbundling of erstwhile PSEB, the terminal benefits of employees of erstwhile PSEB are being apportioned between PSPCL and PSTCL in the ratio of 88.64% and 11.36% respectively. Hence, PSTCL has been paying its share @11.36% on actual basis to PSPCL as reimbursement on account of terminal benefits since its incorporation.

ii) The Administration & General (A&G) expenses and Repair & Maintenance. (R&M) expenses have decreased from Rs.30.10 Crore & Rs.45.61 Crore respectively (approved by the Commission in APR for FY 2023-24) to Rs.28.48 Crore and Rs.41.42 Crore (actual submitted for FY 2023-24 true-up). The A&G expenses mainly comprising of Electricity Expenses and Conveyance & Travelling expenses and are required to be incurred to maintain the vast transmission infrastructure. Electricity expenses are likely to enhance @ 5-6% and Conveyance & travelling expenses around 10% every year. These expenses are also supposed to be increased with installation and commission of new transmission lines, substations etc. PSTCL has projected Administration & General (A&G) expenses and Repair & Maintenance (R&M) expenses as Rs.33.23 Crore & Rs.41.82 Crore respectively for FY 2025-26.

The power demand of the state is increasing every year. The State Government is committed to provide quality, uninterrupted and affordable power to its valuable consumers in the State and the transmission system needs to maintain at its best. The transmission system of the State is being upgraded and augmented with appropriate replacements of equipment and renovations so that uninterrupted supply can be maintained and grid failure may be avoided. The Commission is requested to allow Administration and General (A&G) expenses and Repair & Maintenance (R&M) Expenses as submitted by PSTCL.

iii) The PSTCL has submitted Capital Expenditure of Rs.818.82 Crore during FY 2025-26 as per the works approved by Commission in line with the Capital Investment Plan for 3rd Control Period in Petition No.50 of 2022 and Petition No.15 of 2024. It includes works related with construction of new Sub-Stations, new lines, addition and augmentation of transmission system to cope up with the growing demand etc., laying of transmission network for evacuation of power from generation projects in the State as well as for evacuation of power share of Punjab from various Central Sector Projects.

Because of the rising trend in power demand in the State, appropriate transmission capacity is also required to be created to provide interrupted power supply to the consumers. The Commission is requested to allow these expenses as proposed by PSTCL.

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

v) PSTCL has considered 5.47% growth in Depreciation at Rs.341.27 Crore in FY 2024-25 over actual Depreciation of Rs.323.56 Crore for FY 2023-24 and 6.86% growth at Rs.364.68 Crore in FY 2025-26 over FY 2024-25. There is a direct relation between depreciation cost and installation of transmission assets (capitalized amount). PSTCL has submitted proposed capitalization of Transmission Works of Rs.569.04 Crore and Rs.668.07 Crore for FY 2024-25 and 2025-26 respectively. The proposed hike in depreciation by PSTCL is as per the rate of depreciation allowed as per the PSERC norms.

vi) The non-tariff income of PSTCL for FY 2023-24 (True up) is Rs.39.02 Crore, which comprises of substantial amount of non-recurring i.e., penalty imposed on suppliers/contractors, department charges on deposit/contributory charges etc. PSTCL has not accounted such non-recurring amounts while computing the proposed ARR for FY 2025-26 and projected non-tariff income as Rs.25.95 Crore. It has always been the endeavor of PSTCL to increase the non-tariff income so as to reduce the burden of transmission charges on public. The Commission is requested to allow these expenses as proposed by PSTCL.

vii) The SLDC is pivotal to the State's power sector. Its financial, operational and technical viability has to be maintained at every cost. PSTCL has submitted the projections for SLDC to the tune of Rs.33.99 Crore for FY 2025-26. The Commission is requested to approve the expenditure as detailed in the ARR for smooth functioning of SLDC.

viii) The Commission while determining tariff has been making some disallowances. These have been mainly related to interest charges. Disallowance in actual expenses such as interest charges affects financial position of utility and erode its capacity to make investments that would help it provide quality and affordable power to the consumers in the State.

Commission Analysis: Noted. The ARR is determined by the Commission in-line with the prevailing PSERC MYT Regulations after prudence check.

2. The Inter-State Transmission Charges are gradually increasing resulting in hike in tariff for electricity consumers. Therefore, the Commission should raise the issue in Forum of Regulators or at suitable platforms for reduction in Inter-State Transmission Charges for a distance of 500 KM and above.

Commission Analysis: Suggestion is noted. However, PSTCL is also directed to take up the issues with Central transmission utility/CERC.

3. The Commission is requested to keep in view above aspects, overall expenditure of the utility and various guidelines/instructions issued by Ministry of Power, Government of India and other courts so that a financial, operational and technical viability of PSTCL is maintained while finalizing the tariff for FY 2025-26

Commission Analysis: Noted, however the tariff is approved keeping in view MYT Regulations, various MOP guidelines/instructions & public views.

ANNEXURE-III

Minutes of the Meeting of PSERC State Advisory Committee, Chandigarh held on 20th February, 2025.

A meeting of the PSERC, State Advisory Committee was held in the office of the Commission at Chandigarh on **20th February, 2025**. PSERC had invited comments of the members on the Petitions for True up of FY 2023-24and the ARR Requirements and Tariff Proposal for FY 2025-26 (3rd control period from FY 2023-24 to FY 2025-26), respectively of Punjab State Power Corporation Ltd. (PSPCL), Punjab State Transmission Corporation Ltd. (PSTCL) and on the agenda items as proposed by some of the members of PSERC State Advisory Committee. The following were present/represented in person in the meeting: -

Sr. No.	Name and Address	Designation
1.	Sh. Viswajeet Khanna, Chairperson, PSERC, Site No.3, Sector-18-A, Chandigarh.	Chairperson
2.	Sh. Paramjeet Singh, Member, PSERC, Site No.3 Sector-18-A, Chandigarh.	Ex-officio Member
3.	Captain Karnail Singh, Secretary, PSERC, Site No.3 Sector-18-A, Chandigarh.	Ex-officio Secretary
4.	Additional Chief Secretary,Department of Power, Government of Punjab, Chandigarh.	Member
5.	Principal Secretary, Food & Civil Supplies and Consumer Affairs, Government of Punjab, Chandigarh	Ex-officio Member
6.	Principal Secretary, New and Renewal sources of Energy (NRSE), Government of Punjab, Chandigarh.	Member
7.	Chairman-cum-Managing Director, PSPCL, The Mall, Patiala.	Member
8.	Chairman-cum-Managing Director, PSTCL, The Mall, Patiala.	Member
9.	Chairman, Farmers' Commission for the State of Punjab, Punjab Mandi Board, Mohali	Member
10.	Chairman, PHDCCI, Punjab Committee, Sector 31-A, Chandigarh.	Member
11.	Indian Energy Exchange Limited, Plot No.C-001/A/1, 9th Floor, Max Towers, Sector-16 B, Noida, Gautam Buddha Nagar-201301(U.P.)	Member
12.	Sh. Avtar Singh Dhindsa, Agriculturist, Sarabha Nagar, Ludhiana.	Member
13.	Dr. Ranjit Singh Ghuman, Professor of Eminence (Economics), 804, Urban Estate, Phase-I, Patiala-147002, Email: ghumanrs@yahoo.co.uk	Member

At the outset, the Chairperson, PSERC welcomed the members to the meeting of the newly constituted State Advisory Committee. The Chairperson thereafter, requested the members to offer suggestions/comments on the Petitions for True up of FY 2023-24 and the ARR Requirements and Tariff Proposal for FY 2025-26(3rd control period FY 2023-24 to FY 2025-26), respectively filed by Punjab State Power Corporation Ltd. (PSPCL), Punjab State Transmission Corporation Ltd. (PSTCL) and the agenda items as proposed by some of the members of PSERC State Advisory Committee. Some Members were not able to come for the meeting, however, they sent their comments/inputs which have been incorporated in the Minutes of Meeting. Thereafter, the members gave their comments/suggestions/views as under:

1. **<u>Sh. K.K. Singla, PHDCCI stated that:</u>**

   The PHD Chamber of Commerce & Industry has submitted the comments as under: -

   (A) General

   The ARR of PSPCL for the FY 2023-24 was approved by the Commission as Rs 41704.42 crore in the Tariff Order of FY 2023-24 including Cumulative Gap of Rs.3584.42 crore and the same was proposed to be recovered through an appropriate increase in Tariff. Thus, the total ARR including Gap was allowed and consumers paid the higher tariff in the hope that PSPCL will be meeting its expenditure for 2023-24. However, in the True up for the FY 2023-24, PSPCL has again projected a cumulative gap of Rs 7619.06 Crore.

   Now, for the FY 2025-26, PSPCL has submitted Net ARR to the tune of Rs.47916 Crore and a revenue surplus of Rs.2528.16 Crore. After including the revenue gap Rs 7619.06 up to 2023-24, the cumulative gap up to FY 2024-25 has been worked out as Rs 5090.89 Crore. The Revenue Gap/surplus for 2024-25 is not included as these figures have not been submitted by PSPCL. Although, revenue surplus has been presented for the FY 2025-26 but during true up for this period, as per practice, again deficit will be presented.

   The projections of ARR of PSPCL for the ensuing years and True Up for the same after two years clearly indicates that either the figures are being inflated or extensive exercise taken up by PSERC for determining the revenue requirement and pegging of expenditure by PSERC has no consideration for PSPCL and they are incurring expenditure at their will. Moreover, this expenditure is being incurred by PSPCL by drawing interest bearing working capital loans from various sources and incurring finance charges on arranging loans. Perusal of the above figures speaks of the total financial indiscipline.

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

(i) Capping of Power Supply to Agriculture Sector:

The power supplied to the agriculture sector has been growing consistently at a very high rate due to increase in capacity of tube wells, depletion of water table, lower power factor at tubewells, defective meters at the feeder end, inefficient pumps etc. Providing the power at the subsidized rate of Rs 6.70/KWH (Tariff Order of FY 2024-25), which is far less than the average cost of supply of Rs.7.16 per unit (Tariff Order of FY 2024-25) and projected Voltage wise cost of supply for FY 2025-26 worked out as Rs 7.34 (Reply to Deficiencies) is leading to serious financial crisis for the PSPCL. This will ultimately seriously affect the interest of Industrial consumers in the State as they are being charged tariff of Rs 6.82 per unit as Variable Charges + Rs 320/- as Fixed Charges whereas Voltage wise Cost of Supply for Industry at 66 KV is Rs 6.01, Rs 5.54 at 220 KV and Rs 5.50 at 400 KV. Industry is already reeling under recession and high electricity rates for Industry are further aggravating the situation. Moreover, the Industry has also to bear 20% ED+IDF on SOP which are not applicable for Agriculture Consumers. In this regard the provisions of National Tariff Policy are extracted as under:-

> 8.3.4 Extent of subsidy for different categories of consumers can be decided by the State Government keeping in view various relevant aspects. But provision of free electricity is not desirable as it encourages wasteful consumption of electricity. Besides in most cases, lowering of water table in turn creating avoidable problem of water shortage for irrigation and drinking water for later generations. It is also likely to lead to rapid rise in demand of electricity putting severe strain on the distribution network thus adversely affecting the quality of supply of power. Therefore, it is necessary that reasonable level of user charges is levied.
>
> The subsidized rates of electricity should be permitted only up to a pre-identified level of consumption beyond which tariffs reflecting efficient cost of service should be charged from consumers. If the State Government wants to reimburse even part of this cost of electricity to poor category of consumers the amount can be paid in cash or any other suitable way. Use of prepaid meters can also facilitate this transfer of subsidy to such consumers.

Therefore, it is imperative to cap the maximum amount of power year wise & approved by the commission that can be supplied to the agriculture sector at the subsidized rate inclusive of additional connections projected in a year and the power supplied above that limit should be billed as per Cost of Supply for agriculture power as worked out in ARR.

(ii) Distribution Loss Level of PSPCL:

PSPCL has stated in the ARR that it has actually achieved Distribution Loss level of 11.81% during 2023-24 against PSERC projected loss level of 12.30% and thus is eligible for incentive of Rs 83.05 crore on this account as per ARR.

It is submitted here that as detailed in Para 2.3 of the Order dated 11.1.2023 in Petition No 49 of 2022, the Hon'ble Commission had approved Distribution Loss of 11.24%, 10.94% and 10.64% for FY 2020-21, FY 2021-22 and FY 2022-23 respectively for 2nd MYT Period. Further, for the years 2023-24, 2024-25 and 2025-26 of the 3rd Control Period, the Distribution Loss level was increased compared with those of 2nd MYT period and approved as 12.30%, 12.10% and 11.90% respectively with following note below Table 8: -

> *The distribution loss trajectory shall be subject to revision based on actual figures for FY 2022-23 true up but will not be considered if higher than the approved trajectory. Also, the reduction trajectory of 0.20% shall remain the minimum benchmark subject to actual during true up if achievement is better than 0.20%.

In the Tariff Order for 2024-25, while truing up for 2022-23, the Commission decided to consider the actual transmission losses of 1461.43 MKWH while retaining the target distribution loss of 12.04% for Truing up of FY 2022-23. Thus, no final order in the matter of Targets for the 3rd MYT has been issued and these are still provisional/subject to review. Under these circumstances, no claim of incentive for over achievement of Distribution loss is admissible. Hon'ble Commission is requested to review and fix the target of Distribution loss trajectory for 3rd MYT as per the actual loss levels of 2023-24.

PSPCL is being allowed loans and getting grants for system improvement works under Central schemes and capital investment plans being approved by PSERC and projecting that such investments will improve the operational efficiency and reduction in losses. Consumers are being made to bear the cost of such work directly and indirectly. However, Distribution losses are in fact increasing/decreasing at the will of PSPCL. As such, the incentive claimed is not to be allowed as per MYT Regulations as per the true up of the previous years.

(iii) Interest on Short Term Loans for Working capital:

The PSPCL has been admitting to raise short term loans to meet the revenue shortfall arising out of disallowances of ARR components, non receipt of subsidy from the Government, incurring expenditure on unapproved schemes and delayed payments from consumers etc. It is submitted that interest on delayed receipt of subsidy is being loaded to the State Govt. while determining the subsidy amount in the tariff orders. Further, PSERC is allowing the carrying cost of difference in revenue and ARR amount including delay in recovery of revenue from consumers. For late payments by consumers, PSPCL is getting Late Payment Surcharge. Therefore, working capital (WC) interest should be allowed on normative basis only and after deducting the Advance Consumption Deposit (Security) parked with PSPCL as per Regulations and practice being followed by the Hon'ble Commission so far.

We also request that on the same lines, GPF fund parked with PSPCL by employees (Rs 607.39 crore ending 31.3.24 as per Format D-13 and G11 for Distribution Business and Generation Business) being used by PSPCL to meet the working capital be also reduced from normative working capital and interest on WC be also reduced accordingly and only thereafter interest on GPF be allowed. Alternatively, PSPCL be asked to bear interest on GPF amount from its internal accruals and claim by PSPCL in ARR need to be rejected. It is also seen that the same figures are appearing in format D13 for distribution business and G 11 for Generation business i.e. the same interest amount has been claimed for the two businesses which is wrong.

(iv) RETURN ON EQUITY:

(i) The Commission has approved 15.5% return on equity for 2012-13 to 2015-16 purportedly as per PSERC Regulations as per the FRP approved by GOP increasing the cost of assets by their revaluation and merging the Consumer Contribution, Subsidies and Grants with GOP equity leading to increase in the equity share capital of PSPCL from Rs 2617.61 crore to 6081.43 crore which has led to increase of ROE from Rs.405.73 crore to Rs.942.62 Crore i.e. an increase of 232% in both the figures without any fresh investment or infusion of cash by GOP or PSPCL. This matter was challenged in APTEL and it has already directed PSERC to reconsider the issue vide judgment Dated 17-12-14 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 consumers."

"Issue No. (iii) Relating to Return on Equity, Consumers Contributions, Grants, Subsidies etc.

50.3 The findings of this Tribunal in Appeal no. 46 of 2014 shall squarely apply to the present case. The State Commission shall redetermine 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 respondent no.2.

Accordingly, we request the Commission to re determine ROE for all the years w.e.f. FY 2011-12 onwards and adjust the same along with carrying cost to provide relief to consumers.

(ii) Regarding request of PSPCL to consider part of UDAY loans as equity and allowing ROE on the same, it is submitted that APTEL had observed in its order on Appeal No 168 and 142 referred to in preceding para that the Govt can hold any amount as equity in PSPCL (and PSTCL) but ROE needs to be granted only on actually subscribed and paid up equity only i.e. cash money which has been infused, only need to be counted as equity for the purpose of ROE. Further, It is also to be noted that

a) UDAY MOU between PSPCL, GOP and MOP clearly laid down that 25% of fund taken over by GOP will be converted into equity and balance as GOP grant.
b) PSPCL and GOP have failed to achieve the targets set in UDAY scheme and therefore, the whole amount be treated as grant of GOP. It is between PSPCL and GOP to decide on the issue between themselves. and consumers cannot be made to suffer twice on the same count.
c) The amount of Rs 15628 crore approved under UDAY scheme includes unapproved capital and WC loans and funds diverted by PSPCL which cannot form part of funds for conversion into equity and grant.

It has become known that GOI had written to GOP to pay the 50% amount of Rs.4700 Crore (Loss for the year 2022-23) to PSPCL under UDAY scheme. All this will be subject to the outcome of appeal filed by PSPCL in APTEL.

(v) Segregation of Accounts for Generation and Distribution Business:

PSPCL is still following the short cut route of Allocation methodology for segregation of ARR between Generation, Distribution and Retail tariff segments though Electricity Act came into force in 2003 and PSEB was split on 16.4.2010. PSPCL is submitting the same set of excuses for following the segregation methodology. Every time new regulations are drafted for Determination of tariff during the last 22 years since 2003 and 15 years since 16.4.2010. We request the Hon'ble Commission to fix the dead line (preferably from 1.4.2026) for PSPCL to start compiling separate accounts for the 3 segments when MYT regulations for next control period from FY 2026-27 are drafted failing which it should use its powers to advise GOP to make separate companies for Generation and Distribution.

(vi) Separate Petition for Determination of Tariff for GATPL:

Vide order dated 05.12.2024 in Petition No. 25 of 2024, the Hon'ble Commission had directed PSPCL that M/s Guru Amar Das Thermal Power Limited (GATPL) shall file a separate petition for approval of the Hon'ble Commission for determination of tariff on an annual basis. PSPCL has purchased GVK Power plant at a very meagre lump sum cost of Rs 1080 Crore. (Capital cost of Rs 2 Cr/MW) and is making available cheap coal from its own Pachhwara mine to this plant and all the claims/disputed amounts have been brought to NIL. As such, the Consumers should be benefited from the investment to be borne by the consumers. Further, filing of separate Petition for ARR will ensure healthy competition between PSPCL's own thermal plants at Lehra and Ropar vis a vis GATPL owned Goindwal Sahib.

(vii) COST OF SUPPLY/HT REBATE:

In compliance to APTEL orders, PSPCL has carried out the study on Cost of Supply, which was a part of ARR FY 2013-14 and PSERC accepted methodology II of the study. While submitting the comments on cost of supply study, we had pointed out that the study is based on lot of assumptions and sample feeders taken are quite inadequate.

a) 3619 feeders were identified initially out of 6000+ feeders of PSPCL for study.
b) Sample size was reduced to 30% i.e. 1800 by mutual consent of PSPCL and TERI.
c) PSPCL could supply data for 200 feeders only.
d) These were further filtered and finally data of only 166 feeders was used for the study.

The study indicated that even with this data, assumptions had to be taken at every step due to absence of one or other parameter required for the study. Further, even the assumptions had been so taken that HT/EHT consumers were loaded with unjustified costs and made to share big burden of the ARR. The T&D losses for 220/KV and 132 KV consumers had been taken as 6.6% against 2.5% assumed by the Commission in the tariff order. T&D losses for agriculture had been taken as 22% whereas these should have been more than 30% as it is well known that these consumers do not install Capacitors, use high wattage bulbs against CFLs permitted free with pump set, use of non- ISI motors and theft of power during paddy season.

It was also pointed out as to how a consumer connected at 220 KV level has been equated with that at 400V LT domestic consumers, this is beyond justification. Even some figures worked out like cross subsidy figure for 132 and 33 KV looked very unconvincing compared with other voltage levels. It is evident from the above that cost of supply as worked out in methodology II is not representing the ground realities and needs to be made realistic and fine-tuned with more data collection on actual basis. PSERC had accepted methodology II and had worked out Voltage wise and category wise Cost of supply for FY 2013-14 in Tariff order of FY 2013-14. The Commission had further observed in para 5.2.10 of Tariff order of FY 2013-14 as under: -

> 5.2.10 It would be ideal to fix electricity tariff for all consumers on cost to serve basis. But historically, there has been extensive cross subsidization in electricity sector. The tariff for consumers, who pay

> less than the cost to serve, will need to be hiked significantly to cover the gap between the tariff of subsidized consumers and cost to serve these consumers. As such, the Commission is raising tariff of subsidized consumers gradually to reduce such gap, and at the same time avoiding tariff shock to subsidized consumers and bringing the tariffs of various consumers within reasonable difference as compared to cost to serve these consumers.

Accordingly rebate for EHT consumers was reintroduced. The practice was continued in FY 2014-15 and PSERC ordered in the Tariff order as under: -

> On the basis of data submitted by PSPCL in its Petition for ARR and Determination of Tariff for FY 2014-15 and the ARR approved by the Commission for FY 2014-15, the Commission has determined the indicative voltage-wise, category-wise cost of supply for the year 2014-15, using Methodology II (Appendix II, Volume-1). Further, in order to move further in the direction of cost of supply, the Commission decides to give rebate as mentioned in para 9.2.2 [Note (vii) under Table 9.1].

The same voltage rebate has been continued in FY 2015-16 and FY 2016-17 though the gap of cost of Supply is much more. **The Hon'ble Commission is therefore requested to: -**

a) Direct the PSPCL to be transparent on the cost of supply and make the complete calculations a part of ARR.

In the ARR for the FY 2025-26, PSPCL has considered the same losses as 2.21% for 400, 220 and 132 KV (page 157 Annexure 23 of replies to deficiencies) but in the ARR of PSTCL for the FY 2025-26 (Form T 33 Losses in the Transmission System and Form T 34 Voltage Wise System Losses), the losses at 400 KV work out as 0.27%, 1.39% at 220 KV and 0.58% at 132 KV. Thus, the Cost of Supply as worked out by PSPCL is not realistic and reliable.

b) The cost of supply study be made more realistic and reliable by firming up the data required for the study since lot of computerization/digitization has taken place and IT practices have been introduced under APDRP schemes in PSPCL/PSTCL.

c) As per recent orders of APTEL in an appeal filed by the Objector, it has been ordered that Cross Subsidy Levels worked out on the basis of Cost of supply should be kept less than that of last year. Further cross subsidy levels based on average cost of supply basis should not exceed 20% limit.

d) Till the tariffs are determined based on cost of supply, voltage rebate be further enhanced to make it commensurate with the cost of supply

(viii) Issue concerning Electricity tariff for registered units under the Tourism Policy for the Homestay and Bed-and-Breakfast (BnB) Scheme in Punjab:

As per DO letter No. PHTPB/2023/1222 dated 03.05.2023 from Secretary, Govt. of Punjab, Department of Truism and Cultural Affairs regarding charging of Domestic Schedule of Tariff to the residential units registered under the Tourism Policy of Govt. of Punjab for the Homestay and Bed-and-Breakfast (BnB) Scheme in Punjab and orders of the Hon'ble CM Punjab vide File No. 2615 dated 04.10.2023, as conveyed to Principal Secretary/Power, Govt. of Punjab, vide Director/Tourism & Cultural Affairs letter No. PHTPB/2023/R & S/107-109, Domestic rates for electricity would be charged from the registered Homestay/BnB/Farm Stay units.

There are currently around 100 Homestay and Bed & Breakfast (BnB) units registered under the Tourism Department, Government of Punjab which play a significant role in promoting the rich heritage and culture of Punjab while also creating sustainable employment opportunities for the local population. These Homestay and BnB units operate in the residential areas and sometimes within the owners' homes. However, presently PSPCL is charging commercial electricity tariffs to these Homestay and Bed & Breakfast (BnB) units which is against the Tourism policy of the Govt. of Pb for such units.

As per Schedule of Tariff for Domestic Supply (SVI specifically SVI.1.2) under Tariff Order for the FY 2024-25, issued by the Hon'ble PSERC, "Paying Guests" are also included under the Domestic Supply (DS) schedule along with others. It is requested that as per policy of Govt. of Punjab, as detailed above, the registered Homestay and Bed & Breakfast (BnB) units may also be covered under the Domestic Supply (DS) schedule.

It is also pointed out here that as per the tourism policies of various other states such as Gujarat, Himachal Pradesh, Maharashtra, Mizoram, Madhya Pradesh, Uttar Pradesh, Uttarakhand, and West Bengal, all Homestay and Bed & Breakfast (BnB) accommodations are charged Domestic Schedule Tariff.

(C) Comments on True up of FY 2023-2024 (Chapter 2 and Formats)

(i) The Total Energy requirement of 70125 MUs were projected by PSPCL in its ARR for the year 2023-24 against which 69077 Mus were approved by PSERC. Accordingly, the Revenue requirement of power purchase was approved in the tariff order. However, now PSPCL has submitted the energy requirement for true up of FY 2023-24 as 70771 Mus. This shows that there is no scientific forecast of the requirement of energy and consumers were made to pay excess tariff worked out on the basis of lower sales of energy figures and PSPCL is now coming out with profit for FY 2023-24.

Further, PSPCL had sought Net Revenue Requirement in the ARR as Rs.42753 crore against which PSERC approved Rs.39808 crore. Now in the True up, Net Revenue Requirement has been indicated as Rs.43324 crore. This needs to be thoroughly studied particularly when the previous years up to 2022-23 ended with a revenue Gap of 4072.27 Cr.

(ii) It is worth noting that the power purchase cost plus Fuel cost for thermal plants in the ARR of FY2023-24 was presented as Rs.30033 crore for Energy requirement of 70125 Mus which works out as Rs 4.28/unit. Now in the true up, the Power Purchase cost + Fuel Cost is indicated as Rs 29717.99 crore and energy requirement as 70771 Mus i.e. Rs 4.20/unit. This shows that there was saving of 8 paisa per unit of PP cost plus fuel cost. This needs to be trued up after prudence check and passed on to the consumers.

(iii) The ARR for true up FY 2023-24 indicates in Format G 21 that there is no consistency in the actual and projected parameters vis a vis those fixed by PSERC for PSPCL's own thermal plants at Ropar and Lehra. The better actual parameters at Lehra and bad actual parameters at Ropar lack any credible justification. Such figures also create problems for fixing base line data for MYT period. PSPCL has claimed actual or normative figures for these thermal plants as per its suitability. As such we request that the revenue for these be allowed strictly as per MYT regulations 2023 applicable for FY 2023-24.

(iv) ARR indicates the approved power purchase cost for FY 2023-24 as Rs 5.10 per unit (per Table 2-19). The True up figure submitted for FY 2023-24 indicate in this table that the actual average cost of purchase is Rs 5.15/unit. If prior period expenses as per para 2.8.5 of ARR are also included, the power purchase cost works out as Rs 5.34/unit. Thus, PSPCL has claimed power purchase cost much above the approved rates whereas it has claimed that the power purchase from power exchange is very cheap and also solar power is being purchased at a very cheap rate. This needs to be checked.

(v) Fixed Assets and Provision for Depreciation are showing that no segregation has been done for the GFA, Depreciation and NFA for Distribution and Generation business. However, figures in the Table 2-25 show that this segregation is being done.

Further, the opening balance for 01.04.2023 is Rs 58119.54 crore as per D-15/G-8 whereas the opening balance on 01.04.2023 in Table 2.25 of ARR of FY 2025-26 has been taken as Rs 57314.62 crore. Still Further, in the true up of FY 2022-23 as per table 3-47 of Tariff order of FY 2024-25, the closing balance on 31.03.2024 is indicated as Rs.55191.30 crore. These figures need to be reconciled.

(vi) Interest on Loans be allowed as per MYT Regulations after disallowing the excess loans taken to meet the unapproved expenditure and diversion of loans to working capital.

(vii) Interest on Security Deposit has been claimed as Rs 226.03 crore and the amount of Security Deposit is Rs.4728.64 crore. Thus, the rate of interest works out as 4.78% against 6.75% approved by PSPCL as per CC 25 of 2023. This shows that interest might not have been paid to many consumers.

(viii) ROE refer to para (B)(4) above.

(ix) Regarding non-tariff income, claim of PSPCL in respect of Interest subsidy for REC, carrying cost on delayed payments of Subsidy, financing cost of LPS from consumers for reduction from Non-Tariff Income needs to be explained as to why these are being loaded on to consumers. Further, MYT Regulations provides that Non-Tariff Income will be worked out under distinct heads but these details are not given. These may be provided in Reply to Deficiencies.

(D) Comments on Projections FY 2025-26 (Chapter 3 and Formats)

(i) With regard to Distribution Loss for the year 2025-26, kind attention is invited to Para B (2) above as per which PSERC has already ordered that the target distribution loss levels for the 3rd MYT period of FY 2023-24 to FY 2025-26 are subject to review. No review could be undertaken in FY 2023-24 since PSPCL could not achieve the target loss levels in FY 2022-23 and base line could not be finalized. PSPCL has now requested to retain the approved Target of 11.9% whereas for FY 2023.24, the actuals are 11.81%. With this PSPCL will again demand Incentive for over achievement of Targets while truing up the ARR for FY 2025-26. PSERC is requested to consider the whole position in a holistic prospective and decide the targets for MYT period afresh as per the loss level actually achieved in FY 2023-24.

(ii) Para 3.8.9 indicates Levelized tariff of Subansisri project as Rs 5.60/unit whereas in the ARR of last Year 2024-25, the levelized tariff was indicated as Rs 5.38/unit. How the levelized tariff is being changed time and again is not understandable.

(iii) It is also pointed out here that during bidding of Jalkheri project, the lowest tariff was determined as Rs 5.74/unit The current tariff is not disclosed in the formats which may be checked.

(iv) PSPCL has indicated that the charges for power purchase for many projects have been taken as per the actuals of H1 of FY 2024-25 + projections of H2 of FY 2024-25 or as per rates prevailing in Sept 2024 with 5% increase. We submit here that the data of the current year i.e. Revised Estimates for FY 2024-25 are not available as the practice of submitting RE of ARR for the current year has been discontinued in line with the MYT regulations. The authenticity of such data relating to actuals of H1 of FY 2024-25 and projections of H2 of FY 2024-25 may be checked by the Hon'ble Commission as per MYT Regulations.

(v) Regarding GVK Plant, it is submitted that this plant has now been purchased by PSPCL but PSPCL has claimed Fixed Charges as approved by PSERC in Petition No 17 of 2023 when the project was being operated as IPP. Thus, Depreciation has been worked out on the basis of GFA of Rs 3072.81 crore as per Table 17 of the order dated 01.11.2023 in Petition No 17 of 2023 whereas the purchase cost of the project in the hands of PSPCL is only Rs. 1080 crore. Similarly, Interest is also being claimed on this investment instead of capital cost as per purchase price. This is clearly not permissible. Therefore, AFC needs to be revised for FY 2025-26 in view of the takeover of plant by PSPCL and PSPCL be asked to explain for these wrong claims.

(vi) PSPCL has proposed availability of 1364 MW of solar power and 40 MW of Cogen power at a rate of around Rs 2.50 to Rs 3.00//unit. This will bring down the overall rate of power purchase which should be passed on to the consumers.

(vii) PSPCL is referring to the fixed and variable cost of H1 and H2 of FY 2024-25 in many sub-paras of para 3.8. However, the power purchase data of FY 2024-25 is not provided in the ARR and the authenticity of the figures of FY 2024-25 cannot be checked without the availability of corresponding figures of FY 2024-25.

(viii) Power is being purchased and payments are being made by PSPCL to M/s Indian Sucrose Ltd though on interim basis. These need to be counted in the ARR as per interim rates allowed by Court as per practice being adopted for Central Generating Stations (CGS projects) where court cases are pending. Non counting of energy injected into the grid will lead to distortion of figures of Energy and Distribution losses.

(ix) Similarly, if the injection of power is being accepted by PSPCL then the same should be reflected in the ARR for proper accounting of energy. The ad hoc payments being made as per orders of Competent authority be also indicated accordingly.

(x) The cost of RECs should be disallowed. According to PSERC order dated 21.11.2024 in Petition No 44 of 2024, PSPCL is surplus of 1684 MUs of RE energy ending FY 2023-24 which have been allowed to be carried forward to meet RPO liability in FY 2024-25 onward. As PSPCL rarely purchase RECs in spite of provision in the ARR and always files Petition to carry forward the RPO liability, the cost may be allowed only on the actual expenses' basis.

(xi) PSPCL has indicated that it is surplus in power and has shown power to be surrendered as 7810.47 Mus in FY 2023-24 and 2744.22 Mus in FY 2025-26. However, In the Tariff order of FY 2024-25, the surrendered power was indicated as 7531 Mus in FY 2023-24 and 204 Mus in FY 2024-25. On these projections, PSERC discontinued the Threshold rebate of industries but now the surplus scenario is again being presented in FY 2025-26. We request the Commission to check the figures being presented by PSPCL thoroughly so that consumers are not unduly burdened. We request that Threshold rebate may be allowed in FY 2025-26 onward as such power is used in winter months when system is heavily underloaded and PSPCL's thermal plants are underutilized. This acts as an incentive for industry to increase the consumption of energy and reduces overall rate of power purchase of PSPCL.

(xii) One unit of Lehra Mohabbat (Unit No 2) is lying idle due to damaged ESP since 13.5.2022. Had this been available, the power availability would have further increased, and more power could be sold. Now PSPCL is taking action to revive the unit after 2.5 years (As per orders dated 11.12.2024 in Petition No 59 of 2023) and thus the actual surplus would be more than projected. Further the period taken by PSPCL to revive the unit is abnormally high and not justified in any way. Therefore, the expenditure approved in ARR for the years 2022-23, 2023-24 and 2024-25 be disallowed proportionately for unit 2.

(xiii) The variable rate of power from Mundra has been taken as Rs 3.91/unit whereas Rate as per Sept, 24 MOD is Rs 3.88/unit i.e. increase of only 0.03 paisa. However, the rate has been increased by 5% over Sept 2024 prices. Thus, either of the two statements is wrong.

(xiv) The Capital Expenditure proposed by PSPCL as per Table 3.14 for the year 2025-26 is Rs.5657.15 crore including Generation and Distribution business. However, Hon'ble Commission has approved an amount of Rs 2173.29 crore vide table 54 of PSERC order dated 11.01.2023 in Petition No 49 of 2022. In spite of instructions of the Commission that the capital Expenditure of Shahpur Kandi Dam shall be considered after the COD, still the capital investment and interest is being claimed by PSPCL for Shahpur Kandi in the ARR just to inflate the ARR and load the consumers. As such the Commission may approve the Capital expenditure strictly as per the Business plan already approved.

(xv) No comments can be offered on depreciation (Table 3-15) as the opening GFA figures are not available due to non-disclosure of RE for the FY 2024-25 in the ARR.

(xvi) Regarding Para 3.11 for ROE, refer to para (B)(4) above.

(xvii) Interest on Long term Loans , it is submitted as under:

a) Claim of Rs 158.63 crore towards interest for long term loan for Shahpur Kandi is IDC and should be capitalized at the time of COD of the project. Therefore, this interest item is not admissible here. Similarly, the Capital

Works in Progress shows investment for Shapur kandi Project which should also be considered after COD. The figures be also corrected accordingly.

b) The Long-term loans are being taken against DPRs in which the payback period is also worked put based on the savings through such capital works. However, no such statement of improvement in performance is enclosed with the demand of long-term loans and interest thereupon in ARR. It is evident that in-spite of loans and grants being approved by the Commission and State/Central agencies, PSPCL has been not following the trajectory of T&D losses and repeatedly changing its stance on the loss trajectory levels being fixed by the Commission. Similarly, in-spite of huge year on year expenditure on System improvement works, the quality of power supply has not improved. As such, the proposals of PSPCL and PSTCL need to be scrutinized appropriately so that investments being made at the cost of Consumers achieve the goals and the tariff to consumers is reduced.

(xviii) The amount of Security (Consumption) and Interest on Security for FY 2025-26 has been shown as same of FY 2023-24 indicating that there is/ will be no increase in Load by consumers and no new connections have been / are to be released by PSPCL in 2024-25 and 2025-26. However, number of consumers in 2023-24 as 93.56 Lakhs and in FY 2025-26 as 99.85 Lakh. The Connected load for FY 2023-24 is 36241 MW whereas for FY 2025-26, connected load is 36675 MW i.e. increase of 434 MW. This aspect has been ignored by PSPCL while preparing the ARR.

(xix) The demand for Rs 6.5 crore towards DSM Fund is excessive keeping in view the meager 0.04 Cr expenditure in the true up of FY 2023-24. Therefore, there should be no provision for the DSM fund in the ARR and it should be approved based on actual basis during true up after prudence check.

(xx) The non-tariff income under true up of FY 2023-24 is Rs 1098.70 crore whereas for the FY 2025-26, it has been reduced to Rs 1065 crore. This needs to be checked up as full details are not given. Further comments given at Para 10 above are also applicable here and may be considered accordingly.

(E) Revenue Realized

It is observed that as the trued-up figures of FY 2023-24 reveal that revenue recovered at existing tariff is indicated as Rs 42293.42 crore against the approved figure of Rs.41704.42 crore (Tariff Order for the FY 2023-24). Thus, the increase in revenue is Rs.589 crore. Correspondingly, the actual sales are depicted as 61313 MUs against approved sales of 59211 MUs. Accordingly, the increase in sale of power is 2102 MUs which indicates that additional power has been sold @ Rs 2.80 per unit only. Thus, the revenue realization figures are not correct.

The Commission is requested to: -

(i) Carry forward the rationalization of Electricity Tariff towards reduction of cross subsidy in a phased manner.

(ii) Move towards fixing tariffs on the basis of realistic voltage wise category wise cost of supply principle as early as possible.

(iii) Reduce the electricity tariff of the subsidizing class of consumers as per the Act so that the GOP is not unduly burdened for providing power to industry for at Rs 5.665/- per unit.

(iv) PSPCL should be directed to

a) Amend its pattern of submitting ARR. Instead of submitting ARR based on actuals with the same bunch of excuses for over expenditure every time, it should limit its expenditure as per Approvals.

b) Explain as to why it is not able to recover required revenues during true up in-spite of increase in sales over those approved in Tariff Order.

(v) More reforms and ease of doing business initiatives be introduced for the Industrial Consumers.

PHDCCI requests the Commission to check all the data provided by PSPCL and give some relief to industry by increasing Voltage Rebate on the basis of Category wise Voltage wise cost of supply and introducing Load Factor Rebate.

This is also necessary so that the industry of Punjab remains competitive viz-a-viz neighboring states otherwise it will have no other alternative but continue shifting to other states.

The Punjab industry is situated in a land locked area and has to face many hardships.

It is also brought to your kind notice that the State Govt. is charging 15% Electricity Duty in-addition to 5% Infrastructure Development Fee and 2% Municipal Tax.

2. <u>Dr. Harish Anand of CII, Punjab State Council</u>

He states that:

(i) The distribution company should be separated from generation business as sufficient time has been given for this exercise. It is high time that challenge related to old thermal plants in the state, frequent back-down requirements and related fixed cost as well as setting up new thermal power plants in state or outside state of Punjab, if required at all, to be dealt in a composite manner and Discom should be made a separate company, which must evaluate the gains and cost of sourcing power from alternative sources.

(ii) Like Madhya Pradesh, Gujarat, Karnataka and other states in India even Haryana, the multi discoms model should be adopted for increasing competition in the state. Even private players may also be allowed in discom business for healthy competition. It will also highlight the inefficiencies related to theft of power, mismanagement or related to law and order situation. The interest of the consumers, who have been paying properly, areas of lower T&D losses should be separated from nonpaying consumers' area and higher T&D losses as has been pointed in ARR as well as tariff order.

(iii) PSPCL has proposed tariff slabs by referring to power exchange rates and new tariff slabs are also proposed at different point of time. First of all, it is to be noted that the tariff petition of PSPCL and power tariff revision in the State is based on cost plus basis subject to the prudent check. PSPCL is sourcing power from own thermal stations, IPP in Punjab and central government power generating stations among others. The power sourced from power exchange is miniscule part of the power purchased by PSPCL. Besides this fact, the power available at exchange is not a perennial supply-based power and highly erratic in nature and based on short term contract, which is mostly based on urgency of the buyer and seller than any long-term commitment. As such referring to power rates at power exchange to draw policy for PSPCL power tariff fixation purpose is highly irrational and devoid of any merit. Therefore, referring to the same for power tariff in the state in early morning hours and peak hours etc. is highly objectionable. The practice of PSPCL is strongly condemned, referring such adhoc power rates for making tariff for permanent supply of power. Therefore, we submit to the Hon'ble Commission not to give any heed to such prayers, which are based on casual approach. There would be many times, when power exchange is traded at very low rates but discom never pass the benefits of such low rates reflected at exchange. Fully understanding the adhoc nature of power exchange power rates, we never refer to the same for lowering the power purchase cost of the Discom. Similar maturity is also expected from Discom also. Further, if the national level power rates to be referred then power exchange traded power is not even 10% of the total power traded at national level. Therefore, increasing the peak hour rates from Rs.2/unit to Rs.2.50 per unit, higher rates for morning etc. should be out rightly rejected. PSERC follows the average cost of supply principle for tariff fixation so referring to power exchange rates is totally absurd and show discom in very poor light**.**

More ever, as per MoP, the TOD tariff in solar hours should be lower than normal tariff as being done in some other states. Therefore, the discom should done away with peak load exemption charges and reduce the daytime tariff also.

(iv) Domestic consumers should be represented by consumer representative as being done in State States

It is earnestly submitted to the Commission to appoint/designate a consumer representative to protect their interests and raise their concerns related to electricity matters in the State.

The subject of tariff fixation and other issues related with power supply to domestic consumers are technical as well complex in nature. Further, given the profile of the domestic consumers, which comprise large number of uneducated/less educated and not familiar with the practices of electricity supply business are not competent to even understand the implications of the various proposals of the Discom as such it would be highly inappropriate to expect from them to come forward to present their concerns/views/to protect their interests.

In other States like Himachal Pradesh, the State Commission has provided for a consumer representative, who take up interest of domestic and other consumers, who are not able to present their case. Hence, it is our first submission that the Commission may appoint/designate person of relevant experience with the subject to protect domestic consumer interest.

(v) Revision of sanctioned load based on maximum demand for DS and NRS consumers.

PSPCL in ARR for FY 2025-26 has referred to the provision made in the Supply Code-2024 regarding revision of sanctioned load of the domestic/NRS consumers not covered under the contract demand system. This is informed by PSPCL that periodic revision of the sanctioned demand is required as the declared connected of the aforesaid categories of the consumers is found to grossly under-reported and has negative consequences for the demand management for PSPCL and also creating adequate infrastructure like replacing/putting up new transformers to ensure smooth supply of power. PSPCL has proposed the mechanism to capture the sanctioned load in its ARR accordingly. Such revised sanctioned load shall be referred to levy all kind of charges in future transactions. In this regard, we have following submissions:

a. It is submitted that the total connected load is required for two purposes mainly. First, to estimate the total maximum demand on the PSPCL system so that adequate infrastructure in terms of transformers etc. can be installed to ensure smooth supply of power.

   In our view, this information is with the discom as all transformers load is known to PSPCL that whether any transformer is under loaded or overloaded and if PSPCL desires, such information can be used to augment the capacity of the over loaded transformers. The connected load of the domestic consumers even under-reported no way act as bottle-neck for this purpose.

   Hence, the argument for revising the consumer sanctioned load not covered under demand management system on this pretext is not convincing and should not be accepted.

b. The another plausible reason for knowing the correct connected load than declared sanctioned load where the former is higher than latter is to collect the full charges of supplying electricity. This situation arises due to the fact that PSPCL follows two-part tariff for the domestic consumers also. The fixed charges are linked with the sanctioned load o declared connected load and energy charges are linked with the numbers of unit consumed by the consumed and measured by the meter.

It is stated that due to the lower sanctioned load declared by the domestic consumer/NRS consumer than the actual connected load, the fixed charges are under recovered.

The energy charges are based on units consumed so there should not be any adverse effect of the sanctioned load being lower than the actual connected load on energy charges principally. In this regard, it may be stated that even energy charges are less collected in practice than due as energy charge per unit is lower for lower sanctioned load than higher sanctioned load.

Following inference may be drawn from the above discussion:

a. There is no adverse impact on energy charges due to sanctioned being less than actual connected load (used or not used for full year).
b. The lower energy charges due to lower sanctioned load than actual connected load as explained above is due to the anomaly in the tariff design and the same need to be corrected than making whole tariff collection more cumbersome for consumers to understand and comprehend.

Solution –Energy charges

Energy charges should be fixed irrespective of the connected load of a consumer. However, to help the deserving consumers belonging to the poor strata of the society using fan, light, cooler may be considered as basic amenities, the energy charges may have only two categories having no relation to connected load-sanctioned or actual, no matter whether both are same or different.

For Domestic category of consumers

- If total consumption of electricity is up to 150 units/month, a reasonably lower energy charges, which may be 60-70% of normal charges be fixed.
- Once consumers exceeds the threshold units of 150 units/month, the full energy charges to be recovered with no reference to connected load.

For NRS supply, the following suggestion may be followed

- If total consumption of electricity is up to 300 units/month, a reasonably lower energy charges, which may be 60-70% of normal charges be fixed.
- Once consumers exceed the threshold units of 300 units/month, the full energy charges to be recovered with no reference to connected load.

Almost similar proposal is also given by PSPCL for simplify the domestic supply tariff slabs in para 6.4 and its sub-paras, page 106 in its ARR proposal given.

For fixed charges for domestic consumers

At the preamble of the discussion on fixed charges for domestic category of consumers, it is most important to understand the distinct electricity consumption profile of domestic consumers from industrial consumers.

Fixed charges are levied to collect the system laying and maintaining charges which are not directly related with energy consumed by the consumer-industrial/domestic consumer and are linked to the maximum demand, which a consumer can put on the PSPCL system. For this maximum demand, the discom arrange power mainly from long term sources and from short perm sources on adhoc basis. The main contention of fixed charges not related with actual energy consumption by consumer is commitment of the Discom to provide energy on demand up to the agreed limit, which is known as contract demand (CD).

Now for the industry sector, this contract demand is always equal to the actual load as no industry will pay contract demand charges and not utilized the full capacity. In other words, no industrial consumer will have a sanctioned contract demand which is quite higher than actual demand during the year and keep on paying higher demand charges. This is a universal phenomenon for all industries, where the power consumption follows similar pattern throughout the rain whether it is raining or dry spell of June is prevailing.

THIS IS THE REASON OF KEEPING FIXED CHARGES LINKED WITH MAXIMUM DEMAND/CONTRACT DEMAND, WHICH DOES NOT VARY FROM ACTUAL DEMAND FOR INDUSTRIAL CONSUMERS.

However, in the case of domestic consumers, the actual demand profile is an abnormal distribution curve in nature. It peaked during summer months (about 4 months) and declined in winter, to the tune of about 20% of the highest demand in summer seasons. We can say that for about 4 months of summer, the domestic consumers' electricity consumption is , say 100, then it fall down to 20(20% of 100) for about 8 months. This is also a universal phenomenon in Punjab and remained same in last 20-25 years. Over power consumption may have grown for domestic consumers but the relation between the summer demand of 4 months and remaining 8 months has not been changed over last 2-3 decades largely. THUS, THE LOGIC OF LINKING FIXED CHARGES WITH MAXIMUM CONNECTED LOAD OF DOMESTIC CONSUMER ON THE PATTERN OF INDUSTRIAL CONSUMERS IS HIGHERLY ERRONEOUS.

This argument is also principally acknowledged by the Hon'ble Commission and also by the PSPCL. The tariff of the season industry is designed keeping in view the seasonal factor and not claiming fixed charges when the demand is very low/zero than actual maximum sanctioned contract demand.

Importantly, the asymmetric electricity consumption profile of domestic consumers and energy demand from discom is well known to discom in advance and power arrangement is/can be planned accordingly for domestic sector i.e. more power during summer months and less demand in remaining 8 months.

Therefore, charging fixed charges based on maximum demand for 4 months for the remaining 8 months also, when demand falls to less than 20% is highly arbitrary, unjustified and goes against the consumer interest. Here, must not be accepted.

Solution/Recommendation

a. The fixed charges on domestic consumers should be abolished up to 25 KW. The discom may continue to charge fixed charges above 25 KW.

b. Alternatively, the average of the maximum demand worked out for the previous 12 months of last financial year be taken as sanctioned connected load for the ensuing financial year and all levying and charges be linked with that.

3. <u>Sh. Kshitij Dhingra, Indian Energy Exchange (IEX)</u>

IEX representative Sh. Kshitij Dhingra briefed the Commission about the market inputs as under:

- Short term market rate has reduced from around Rs. 5.60/kWh in FY 2023-24 to Rs. 4.44/kWh at present.
- The rate of REC reduced to about Rs. 110/Certificate (i.e., 11 Paise/unit) in FY 2023-24 and is hovering about Rs. 350/Certificate (i.e., 35 Paise/unit) at present. Due to fungibility, many States are procuring RECs heavily to meet their RPO requirement. PSPCL may also consider buying of cheap RECs to meet its RPO.
- IEX has filed a Petition in CERC regarding Green Real Time Market. Once the petition is approved, it shall be beneficial to meet the intermittent solar power requirement or selling solar power in the market.
- IEX has filed another Petition in CERC to allow trading upto 11 months rather than 3 months prevalent as on date. The Order has been reserved by CERC and is expected soon.

Chairperson, PSERC enquired about the impact of the CEA's recent Advisory to provide for 2 hours co-located Energy Storage System for Solar Power Projects, IEX Official informed that the availability of additional storage power would help in reducing the peak hour rates.

4. <u>Dr. Ranjit Singh Ghuman, Professor of Economics</u>

He stated that: -

PSPCL should endeavour to promote solar power through net-metering and solarization of AP tube wells.

5. **<u>Sh. Kamal Dalmia, Patron, FOCAL POINT INDUSTRIAL WELFARE ASSOCIATION (REGD.)</u>**

He sent his suggestions as under;

PSPCL has made it a habit of submitting the data to increase the Tariff rate every year in spite of their claiming the following improvements in their working:

i) Distribution loss has been reduced.

ii) Annual integrated rating has improved.

iii) Thermal Power Generation improved.

a. **CHEAPER POWER IN ADJOINING STATES:** It is neither acceptable nor justified to cover inefficient working of the PSPCL by increasing Power Tariff every year. It is not out of place to mention here that PSPCL Tariff rate is already much bigger as compared to Jammu & Kashmir, Himachal Pradesh etc. The applicable Tariff rate is Rs.3.50 per unit and Rs.5.50 per unit in Jammu & Kashmir and Himachal Pradesh respectively whereas in Punjab it is Rs.7.50 per unit. The increase in power rate every year affects the cost of production of the industry situated in Punjab and it becomes very difficult for them to compete with the industry of other states & worldwide. You will observe that during the last few years no significant New MSME Industry has come up in Punjab but on the other hand some of the existing business houses have slowly started moving out of Punjab to HP & J&K due to the increase in Power Tariff every year in Punjab.

b. **ENERGY AUDIT**: While going thru the information available with us, it has been observed that during the last financial year, PSPCL has made profit of more than Rs.1000 crore which can further be increased with the implementation of Energy Audit on regular basis by hiring consultants of international repute for efficient working of PSPCL by upgrading decades old infrastructure & reducing avoidable losses.

c. **POWER THEFT & PILFERAGE**: No doubt that PSPCL is complaining that there is reduction in Power Theft & Pilferage but the actual position is that there is hardly any significant improvement as far as power theft is concerned. It is not out of place to mention here that power theft & pilferage is going on with the consent of the designated officers or under political shelters. We suggest that "REWARD SCHEME" should be worked out for the employees of PSPCL based on the recovery made from the culprits who are involved in power theft.

d. **INFRASTRUCTURE IMPROVEMENT:** We have time & again sent communication to all concerned that there is an urgent need for the improvement in the infrastructure of the Corporation which will further improve its services mainly by providing uninterrupted power supply to the consumers. Upgradation of Decades old Cables, Jumpers & Poles etc. are urgently required. Presently, frequent shut downs & voltage fluctuations are leading to huge losses for PSPCL Customers.

e. **SOLAR / GREEN ENERGY**: PSPCL should encourage installation of Solar Plants / Green Energy by increasing the purchase price to Rs.5 as against existing Rs.2.51 being paid for purchasing / adjusting solar power by the PSPCL.

f. **ADVANCE CONSUMPTION DEPOSIT**: The PSPCL till date has not given refund of excess Advanced Consumption Deposit (ACD) in spite of the order dated 04.06.2024 in the petition of 56 of 2023 passed by your Commission. This should be implemented with Time Bound schedule latest by 31.03.2025.

g. **TIME OF THE DAY SCHEME (TOD)**: Right now, PSPCL is offering TOD from October to March @Rs.1 & from April to June @ 75 paisa and 'NIL' from July to September. We request to increase TOD for April to June also @Rs.1.

h. **MONOPOLY OF PSPCL**: One of the reasons for PSPCL to increase Tariff every year without thinking of improvement in their working is their Monopolistic status as far as power supply in Punjab is concerned. It is always preferred to have more than one seller / supplier to have healthy competition amongst them which will go a long way in improving the working & services of PSPCL. Consumers of New Delhi, Gujarat, Maharashtra etc. are happy because there is more than one power supplier & the power tariff is not increased frequently. Consumers of these States have choice of buying power from the supplier who provide them a cheaper rate & with less power breakdowns & uninterrupted power supply.

i. **STAFF SHORTAGE:** It has been observed that one of the reasons for not providing efficient services is staff shortage at appropriate levels JEs, Linemen & Field staff of PSPCL which at present is around 35% to 40% of the required strength.

j. **INTEREST ON ACD**: At present, interest on security relating to consumption & meters are paid at the Bank rate notified by RBI on 1st of April every year. The interest so notified is much less as compared to interest charged by the bank on commercial lending to the industry.

k. **INFRASTRUCTURE UPGRADATION**: PSPCL also urgently needs to upgrade in-house infrastructure like Corporate House Workings with Better Technology & Fast Time Bound Services. Right now, the offices of SDO, XEN & SE are all at different places but it is need of the hour and for convenience of consumers, should have their all offices under one roof.

l. **PEAK LOAD CHARGES**: Presently, PSPCL is charging @Rs.2.50 per unit over & above Tariff Rate for Peak Load from 6 PM to 10 PM effective for the period from 16th June to 15th October (4 Months). PSPCL has now proposed to implement peak load charges from 6 AM to 10 AM @Rs.2.50 per unit effective for the period from 16th June to 15th October, which we strongly oppose. Adjoining States like J&K and HP are not having any such Peak Load restrictions for Industry. Any further Peak Load charges, if implemented, will badly hit MSME Industry of Punjab.

m. **FRANCHISEE AGREEMENTS:** Billing to Distribution Franchisee shall be done based on the difference of reading recorded on the main meter of Single Point Supply to Distribution Franchisee and unit / total consumption of individual consumer including common services. As per the clause 15, bills to individual consumer are to be made by the PSPCL and to accept payment from the Franchisee consumers against bills so raised. Since the release of these connections in Border Zone, Amritsar, no bills of the Franchisee Area connections are prepared by the PSPCL. Presently, the said bills are prepared by the Franchisee Consumers.

   Even after the bills are prepared & submitted by Franchisee to the Corporation the payment against the units consumed by the consumers under franchisee area are not accepted by PSPCL.

   It is to be noted that due to the confusion created by PSPCL, rebate of 10% admissible to the Single Point Supply under the Franchisee Agreement has been stopped arbitrarily. Insite of our taking up the said matter with the Commission and at various forums, the matter is still hanging & no serious concern has been shown by authorities to resolve this long outstanding demand which is affecting very badly due to the loss incurred by the franchisee even after preparation of bills. PSPCL should be instructed to start giving rebate of 10% which they have arbitrarily withdrawn effective from the day it was stopped.

n. **POWER TARIFF FOR HOTELS / TOURISM INDUSTRY**: Presently, Hotel & Tourism Industry in Punjab is being charged Commercial Power Tariff instead of Industrial Power Tariff in spite of their having "Industry Status" given by Govt. of Punjab. PSPCL should be instructed to charge Industrial Tariff to Hotels & Tourism Industry in Punjab.

o. **RIGHT TO SERVICE ACT 2011 (PUNJAB ACT NO. 24 OF 2011**): Right to service Act 2011 should be implemented for efficient and time bound services by PSPCL to customers. This will also prove fruitful to curb floor level corruption by few concerned officers.

p. **FREQUENT INTERACTIONS BY PSPCL OFFICIALS:** Regular/Frequent Meetings with MS, LS and other consumers by PSPCL officials will help to resolve their problems/issues & improve services for overall growth & prosperity of the Corporation.

   We hope that the Commission will look into the suggestions stated above & implement them at the earliest possible to retain industry in Punjab by reducing their cost of production by not increasing tariff rate every year, which will go a long way in helping.

6. PSPCL and PSTCL COMMENTS:

i. Director/Distribution, PSPCL: Stated as under: -

a) PSPCL is upgrading its transmission & distribution system for providing agriculture supply to its AP consumers in two groups in place of presently being supplied in three groups and are shifting to solar hours to make use of solar energy.

b) He also underlined that supply to different category of consumers should be provided on regular basis and outages time period within one/two year shall be made zero.

c) Consumers grievance resolution mechanism is being automated & resolution time period shall be brought to minimum from present time of 2 hour & 15 minutes.

d) PSPCL is updating feeder metering, DT metering & upgradation of distribution transformers when load becomes more than 70% of DT capacity.

ii. **Director/Finance, PSPCL:** Stated that anticipated capital expenditure for FY 2023-24 is more than allowed amount of Rs. 500 crore and requested that as per Commission order has filed a petition seeking enhancement of limit from Rs.500 crore

iii. **Director/Technical, PSTCL:** Informed about major works done in enhancement of the transmission capacity as under: -

a) 400kV Dhansu Grid was commissioned last year.

b) 2nd, 500kVA transformers at 400kV Dhansu to be commissioned within next 15 days.

c) Having already added a transformation capacity of around 3000MVA in system

d) Replaced disc insulator of 400 kV Talwandi Sabo Line resulting in curtailment of tripping. Also installed 50 Nos., 11 kV capacitor banks.

e) 220kV grid under Ludhiana area to be commissioned shortly.

Chairperson, PSERC thanked all the members for their valuable comments. During the meeting it was pointed out that PSPCL has repeatedly failed to adhere to the timelines committed before the Commission to procure Power Quality meters for the designated consumers and thus jeopardizing the timelines for operationalization of Power Quality regulations. Further, PSPCL was directed to offer more online services to the consumers to bring transparency and efficiency in the working of the department. Director/Distribution assured that needful will be done on priority.

Director/technical, PSTCL submitted that as per the directions of the Commission SLDC is fully geared up to start generating deviation charges bills through SMAST on trial basis from 15th March, 2025. Both PSPCL and PSTCL were advised to submit their proposals to amend Intra-State DSM regulations in the line with CERC (DSM Regulations).

The meeting ended with a vote of thanks to the chair.

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