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

CONTENTS

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

PETITION NO. 72 OF 2014

IN THE MATTER OF:

ANNUAL REVENUE REQUIREMENT

FILED BY THE PUNJAB STATE TRANSMISSION CORPORATION LIMITED

FOR THE FINANCIAL YEAR 2015-16

PRESENT : Ms. Romila Dubey, Chairperson
Er. Gurinder Jit Singh, Member

Date of Order: May 05, 2015

ORDER

The Punjab State Electricity Regulatory Commission (Commission), in exercise of powers vested in it under the Electricity Act, 2003 (Act) passes this order determining the Annual Revenue Requirement (ARR) and Tariff for transmission of electricity by the Punjab State Transmission Corporation Limited (PSTCL) for FY 2015-16. The ARR filed by PSTCL, facts presented by PSTCL in its various submissions, objections received by the Commission, issues raised by the public in hearings held at Ludhiana, Chandigarh, Jalandhar & Bathinda, the response of PSTCL to the objections and comments/observations of the Government of Punjab (GoP) have been considered. The State Advisory Committee constituted by the Commission under Section 87 of the Act has also been consulted and all other relevant facts and material on record have been perused before passing this Order.

1.1 Background

The Commission has in its previous twelve Tariff Orders determined tariff in pursuance of the ARRs and Tariff Applications submitted for the integrated utility by the Punjab State Electricity Board (Board) for the Financial Years (FYs) 2002-03 to 2006-07, 2008-09 to 2010-11 and by the Punjab State Transmission

Corporation Limited (PSTCL) for FYs 2011-12 to 2014-15. Tariff Order for FY 2007-08 had been passed by the Commission in Suo-Motu proceedings.

1.2 ARR for FY 2015-16

PSTCL has filed the ARR Petition for FY 2015-16 on 28.11.2014. In this petition, PSTCL has submitted that it is one of the 'Successor Companies' of the erstwhile Punjab State Electricity Board (Board) duly constituted on 16.04.2010 under the Companies Act, 1956 with reference to the "Punjab Power Sector Reforms Transfer Scheme" (Transfer Scheme).

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

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

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

First Amendment in Transfer Scheme notified by Government of Punjab:

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

Following are the salient features of the aforesaid amendments:

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

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

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

iv) The General Provident Fund Trust, shall be funded by Powercom and Transco both, as per the apportionment made in the Opening Balance Sheet, on and with effect from 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, along with 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.

v) 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.

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

vii) The Government of Punjab notified the final Opening Balance Sheets for PSPCL and PSTCL as on the 16th April, 2010.

Based on the Opening Balance Sheet notified by the Government of Punjab vide the Amendment in Transfer scheme and the provisions of Regulation 13 of the PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 and in compliance with the directives of the Commission on the matter, PSTCL has filed this petition for approval of ARR and Determination of Tariff for FY 2015-16, revised ARR estimates for FY 2014-15 for Review and audited data for FY 2012-13 for final True up.

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

i) True-up for FY 2012-13.

The petitioner has submitted the ARR based on the actual expenses and income as per Audited Annual Accounts for FY 2012-13 (without CAG Report) for true-up.

ii) PSTCL has not submitted this petition for true up for the ARR for FY 2013-14 since the Audited Annual Accounts for FY 2013-14 are not yet available.

The petitioner has submitted that the annual accounts for FY 2013-14 are still in the process of finalization/audit. The petitioner has therefore submitted that the truing-up exercise for FY 2013-14 may be undertaken only after the finalization of Audited Annual Accounts, which shall be submitted as soon as these are audited and available for truing-up.

iii) Review of ARR for FY 2014-15.

The petitioner has submitted the revised estimates for FY 2014-15 for various heads of expenditures based on the first half year actual data and the projections for second half of FY 2014-15.

iv) ARR for FY 2015-16.

The petitioner has submitted the projections of expenses and the revenue requirement for FY 2015-16 in order to determine the tariff for FY 2015-16.

In the ARR petition for FY 2015-16, PSTCL has worked out a cumulative ARR of ₹1859.79 crore for transmission business and SLDC business, including ₹311.99 crore cumulative revenue gap of previous years, carrying cost of ₹57.12 crore and ₹36.41 crore for SLDC business for FY 2015-16. On scrutiny, it was noticed that the ARR was deficient in some respects. A deficiency letter was issued vide DO letter No.13252/T-187 dated 01.12.2014 and PSTCL replied to deficiency letter on 05.12.2014. The Commission sought additional information which was supplied by PSTCL vide letter no. 3495/FA/ARR-503 dated 12.12.2014 and subsequent submissions. The Commission took the ARR on record on 18.12.2014.

The Annual Revenue Requirement determined by the Commission in this Tariff Order is based on the Petition filed by PSTCL for transmission and SLDC functions separately.

1.3 Objections and Public Hearings

A public notice was published by the PSTCL in The Tribune, Hindustan Times, Amar Ujala, Punjabi Jagran and Daily Ajit on 24/25.12.2014 inviting objections from the general public on the ARR filed by the PSTCL. Copies of the ARR were made available on the website of the PSTCL and in the office of the Financial Advisor, PSTCL, Thermal Designs, Shed No.6, Shakti Vihar, Patiala, Liaison Officer, PSTCL Guest House, near Yadvindra Public School, Phase-8, Mohali and also in the offices of the Chief Engineer/P&M, PSTCL, Ludhiana and Superintending Engineers, P&M Circles, Ludhiana, Patiala, Jalandhar, Amritsar and Bhatinda. In the public notice, objectors were advised to file their objections with the Secretary of the Commission within 30 days of the publication of the notice, with an advance copy to the PSTCL. The public notice also indicated that after perusing the objections received, the Commission will conduct public hearings on the dates which would be notified subsequently.

The Commission received two number written objections, one from PSEB Engineer’s Association and the other from GoP after due date. The Commission decided to take these objections into consideration. PSTCL submitted its comments on the objection from PSEB Engineer’s Association which were made available to the objector.

The Commission decided to hold public hearings at Chandigarh, Jalandhar, Ludhiana and Bathinda. A public notice to this effect was published on 23.01.2015 in various news papers i.e. Indian Express, The Tribune, Punjab Kesri and Daily Ajit as well as uploaded on the website of the Commission and also informed the objectors, consumers and the general public in this respect as per details hereunder:

Venue	Date & time of public hearing	Category of consumers to be heard
CHANDIGARH Commission office i.e. SCO 220-221, Sector 34-A, Chandigarh.	**February 02, 2015** 11.00 AM to 1.30 PM	All consumers, except Industrial & Agricultural consumers/organizations and Officers'/ Staff Associations of PSPCL and PSTCL.
	3.00 PM onwards	Agricultural consumers and their unions.
JALANDHAR Conference Room, Office of Chief Engineer/Operation (North), PSPCL, Shakti Sadan, GT Road, Near Khalsa College, Jalandhar.	**February 04, 2015** 11.30 AM to 1.30 PM (To be continued in the afternoon, if necessary)	All consumers/organizations of the area.
LUDHIANA Multi Purpose Hall, Power Colony, PSPCL, Opposite PAU, Ferozepur Road, Ludhiana.	**February 06, 2015** 11.30 AM to 1.30 PM. (To be continued in the afternoon, if necessary).	All consumers/organizations of the area.
BATHINDA Conference Room, Guest House, Thermal Colony, PSPCL, Bathinda.	**February 10, 2015** 11.30 AM to 1.30 PM (To be continued in the afternoon, if necessary).	All consumers/organizations of the area.
CHANDIGARH Commission office i.e. SCO 220-221, Sector 34-A, Chandigarh.	**February 12, 2015** 11.00 AM to 1.30 PM	Industrial consumers/ organizations,
	3.00 PM onwards	Officers' /Staff Associations of PSPCL and PSTCL.

Through the public notice, it was also intimated that the Commission will also hear the comments of the Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited to the objections raised by the public, besides own view point of the Corporations regarding ARR Petitions at Commission's office i.e. SCO 220-221, Sector 34-A, Chandigarh on February 19, 2015 from 11.00 AM to 1.30 PM (to be continued in the afternoon, if necessary).

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

1.4 The Government was approached by the Commission through DO letter No.13870 dated 26.12.2014 seeking its views on the ARR, to which the Government responded vide its letter no. 187 dated 20.04.2015. The same has been taken note of by the Commission.

1.5 State Advisory Committee

The State Advisory Committee set up under Section 87 of the Act, discussed the ARR of the PSTCL in a meeting convened for the purpose on 16.02.2015. The minutes of the meeting of the State Advisory Committee are enclosed as Annexure–II to this Tariff Order.

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

1.6 Compliance of Directives

In its previous Tariff Orders, the Commission had issued certain directives to the PSTCL in the public interest. A summary of directives issued in the Tariff Order for FY 2014-15, status of compliance along with the directives of the Commission for FY 2015-16 is given in Chapter 5 of this Tariff Order.

Chapter 2
True up for FY 2012-13 & FY 2013-14

2.1 Background

2.1.1 FY 2012-13

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

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

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

2.1.2 FY 2013-14

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

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

2.2 True up for FY 2012-13 and FY 2013-14

PSTCL in the ARR for FY 2015-16 has submitted Annual Accounts for FY 2012-13 signed by Statutory Auditor alongwith audit report of Staturoy Auditor. PSTCL vide its letter no. 3415 dated 05.12.2014 intimated that comments of CAG on audited accounts for FY 2012-13 as per the Companies Act are awaited and will be furnished as and when received. Again, PSTCL vide its letter no. 3495 dated 12.12.2014 submitted that matter has been taken up personally with Dy. AG at Chandigarh on 08.12.2014 and he was requested to get the same expedited. PSTCL further submitted that the comments of CAG are expected by end of January, 2015. The comments of CAG have not been received by the Commission from PSTCL.

PSTCL has submitted in the ARR for FY 2015-16 that the annual accounts for FY 2013-14 are in the process of finalization/audit and truing up exercise may be undertaken only after finalization of annual accounts. PSTCL has further submitted that the audited accounts for FY 2013-14 shall be submitted to the Hon'ble Commission as soon as these are audited and are available for true up.

As per provision under Tariff Regulations, True up can be undertaken only after the Audited Annual Accounts are made available. **Hence, the Commission decides to undertake the True up for FY 2012-13 and FY 2013-14 alongwith ARR petition of PSTCL for FY 2016-17, provided Audited Annual Accounts for FY 2012-13 and FY 2013-14 are made available by PSTCL to the Commission.**

Chapter 3
Review for FY 2014-15

3.1 Background

The Commission issued the Tariff Order for Transmission business and SLDC business of PSTCL for FY 2014-15 on 22.08.2014. PSTCL has now submitted petition for determination of ARR and Transmission charges & SLDC charges for FY 2015-16 for its Transmission business and SLDC business, along with Review for FY 2014-15. PSTCL has submitted that it has computed the revised estimates of ARR for FY 2014-15 based on the actual data of first half and projections for remaining half of FY 2014-15. The Petitioner has projected the expenses for various heads for FY 2014-15 on the basis of past trends, regulatory norms and activities that are planned and proposed to be undertaken during the remaining period of FY 2014-15.

The Commission has analyzed each of the components of ARR for FY 2014-15 (RE) in the following sections of this chapter.

3.2 Transmission System Capacity

PSTCL has submitted that in tariff petition for approval of ARR for FY 2014-15, the net transmission capacity of the system for FY 2014-15 was projected as 12946.72 MW and the Commission in its Tariff Order for FY 2014-15 had approved transmission capacity of 12244.31 MW. PSTCL has further submitted that based on the actual transmission capacity of Punjab along with the proposed capacity addition plan, the estimated Gross Transmission Capacity as on 31.03.2015 would be 11036 MW.

3.3 Transmission System Availability

3.3.1 PSTCL has submitted that it has maintained the Transmission System Availability well above the normative annual transmission availability factor upto September, 2014, as mandated by the Hon'ble Commission in PSERC Tariff Regulations. The average transmission system availability from April to September, 2014 is 99.95%. PSTCL has submitted actual month-wise Transmission System Availability during FY 2014-15 (April to September) as shown in Table 3.1.

Table 3.1: Transmission System Availability of PSTCL for FY 2014-15 upto Septmber 2014

Sr. No.	Month	Availability (%)
I	II	III
1.	Apr-14	99.95
2.	May-14	99.93
3.	Jun-14	99.94
4.	Jul-14	99.95
5.	Aug-14	99.97
6.	Sep-14	99.94

3.3.2 PSTCL has requested an appropriate incentive for the performance of the transmission system, in accordance with the PSERC Tariff Regulations, at the time of truing up of FY 2014-15.

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

3.4 Transmission Losses

PSTCL had projected the transmission loss at 4.5% for FY 2014-15 in its ARR for the same year. Since PSTCL had not completed the intra-state boundary metering, the Commission retained the transmission loss at 2.5% for FY 2014-15, and at the same time ordered that the Commission would revisit the transmission loss in the review/true up for FY 2014-15, after the boundary meters are provided and energy audit is conducted.

PSTCL in the ARR for FY 2015-16 has submitted the details of steps taken by it for completion of work of intra-state boundary metering and has further submitted that the work will be completed by 31.05.2015 and thereafter the results of energy audit will be submitted to the Hon'ble Commission. PSTCL has further submitted in the ARR that various transmission utilities of other similar States have their transmission loss in the range of 3.38-4.55%. PSTCL vide its letter no. 242/SCADA-1018 dated 30.01.2015 has submitted that the overall transmission loss will be provided by 30.06.2015 along with the data for at least 6 months, as desired by the Commission for complete analysis of the losses. PSTCL has prayed that as the transmission losses figures are not available, the Hon'ble Commission may consider approving the transmission losses of 3.94% as per preliminary report submitted by the firm carrying out the work of implementation of inter-state boundary metering.

Pending installation of Intra-state Boundary Metering-cum-Transmission Level Energy Audit Scheme necessary to arrive at accurate transmission losses, the Commission retains the transmission losses at 2.5% as approved in the Tariff Order for FY 2014-15. This will be re-visited during true up after the boundary meters are made functional and energy audit is done.

3.5 Employee Cost

3.5.1 In the ARR Petition for FY 2014-15, PSTCL claimed ₹453.54 crore on account of employee cost for Transmission business and ₹8.52 crore for SLDC business for FY 2014-15. The Commission had approved employee cost of ₹298.66 crore for Transmission business and ₹6.80 crore for SLDC business in the T.O. for FY 2014-15.

3.5.2 In the ARR Petition for FY 2015-16, PSTCL has submitted revised estimates for employee cost as ₹396.65 crore for Transmission business and ₹3.81 crore for SLDC business as per details below:-

Table 3.2: Employee Expenses for FY 2014-15

(₹ crore)

Particulars	Transmission business	SLDC business
I	**II**	**III**
Other Employee Cost	171.83	3.71
New Employee Cost	1.68	0.08
Pay Arrears	1.83	0.02
Terminal Benefits i. As per transfer scheme 218.36 ii. As per new induction 2.96	221.32	-
Total	**396.66**	**3.81**

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

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

3.5.4 Punjab State Power Corporation Limited (PSPCL) challenged the Tariff Order dated 16.07.2012 passed by the Commission for FY 2012-13 before Hon'ble APTEL in Appeal No.174 of 2012, on various grounds. Hon'ble APTEL framed following issues among others:

(i) Whether the State Commission is justified in not allowing the employees cost as claimed by the appellant, in reducing the same by 17.22%?

(ii) Whether the State Commission is justified in applying the Wholesale Price Index (WPI) to increase in the employees cost and dearness allowance?

The Hon'ble APTEL gave the following findings on the above issues in its Judgment dated 11th September, 2014:

"40.1 The State Commission has, in the impugned order, wrongly effected a reduction of 17.22% in the employees cost of the appellant on the ground that the employees cost of the appellant are high. The approach of the State Commission in reducing the employees cost to the extent of 17.22% on the ground that the employees cost of the appellant is higher and the appellant does not have control over its employees cost is erroneous and arbitrary. Further, the State Commission is not justified in applying the Wholesale Price Index (WPI) to increase in employees cost and dearness allowance. We do not approve this approach of the State Commission. We agree to the findings laid down by this Appellate Tribunal in its judgments dated 02.03.2012 & 18.10.2012 delivered in Appeal No.76 of 2011 and Appeal No.7, 46 & 122 of 2011 respectively. Thus, both the issues i.e. Issue Nos. (i) & (ii) are allowed by us directing the State Commission to re-examine both these issues in the light of our findings recorded earlier in the judgments dated 02.03.2012 and 18.10.2012 in Appeal No.76 of 2011 and Appeal No.7 of 2011 & batch".

The Commission sought Review of the above Judgment in Review Petition No.6 of 2015 in Appeal No.174 of 2012. The Review was sought on the ground that above findings of the Hon'ble Tribunal was not in terms of the Regulations of the Commission specifying that the increase in employee cost is to be limited to Wholesale Price Index (WPI) (all commodities) in terms of Regulation 28 of Tariff Regulations made by this Commission in exercise of powers conferred on it under the Electricity Act, 2003 (No.36 of 2003) having the force of subordinate legislation. The Hon'ble APTEL has dismissed the Review Petition of the Commission by its Order dated 30.03.2015.

The Hon'ble APTEL has decided as under:

"This Appellate Tribunal in its previous judgment also considered the Regulations and the Wholesale Price Index and held that actual costs need to be considered. We after considering the previous judgment and discussion on the said issue at length in our judgment dated 11.09.2014 in the said Appeal No.174 of 2012, after referring to the decision of the State Commission on the Wholesale Price Index, directed that the actual amount spent, subject to prudent check, is to be considered." (Emphasis supplied)

'Actual amount spent' mentioned in the Hon'ble APTEL Judgement can be considered at the time of True-up only. The Commission allowed actual employee cost in the True-up for FY 2011-12 in Tariff Order for FY 2014-15 based on the provisions in PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time. Due to non-availability of Audited Annual Accounts for FY 2012-13 and FY 2013-14, the True-up exercise for these years could not be carried out. As the information regarding 'actual amount spent' is not available at the time of projections and review, the Commission has no alternative except to determine the employee cost based on the prevalent PSERC Regulations. Further, the Commission is also considering legal course.

The Commission has, therefore, decided to continue determination of the Employees Cost of PSTCL in this Tariff Order as per its Regulations.

3.5.5 As discussed in Para 5.4.6 of Tariff Order of PSTCL for FY 2014-15, the base of 'other employee cost' for Transmission business for FY 2013-14 is adopted as ₹98.98 crore and ₹6.14 crore for SLDC business. After applying WPI (Monthly Average) increase of 5.98% for FY 2013-14, the 'other employee cost' works out to ₹104.90 crore for Transmission business and ₹6.51 crore for SLDC business for FY 2013-14. However, keeping in view the average annual WPI increase for FY 2014-15 available for 8 months (April, 2014 to November, 2014), the Commission has calculated the average WPI increase of 3.20% which is adopted for purposes of calculation of allowable 'other employee cost' for FY 2014-15. The 'other employee cost' after WPI increase of 3.20% works out to ₹108.26 crore for Transmission business and ₹6.72 crore for SLDC business. PSTCL has claimed 'other employee cost' for SLDC business as ₹3.71 crore. Thus, the Commission approves ₹108.26 crore for Transmission business and ₹3.71 crore for SLDC business.

3.5.6 PSTCL has claimed arrear of pay of ₹1.83 crore which is allowed. Besides, PSTCL has also claimed ₹1.68 crore for additional employees for Transmission business. In this regard, Hon'ble High Court of Punjab and Haryana in Civil Writ Petition No 4881of 2011 filed by M/s Ludhiana Hand Tools Association Ludhiana V/S (i) the State of Punjab (ii) PSPCL and (iii) PSERC vide decision dated November 27, 2013 has decided as under:

> *"It is, thus, in the fitness of things that respondent No.2 must operate within certain frame work while having the leverage as an independent public sector Corporation to look to its affairs. Thus, in the matter of deployment of personnel, it should obtain guidelines from the Commission, which can always be done at the time of tariff fixation for each year and should, thus, abide by the observations/directions of the Commission qua this aspect as that forms the basis of the tariff fixation. In our view, this is sufficient to protect the interest of the public at large. We make it clear that the issue of Linemen was taken up only as an illustrative one and, thus, these directions are to be applied across the Board for deployment of personnel. This would also save money for the State of Punjab as it is professing financial crunch in respect of various aspects pending before the Court."*

3.5.7 PSTCL was directed to ensure strict compliance of above order of Hon'ble Punjab and Haryana Court vide PSERC letter no. 10531 dated 18.12.2013. But PSTCL has not taken approval of the Commission for additional employees for which the utility has claimed ₹1.68 crore. Thus, the claim of the PSTCL for employee cost of additional employees for transmission business is not allowed.

3.5.8 The petitioner has claimed an amount of ₹221.32 crore as terminal benefits for Transmission business including terminal benefits of ₹2.96 crore for new employees. An amount of ₹2.96 crore of 'other terminal benefits' relating to provision for Solatiums, Gratuity and Leave Encashment in respect of employees recruited by company depicted in the total amount of terminal benefits of ₹221.32 crore is not allowable as per Regulation 33 of PSERC, Tariff Regulations, 2009 which States that "with regard to unfunded past liabilities of pension and gratuity, the Commission will follow the principle of 'pay as you go'". PSTCL has not claimed any amount on this account for SLDC business. As discussed in para 3.10.3 of Tariff Order of PSPCL for FY 2015-16, the Commission has approved the terminal benefits of ₹1655.92 crore for PSPCL for FY 2014-15. As per FRP approved by GoP vide notification dated 24.12.2012, terminal benefits are apportioned in the ratio of 88.64% and 11.36% between PSPCL and PSTCL respectively. As such, the share of terminal benefits of PSTCL for FY 2014-15 is determined as ₹212.22 crore and the same are allowed against the claim of ₹218.36 (221.32-2.96) crore of PSTCL. **Thus, the total employee cost works out to ₹322.31 (108.26+1.83+212.22) crore for FY 2014-15 for Transmission business of PSTCL against the claim of ₹396.65 crore as per revised estimates submitted by PSTCL.**

3.5.9 PSTCL has not claimed any amount of Terminal Benefits for SLDC business. However, ₹0.08 crore claimed as employee cost for additional employees is not allowed as discussed in above para. PSTCL's claim of ₹0.02 crore for arrears of pay for SLDC business is allowed. As such, the total employee cost for SLDC business works out to ₹3.73 (3.71+0.02) crore for FY 2014-15 against the claim of ₹3.81 crore as per revised estimates submitted by PSTCL.

Accordingly, the Commission approves 'Employee Cost' of ₹322.31 crore for Transmission business and ₹3.73 crore for SLDC business of PSTCL for FY 2014-15.

3.6 Repair and Maintenance (R&M) Expenses

3.6.1 In the ARR Petition of FY 2014-15, PSTCL projected the R&M expenses of ₹61.33 crore for its Transmission business against which the Commission approved ₹46.45 crore for FY 2014-15. Similarly, PSTCL projected ₹5.15 crore as R&M expenses for SLDC business against which Commission approved ₹4.04 crore for FY 2014-15.

3.6.2 In the ARR for FY 2015-16, PSTCL has revised R&M expenses to ₹101.19 crore for FY 2014-15 which includes R&M expenses of ₹12.19 crore for assets added during FY 2014-15 for Transmission business. For SLDC business, PSTCL has revised R&M expenses to ₹7.82 crore which includes ₹4.88 crore as R&M expenses for assets added during FY 2014-15.

3.6.3 As discussed in para 5.5.7 of Tariff Order of PSTCL for FY 2014-15, base of R&M expenses for FY 2013-14 is adopted as ₹34.95 crore for Transmission business and ₹3.27 crore for SLDC business. There was WPI increase of 5.98% for FY 2013-14. By applying WPI increase of 5.98%, the R&M expenses for transmission business work out to ₹37.04 crore.

In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the R&M expenses are allowable for additional assets added during the year on pro–rata basis from the date of commissioning of assets. In the absence of the actual date of commissioning, assets added during the year are considered as having remained in service for six months on an average during the year.

3.6.4 The average percentage rate of R&M expenses of ₹37.04 crore for Gross Fixed Assets of ₹6610.14 (as per para 5.5.9 of Tariff Order for FY 2014-15) crore as on 01.04.2013 work out to 0.56% (37.04/6610.14x100). The Commission had approved an addition of ₹1307.71 crore of assets during FY 2013-14 in Tariff Order FY 2014-15. By applying the average rate of 0.56% on addition of assets of ₹1307.71 crore for Transmission business, the R&M expenses for the assets added during FY 2013-14 work out to ₹7.32 crore.

3.6.5 The Commission, thus, adopts R&M expenses of ₹44.36 (37.04+7.32) crore as base R&M expenses for FY 2014-15 for transmission busines. The WPI increase for FY 2014-15 is available for 8 months (April, 2014 to November, 2014) and is determined at 3.20%. After applying the WPI increase of 3.20% on the base R&M expenses of ₹44.36 crore, the R&M expenses for transmission business work out to ₹45.78 crore.

3.6.6 In the ARR Petition for FY 2015-16, PSTCL has claimed R&M expenses for assets of ₹1794.49 crore added during the year 2014-15 for Transmission business. However, dates of commissioning of these assets are not available, as such, assets added during the year are considered as having remained in service for six months on an average during the year.

3.6.7 The opening Gross Fixed Assets (GFA) of PSTCL as on 1.04.2014 are ₹7917.85 (6610.14+1307.71) crore. Thus, the percentage of the R&M expenses to the Gross Fixed Assets works out to 0.58% (45.78/7917.85x100). Therefore the R&M expenses for the assets of ₹1794.49 crore added during the year on average of six months work out to ₹5.20 crore. Accordingly, the R&M expenses for FY 2014-15 for Transmission business work out to ₹50.98 (45.78+5.20) crore against the revised estimates of ₹101.19 crore submitted by PSTCL.

3.6.8 As discussed in para 5.5.7 of Tariff Order for FY 2014-15, the Commission had worked out ₹3.27 crore as base R&M expenses for SLDC business for FY 2013-14 which is adopted as base for calculating R&M expenses for subsequent years. After applying WPI increase of 5.98% for FY 2013-14, the R&M expenses for SLDC business work out to ₹3.47 crore. In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the R&M expenses are allowable for additional assets added during the year on pro–rata basis from the date of commissioning of assets. In the absence of the actual date of commissioning, assets added during the year are considered as having remained in service for six months on an average during the year.

3.6.9 The average percentage rate of R&M expenses of ₹3.47 crore for Gross Fixed Assets of ₹8.68 (as per para 5.5.10 of Tariff Order for FY 2014-15) crore as on 01.04.2013 work out to 39.98% (3.47/8.68x100). The Commission had approved addition of assets of ₹1.00 crore for FY 2013-14 in Tariff Order FY 2014-15. By applying the average rate of 39.98% on addition of assets of ₹1.00 crore for SLDC business, the R&M expenses for the assets added during the year work out to ₹0.40 crore.

3.6.10 The Commission, thus, adopts R&M expenses of ₹3.87 (3.47 + 0.40) crore as base R&M expenses for SLDC business for FY 2014-15. The WPI increase for FY 2014-15 is available for 8 months (April, 2014 to November, 2014) and is determined at 3.20%. After applying the WPI increase of 3.20% on the base R&M expenses of ₹3.87 crore, the R&M expenses for SLDC business work out to ₹3.99 crore.

3.6.11 In the ARR Petition for FY 2015-16, PSTCL has claimed R&M expenses for assets of ₹19.25 crore added during the year 2014-15 for SLDC business. Against this, the Commission has approved asset addition of ₹1.00 crore for FY 2014-15. Since dates of commissioning of these assets are not available, as such, assets added during the year are considered as having remained in service for six months on an average during the year.

3.6.12 The opening Gross Fixed Assets (GFA) of PSTCL as on 1.04.2014 are ₹9.68 crore. Thus, percentage of R&M expenses to the Gross Fixed Assets works out to 41.22% (3.99/9.68x100). Therefore, the R&M expenses for the assets of ₹1.00 crore added during the year on average of six months work out to ₹0.20 crore. Accordingly, the R&M expenses for FY 2014-15 for SLDC business work out to ₹4.19 (3.99+0.20) crore against the revised estimates of ₹7.82 crore of PSTCL.

Therefore, the Commission approves R&M expenses for Transmission business of ₹50.98 crore and for SLDC business of ₹4.19 crore for FY 2014-15.

3.7 Administrative and General (A&G) Expenses

3.7.1 In the ARR Petition for FY 2014-15, PSTCL had projected A&G expenses of ₹30.59 crore for its Transmission business against which the Commission approved A&G expenses of ₹21.56 crore. Similarly, PSTCL had projected A&G expenses of ₹2.60 crore for its SLDC business against which the Commission approved ₹1.17 crore for FY 2014-15.

3.7.2 In the ARR for FY 2015-16 for transmission business, PSTCL has revised A&G expenses to ₹23.50 crore for FY 2014-15 which includes A&G expenses of ₹2.74 crore for assets added during FY 2014-15 and ₹0.28 crore & ₹0.50 crore as Audit Fee and Licence/ARR Fee respectively. For SLDC business, PSTCL has revised A&G expenses to ₹2.88 crore which includes ₹1.80 crore as A&G expenses for assets added during FY 2014-15.

3.7.3 As discussed in para 5.6.5 of Tariff Order for FY 2014-15, base A&G expenses for FY 2013-14 work out as ₹15.66 (14.05 + 1.61) crore for Transmission business. Accordingly, the base A&G expenses of ₹15.66 crore are adopted to work out A&G expenses for Transmission business. There is WPI increase of 5.98% in FY 2013-14. By applying WPI increase of 5.98%, the A&G expenses work out to ₹16.60 crore.

3.7.4 In accordance with Regulation 28 (6) of the PSERC Tariff Regulations, the A&G expenses are allowable for additional assets added during the year on pro–rata basis from the date of commissioning of assets. In the absence of the actual date of commissioning, assets added during the year are considered as having remained in service for six months on an average during the year.

3.7.5 The average percentage rate of A&G expenses of ₹16.60 crore for Gross Fixed Assets of ₹6610.14 crore as on 01.04.2013 work out to 0.25% (16.60/6610.14x100). The Commission had approved an asset addition of ₹1307.71 crore during FY 2013-14 in Tariff Order FY 2014-15. By applying the average rate of 0.25% on addition of assets of ₹1307.71 crore for Transmission business, the A&G expenses for the assets added during the year work out to ₹3.27 (1307.71x0.25%) crore. Thus, the base A&G expenses for FY 2014-15 for Transmission business work out to ₹19.87 (16.60+3.27) crore.

3.7.6 The Commission adopts A&G expenses of ₹19.87 crore as determined above as base A&G expenses for FY 2014-15 for Transmission business. The WPI increase for FY 2014-15 is available for 8 months (April, 2014 to November, 2014) and is determined at 3.20%. After adding the WPI increase of 3.20% on the A&G expenses of ₹19.87 crore, A&G expenses work out to ₹20.52 crore.

3.7.7 In the ARR Petition for FY 2015-16, PSTCL has claimed A&G expenses for assets of ₹1794.49 crore added during the year 2014-15 for Transmission business. However, dates of commissioning of these assets are not available, as such, assets added during the year are considered as having remained in service for six months on an average during the year.

3.7.8 The opening Gross Fixed Assets (GFA) of PSTCL as on 01.04.2014 are ₹7917.85 (6610.14+1307.71) crore. Thus, percentage of A&G expenses to the Gross Fixed Assets works out to 0.26% (20.52/7917.85x100). Therefore, the A&G expenses for the assets of ₹1794.49 crore added during the year on average of six months work out to ₹2.33 (1794.49x0.26%/2) crore. Accordingly, the A&G expenses for FY 2014-15 for Transmission business work out to ₹22.85 (20.52+2.33) crore. Besides, an amount of ₹0.78 (0.28+0.50) crore as audit fee and licence/ARR fee as claimed by PSTCL is also allowed. As such, A&G expenses is calculated at ₹23.63 (22.85+0.78) crore against the revised estimates of ₹23.50 crore submitted by PSTCL. Thus, the A&G expenses are approved at ₹23.50 crore as claimed by PSTCL for Transmission business.

3.7.9 As discussed in para 5.6.5 of Tariff Order for FY 2014-15, base A&G expenses for FY 2013-14 work out as ₹0.94 (0.77+0.17) crore for SLDC business and the same are adopted as base for calculating A&G expenses for subsequent years. After applying WPI increase of 5.98% for FY 2013-14, the A&G expenses for SLDC business work out to ₹1.00 crore.

3.7.10 The average percentage rate of A&G expenses of ₹1.00 crore for Gross Fixed Assets of ₹8.68 crore as on 01.04.2013 work out to 11.52% (1.00/8.68x100). The Commission had approved an addition of ₹1.00 crore during FY 2013-14. By applying the average rate of 11.52% on addition of assets of ₹1.00 crore for SLDC business, the A&G expenses for the assets added during the year work out to ₹0.11 crore. Thus, base A&G expenses for FY 2014-15 for SLDC business work out to ₹1.11 crore.

3.7.11 The Commission adopts A&G expenses of ₹1.11 crore as determined above as base A&G expenses for SLDC business for FY 2014-15. The WPI increase for FY 2014-15 is available for 8 months (April, 2014 to November, 2014) and is determined at 3.20%. After adding the WPI increase of 3.20% on the A&G expenses of ₹1.11 crore, the A&G expenses work out to ₹1.15 crore.

3.7.12 In the ARR Petition for FY 2015-16, PSTCL has claimed A&G expenses for assets of ₹19.25 crore added during the year 2014-15 for SLDC business. But the Commission has worked out the capitalization of ₹1.00 crore for FY 2014-15 for SLDC business. However, dates of commissioning of these assets are not available. As such, assets added during the year are considered as having remained in service for six months on an average during the year.

3.7.13 The opening Gross Fixed Assets (GFA) of PSTCL as on 01.04.2014 are ₹9.68

crore. Thus, percentage of A&G expenses to the Gross Fixed Assets works out to 11.88% (1.15/9.68). Therefore, the A&G expenses for the assets of ₹1.00 crore added during the year on average of six months work out to ₹0.06 crore. Accordingly, the A&G expenses for FY 2014-15 for SLDC business work out to ₹1.21 (1.15+0.06) crore against the revised estimates of ₹7.82 crore of PSTCL.

The Commission, thus, approves A&G expenses for Transmission business of ₹23.50 crore and for SLDC business of ₹1.21 crore for FY 2014-15.

3.8 Depreciation Charges

3.8.1 In ARR Petition for FY 2014-15, PSTCL projected the depreciation charges of ₹239.44 crore for FY 2014-15 for its Transmission business and ₹1.86 crore for SLDC business against which the Commission approved the depreciation charges of ₹186.00 crore for Transmission business and ₹1.45 crore for SLDC business.

3.8.2 In the ARR Petition of FY 2015-16, PSTCL has revised its claim of depreciation charges to ₹193.87 crore for Transmission business and ₹0.74 crore for SLDC business. PSTCL has also claimed ₹33.66 crore as Advance against Depreciation for Transmission business for FY 2014-15. PSTCL has submitted that actual depreciation charges for FY 2014-15 are not available. PSTCL has calculated the depreciation on the average rate of depreciation which is applied across the asset classes on the opening balance of assets for the year.

3.8.3 The Commission worked out the depreciation charges of ₹137.27 crore for Transmission business for FY 2013-14 in para 5.7.2 of the Tariff Order for FY 2014-15 on the Gross Fixed Assets value (GFA) of ₹3683.71 crore (excluding land) as on March 31, 2013. In the absence of Audited Annual Accounts and sub-head-wise details of assets for FY 2013-14, the Commission adopted the addition of GFA for FY 2013-14 as ₹1307.71 crore as determined in para 5.8.3 of the Tariff Order for FY 2014-15 for calculating depreciation. After the addition of assets of ₹1307.71 crore, the Gross Fixed Assets work out to ₹4991.42 (3683.71+1307.71) crore as on 01.04.2014 on which the depreciation works out to ₹186.00 crore for FY 2014-15.

3.8.4 Besides above, PSTCL has also claimed Advance against Depreciation of ₹33.66 crore for FY 2014-15. The Commission vide its letter no. PSERC/M&F/180/62018 dated 09.03.2015 sought detailed information regarding their claim for Advance against Depreciation. In response to this, PSTCL vide its memo No. 872/FA/ARR-503 dated 16.03.2015 has shown inability to provide information regarding work wise loan availed and repayment of loans for the schemes. Thereafter, PSTCL has submitted information vide memo no. 914 dated 17.03.2015 of loans and depreciation which is not sufficient to establish asset wise claim of Advance against Depreiciation of ₹33.66 crore for FY 2014-15. In view of this, the Commission has decided not to accept the claim of Advance against Depreciation of PSTCL for FY 2014-15.

Accordingly, the Commission approves the Depreciation charges as ₹186.00 crore for FY 2014-15 for Transmission Business of PSTCL.

3.8.5 In the ARR Petition FY 2014-15, PSTCL claimed the Depreciation charges as ₹1.86 crore for SLDC business. The Commission approved the Depreciation charges of ₹1.29 crore for SLDC business for FY 2013-14 in para 5.7.3 of Tariff Order for FY 2014-15 on the Gross Fixed Assets value (GFA) of ₹8.68 crore as on March 31, 2013. In the absence of Audited Annual Accounts for FY 2013-14, the Commission adopted the addition of GFA of FY 2013-14 as ₹1.00 crore as determined in para 5.8.4 of the Tariff Order for FY 2014-15 for calculating depreciation. Accordingly, the Commission determines the depreciation charges for FY 2014-15 as ₹1.44 crore on Gross Fixed Assets of ₹9.68 (8.68+1.00) crore as on 01.04.2014.

The Commission, accordingly, approves the Depreciation charges of ₹186.00 crore for Transmission business and ₹1.44 crore for SLDC business in the review for FY 2014-15.

3.9 Interest and Finance Charges

3.9.1 In the ARR Petition for FY 2014-15, PSTCL projected interest charges of ₹435.72 crore (net of capitalization of ₹50.00 crore) for Transmission business and ₹3.12 crore for SLDC business. The Commission approved interest charges of ₹318.77 crore for Transmission business and ₹1.40 crore for SLDC business for FY 2014-15.

3.9.2 In the ARR Petition for FY 2015-16, PSTCL has revised its claim of Interest charges to ₹334.28 (other than interest on Working Capital Loans (WCL) and net of capitalization of ₹120.00 crore) crore for Transmission business and ₹0.98 crore for SLDC business.

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

3.9.3 Investment Plan for Transmission business

In the ARR Petition of FY 2014-15, PSTCL had estimated a capital expenditure of

₹645.21 crore against which the Commission had approved an investment plan of ₹500.00 crore for the Transmission business of PSTCL in Tariff Order for FY 2014-15. PSTCL has estimated the capital expenditure at ₹524.71 crore for FY 2014-15 in the ARR Petition of FY 2015-16.The details of capital expenditure submitted by PSTCL are shown in Table 3.3.

Table 3.3: Estimates of Capital Expenditure for Transmission business for FY 2014-15

(₹ crore)

Sr. No.	Particulars	Opening WIP* as on March 31, 2014	Expenditure during FY 2014-15	Transferred to Assets	Closing WIP* as on March 31, 2015
I	II	III	IV	V	VI
1.	132 kV & 220 kV	719.92	334.47	668.21	386.18
2.	400 kV	961.81	170.09	1106.28	25.62
3.	ERP & others	0.00	20.15	20.00	0.15
4.	**Total**	**1681.73**	**524.71**	**1794.49**	**411.95**

**Works in progress*

The Commission observes that PSTCL has incurred actual expenditure of ₹221.21 crore up to September, 2014 against proposed capital expenditure of ₹524.71 crore in the RE for FY 2014-15. Based on the actual capital expenditure, the Commission approves the capital expenditure at ₹524.71 crore for FY 2014-15. Thus, the loan requirement for Transmission business of PSTCL works out to ₹524.71 crore.

PSTCL has proposed to capitalize its assets to the extent of ₹1794.49 crore in the RE for FY 2014-15 against the proposed capital expenditure of ₹524.71 crore. The Commission approves an investment of ₹524.71 crore and capitalization of ₹1794.49 crore.

3.9.4 Investment Plan for SLDC business

In the ARR Petition of FY 2015-16, PSTCL has proposed an investment of ₹16.91 crore for SLDC business for FY 2014-15 as shown in Table 3.4.

Table 3.4: Estimates of Capital Investment for SLDC business for FY 2014-15

(₹ crore)

Sr. No.	Particulars	Projected for SLDC
I	II	III
1.	Procurement of 47 RTUs for SCADA Scheme	4.47
2.	Equipment including voice recording and Islanding scheme in Punjab	0.44
3.	ABT Meters	12.00
4.	**Total**	**16.91**

It is seen from above table that the major item of expenditure of ₹12.00 crore is for ABT Meters Scheme. SLDC has incurred capital expenditure of only ₹0.01 crore up to September, 2014. The Commission observes that initial investment plan of SLDC business as filed in the ARR Petition of FY 2014-15 was ₹33.80 crore against which the Commission had allowed ₹27.00 crore for SLDC business. In the ARR Petition of FY 2015-16, the investment plan for SLDC business for FY 2014-15 is ₹16.91 crore. Keeping in view expenditure incurred by PSTCL up to September, 2014, Commission considers it appropriate to allow investment plan of ₹1.00 crore for FY 2014-15 for SLDC business of PSTCL. Accordingly, the Commission approves an investment plan of ₹1.00 crore for SLDC business of PSTCL in the review for FY 2014-15. Considering the approved capital expenditure of ₹1.00 crore, the loan requirement for SLDC business of PSTCL works out to ₹1.00 crore.

PSTCL has proposed capitalization of ₹19.25 crore against proposed investment of ₹16.91 crore. The Commission approves an investment and capitalization of ₹1.00 crore in the review for FY 2014-15.

The Commission has approved the closing balance of loans (other than working capital & GPF) as ₹2461.86 crore for FY 2013-14 in para 5.8.4 of Tariff Order FY 2014-15. PSTCL has claimed ₹436.77 crore towards interest on opening balance of Loans [other than working capital loans (WCL) and GP Fund] and an addition of loans of ₹524.71 crore during FY 2014-15 for its Transmission business in the RE for FY 2014-15. The interest allowable is worked out as detailed in Table 3.5.

Table 3.5: Interest on Loans (other than WCL& GP Fund) for Transmission business

(₹ crore)

Sr. No.	Particulars	Loans as on April 1, 2014	Receipt of Loans during FY 2014-15	Repayment of Loans during FY 2014-15	Loans as on March 31, 2015	Amount of Interest
I	II	III	IV	V	VI	VII
1.	As per data furnished in ARR Petition (other than WCL)	3519.63	524.71	294.89	3749.45	436.77
2.	Approved by the Commission (other than WCL)	2461.86	524.71	294.89	2691.68	309.66

The Commission thus approves the interest on loans at ₹309.66 crore for the Transmission business of PSTCL for FY 2014-15.

PSTCL has claimed ₹0.98 crore towards interest on Loans (other than WCL) for FY 2014-15 for its SLDC business in the ARR for FY 2015-16. The Commission had approved closing balance of loans (other than working capital loan) for FY 2013-14 as ₹1.77 crore in Table 5.5 of Tariff Order for FY 2014-15. The Commission, therefore, adopts the opening balance as on April 01, 2014 of ₹1.77 crore for calculation of interest on loan. The interest on allowable loans (other than Working Capital Loans) is worked out as detailed in Table 3.6:

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

(₹ crore)

Sr. No.	Particulars	Loans as on April 1, 2014	Receipt of Loans during FY 2014-15	Repayment of Loans during FY 2014-15	Loans as on March 31, 2015	Amount of Interest
I	II	III	IV	V	VI	VII
1.	As per data furnished in ARR Petition (other than WCL)	0.77	16.91	0.00	17.68	0.98
2.	Approved by the Commission (other than WCL)	1.77	1.00	0.00	2.77	0.24

The Commission approves the interest on loans at ₹0.24 crore for FY 2014-15 for the SLDC business of PSTCL.

3.9.5 **Guarantee Charges**

PSTCL has claimed ₹1.20 crore as Guarantee Charges payable to Govt. of Punjab for its Transmission business which is allowed.

3.9.6 **Interest on GP Fund**

PSTCL has claimed an interest of ₹16.31 crore on GP fund of ₹197.59 (opening balance) crore. The interest of ₹16.31 crore on GP Fund, being statutory payment, is allowed as claimed by PSTCL for FY 2014-15.

3.9.7 **Capitalization of Interest Charges**

PSTCL has claimed ₹120.00 crore as capitalization of interest for the FY 2014-15 for the Transmission business of PSTCL and nil capitalization of interest charges for its SLDC business. The Commission, accordingly, approves capitalization of interest of ₹120.00 crore for the Transmission business of PSTCL and nil capitalization of interest charges for its SLDC business.

The Commission approves interest charges for PSTCL for its Transmission business for FY 2014-15 as shown in Table 3.7.

Table 3.7: Interest Charges for Transmission business for FY 2014-15

(₹ crore)

Sr. No.	Particulars	Loans as on April 01, 2014	Receipt of loans during FY 2014-15	Repayment of loans	Loans as on March 31, 2015	Interest charges approved by the Commission
I	II	III	IV	V	VI	VII
1.	Interest on institutional loans	2461.86	524.71	294.89	2691.68	309.66
2.	Guarantee Charges					1.20
3.	Interest on GP Funds					16.31
4.	Total (1+2+3)					327.17
5.	Less: Capitalization					120.00
6.	**Net Interest Charges**					**207.17**

The Commission, accordingly, approves the Interest and Finance Charges of ₹207.17 crore for the Transmission business of PSTCL for FY 2014-15.

Similarly, the approved interest charges for SLDC business of PSTCL for FY 2014-15 are shown in Table 3.8.

Table 3.8: Interest Charges for SLDC business for FY 2014-15

(₹ crore)

Sr. No.	Particulars	Loans as on April 01, 2014	Receipt of loans during FY 2014-15	Repayment of loans during FY 2014-15	Loans as on March 31, 2015	Amount of interest
I	II	III	IV	V	VI	VII
1.	Interest on institutional loans	1.77	1.00	0.00	2.77	0.24
2.	Finance Charges					0.00
3.	Total (1+2)	1.77	1.00	0.00	2.77	0.24
4.	Less : Capitalization					0.00
5.	**Net Interest Charges**					**0.24**

Accordingly, the Commission allows Interest Charges of ₹0.24 crore for the SLDC business of PSTCL for FY 2014-15.

3.9.8 **Interest on Working Capital**

In the ARR Petition for FY 2014-15, PSTCL had claimed interest on working capital of ₹51.09 crore for Transmission business, on normative basis, on a total working capital of ₹353.54 crore against which the Commission approved interest charges of ₹28.76 crore for Transmission business of PSTCL for FY 2014-15.

In the ARR Petition for FY 2015-16, PSTCL has claimed interest on working capital of ₹49.55 crore for Transmission business, on normative basis, on a total working capital of ₹335.93 crore for FY 2014-15.

The Commission has considered the working capital as per PSERC Tariff Regulations. The interest on working capital of ₹241.48 crore works out to ₹28.63 crore for FY 2014-15 by applying an interest rate of 11.86%, being the average rate of interest actually payable by the utility on the loans claimed by them during the year 2014-15 as detailed in Table 3.9.

Table 3.9: Interest on Working Capital for Transmission business of PSTCL for FY 2014-15

(₹ crore)

Sr. No.	Particulars	Projected by the PSTCL	Approved by the Commission
I	II	III	IV
1.	Receivables equivalent to two months	214.28	148.89
2.	Maintenance spares @ 15% of Operation and Maintenance (O&M) expenses	78.20	59.52
3.	Operation and Maintenance expenses for one month	43.45	33.07
4.	Total working capital	**335.93**	**241.48**
5.	Rate of Interest	14.75%	11.86%
6.	**Interest on Working Capital**	**49.55**	**28.63**

The Commission, thus, approves the Working Capital of ₹241.48 crore and interest thereon of ₹28.63 crore for the Transmission business of PSTCL for FY 2014-15.

In the ARR Petition for FY 2014-15, PSTCL has claimed interest on working capital of ₹1.52 crore for SLDC business on the total working capital of ₹10.51 crore. The Commission had allowed the interest on working capital as ₹0.52 crore on the working capital of ₹7.75 crore.

In the ARR Petition for FY 2015-16, PSTCL has claimed interest of ₹1.02 crore on working capital of ₹6.93 crore for FY 2014-15. Applying the above principle, the Commission has worked out the interest on working capital by applying rate interest of 12.25%, being, the rate of interest payable by PSTCL on loans as intimated vide its letter no. 242/FA/ARR-503 dated 21/1/2015 for FY 2014-15 as detailed in Table 3.10.

Table 3.10: Interest on Working Capital for SLDC business of PSTCL for FY 2014-15

(₹ crore)

Sr. No.	Particulars	Projected by the PSTCL	Approved by the Commission
I	II	III	IV
1.	Receivables equivalent to two months	3.55	2.41
2.	Maintenance spares @ 15% of Operation and Maintenance (O&M) expenses	2.18	1.37
3.	Operation and Maintenance expenses for one month	1.21	0.76
4.	Total working capital	**6.93**	**4.54**
5.	Rate of Interest	14.75%	12.25%
6.	**Interest on working capital**	**1.02**	**0.55**

Thus, the Commission, approves the Working Capital of ₹4.54 crore and interest thereon of ₹0.55 crore for SLDC business of PSTCL for FY 2014-15.

3.10 Return on Equity (RoE)

3.10.1 In ARR Petition for FY 2014-15, PSTCL claimed RoE of ₹93.91 crore for FY 2014-15 against which the Commission approved RoE of ₹93.91 crore @ 15.5% on the equity amount of ₹605.88 crore. In the ARR for FY 2015-16, PSTCL has submitted revised estimates of ₹106.30 crore as RoE for FY 2014-15 based on revised equity of ₹685.78 crore as per Accounts for FY 2012-13.

3.10.2 Erstwhile Punjab State Electricity Board (PSEB) was unbundled vide the Government of Punjab, Notification dated 16.04.2010 in terms of Section 131 of the Electricity Act, 2003 and the provisional transfer scheme for transfer of assets and liabilities etc. to Punjab State Power Corporation Limited (PSPCL) and Punjab State Transmission Corporation Limited (PSTCL) was issued. Since the transfer scheme dated 16.04.2010 was only provisional and the final transfer scheme was yet to be issued by the Government of Punjab, which was to take some time on account of detailed verification of assets etc., this Commission for the purposes of tariff determination continued the tariff determination based upon the capital structure / equity in the hands of PSEB, which was ₹2946.11 crore, out of which equity of PSPCL was ₹2617.61 crore. Subsequently, the Government of Punjab issued the final transfer scheme vide Notification dated 24.12.2012 allocating the opening balances of various assets and liabilities between the two Successor Entities of erstwhile PSEB viz. PSPCL and PSTCL as on 16.04.2010. In the State Government's Notification dated 24.12.2012 amending the Transfer Scheme of 2010, the equity was determined as ₹6687.26 crore in place of ₹2946.11 crore, assigning ₹6081.43 crore to PSPCL and ₹605.83 crore to

PSTCL. The Commission accordingly approved the Return on Equity of ₹942.62 crore on the equity amount of ₹6081.43 crore vested with PSPCL in the Review for FY 2012-13 in the Tariff Order of PSPCL for FY 2013-14. The Commission, similarly allowed RoE amounting to ₹942.62 crore on an equity of ₹6081.43 crore for FY 2013-14 in Tariff Order for PSPCL for FY 2013-14. The same amount of RoE was allowed for FYs 2010-11 & 2011-12 (True-ups) and for FY 2014-15 in Tariff Order dated 22.08.2014 of PSPCL for FY 2014-15.

Tariff Order of PSPCL for FY 2013-14 was challenged before the Hon'ble APTEL in Appeal No.142 of 2013 and Appeal No.168 of 2013 by some consumers of PSPCL and RoE approved for FY 2012-13 and allowed for FY 2013-14 was one of the issues raised by the Appellants on the ground that equity has been enhanced to ₹6687.26 crore by unjustifiably treating / including Consumer Contributions amounting to ₹2599.32 crore and Subsidies / Grants for capital assets amounting to ₹1142.02 crore in the equity against the law and the regulations. Hon'ble APTEL decided the issue vide Judgment dated 17.12.2014 and held as under:-

> *"The findings of this Tribunal in Appeal No.46 of 2014 shall squarely apply in this case. Accordingly, this issue is decided in favour of the appellants. The State Commission shall re-determine the RoE as per our directions and excess amount allowed to the distribution licensee with carrying cost shall be adjusted in the next ARR of the respondent No.2."*

PSPCL, the respondent No.2, filed Appeal under Section 125 of the Electricity Act, 2003 before the Hon'ble Supreme Court against the Judgment dated 17.12.2014 of Hon'ble APTEL in Appeal Nos. 142 and 168 both of 2013. Hon'ble Supreme Court vide its Order dated 27.03.2015 has stayed the Judgment dated 17.12.2014. Accordingly, the directions of Hon'ble APTEL in its Judgment dated 17.12.2014 cannot be complied with till order remains stayed or the Appeal is finally disposed of by Hon'ble Supreme Court.

In view of the above, RoE to PSTCL is being allowed on the equity amount of ₹605.88 crore @ 15.50% per annum.

3.10.3 PSTCL has not submitted Audited Annual Accounts of FY 2012-13 and FY 2013-14 along with CAG report, as such, the claim of the utility for enhanced RoE cannot be accepted.

The Commission, thus, approves RoE of ₹93.91 crore for FY 2014-15 to PSTCL for Transmission business, subject to outcome of Appeal pending

in Hon'ble Supreme Court of India.

3.11 ULDC Charges

PSTCL had claimed ₹17.61 crore towards ULDC charges for FY 2014-15 in the ARR Petition for FY 2014-15 and the same were approved. In the ARR of PSTCL for FY 2015-16, PSTCL has claimed ₹8.00 crore for FY 2014-15 as ULDC charges. Since the ULDC charges are decided by CERC from time to time, **the Commission allows ₹8.00 crore as ULDC charges for FY 2014-15 as claimed by PSTCL for SLDC business.**

3.12 Non Tariff Income

In the ARR Petition for FY 2014-15, PSTCL had claimed receipts of ₹8.05 crore as non tariff income for Transmission business and ₹0.05 crore for SLDC business against which the Commission approved ₹10.72 crore for Transmission business and ₹3.32 crore for SLDC business. In the ARR for Petition for FY 2015-16, PSTCL has claimed Non-Tariff Income of ₹7.16 crore for Transmission business and ₹1.90 crore for SLDC business. Besides, revenue from open access consumers for Transmission business has been depicted as ₹7.45 crore and ₹2.05 crore for SLDC business of the Utility for FY 2014-15. PSTCL vide letter No 225/FA/ARR dated 19.01.2015 has intimated that up to December 2014 the utility has received revenue from open access consumers amounting to ₹ 8.87 crore for Transmission business and ₹2.47 crore for SLDC business. As such, revenue from open access consumer for full year is considered as ₹12.00 crore and ₹3.00 crore for transmission business and SLDC business respectively. As per Regulation 34 of PSERC Tariff Regulations amended vide notification dated 17.09.2012, income on account of Open Access Charges is being treated as Non-Tariff Income. As such, Non-Tariff Income for Transmission business works out to ₹19.16 (12.00+7.16) crore and for SLDC business, it works out to be ₹4.90 (3.00+1.90) crore. **Accordingly, the Commission approves Non Tariff Income of ₹19.16 crore for the Transmission business and ₹4.90 crore for SLDC business of PSTCL for FY 2014-15.**

3.13 Tax on Income

In the ARR Petition for FY 2015-16, PSTCL has claimed Income Tax of ₹22.28 crore on Return on Equity of ₹106.30 crore @20.96%. As per regulation 32 of PSERC Tariff regulations, the payment of income tax is required to be allowed on actual basis, limited to Tax on RoE. In view of this, the issue of payment of income tax will be considered on receipt of the Audited Annual Accounts of

PSTCL for FY 2014-15. **As such, no amount of income tax is allowed for FY 2014-15.**

3.14 Uncovered amount of Carrying Cost on GoP as per Tariff Order for FY 2014-15

PSTCL has submitted that the Commission in its T.O. for FY 2014-15 passed on carrying cost of ₹39.05 crore to the GoP due to delay in the finalization on the Opening Balance Sheet of PSTCL by the Government. PSTCL has argued that since this amount was not allowed to be recovered through tariff from PSPCL, the same may be allowed to be recovered. The issue has already been decided in para 6.14 of Tariff Order for FY 2014-15 of PSTCL. The matter may be taken by PSTCL with GoP.

3.15 Annual Revenue Requirement

The Summary of the Annual Revenue Requirement for Transmission business and SLDC business of PSTCL for FY 2014-15 is shown in Table 3.11 & Table 3.12 respectively.

Table 3.11: Annual Revenue Requirement for Transmission business of PSTCL for FY 2014-15

(₹crore)

Sr. No.	Particulars	Projected by PSTCL in the ARR for FY 2014-15	Approved by the Commission in Tariff Order for FY 2014-15	RE by PSTCL in the ARR for FY 2015-16	Now Approved by the Commission
I	II	III	IV	V	VI
1.	Employee costs	453.54	298.66	396.65	322.31
2.	R&M expenses	61.33	46.45	101.19	50.98
3.	A & G expenses	30.59	21.56	23.50	23.50
4.	Depreciation	239.44	186.00	227.54	186.00
5.	Interest charges	435.72	318.77	334.28	207.17
6.	Interest on working capital	51.09	28.76	49.55	28.63
7.	Return on Equity	93.91	93.91	106.30	93.91
8.	ULDC Charges	0.00	0.00	-	-
9.	Tax on Income			22.28	-
10.	Unrecovered amount of carrying cost from GoP			39.05	-
11.	**Annual Revenue Requirement**	**1365.62**	**994.11**	**1300.35**	**912.50**
12.	Less: Non Tariff Income	8.05	10.72	14.61	19.16
13.	**Net Revenue Requirement**	**1357.57**	**983.39**	**1285.74**	**893.34**

Table 3.12: Annual Revenue Requirement for SLDC business of PSTCL for FY 2014-15

(₹crore)

Sr. No.	Particulars	Projected by PSTCL in the ARR for FY 2014-15	Approved by the Commission in Tariff Order for FY 2014-15	RE by PSTCL in the ARR for FY 2015-16	Now Approved by the Commission
I	II	III	IV	V	VI
1.	Employee costs	8.52	6.80	3.81	3.73
2.	R&M expenses	5.15	4.04	7.82	4.19
3.	A & G expenses	2.60	1.17	2.88	1.21
4.	Depreciation	1.86	1.45	0.74	1.44
5.	Interest charges	3.12	1.40	0.98	0.24
6.	Interest on working capital	1.52	0.52	1.02	0.55
7.	Return on Equity	0.00	0.00	-	-
8.	ULDC Charges	17.61	17.61	8.00	8.00
9.	Tax on Income			-	-
10.	**Annual Revenue Requirement**	**40.38***	**32.99**	**25.24**	**19.36**
11.	**Less:** Non Tariff Income	0.05	3.32	3.95	4.90
12.	**Net Revenue Requirement**	**40.33**	**29.67**	**21.29**	**14.46**

The summary of the Annual Revenue Requirement of PSTCL as a whole for FY 2014-15 is shown in Table 3.13.

Table 3.13: Annual Revenue Requirement for PSTCL in respect of Transmission Business and SLDC Business for FY 2014-15

(₹crore)

Sr. No.	Particulars	Projected by PSTCL in the ARR for FY 2014-15	Approved by the Commission in Tariff Order for FY 2014-15	RE by PSTCL in the ARR for FY 2015-16	Now Approved by the Commission
I	II	III	IV	V	VI
1.	Employee costs	462.06	305.46	400.46	326.04
2.	R&M expenses	66.48	50.49	109.01	55.17
3.	Administration and General expenses	33.19	22.73	26.38	24.71
4.	Depreciation	241.30	187.45	228.28	187.44
5.	Interest charges	438.84	320.17	335.26	207.41
6.	Interest on working capital	52.61	29.28	50.57	29.18
7.	Return on Equity	93.91	93.91	106.30	93.91
8.	ULDC Charges	17.61	17.91	8.00	8.00
9.	Income Tax	0.00	0.00	22.28	0.00
10.	Unrecovered Amount of carrying cost from GoP			39.05	0.00
11.	**Annual Revenue Requirement**	**1406.00**	**1027.10**	**1325.59**	**931.86**
12.	**Less:** Non Tariff Income	8.10	14.04	18.56	24.06
13.	**Net Revenue Requirement (11-12)**	**1397.90**	**1013.06**	**1307.03**	**907.80**
14.	Transmission Charges receivable as per Tariff Order FY 2014-15		**895.66**		**895.66**
15.	**Revenue Gap (+) /Surplus(-) for FY 2014-15**				**(+)12.14**
16.	Revenue Gap(+)/ Surplus(-) upto FY 2013-14 (as per Table 5.11 of T.O FY 14-15)				**(-) 120.83**
17.	**Gap(+)/ Surplus (-) upto FY 2014-15**				**(-) 108.69**

The surplus of ₹108.69 crore for FY 2014-15 (RE) as determined above, has been carried over to Table 4.14.

Chapter 4
Annual Revenue Requirement for FY 2015-16

4.1 Introduction

PSTCL has projected the Annual Revenue Requirement (ARR) for FY 2015-16, separately for its Transmission business and SLDC business. The Commission has analyzed the projections for each item and determined the ARR for FY 2015-16, separately, for Transmission business and SLDC business of PSTCL in this chapter.

4.2 Transmission System Capacity

PSTCL has projected the Transmission Capacity of the system as 11462 MW (net) and 12041 MW (gross) for FY 2015-16, as per expected generation capacity as on 31.03.2016. The Transmission system capacity projected by PSTCL in the ARR includes generating stations connected with Sub-Transmission/distribution system of PSPCL. The Commission has determined the Transmission capacity (net) of PSTCL system from the data submitted by PSTCL, as 11579.37 MW, which the Commission approves.

4.3 Transmission System Availability

PSTCL has submitted that it will maintain the Transmission System Availability for FY 2015-16 above normative annual transmission availability factor as mandated by the Hon'ble Commission in PSERC Regulations.

The Commission has taken note of the submissions of PSTCL and shall consider its actual Transmission System Availability for FY 2015-16 for incentive, if permissible as per PSERC Tariff Regulations, at the time of true up.

4.4 Transmission Losses

PSTCL in the ARR for FY 2015-16 has submitted that it has installed boundary ABT meters at interface points between PSTCL and PSPCL and the remaining works will be completed by May, 2015. PSTCL has submitted that:

(i) It has placed a work order cum contract agreement on 26.10.2012 with Wallaby Metering System (P) Ltd., now EDMI India Private Limited for implementation of interstate boundary metering cum Transmission Level

Energy Audit Scheme. The firm (Supplier cum Integrator) was required to supply, commission and integrate about 700 ABT (Availability Based Meters) with Central Energy Center along with associated communication, equipment/devices like modems, SIMs etc. for calculating overall transmission losses, line losses, transformer losses and availability of power from interstate points for calculating real time drawl from Central Sector generators to control over/under drawl from the grid. Meters are to be installed at the boundary points with PSPCL/interstate points.

(ii) The firm has supplied and integrated with the Central Data Centre about 721 ABT meters with associated communication equipment/devices and has established state of the art Central Data Centre. The firm has submitted preliminary loss report. Perusal of the report indicates that the transmission losses vary up to 3.94% as per report dated 06th November, 7th November and 08th November, 2014, depending upon loading conditions of the system and time-period used. The real time data of few (6 numbers) locations was not available due to communication issues and was taken from the other end by installing additional ABT meter at the receiving end. To further correct the losses, the firm has been asked to identify and install Meters at the left over points. For communication connectivity, wherever GSM signal is not available, the firm is required to install V-SAT at its cost.

(iii) The firm has also installed 450 conventional energy meters (CEM) at each and every node in the PSTCL grid, where existing energy meters were not available. However, out of the total old/existing energy meters, approximately 600 could not be integrated/made communicable with the new system, which has been setup at Centralized Energy Center, SLDC, Ablowal. As such, 600 more CEMs are being proposed to be procured, so that all the data for the purpose of energy audit from main meters at all these metering nodes in PSTCL grid is available remotely. The project is expected to be completed by 31.05.2015, and it shall submit to the Hon'ble Commission the results of energy audit as soon as same are available.

(iv) The various transmission utilities of other similar States have their transmission losses in the range of 3.38% - 4.55%.

PSTCL submitted in the ARR for FY 2015-16 that actual transmission losses are expected to be available by the end of May, 2015. PSTCL has requested the Hon'ble Commission to approve the transmission losses for FY 2015-16 at 4%, till the availability of actual transmission losses.

PSTCL vide its letter dated 30.01.2015 has submitted that the overall transmission loss will be provided by 30.06.2015 alongwith the data for atleast 6 months, as desired by the Commission for complete analysis of the loss.

In para 3.4 of this Tariff Order, the Commission has retained the Transmission losses at 2.5% for FY 2014-15. Since PSTCL has not completed the intra-state boundary metering, **the Commission retains the Transmission losses at 2.5% for FY 2015-16. The Commission would revisit the Transmission losses during review/true up for FY 2015-16, after the intra-state boundary meters are provided and energy audit is conducted.**

4.5 Employee Cost

4.5.1 In the ARR petition for FY 2015-16, PSTCL has claimed ₹427.07 crore on account of employee cost for Transmission business and ₹4.19 crore for SLDC business for FY 2015-16 as per details below:

Table 4.1: Employee Expenses for FY 2015-16

(₹ crore)

Particulars	Transmission business	SLDC business	Total (III+IV)
II	III	IV	V
Salary & other employee cost	183.58	4.06	187.64
Employee cost for maintenance of new assets	3.02	-	3.02
Additional employee cost for new recruits	3.42	0.11	3.53
Amount of pay revision	0.50	0.02	0.52
Terminal Benefits i. As per transfer scheme 232.28 ii. As per new induction 4.27	236.55*	-	236.55
Total Employee Cost	**427.07**	**4.19**	**431.26**

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

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

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

4.5.3 Punjab State Power Corporation Limited (PSPCL) challenged the Tariff Order dated 16.07.2012 passed by the Commission for FY 2012-13 before Hon'ble APTEL in Appeal No.174 of 2012, on various grounds. Hon'ble APTEL framed following issues among others:

(i) Whether the State Commission is justified in not allowing the employees cost as claimed by the appellant, in reducing the same by 17.22% ?

(ii) Whether the State Commission is justified in applying the Wholesale Price Index (WPI) to increase in the employees cost and dearness allowance?

The Hon'ble APTEL gave the following findings on the above issues in its Judgment dated 11th September, 2014:-

"40.1 *The State Commission has, in the impugned order, wrongly effected a reduction of 17.22% in the employees cost of the appellant on the ground that the employees cost of the appellant are high. The approach of the State Commission in reducing the employees cost to the extent of 17.22% on the ground that the employees cost of the appellant is higher and the appellant does not have control over its employees cost is erroneous and arbitrary. Further, the State Commission is not justified in applying the Wholesale Price Index (WPI) to increase in employees cost and dearness allowance. We do not approve this approach of the State Commission. We agree to the findings laid down by this Appellate Tribunal in its judgments dated 02.03.2012 & 18.10.2012 delivered in Appeal No.76 of 2011 and Appeal No.7, 46 & 122 of 2011 respectively. Thus, both the issues i.e. Issue Nos. (i) & (ii) are allowed by us directing the State Commission to re-examine both these issues in the light of our findings recorded earlier in the judgments dated 02.03.2012 and 18.10.2012 in Appeal No.76 of 2011 and Appeal No.7 of 2011 & batch".*

The Commission sought Review of the above Judgment in Review Petition No.6 of 2015 in Appeal No.174 of 2012. The Review was sought on the ground that above findings of the Hon'ble Tribunal was not in terms of the Regulations of the Commission specifying that the increase in employee cost is to be limited to Wholesale Price Index (WPI) (all commodities) in terms of Regulation 28 of Tariff Regulations made by this Commission in exercise of powers conferred on it under the Electricity Act, 2003 (No.36 of 2003) having the force of subordinate legislation. The Hon'ble APTEL has dismissed the Review Petition of the Commission by its Order dated 30.03.2015.

The Hon'ble APTEL has decided as under:-

"This Appellate Tribunal in its previous judgment also considered the Regulations and the Wholesale Price Index and held that actual costs need to be considered. We after considering the previous judgment and discussion on the said issue at length in our judgment dated 11.09.2014 in the said Appeal No.174 of 2012, after referring to the decision of the State Commission on the Wholesale Price Index, directed that the actual amount spent, subject to prudent check, is to be considered." (Emphasis supplied)

'Actual amount spent' as mentioned in the Hon'ble APTEL Judgment can be considered at the time of True-up only. The Commission allowed actual employee cost in the True-up for FY 2011-12 in Tariff Order for FY 2014-15 based on the provisions in PSERC (Terms and Conditions for Determination of Tariff) Regulations, 2005 as amended from time to time. Due to non-availability of Audited Annual Accounts for FY 2012-13 and FY 2013-14, the True-up exercise for these years could not be carried out. As the information regarding 'actual amount spent' is not available at the time of projections and review, the Commission has no alternative except to determine the employee cost based on the prevalent PSERC Regulations. Further, the Commission is also considering legal course.

The Commission has, therefore, decided to continue determination of the Employees Cost of PSTCL in this Tariff Order as per its Regulations.

4.5.4 As per PSERC Tariff Regulations, increase in 'other employee cost' is to be limited to average increase in WPI. However, keeping in view the average annual WPI increase for FY 2014-15 available for 8 months (April, 2014 to November, 2014), the Commission has calculated the average WPI increase of 3.20% which is adopted for purposes of calculation of allowable expenses.

4.5.5 As shown in Table 4.1, PSTCL has claimed ₹183.58 crore as 'other employee cost', ₹3.02 crore for maintenance of new assets, ₹3.42 crore for new recruits and ₹0.50 crore for pay revision. As discussed in para 3.5.7 of this Tariff Order, PSTCL has not submitted any proposal for recruitment of new employees. As such, the Commission has not accorded approval for new recruits. Accordingly, ₹6.44 crore (3.02+3.42) crore for new recruits are not allowable as discussed in para 3.5.7 of this Tariff Order. Thus, the claim of PSTCL for 'other employee cost' for Transmission business gets reduced to ₹184.08 (183.58+0.50) crore,

4.5.6 In the Review for FY 2014-15, the Commission has approved the Employee Cost of ₹322.31 crore for FY 2014-15 for Transmission business in para 3.5.8 of this Tariff Order. This includes an amount of ₹212.22 crore of terminal benefits, ₹1.83 crore as arrear of pay and ₹108.26 crore as 'other employee cost'.

4.5.7 As per Regulations, the approved 'other employee cost' for the previous year is to be considered as the base expenses while allowing such cost in the succeeding year. The WPI for FY 2015-16 is not available as yet. As such, the WPI available for 8 months for FY 2014-15 is adopted for FY 2015-16 as well. Accordingly, WPI of 3.20% is applied to the 'other employee cost' of ₹108.26 crore approved for Transmission business for FY 2014-15. As such, 'other employee cost' for FY 2015-16 works out to ₹111.72 crore. After adding ₹0.50 crore for pay revision, the amount of 'other employee cost' works out to ₹112.22 (111.72+0.50) crore. Thus, the Commission approves 'other employee cost' of ₹112.22 crore for Transmission business of PSTCL for FY 2015-16 against the claim of ₹184.08 crore.

4.5.8 PSTCL has claimed ₹236.55 crore as terminal benefits which includes ₹4.27 crore for employees recruited by PSTCL for Transmission as well as SLDC business. Since terminal benefits are required to be apportioned and allowed in the ratio of 88.64% and 11.36% between PSPCL and PSTCL respectively as per Transfer Scheme and are to be allowed in line with the provisions in Regulation 33 of PSERC Tariff Regulations, the amount of terminal benefits of ₹4.27 crore for employee recruited by PSTCL is not allowable. As such, the claim of PSTCL gets reduced to ₹232.28 (236.55-4.27) crore.

4.5.9 As discussed in para 4.10.8 of Tariff Order of PSPCL for FY 2015-16, terminal benefits are required to be apportioned in the ratio of 11.36% and 88.64% between PSTCL and PSPCL as per Transfer Scheme approved by GoP vide notification dated 24.12.2012. The terminal benefits of ₹1760.10 crore have been approved for PSPCL for FY 2015-16 as 88.64% share as per transfer scheme, as such 11.36% share of PSTCL works out to ₹225.57 (1760.10x11.36/88.64) crore.

Therefore, the Commission approves terminal benefits of ₹225.57 crore for FY 2015-16 for PSTCL against the claim of ₹232.28 crore of PSTCL.

Therefore, the Commission approves ₹337.79 (225.57+112.22) crore as employee cost against the claim of ₹427.07 crore projected by PSTCL for Transmission business.

4.5.10 Similarly, PSTCL has projected employee cost of ₹4.19 crore for SLDC business for FY 2015-16. This includes an amount of ₹0.11 crore as employees cost for additional employee and ₹0.02 crore for pay revision of SLDC employee. As discussed above, ₹0.11 crore claimed for additional employees is not allowable. Thus, the claim of PSTCL gets reduced to ₹4.08 crore.

4.5.11 In the review for FY 2014-15, the Commission worked out ₹6.72 crore as 'other employees cost' for SLDC business. The WPI for FY 2015-16 is not available as yet. As such, the WPI of 3.20% available for 8 months for FY 2014-15 is adopted for FY 2015-16 as well. After applying WPI of 3.20% to the 'other employee cost' of ₹6.72 crore approved for SLDC business for FY 2014-15, 'other employee cost' for FY 2015-16 works out to ₹6.94 crore. PSTCL has projected an amount of ₹0.02 crore as arrear of pay for SLDC employees; the total employee cost works out to ₹6.96 crore. However, PSTCL has claimed ₹4.08 crore as Employee Cost (including amount of pay revision) for SLDC business.

The Commission, therefore, approves ₹337.79 crore for Transmission business and ₹4.08 crore for SLDC business as employee cost for FY 2015-16.

4.6 Repair and Maintenance (R&M) Expenses

4.6.1 In the ARR Petition for FY 2015-16, PSTCL has projected R&M expenses of ₹123.58 crore for Transmission business and ₹13.48 crore for SLDC business for FY 2015-16 as per details below:

Table 4.2: R&M Expenses for FY 2015-16

(₹ crore)

Sr.No.	Particulars	Transmission business	SLDC business	Total (III+IV)
I	II	III	IV	V
1.	R&M expenses for FY 2014-15	113.38	12.70	126.08
2.	R&M expenses after applying increase in WPI@4.80%	118.82	13.31	132.13
3.	R&M for assets added during FY 2015-16	4.76	0.17	4.93
4.	**R&M expenses for FY 2015-16**	**123.58**	**13.48**	**137.06**

R&M expenses for PSTCL Transmission business of ₹56.18 crore (₹50.98 crore approved as R&M expenses for FY 2014-15 in para 3.6.7 of this Tariff Order and ₹5.20 crore being additional R&M expenses on asset addition during the year on average of six months) are being considered as base for FY 2015-16.

4.6.2 Amended Regulation 28(2)(b) of PSERC Tariff Regulations,2005 provides for adjusting base O&M expenses in proportion to increase in Whole Sale Price

Index (all commodities) to determine O&M expenses for subsequent years.

4.6.3 The WPI for FY 2015-16 is not available as yet. As such, the WPI available for 8 months for FY 2014-15 is adopted for FY 2015-16 as well. Accordingly, WPI of 3.20% is applied to the base R&M expenses of ₹56.18 crore to determine R&M expenses for FY 2015-16. After applying WPI at the rate of 3.20%, the R&M expenses for FY 2015-16 work out to ₹57.98 crore for transmission business. As regards the claim of ₹4.76 crore for proposed addition of assets in terms of PSERC tariff Regulations, the Commission is of the view that the increase in R&M expenses demanded on this account cannot be allowed at this stage and will be considered at the time of review next year when more accurate figures of asset addition are available.

Accordingly, the Commission approves R&M expenses of ₹57.98 **crore for Transmission business for FY 2015-16.**

4.6.4 R&M expenses of ₹4.39 crore, (₹4.19 crore approved as R&M expenses for FY 2014-15 in para 3.6.12 of this Tariff Order and ₹0.20 crore being additional R&M expenses on asset addition during the year on average of six months) for SLDC business are being considered as base for FY 2015-16.

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

4.6.6 The WPI for FY 2015-16 is not available as yet. As such, the WPI available for 8 months for FY 2014-15 is adopted for FY 2015-16 as well. Accordingly, WPI of 3.20% is applied to the base R&M expenses of ₹4.41 crore to determine R&M expenses for FY 2015-16. After applying WPI at the rate of 3.20%, the R&M expenses for FY 2015-16 work out to ₹4.55 crore for SLDC. As regards the claim of ₹0.17 crore for proposed addition of assets in terms of PSERC tariff Regulations, the Commission is of the view that the increase in R&M expenses demanded on this account cannot be allowed at this stage and will be considered at the time of review next year when more accurate figures of asset addition are available. Accordingly, the Commission allows R&M expenses of ₹4.55 crore for SLDC business for FY 2015-16.

Thus, Commission approves R&M expenses of ₹57.98 crore for Transmission business and ₹4.55 crore for SLDC business for FY 2015-16.

4.7 Administrative and General (A&G) Expenses

4.7.1 In the ARR Petition for FY 2015-16, PSTCL has projected A&G Expenses of ₹28.53 crore for Transmission business and ₹4.96 crore for SLDC business for FY 2015-16 as per details below:

Table 4.3: A&G Expenses for FY 2015-16

(₹ crore)

Sr. No.	Particulars	Transmission business	SLDC business	Total (III+IV)
I	II	III	IV	V
1.	A&G expenses for FY 2014-15	25.46	4.67	30.13
2.	A&G expenses after applying increase in WPI@4.80%	26.68	4.90	31.58
3.	A&G for assets added during FY 2015-16	1.07	0.06	1.13
4.	Add Audit Fee	0.28	0.00	0.28
5.	Add License fee and ARR fee	0.50	0.00	0.50
6.	**A&G expenses for FY 2015-16**	**28.53**	**4.96**	**33.49**

4.7.2 A&G expenses for PSTCL Transmission business of ₹25.18 crore, (₹22.85 crore approved as A&G expenses for FY 2014-15 in para 3.7.8 of this Tariff Order and ₹2.33 crore being additional A&G expenses on asset addition during the year on average of six months) are being considered as base for FY 2015-16.

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

4.7.4 The WPI for FY 2015-16 is not available as yet. As such, the WPI available for 8 months for FY 2014-15 is adopted for FY 2015-16 as well. Accordingly, WPI of 3.20% is applied to the base A&G expenses of ₹25.18 crore to determine A&G expenses for FY 2015-16. After applying WPI at the rate of 3.20%, the A&G expenses for FY 2015-16 work out to ₹25.99 crore for Transmission business. As regards the claim of ₹1.07 crore for proposed addition of assets in terms of PSERC tariff Regulations, the Commission is of the view that the increase in A&G expenses demanded on this account cannot be allowed at this stage and will be considered at the time of review next year when more accurate figures of asset addition are available. Besides, A&G expenses of ₹0.78 (0.28+0.50) crore for audit fee and ARR& License fee as claimed by PSTCL for Transmission business for FY 2015-16 are also allowed. The total A&G expenses for Transmission business work out to ₹26.77 (25.99+0.78) crore.

Accordingly, the Commission approves A&G expenses of ₹26.77 crore for Transmission business for FY 2015-16.

4.7.5 A&G expenses for PSTCL SLDC business of ₹1.27 crore, (₹1.21 crore approved as A&G expenses for FY 2014-15 in para 3.7.13 of this Tariff Order and ₹0.06 crore being additional A&G expenses on asset addition during the year on average of six months) are being considered as base for FY 2015-16.

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

4.7.7 The WPI for FY 2015-16 is not available as yet. As such, the WPI available for 8 months for FY 2014-15 is adopted for FY 2015-16 as well. Accordingly, WPI of 3.20% is applied to the base A&G expenses of ₹1.27 crore to determine A&G expenses for SLDC business for FY 2015-16.

4.7.8 After applying WPI at the rate of 3.20%, the A&G expenses for FY 2015-16 work out to ₹1.31 crore for SLDC business. As regards the claim of ₹0.06 crore for proposed addition of assets in terms of PSERC tariff Regulations, the Commission is of the view that the increase in A&G expenses demanded on this account cannot be allowed at this stage and will be considered at the time of review next year when more accurate figures of asset addition are available. PSTCL has not claimed any amount on account of Audit fee and Licence & ARR fee for SLDC business for FY 2015-16. Accordingly, the Commission approves A&G expenses of ₹1.31 crore for SLDC business for FY 2015-16.

Therefore, the Commission approves A&G expenses of ₹26.77 crore for Transmission business and ₹1.31 crore for SLDC business for FY 2015-16.

4.8 Depreciation

4.8.1 PSTCL has projected depreciation charges of ₹232.96 crore for FY 2015-16 for its Transmission business on assets of ₹4619.81 crore as on April 1, 2015. PSTCL has submitted that depreciation expenses for FY 2015-16 have been calculated on the rates as specified in CERC Regulations, 2014.

4.8.2 The Commission has approved the depreciation charges of ₹186.00 crore for Transmission business for FY 2014-15 in para 3.8.4 of this Tariff Order on the Gross Fixed Assets value (GFA) of ₹4991.42 crore (excluding land) as on March

31, 2014. In the absence of Audited Annual Accounts and sub-head-wise details of assets for FY 2014-15, the Commission adopts the addition of ₹993.06 crore in the assets for FY 2014-15 as intimated/clarified by PSTCL vide memo no. 182/FA/ARR-503 dated 15.01.2015 for calculating depreciation for FY 2015-16.

Besides above, PSTCL has also claimed Advance against Depreciation of ₹36.76 crore for FY 2015-16. The Commission vide its letter no. PSERC/M&F/180/62018 dated 09.03.2015 has sought detailed information regarding their claim for advance against depreciation. In response to this, PSTCL vide its memo No. 872/FA/ARR-503 dated 16.03.2015 intimated that information regarding work wise loan availed and work wise repayment of loans for the schemes is not available. In view of this, the Commission has decided not to accept the claim of advance against depreciation of PSTCL for FY 2015-16.

Accordingly, the Commission determines the depreciation charges as ₹223.01 crore for Transmission Business of PSTCL for FY 2015-16.

4.8.3 In the ARR Petition FY 2015-16, PSTCL claimed the depreciation charges as ₹1.60 crore for SLDC business. The Commission has worked out the depreciation charges of ₹1.44 crore for SLDC business for FY 2014-15 in para 3.8.5 of this Tariff Order on the Gross Fixed Assets value (GFA) of ₹9.68 crore as on March 31, 2014. In the absence of Audited Annual Accounts for FY 2014-15, the Commission adopts the addition of GFA of FY 2014-15 as ₹1.00 crore as determined in Tariff Order for calculating depreciation. Accordingly, the Commission determines the depreciation charges as ₹1.60 crore for SLDC business for FY 2015-16.

Depreciation on assets added/reduced during FY 2015-16 shall be considered during review/True Up.

The Commission, accordingly, approves the depreciation charges of ₹223.01 crore for Transmission business and ₹1.60 crore for SLDC business of PSTCL for FY 2015-16.

4.9 Interest and Finance charges

In the ARR Petition for FY 2015-16, PSTCL has claimed interest charges of ₹430.11 crore (net of Capitalization of ₹39.92 crore) for Transmission business and ₹4.01 crore for SLDC business.

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

4.9.1 **Investment Plan for Transmission business**

In the ARR Petition for FY 2015-16, PSTCL has projected a capital expenditure of ₹503.37 crore for FY 2015-16. The details of capital expenditure and capitalization projected by PSTCL are given in Table 4.4.

Table 4.4: Capital Expenditure projected by PSTCL for its Transmission business for FY 2015-16

(₹ crore)

Sr. No.	Particulars	Expenditure during FY 2015-16
I	**II**	**III**
1.	400 kV Transmission Works	119.00
2.	220 kV & 132 kV Transmission Works	358.46
3.	ERP	6.41
4.	Training Center	4.50
4.	Others	15.00
5.	**Grand Total**	**503.37**

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

(i) The balance work of 400 kV transmission system for evacuation of power from Talwandi Sabo Thermal Power project is to be completed by FY 2015-16.PSTCL plans to invest Rs. 49.00 crore on the remaining works of Talwandi Sabo Thermal Power project.

(ii) The balance works of 400 kV transmission system for evacuation of power from Rajpura Thermal Power Projects are likely to be completed during FY 2015-16 and 400 kV Sub-Station at Rajpura is likely to be commissioned by 30th June, 2015. PSTCL plans to invest ₹ 70.00 crore on this account during FY 2015-16.

PSTCL has further proposed a capital expenditure of ₹358.46 crore for 220 kV/ 132 kV works and will invest ₹6.41 crore on the work of ERP implementation during FY 2015-16.

PSTCL has submitted that in accordance with the National Training Policy issued by Ministry of Power, Govt. of India, it is mandatory to provide training to officers and staff to handle 400 kV, 220 kV and 132 kV systems along with Communication systems as per provisions of IE Rules 1956. Temporarily, PSTCL is imparting training to its employees at various Institutes in India. PSTCL proposes to establish a Training Centre for its employees. The construction of training centre will start in FY 2015-16 and capital expenditure proposed during FY 2015-16 is ₹4.50 crore PSTCL plans to invest ₹15.00 crore in equipments required for oil and diagnostic Lab set up by PSTCL and for miscellaneous tools and plants required for operation and maintenance of Transmission system.

The Commission has examined the Investment Plan of ₹503.37 crore projected by PSTCL for FY 2015-16 and observes that establishment of 400 kV system for evacuation of power from Thermal Power Projects and other 220 kV and 132 kV Transmission works are essential for increased/improved power supply in the State. The Commission has approved the capital expenditure at ₹524.71 crore for FY 2014-15 in para 3.9.3 of this Tariff Order. Based on actual expenditure incurred in FY 2014-15, approved investment plan for FY 2014-15 and projects planned for FY 2015-16, Commission considers it appropriate to allow an investment plan of ₹503.37 crore to PSTCL for its Transmission business as required by the utility. Increase/decrease in capital expenditure, if any, will be considered by the Commission during Review of FY 2015-16.

The Commission, accordingly, approves an Investment Plan and loan requirement of ₹503.37 crore for the Transmission business of PSTCL for FY 2015-16. This loan requirement is taken into consideration for computation of interest charges.

PSTCL has proposed to capitalize expenditure to the extent of ₹669.46 crore for FY 2015-16 against investment plan of ₹503.37 crore. The Commission has approved an Investment Plan of ₹503.37 crore for FY 2015-16 and the corresponding capitalization works out to ₹669.46 crore.

4.9.2 Investment Plan for SLDC business

In the ARR Petition for FY 2015-16, PSTCL has projected the capital expenditure of ₹17.00 crore for its SLDC business for FY 2015-16. The details of capital expenditure projected by PSTCL for SLDC business are given in Table 4.5.

Table 4.5: Capital Expenditure projected by PSTCL for SLDC business for FY 2015-16

(₹ crore)

Sr. No.	Particulars	FY 2015-16 (Projected)
I	II	III
1.	Procurement of 118 RTUs for remaining/upcoming future sub-stations of PSTCL	14.50
2.	Equipment including Voice Recording and Islanding Scheme in Punjab	2.50
3.	**Total**	**17.00**

PSTCL has estimated capital expenditure of ₹17.00 crore and capitalization of ₹17.00 crore during FY 2015-16.

It is seen from Table 4.5 that the major component of projected expenditure is on account of RTUs to cover left out 132 kV & new 220 kV substations and implementation of Islanding Scheme in Punjab and replacement of existing RTUs. Commission observes that procurement of RTUs is essential for systems stability and implementation of Intra-state Boundary Metering Scheme is essential for determining intra-state Transmission losses.

As discussed in para 3.9.4 of this Tariff Order, the Commission has approved investment plan of ₹1.00 crore against revised estimates of ₹16.91 crore for FY 2014-15. The Commission observes that part of capital expenditure relating to FY 2014-15 will spill over in FY 2015-16. PSTCL has projected an investment plan of ₹17.00 crore for FY 2015-16. Therefore, the Commission considers it appropriate to allow investment expenditure of ₹21.75 crore for FY 2015-16 for SLDC business of PSTCL against the estimated expenditure of ₹32.91 (15.91 + 17.00) crore. However**,** if there is any increase/decrease in expenditure, the same shall be considered by the Commission at the time of Review of FY 2015-16.

The Commission approves an Investment and Capitalization of ₹21.75 crore for SLDC business of PSTCL for FY 2015-16.

The interest on allowable loans (other than Working Capital Loans and GPF) is worked out for Transmission business as indicated in Table 4.6.

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

(₹ crore)

Sr. No.	Particulars	Loans as on April 01, 2015	Receipt of Loans during FY 2015-16	Repayment of Loans during FY 2015-16	Loans as on March 31, 2016	Amount of Interest
I	II	III	IV	V	VI	VI
1.	As per data furnished by PSTCL in ARR Petition (other than WCL)	3749.45	503.37	383.29	3869.53	455.63
2.	Approved by the Commission (other than WCL)	2691.68	503.37	383.29	2811.76	329.12

The Commission, thus, approves an interest of ₹329.12 crore on loans (other than working capital loans and GPF) for Transmission business of PSTCL for FY 2015-16.

Similarly, PSTCL has projected interest and finance charges of ₹4.01 crore for SLDC business of PSTCL for FY 2015-16. The interest on allowable loans (other than working capital loans) is worked out as indicated in Table 4.7.

Table 4.7: Interest on Loans (Other than WCL) for SLDC

(₹ crore)

Sr. No.	Particulars	Loans as on April 01, 2015	Receipt of loans during FY 2015-16	Repayment of loans during FY 2015-16	Loans as on March 31, 2016	Amount of Interest
I	II	III	IV	V	VI	VII
1.	As per data furnished by PSTCL in ARR Petition (other than WCL)	17.68	17.00	0.00	34.68	4.01
2.	Approved by the Commission (other than WCL)	2.77	21.75	0.00	24.52	2.09

The Commission, accordingly, approves interest of ₹2.09 crore on loans (other than Working Capital Loans) for SLDC business of PSTCL for FY 2015-16.

4.9.3 **Finance Charges**

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

4.9.4 **Interest on GP Fund**

PSTCL has claimed an interest of ₹14.40 crore on GP fund of ₹175.64 (Opening Balance) crore. The interest of ₹14.40 crore on GP Fund, being statutory payment, is allowed as claimed by PSTCL for FY 2015-16.

4.9.5 **Capitalization of Interest Charges**

PSTCL has claimed ₹39.92 crore towards capitalization of interest charges for its Transmission business. The proposal of capital expenditure of PSTCL for ₹503.37 crore has been approved. Accordingly, the Commission approves the capitalization of interest of ₹39.92 crore. PSTCL has not claimed any capitalization of interest charges for its SLDC business. The Commission, therefore approves no capitalization of interest charges for SLDC business of PSTCL for FY 2015-16.

4.9.6 The Commission approves interest charges for PSTCL for its Transmission business for FY 2015-16 as shown in Table 4.8.

Table 4.8: Interest Charges for Transmission business for FY 2015-16

(₹ crore)

Sr. No.	Particulars	Loans as on April 01, 2015	Receipt of loans during FY 2015-16	Repayment of loans during FY 2015-16	Loans as on March 31, 2016	Interest charges approved by the Commission
I	II	III	IV	V	VI	VII
1.	Interest on institutional loans	2691.68	503.37	383.29	2811.76	329.12
2.	Interest on GP fund					14.40
3.	Total (1+2)	2691.68	503.37	383.29	2811.76	343.52
4.	Less: Capitalization					39.92
5.	**Net Interest Charges**					**303.60**

The Commission, accordingly, approves the interest and finance charges of ₹303.60 crore for the Transmission business of PSTCL for FY 2015-16.

The approved interest charges for SLDC business of PSTCL for FY 2015-16 are shown in Table 4.9

Table 4.9: Interest Charges for SLDC business for FY 2015-16

(₹ crore)

Sr. No.	Particulars	Loans as on April 01, 2015	Receipt of loans during FY 2015-16	Repayment of loans during FY 2015-16	Loans as on March 31, 2016	Interest charges approved by the Commission
I	II	III	IV	V	VI	VII
1.	Interest on institutional loans	2.77	21.75	0.00	24.52	2.09
2.	Less: Capitalization					0.00
3.	**Net Interest Charges**					**2.09**

Accordingly, the Commission allows Interest Charges of ₹2.09 crore for the SLDC business of PSTCL for FY 2015-16.

4.9.7 **Interest on Working Capital**

In the ARR Petition for FY 2015-16, PSTCL has claimed interest on working capital of ₹55.68 crore for Transmission business, on normative basis, on a total working capital of ₹377.52 crore.

The Commission has considered the working capital as per PSERC Tariff Regulations. The interest on working capital of ₹274.67 crore works out to ₹32.58 crore for FY 2015-16 by applying the interest rate of 11.86% as taken in the review for FY 2014-15 as detailed in Table 4.10.

Table 4.10: Interest on Working Capital for Transmission business of PSTCL for FY 2015-16

(₹ crore)

Sr. No.	Particulars	Projected by the PSTCL	Approved by the Commission
I	II	III	IV
1.	Receivables equivalent to two months	242.38	176.08
2.	Maintenance spares @ 15% of Operation and Maintenance (O&M) expenses	86.88	63.38
3.	Operation and Maintenance expenses for one month	48.27	35.21
4.	**Total working capital**	**377.52**	**274.67**
5.	Rate of Interest (State Bank Advance rate as on 1st April of the concerned year or interest rate paid / payable) whichever is less	14.75 %	11.86%
6.	**Interest on Working Capital**	**55.68**	**32.58**

The Commission, thus, approves the Working Capital of ₹274.67 crore and interest thereon of ₹32.58 crore for the Transmission business of PSTCL for FY 2015-16.

In the ARR Petition for FY 2015-16, PSTCL has claimed interest on working capital of ₹1.67crore for SLDC business on the total working capital of ₹11.35 crore. The Commission has considered the working capital as per PSERC Tariff Regulations. The interest on working capital of ₹5.38 crore works out to ₹0.66 crore for FY 2015-16 by applying an interest rate of 12.25% as taken in the review for FY 2014-15 as detailed in Table 4.11.

Table 4.11: Interest on Working Capital for SLDC business of PSTCL for FY 2015-16

(₹ crore)

Sr. No.	Particulars	Projected by the PSTCL	Approved by the Commission
I	II	III	IV
1.	Receivables equivalent to two months	6.07	3.06
2.	Maintenance spares @ 15% of Operation and Maintenance (O&M) expenses	3.39	1.49
3.	Operation and Maintenance expenses for one month	1.89	0.83
4.	Total working capital	11.35	**5.38**
5.	Rate of Interest	14.75%	12.25%
6.	**Interest on working capital**	**1.67**	**0.66**

The Commission, thus, approves the Working Capital of ₹5.38 crore and interest thereon of ₹0.66 crore for SLDC business of PSTCL for FY 2015-16.

4.10 Return on Equity (RoE)

4.10.1 In the ARR Petition for FY 2015-16,PSTCL has claimed RoE of ₹106.30 crore for Transmission business for FY 2015-16 as per details given below:

Table 4.12: Return on Equity of PSTCL for FY 2015-16

(₹ crore)

S. No.	Particulars	STU	SLDC	Total (III+IV)
I	II	III	IV	V
1.	Opening balance - equity capital and free reserves	685.78	0.00	685.78
2.	Additional Equity	0.00	0.00	0.00
3.	Closing equity and free reserves	685.78	0.00	685.78
4.	Pre tax rate	15.50%	15.50%	15.50%
5.	**RoE [Average of (1 and 3)*4]**	**106.30**	**0.00**	**106.30**

4.10.2 Erstwhile Punjab State Electricity Board (PSEB) was unbundled vide the Government of Punjab, Notification dated 16.04.2010 in terms of Section 131 of the Electricity Act, 2003 and the provisional transfer scheme for transfer of assets and liabilities etc. to Punjab State Power Corporation Limited (PSPCL) and Punjab State Transmission Corporation Limited (PSTCL) was issued. Since the transfer scheme dated 16.04.2010 was only provisional and the final transfer scheme was yet to be issued by the Government of Punjab, which was to take some time on account of detailed verification of assets etc., this Commission for the purposes of tariff determination continued the tariff determination based upon the capital structure / equity in the hands of PSEB, which was ₹2946.11 crore, out of which equity of PSPCL was ₹2617.61 crore. Subsequently, the Government of Punjab issued the final transfer scheme vide Notification dated 24.12.2012 allocating the opening balances of various assets and liabilities between the two Successor Entities of erstwhile PSEB viz. PSPCL and PSTCL as on 16.04.2010. In the State Government's Notification dated 24.12.2012 amending the Transfer Scheme of 2010, the equity was determined as ₹6687.26 crore in place of ₹2946.11 crore, assigning ₹6081.43 crore to PSPCL and ₹605.83 crore to PSTCL. The Commission accordingly approved the Return on Equity of ₹942.62 crore on the equity amount of ₹6081.43 crore vested with PSPCL in the Review for FY 2012-13 in the Tariff Order of PSPCL for FY 2013-14. The Commission, similarly allowed RoE amounting to ₹942.62 crore on an equity of ₹6081.43 crore for FY 2013-14 in Tariff Order for PSPCL for FY 2013-14. The same amount of RoE was allowed for FYs 2010-11 & 2011-12 (True-ups) and for FY 2014-15 in Tariff Order dated 22.08.2014 of PSPCL for FY 2014-15.

Tariff Order of PSPCL for FY 2013-14 was challenged before the Hon'ble APTEL in Appeal No.142 of 2013 and Appeal No.168 of 2013 by some consumers of PSPCL and RoE approved for FY 2012-13 and allowed for FY 2013-14 was one of the issues raised by the Appellants on the ground that equity has been enhanced to ₹6687.26 crore by unjustifiably treating / including Consumer Contributions amounting to ₹2599.32 crore and Subsidies / Grants for capital assets amounting to ₹1142.02 crore in the equity against the law and the regulations. Hon'ble APTEL decided the issue vide Judgment dated 17.12.2014 and held as under:

> *"The findings of this Tribunal in Appeal No.46 of 2014 shall squarely apply in this case. Accordingly, this issue is decided in favour of the appellants. The State Commission shall re-determine the RoE as per our directions and excess amount allowed to the distribution licensee with carrying cost shall be adjusted in the next ARR of the respondent No.2."*

PSPCL, the respondent No.2, filed Appeal under Section 125 of the Electricity Act, 2003 before the Hon'ble Supreme Court against the Judgment dated 17.12.2014 of Hon'ble APTEL in Appeal Nos. 142 and 168 both of 2013. Hon'ble Supreme Court vide its Order dated 27.03.2015 has stayed the Judgment dated 17.12.2014. Accordingly, the directions of Hon'ble APTEL in its Judgment dated 17.12.2014 cannot be complied with till order remains stayed or the Appeal is finally disposed of by Hon'ble Supreme Court.

In view of the above, RoE to PSTCL is being allowed on the equity amount of ₹605.88 crore @15.50% per annum.

4.10.3 As discussed in para 3.10.3 of this Tariff Order, the claim of the utility for enhanced RoE cannot be acceded to.

The Commission, thus, approves ROE of ₹93.91 crore @ 15.5% on the equity amount of ₹605.88 crore for FY 2015-16 to PSTCL for Transmission business, subject to outcome of Appeal pending in Hon'ble Supreme Court of India.

4.11 ULDC Charges

4.11.1 In the ARR Petition for FY 2015-16, PSTCL has claimed ₹9.00 crore towards ULDC charges. Since ULDC Charges are decided by CERC from time to time, **the Commission approves ₹9.00 crore as ULDC Charges for FY 2015-16 as claimed by PSTCL for SLDC business**.

4.12 Non Tariff Income

4.12.1 In the ARR Petition for FY 2015-16, PSTCL has claimed receipts of ₹5.00 crore for Transmission business and ₹1.50 crore for SLDC business for FY 2015-16.

4.12.2 As per Regulation 34 of PSERC Tariff Regulations income on account of Open Access Charges is being treated as Non-Tariff Income. As discussed in para 3.12 of this Tariff Order, Non-Tariff Income for Transmission business for FY 2014-15 is allowed at ₹19.16 (12.00+7.16) crore and for SLDC business ₹4.90 (3.00+1.90) crore. The Commission decides that the Non-Tariff Income for Transmission business and SLDC business of the utility be taken at the previous year's level.

Accordingly, the Commission approves Non Tariff Income of ₹19.16 crore for the Transmission business and ₹4.90 crore for SLDC business of PSTCL for FY 2015-16

4.13 Tax on Income

In the ARR Petition for FY 2015-16, PSTCL has submitted that the utility is liable to pay tax (MAT) on book profit during FY 2015-16 and has claimed Rs.22.28 crore as tax on RoE. However, the Commission considers it appropriate to allow the tax on the basis of Audited Annual Accounts of the utility as and when the same are submitted by PSTCL. As such, no amount on this account is allowed at this stage for FY 2015-16.

4.14 Carrying Cost on Revenue Gap

The Commission has determined a revenue gap (deficit) of ₹12.14 crore in the Table 3.13 of review for FY 2014-15. The Commission allows carrying cost of ₹1.44 crore @11.86% for six months of FY 2014-15 and for six months of FY 2015-16.

4.15 Annual Revenue Requirement

The summary of the Annual Revenue Requirement for SLDC business and Transmission business of PSTCL for FY 2015-16 is shown in Table 4.13.

Table 4.13: Annual Revenue Requirement of PSTCL for FY 2015-16

(₹ crore)

Sr. No.	Particulars	For SLDC		For Transmission	
		Projected for FY 2015-16	Approved by the Commission for FY 2015-16	Projected for FY 2015-16	Approved by the Commission for FY 2015-16
I	II	III	IV	V	VI
1.	Employee costs	4.19	4.08	427.07	337.79
2.	R&M expenses	13.48	4.55	123.58	57.98
3.	A&G expenses	4.96	1.31	28.53	26.77
4.	Depreciation	1.60	1.60	269.72	223.01
5.	Interest charges	4.01	2.09	430.10	303.60
6.	Interest on working capital	1.67	0.66	55.68	32.58
7.	Return on equity	0.00	0.00	106.30	93.91
8.	ULDC charges	9.00	9.00	0.00	0.00
9.	Income tax	0.00	0.00	22.28	0.00
10.	**Annual Revenue Requirement**	**38.91**	**23.29**	**1463.27**	**1075.64**
11.	Less: Non tariff Income	2.50	4.90	9.00	19.16
12.	**Net Revenue Requirement**	**36.41**	**18.39**	**1454.27**	**1056.48**

The summary of the Annual Revenue Requirement of PSTCL as a whole for FY 2015-16 is shown in Table 4.14.

Table 4.14: Annual Revenue Requirement of PSTCL for Transmission Business and SLDC Business for FY 2015-16

(₹ crore)

Sr. No.	Particulars	PSTCL	
		Projected for FY 2015-16	Approved by the Commission for FY 2015-16
I	II	III	IV
1.	Employee costs	431.26	341.87
2.	R&M expenses	137.06	62.53
3.	A&G expenses	33.49	28.08
4.	Depreciation	271.32	224.61
5.	Interest charges	434.12	305.69
6.	Interest on working capital	57.36	33.24
7.	Return on equity	106.30	93.91
8.	ULDC charges	9.00	9.00
9.	Income tax	22.28	-
10.	**Annual Revenue Requirement**	**1502.18**	**1098.93**
11.	Less: Non tariff Income	11.50	24.06
12.	**Net Revenue Requirement (10-11)**	**1490.68**	**1074.87**
13.	Cumulative Gap(+)/Surplus(-) up to FY 2014-15		**(-) 108.69**
14.	Carrying Cost on Gap(+)/ Surplus(-) for FY 2014-15		**(+)1.44**
15.	**Cumulative Revenue Requirement (12+13+14)**		**967.62**

Chapter 5
Directives

Compliance of Directives

The Commission has been issuing directives to guide the Transmission Licensee to achieve higher efficiency & performance level in respect of transmission system in the State so as to ensure smooth flow of power available from different sources. The endeavour of the Commission has also been to introduce latest technological advances in the field of power systems to bring transparency and accountability in the working of the Power Sector. The Commission is also duty bound to ensure compliance of various statutory provisions of the Act.

The Commission's directives are an integral part of the Tariff Order which the Transmission licensee is obligated to comply with in order to provide quality supply to the consumers of the state. The status of compliance of directives issued in the Tariff Order for FY 2014-15 and further directives for compliance by PSTCL during FY 2015-16 along with comments is summarized as under:

An overview of the directives issued to PSTCL in Tariff Order for FY 2014-15, their compliance and directives for FY 2015-16

Sr. No.	Issues	PSERC's Comments /Directives for FY 2014-15	PSTCL Reply	PSERC Comments and Directives for FY 2015-16
1	**Boundary metering, Energy Audit and T&D loss Reduction**	PSTCL was directed to implement boundary metering by July 2013 but PSTCL failed to implement the project by the target date. Commission directed PSTCL to expedite the commissioning of the project and submit the data to the Commission on actual Transmission Losses in PSTCL system on monthly basis.	The overall transmission losses shall be provided by 30.06.2015 alongwith the data for at least 6 months as desired by the Commission for complete analysis of the losses. Further, the current status of the scheme is as described below:- First part of the project consists of ABT meters. Around 723 ABT meters have been installed at different boundary points all over the Punjab to calculate the amount of energy transmitted through boundary points. ABT energy meters have been installed at 220 kV/66kV Tfs, 132/33kV Tfs, 132/11kV, independent feeders at 220kV & 132kV sub-stations, PSPCL	The completion of the boundary metering project has already been over-delayed and PSTCL has failed to implement the project in the committed revised timeframe. The Commission directs PSTCL to ensure submission of actual transmission losses data in the PSTCL system on monthly basis by 30.06.2015.

Sr. No.	Issues	PSERC's Comments /Directives for FY 2014-15	PSTCL Reply	PSERC Comments and Directives for FY 2015-16
			Generating Plants including IPPs and Interstate boundary points. The load survey data from most of the metering points is available in the control centre and overall energy losses of PSTCL are varying from 2% to 6%, which are validated. Further, the ABT meters which are not remotely communicable as the mobile signal is not available at their location/ substation/plant, alternative communication media (e.g. VSAT) is to be provided by the contractor for six such locations. Second part of the project is for Transmission Level energy audit in PSTCL consisting of putting up new Conventional Energy Meters (CEMs) at each and every node in the PSTCL grid where existing energy meters were not available. Around 436 CEM meters have been installed at around 194 locations all over the Punjab. These meters have also been installed at most of the locations, leaving aside only few locations/ points which have come up recently. Further Transmission line & Trans-former losses are being worked out for the lines and transformers wherever both side meters from M/s EDMI are available. Losses in transmi-ssion lines and transformers are varying from 0.5% to 5%, which are being validated. Online dashboard in respect of Online Data has been made available through password protected website for the utilization of all concerned. Data from all the 85 nos. Interstate points are available which is being utilized by all	

Sr. No.	Issues	PSERC's Comments /Directives for FY 2014-15	PSTCL Reply	PSERC Comments and Directives for FY 2015-16
			concerned for monitoring the energy drawl from the grid. Memorandum for enhancement of scope of the Project i.e. 75 Nos. at BBMB, 7 Nos. at PGCIL substations, 70 Nos. at small IPPs/CPPs, to replace the existing meters i.e. 550 Nos. meters, to cover the left out metering points as well as to upgrade the existing communication facilities and for release of payment to contractor relaxing the terms and conditions of PO/WO has been put up to WTDs for consideration & approval.	
2	**Employee Cost**	**a) Manpower** PSTCL has not been able to implement the "work study report on manpower" due to the structural changes in the organization and has asked PwC to review its report. The review work of PwC may be got completed in a time bound manner and its implementation may be assured by 31.12.2014. PSTCL shall submit the action taken report to the Commission in first week of January, 2015 on revised PwC report.	PWC has refused to work on the rates fixed in 2010. Consequently the study was carried out by the Department cadre review committee of PSTCL itself and a final restructuring plan was prepared and submitted to the Competent Authority for approval. As soon as this is approved by the management of the PSTCL, it shall be implemented under intimation to the Commission on priority.	The PwC study report on manpower was submitted in Oct., 2010 and remained under the consideration of the Board of Directors for long time. Thereafter a committee was constituted (which was reconstituted in Jan. 2013) to put up the recommendations. Commission has repeatedly conveyed its concern on the delay by PSTCL in finalizing the roadmap regarding rationalization & increasing productivity of the manpower. The Commission directs PSTCL to submit its action plan within three months of the issuance of this tariff Order.
		b) Unmanned sub-stations PSTCL's move to establish unmanned S/stns. is painfully slow. PSTCL should move in the direction of operating all its switch gear from SLDC as per Interna-	Tender Enquiry for the implementation of Substation Automation System on 5 Nos. PSTCL's 220KV Substations had been floated, which was opened on 04.12.2014. Presently, the tender is under evaluation.	PSTCL was directed to move in the direction of operating its switchgears from SLDC as per International Practices and submit 'Action Plan' to convert all its Substations as unmanned after conducting Techno Economic analysis along

Sr. No.	Issues	PSERC's Comments /Directives for FY 2014-15	PSTCL Reply	PSERC Comments and Directives for FY 2015-16
		tional Practices. Commission directs PSTCL to submit its action plan to convert all its sub stations as unmanned, after conducting a techno-economic analysis. This action plan be submitted along with ARR of FY 2015-16.		with ARR 2015-16. However, no action plan has been submitted. PSTCL is directed to submit Action Plan with due Techno Commercial Analysis at the earliest.
		c) Training Commission reiterates its directions to PSTCL to submit a copy of the training schedule to the Commission and PSTCL must implement the already approved PSEB Training Policy aimed at one week training of all, annually.	The copy of the training schedule has been provided to the Commission. The concerned office of training has submitted its report for setting up the complete infrastructure to facilitate the in-house training facility in line with the training institutes of various other organisations.	The Commission directs PSTCL to ensure that manpower is adequately and timely trained for handling Automation of Substations already taken in hand by PSTCL. The copy of the "In-house" training report may be submitted.
		d) Implementation of ERP The Commission directs PSTCL to submit the status report of implementation of ERP, to the Commission on bi-annual basis.	The final RFP (Request for Proposal) for ERP implementation along with a DPR (Detailed Project Report) and Budgetary estimate for the project have been approved by committee of Whole Time Directors in its 54th meeting held on 19.11.2014 subject to ratification of Board of Directors of PSTCL. The observations/ changes as directed by the WTDs have been incorporated in the RFP after approval from Steering Committee. The RFP will be published soon.	PSTCL has failed to take earnest steps to implement Enterprise Resource Planning (ERP). The Commission directs PSTCL to submit the status of implementation of ERP on bi-annual basis.
3	**Loading Status of PSTCL transmission lines and Sub stations.**	Updated list of overloaded Sub-stations and transmission lines along with action plan for de-loading should be easily accessible on PSTCL web-site.	Status of overloaded 220kV&132kV lines as well as substations during Paddy season of 2014 alongwith the remedial measures taken/being taken by PSTCL for deloading have already been uploaded on PSTCL website.	As per the status report submitted by PSTCL, there are 16 number 220 kV and 15 number 132 kV lines which were overloaded during paddy season of 2014. It is a matter of concern that some lines

Sr. No.	Issues	PSERC's Comments /Directives for FY 2014-15	PSTCL Reply	PSERC Comments and Directives for FY 2015-16
		The Commission directs PSTCL to submit the progress of de-loading of overloaded lines/ substations to the Commission on quarterly basis.		were overloaded to the extent of 155%. Commission directs PSTCL to ensure de-loading of all the overloaded lines before start of paddy season of 2015.
4	**Mtc. of category wise details of fixed asset**	The Commission directs PSTCL to submit the status report of Mtc. of category wise details of fixed assets, to the Commission on quarterly basis.	The Fixed Asset Register (FAR) upto 31.03.2013 year-wise, category-wise, location code-wise with value has been prepared by PSTCL at corporate level. Matter regarding preparation of Fixed Asset Register showing quantitative details of different type of assets has been taken up with the consultants engaged by erstwhile PSEB.	There has been no tangible progress on the issue of preparation of Fixed Asset Register showing quantity wise detail of all assets with value by the consultants during the last one year. The Commission directs PSTCL to submit the progress report within 3 months of the issuance of the Tariff Order and ensure compliance of the directive at the earliest.
5	**Adequacy of existing switchgear and Earthmat at PSTCL sub stations**	The Commission directs PSTCL to submit the status report to the Commission on bi-annual basis.	The work of replacement of breakers which completed 25 years of its life have been completed and earthing parameters at all Sub-Stations are within limit except 9 Nos. Sub-Stations under P&M Circle, Amritsar at which work is being carried out. It is further intimated that out of nine number Sub-Stations, work of 8 Nos. Sub-Stations have been completed and the work at 132 KV Sub-Station Naraingarh is under progress.	PSTCL is directed to ensure completion of work at all sub-stations under P&M Circle, Amritsar before start of rainy/ paddy season. Also, PSTCL should continue to submit the status report to the Commission on bi-annual basis.
6	**Audited Annual Accounts for FY 2012-13 and FY 2013-14**	PSTCL is directed to submit Audited Annual Accounts for FY 2012-13 and FY 2013-14 along with the audit report of Statutory Auditors and CAG of India at the time of filing of ARR Petition for FY 2015-16.	The Annual Accounts for FY 2012-13 have been audited and audit report has been given by Statutory auditors. Supplementary Audit has also been conducted by CAG and their report/observations are awaited. Audit of Annual Accounts for FY 2013-14, is under progress.	PSTCL should submit CAG report for FY 2012-13 immediately on its receipt. PSTCL is directed to submit the Audited Annual Accounts for FY 2013-14 and FY 2014-15 along with the audit report of Statutory Auditors and CAG of India at the time of filing of ARR Petition for FY 2016-17.

Sr. No.	Issues	PSERC's Comments /Directives for FY 2014-15	PSTCL Reply	PSERC Comments and Directives for FY 2015-16
7	**Reactive Compens-ation for FY 2014-15**	PSTCL is directed to carry out system studies to identify requirement of Reactive Compensation in PSTCL system and ensure installation of requisite reactive compensation at its sub-stations during FY 2014-15.	The requirement of reactive compensation is based on a thumb rule/ Guideline evolved in 2007 by erstwhile PSEB and the installation is being done by TS Organisation according to the instructions issued by erstwhile PSEB. As per the directive of the Hon'ble Commission, the Planning Organisation has now been entrusted with the work of carrying out system study to identify the requirement of reactive compensation. As regards system study to identify the requirement of Reactive Compensation, it is submitted that the presently available software for system studies with PSTCL does not have provision for Reactive Compensation determination at micro level. However, the issue has been taken up in the right earnest and right now possibilities are being explored to get the requisite study done initially from renowned agencies such as CEA/ CPRI, etc. and in the meantime to get the Operational capacitor placement software for carrying such studies in-house in future.	PSTCL has failed to implement the directive of the Commission in right earnest. On one hand it is mentioned that job has been entrusted to the Planning organization but on the other hand it is brought out that available software with PSTCL does not have provision for reactive compensation determination at micro level. PSTCL should have taken care of these bottlenecks in order to implement the directive of the Commission. The installation of reactive compensation in PSTCL system on a thumb rule is not appreciated. This should have been done on the basis of detailed system studies. PSTCL is again directed to carry out system studies to identify requirement of Reactive Compensation in PSTCL system and ensure installation of requisite reactive compensation at its sub-stations. The status of implementation must be submitted within 3 months of the issuance of this Tariff Order.

New Directives issued in Tariff Order for FY 2015-16

Sr. No.	Issues	Commission's Directives for FY 2015-16
8	Transmission system for evacuation of power from IPPs	PSTCL is directed to complete all transmission works required for evacuation & dispersal of power from IPPs to avoid any constraint in smooth flow of power from IPPs under normal and outage conditions as per Transmission Planning criteria of CEA.
9	Calculation of depreciation as per straight line method	PSTCL is directed to claim the depreciation for transmission assets in the next ARR as per straight line method over the useful life of the asset at the rate of depreciation as specified by the CERC provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the effective date of commercial operation of the line shall be spread over the balance useful life of the assets.
10	Replacement of defective energy meters	PSTCL is directed to ensure that all the energy meters installed at various grid sub-stations record correct energy. Any meter reported defective must be replaced within 10 working days. Similarly any other defect contributing to wrong recording of the energy must be rectified within 10 days. The defective meter shall be got tested from ME lab and the report should be submitted to the Commission. PSTCL is also directed to check multiplying factor of all energy meters and submit compliance within 3 months of issue of this Tariff Order.
11	Regular updation of website	PSTCL is directed to ensure regular updation of its website.
12	Implementation of Commission's order dated 04.12.2014 in case of petition no. 54 of 2014, in the matter of Technical Audit of works executed by PSTCL and PSPCL for development of Transmission and Sub-Transmission system from 01.04.2010 to 31.03.2013.	PSTCL is directed to submit the action taken report on quarterly basis on various directives issued in the Commission's order dated 04.12.2014 in case of petition no. 54 of 2014. The first such quarterly report ending June, 2015 is to be submitted by 31.07.2015 and next quarterly reports should be submitted by 31.10.2015, 31.01.2016 and 30.04.2016.

Chapter 6
Determination of Transmission Charges and SLDC Charges

6.1 Annual Revenue Requirement

The Commission has determined the ARR for PSTCL for FY 2015-16 at ₹967.62 crore. Out of ₹967.62 crore, the ARR approved for Transmission business is ₹949.23 crore and the ARR approved for SLDC business of PSTCL is ₹18.39 crore.

6.2 Determination of Transmission Tariff

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

i) SLDC Operation Charges,

ii) Reactive Energy Charges,

iii) Charges for use of network.

6.2.2 The Commission has approved the ARR of SLDC business for FY 2015-16 as ₹18.39 crore against ₹36.41 crore projected by PSTCL, as shown in Table 4.13 of this Tariff Order. The transmission system capacity projected by PSTCL for FY 2015-16 is 12041 MW (gross) and 11462 MW (net). The Commission has determined the transmission system capacity of PSTCL as 11579.37 MW (net) in para 4.2. At present, there is only one Distribution Licensee (PSPCL) in the State of Punjab. Thus, whole of the SLDC charges will be borne by PSPCL, which works out to ₹1.53 crore per month. **The Commission approves SLDC charges at the rate of ₹1.53 crore per month for PSPCL and for long term/medium term open access customers at the rate of ₹1324/MW/month of the contracted capacity.**

6.2.3 As provided in Regulation 24(2)(c) of the Open Access Regulations, 2011 notified by the Commission, Short Term Open Access customers shall pay to the SLDC, composite operating charge at the rate of ₹2000 per day or part of the day for each transaction.

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

6.2.5 The ARR for Transmission business of PSTCL for FY 2015-16 has been determined at ₹1056.48 crore, as shown in Table 4.13 of this Tariff Order. Taking into account the surplus revenue of ₹108.69 crore at the end of FY 2014-15 and ₹1.44 crore towards carrying cost of revenue gap as shown in Table 4.14, the ARR of PSTCL works out to ₹949.23 crore. The Commission, for determining charges for use of the transmission network, has considered the fact that the ARR of Transmission business of PSTCL is 'fixed' in nature. Hence, the Commission decides that the entire ARR for Transmission business of PSTCL be recovered through a demand charge from PSPCL.

The Commission determines the transmission charges at the rate of ₹79.10 crore per month payable by PSPCL.

6.3 Determination of Open Access Transmission Charges

6.3.1 The Hon'ble APTEL in its judgement dated 12.09.2014 in case of Appeal Nos. 245, 176, 237 and 191, all of 2012 has ordered as under, in the matter of retrospective revision of the intra-State transmission charges and wheeling charges: -

"………..The retrospective revision of the intra-State transmission charges and wheeling charges for short term inter-State open access transactions by the Open Access customers is also set aside as it is in contravention to the Inter-State Open Access Regulations of the Central Commission. This issue is decided in favour of the Appellants."

There is no such provision in the PSERC Tariff Regulations and PSERC Open Access Regulations. CERC Open Access Regulations are not applicable for open access transactions involving transmission system of the State and requiring payment of intra-State transmission charges and wheeling charges. The Commission is clearly bringing out in the Tariff Orders issued by it that the ARR of the utility covers the complete financial year and as such, the recovery of tariff has to be such that the total revenue requirement of the utility for a financial year is recovered in that year. Accordingly, the Commission has decided to make the revised tariffs/charges including transmission charges and wheeling charges for short term open access applicable for the whole year i.e. from 1st April, 2015 to 31st March, 2016.

Further, the judgement of the Hon'ble APTEL dated 12.09.2014 has been stayed by the Hon'ble Supreme Court of India vide its Order 27.03.2015.

6.3.2 The Open Access Transmission Charges during FY 2015-16 as per the Open Access Regulations notified by the Commission, are computed in Table 6.1.

Table 6.1: Long-term and Medium-term Open Access Transmission Charges for FY 2015-16

Sr. No.	Particulars	Quantum
I	II	III
1.	Annual Revenue Requirement (ARR) (₹ crore)	949.23
2.	Transmission System Capacity (MW) (net)	11579.37
3.	Transmission Tariff (₹/MW/month)	68313
4.	Long Term and Medium term Open Access Charges (₹/MW/Month) of the contracted capacity (same as above)	68313
5.	Transmission Charges based on 50691 MU of energy at transmission boundary for sale in the State, as approved in Table 4.5 of PSPCL Tariff Order for FY 2015-16 (paise/kWh)	19

6.3.3 As per clause (2) (b) of Regulation 23 of the Open Access Regulations, 2011, full Open Access Transmission charges for Short-term Open Access will be levied, which works out to 19 paise/kWh (17paise/kVAh) for FY 2015-16. For Long Term and Medium Term Open Access customers, these charges shall be ₹68313/MW/Month of the contracted capacity.

6.4 Date of Effect

The Commission notes that the ARR Petition of PSTCL for FY 2015-16 covers the complete financial year. The recovery of transmission charges and SLDC charges, therefore, has to be such that the total revenue requirement of PSTCL for FY 2015-16 is recovered in this period.

The Commission, therefore, decides to make the transmission charges and SLDC charges applicable from April 01, 2015 and the charges determined above shall remain operative till March 31, 2016.

This Order is signed and issued by the Punjab State Electricity Regulatory Commission on this, the 5th day of May, 2015.

Date: May 05, 2015

Place: CHANDIGARH

Sd/-

(GURINDER JIT SINGH)
MEMBER

Sd/-

(ROMILA DUBEY)
CHAIRPERSON

Certified

Sd/-

Secretary
Punjab State Electricity Regulatory Commission
Chandigarh

ANNEXURE- I

Objection No. 1: PSEB Engineers Association, Patiala

Issue No. 1: Generation capacity in MW (True up for FY 2012-13)
Generation capacities of PEDA and Micro Hydel plants have been included while computing gross/net installed capacity which needs to be excluded since these are transmitted at 66/11 kV.
Reply of PSTCL
The objector's point is noted. Hon'ble Commission is requested to exclude the stated capacities which are connected to 66/11 kV system.
View of the Commission
The objector's point has been considered while working out transmission capacity of PSTCL system for FY 2015-16.

Issue No. 2: Transmission System Availability
The percentage transmission system availability figures are not supported by any documents / data. The availability calculations should be submitted by PSTCL to PSPCL and be cross checked, verified figures may then be taken for finalizing the percentage availability of the transmission system for the month. The principle that the end user must check/ verify the availability should be adopted in this case. CERC has notified a detailed procedure for verification of the transmission system availability. This procedure should be adopted in case of PSTCL.
Reply of PSTCL
Transmission System Availability has been worked out as per PSERC Regulations. The same has been got verified from the CE/SLDC as required under the Regulation.
View of the Commission
The Commission agrees with the reply of PSTCL.

Issue No. 3: Transmission losses
a) In the absence of complete metering data, the transmission losses should be worked out on the basis of load flow studies covering the system of 132 kV and above as prevailing during the year 2012-13.
b) The figures of losses have been given for the dates 6th, 7th, 8th Nov, 2014 and these figures have been referred to arrive at a loss figure of 3.94%. This methodology is not agreed to because the period 6-8 Nov, 2014 is a period of low demand and the losses would tend to be on the lower / minimum side. PSTCL may give the figures for peak loading period Jun-Aug as well as the other periods of the year such as Oct-Dec, Jan-May. Since the transmission system loading and losses vary seasonally, the losses may be decided after examining the losses over various seasons and loading periods of the year. Loss figures for Nov. are not justified to be adopted for the full year.
Reply of PSTCL
Transmission losses will be as per the actual after Boundary metering is completed by 30.06.2015.
View of the Commission
Refer para 3.4 and para 4.4 of the Tariff Order.

Issue No. 4: Comparison of O&M expenses of 2012-13 with the expenses admissible under CERC norms.
As against the O&M expenses of ₹533.70 crore admissible under CERC norms, PSTCL has claimed ₹419.60 crore only. Thus, the O&M charges claimed for 2012-13 is ₹114 crore less than the O&M charges admissible as per CERC norms.

Reply of PSTCL

No comments.

View of the Commission

O&M expenses have been allowed in line with notified Regulations. Refer para 3.5, 3.6, 3.7, 4.5, 4.6 and 4.7 of Tariff Order.

Issue No. 5: Outsourced Staff

PSTCL has engaged 1051 persons as out sourced staff. The broad category-wise break up of this strength of 1051 staff may be given.

Reply of PSTCL

Outsourced staff mainly consists of security personnel posted at sub-stations, stores and other PSTCL's organizations.

View of the Commission

Category-wise break-up of strength of 1051 persons be supplied by PSTCL to the objector, under intimation to the Commission.

Issue No. 6: Transmission Capacity (Review ARR 2014-15)

a) MW capacity of PEDA and NRSE is evacuated over 66 kV or 11 kV and hence, may be excluded from Transmission Capacity.

b) In case of Rajpura 1400 MW and Talwandi Sabo 660 MW plants, the figure of gross power of 1400 MW and 660 MW has been taken. Instead, the figure of net power should be adopted.

Reply of PSTCL

a) The capacities may be excluded.

b) Hon'ble Commission may consider the net capacity of Rajpura and Talwandi Sabo.

View of the Commission

a) Refer views of the Commission on Issue No.1.

b) The Commission had taken net generation capacity while determining transmission capacity of PSTCL system.

Issue No. 7: Transmission Losses

Transmission losses may be taken as per load flow study for the transmission system prevailing in 2014-15 along with the generation capacity in operation during 2014-15 and the percentage losses as determined by the load flow study may be taken to determine the annual transmission loss figure.

Reply of PSTCL

Refer to reply of PSTCL against Issue No. 3.

View of the Commission

Refer views of the Commission on Issue No. 3.

Issue No. 8: Capital Expenditure Plan

a) The following 400 kV assets have been shown as added in 2014-15.

400 kV lines	1092 ckt KM
400 kV Substations	2 Nos.
400 kV bays	18 Nos.

The actual and anticipated date of commercial operation of each of the above assets should be given indicating the dates when the transmission lines, sub stations and 400 kV bays were commissioned. The actual figures may be given up to Jan-15 and anticipated figures for Feb-Mar, 2015.

Rajpura sub station is likely to be commissioned by 30th Jun, 2015. PSTCL was supposed to match the construction of transmission system with the generation project. Non commissioning of Rajpura 400 kV substation implies that the power generated at Rajpura thermal project would have to be transmitted over long distance i.e. Rajpura -

Dhuri - Talwandi Sabo - Moga. The non-drawl of power due to non-commissioning of 400 kV substation Rajpura is likely to create overloading problems of the 400 kV lines. Instances have been noted wherein GHTP units could not be run to full capacity because it would result in overloading of the 400 kV system. The major cause for this was the non-commissioning of the 400 kV transmission system and particularly, the non-commissioning of Rajpura Substation.

The expected date of 30th Jun, 2015 for commissioning of 400 kV substation Rajpura means that even in the paddy season of 2015, there is going to be a problem of overloading.

Reply of PSTCL

a) PSTCL has supplied the information as sought by the objector.

b) The 400 kV Transmission lines related to Rajpura TPS (2x700 MW) has already been commissioned. Moreover, Rajpura TPS is generating 2x700 MW and no problem of overloading of 400 kV lines have been faced so far and further with the coming up of this system no problem of overloading of 400 kV lines foreseen in paddy season of 2015 as well.

View of the Commission

a) PSTCL has supplied the information sought by the objector.

b) PSTCL has replied to the concerns raised by the objector.

Issue No. 9: Details of Lines & Substations

An investment of ₹334.47 crore is planned during 2014-15 for 220 kV and 132 kV works. PSTCL may give the summary of 220 kV substations and lines planned for 2014-15 for evacuating power from 400 kV substations of the Talwandi Sabo and Rajpura projects. The evacuation of power from 400 kV Talwandi Sabo and Rajpura projects will depend not only on 400 kV substations and lines but equally important it will depend on the 220 kV lines and substations for the dispersal of power from the 400/ 220 kV ICTs at the 400 kV substations. In case the 220 kV system for dispersal of power is not adequate, it would result into the power flowing into the 400 kV interconnection points at Moga and Amritsar and possibility of reverse flow of power from PSTCL system into PGCIL 400 kV system could be there. In particular, Moga is the key station for interconnection with PSTCL wherein Talwandi Sabo as well as Rajpura generation gets interconnected with PGCIL/ Northern Grid.

400 kV Moga (PGCIL) has now been upgraded to 765 kV with commissioning of 765 kV Bhiwani Moga line and 2x1000 MVA ICTs of PGCIL at Moga. So, now Moga is to receive power not only from Punjab/ PSTCL but also from the 765 kV system. In case the off take/ drawl of power by PSTCL / Punjab at 220 kV level is not ensured, it could result in a situation of Punjab/ PSTCL power flowing in reverse direction into the PGCIL system which was not envisaged.

Accordingly PSTCL may give the list of 220 kV lines and substations dedicated for evacuation of power from the 400 kV substations of the Talwandi Sabo and Rajpura projects, giving the actual or anticipated date of commissioning of each of the 220 kV lines / substations which are to carry the power from the two thermal projects.

Reply of PSTCL

PSTCL has supplied the information as sought by the objector.

View of the Commission

PSTCL has supplied the information sought by the objector.

Issue No. 10: Oil & Diagnostic Lab

In setting up an oil and diagnostic Lab, PSTCL should coordinate with PSPCL so that the proposed Lab can meet the requirements of PSPCL as well as PSTCL jointly. This is because the requirements of oil testing and diagnostic testing of PSPCL would be similar to the requirement of PSTCL. Hence, if advanced equipment is being procured for testing of transformer oil, the requirements/ needs of PSPCL may also be incorporated so that the maximum utilization and benefit of a common testing Lab could be availed.

Reply of PSTCL

PSTCL has set up oil and diagnostic lab according to its need. In addition to the testing undertaken for its own requirement, it also undertakes testing for PSPCL.

View of the Commission

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

Issue No. 11: Interest on Loan

In H1 of 2014-15, the net loan taken was ₹89 crore while the interest paid was ₹205 crore. Thus, the overall impact is negative i.e. an outflow of ₹116 crore. Similarly, in H2 of 2014-15, while net loan was 135.64 crore, the interest paid was ₹248.39 crore resulting in a net outflow of ₹112.75 crore. Whereas, the purpose of loans is to meet the requirements for construction etc., here a situation has developed where the debt servicing has made the overall situation negative.

PSTCL may give comments whether this is a situation of a debt trap wherein more loans have to be taken to repay or service earlier loans making the situation more aggravated.

Reply of PSTCL

The inferences made are not correct

View of the Commission

Loans and Interest on loans have been discussed in para 3.9 of this Tariff Order.

Issue No. 12: Carrying Cost of Revenue Gap

Tariff Order for 2014-15 states that ₹39.05 crore is payable by Govt. of Punjab to PSTCL. PSTCL may supply the copy of letters to GoP for payment of this amount and the copy of reply by GoP. The present status of payment/ non-payment of this amount by GoP to PSTCL may be informed. When this amount is to be paid by GoP to PSTCL, there is no basis to load this amount in the revised estimates of ARR for 2014-15. The payment which should have been made by GOP should not be burdened on the consumers through loading on the ARR.

Reply of PSTCL

The matter has been taken up with the Govt. of Punjab. GoP has written to PSERC under intimation to PSTCL for recovering the carrying cost through Tariff Order for FY 2015-16.

View of the Commission

Consumers have not been burdened with the carrying cost of ₹39.05 crore on revenue gap. Refer para 3.14 of this Tariff Order.

Issue No. 13: Comparison of O&M charges with CERC norms

The O&M charges as claimed by PSTCL for 2014-15 are ₹535.86 crore, whereas as per CERC norms for O& M charges it works out to be ₹655 crore.

Reply of PSTCL

No comments.

View of the Commission

O&M expenses have been allowed in line with notified Regulations. Refer paras 3.5, 3.6 and 3.7.

Issue No. 14: Transmission System Capacity (ARR 2015-16)

Generation capacities of PEDA and Micro Hydel plants have been included while computing gross/net installed capacities which need to be excluded since these are transmitted at 66/11 kV.

Reply of PSTCL

Refer PSTCL reply against Issue No. 1.

View of the Commission

The Commission has taken net generation capacities while determining transmission capacity of PSTCL system.

Issue No. 15: Capital Expenditure Plan

i) Talwandi Sabo Project

PSTCL is requested to give details of 400 kV assets to be added giving the date of commissioning / commercial operation of each asset. Similarly, the petitioner should give the list of 220 kV lines and substations which are to evacuate the power from 400 kV substations. The list of lines and substations of 220 kV should give the anticipated date of commissioning of each line and substation. PSTCL should also give the list of works on which ₹49 crore is proposed to be spent in 2015-16.

ii) Rajpura Thermal Project

It is stated that 400 kV substation Rajpura is likely to be commissioned by Jun-2015 for which ₹70 crore is to be invested. Also, it is stated that 4 Nos. 400 kV bays are to be added. Details of the 4 bays to be added may be supplied as well as details of 500 MVA ICTs / Transformers to be commissioned at Rajpura and details of the 220 kV lines to disperse the power from the 400 kV Rajpura substation.

Reply of PSTCL

PSTCL has supplied the information as sought by the objector.

View of the Commission

PSTCL has supplied the information sought by the objector.

Issue No. 16: Investment Plans for 220 kV & 132 kV works

The investment plan for 2015-16 is ₹358.46 crore for 220 kV & 132 kV works. PSTCL may give the list of 220 kV lines and substations for evacuating the power from each of the 400 kV grid substations of PSTCL so that the arrangement of drawl of power can be analyzed/ assessed.

Reply of PSTCL

PSTCL has supplied the information as sought by the objector.

View of the Commission

PSTCL has supplied the information sought by the objector.

Issue No. 17: Loan schedule and interest on loans for 2015-16

Against net loan of ₹115.13 crore received, the interest payment is ₹474.04 crore and there is an overall outflow of ₹358.91 crore. The interest on loan as a %age of ARR varies from 24% during 2012-13 to 29.1% during 2015-16.

Reply of PSTCL

The inferences made are not correct

View of the Commission

Loans and interest on loans have been discussed in para 4.9 of this Tariff Order.

Issue No. 18: Comparison of O&M charges with CERC norms (ARR of 2015-16)

The O&M charges as per CERC norms come out to be ₹718 crore whereas PSTCL has claimed ₹ 601.80 crore for 2015-16. Thus, O&M charges are ₹116 crore lower than the charges admissible as per CERC norms.

Reply of PSTCL

No comments.

View of the Commission

O&M expenses have been allowed in line with notified Regulations. Refer paras 4.5, 4.6 and 4.7 of the Tariff Order.

Issue No. 19: Details of ICTs
Details of 100 MVA and 160 MVA ICTs as shown as commissioned / capitalized during 2014-15 and 2015-16 shows that transformer capacity added during 2014-15 is 3560 MVA and for 2015-16, it is 2520 MVA.
While the above stated transformer capacity of 220/ 66 kV transformers of 100 MVA or 160 MVA has been shown as commissioned / to be commissioned in 2015-16, the critical function of coordination between PSTCL and PSPCL needs to be ensured. Under section 39 of the Electricity Act, 2003, it is a statutory obligation on the STU *"To discharge all functions of planning and coordination relating to intra-State Transmission system"* with the generating company as well as the Distribution Licensees. Therefore the statutory obligation and responsibility of coordination is on the STU and the PSTCL should give details of how it has coordinated its 220/ 132 KV system and 220/66 KV ICTs with PSPCL. Until and unless the power of the ICTs is further dispersed at 66 KV through PSPCL, the purpose of the capital investment would not be achieved.
Reply of PSTCL
The capacity of 220/132 kV and 220/66 kV ICTs is decided depending upon the load requirements of PSPCL in the particular area as intimated by PSPCL. Moreover, the new transmission works are got cleared from joint co-ordination committee of PSTCL and PSPCL to ensure proper co-ordination of PSTCL works while undertaking 66 kV works of PSTCL.
View of the Commission
PSTCL has suitably replied to the concern of the objector. However, PSTCL should comply with Section 39 of Electricity Act, 2003, so as to avoid any bottlenecks for delivery of reliable and un-interupted power to consumers of the State.

Objection No.2 - Govt. of Punjab

Issue No.1 - Employee Cost
The employee expenses of PSTCL as reflected in the instant ARR are comparable with that approved by the Commission in last Tariff Order. The Employee Cost is the genuine cost of the Utility, which can in no way be reduced as the Terms & Conditions of an employee can in no way be changed to his disadvantage during the course of his service In the past also, the State Government had been supporting the contention that actual employee cost should be allowed as pass through as it is a legitimate historical component of the cost of supply and a committed liability of PSTCL. The Commission may, therefore, consider allowing the Employee Cost on an actual basis.
View of the Commission
The Commission allows employee cost as per PSERC Tariff Regulations which were notified after consultation with all the stakeholders. While approving employee cost, terminal benefits and share of BBMB employee expenses are allowed on actual basis. All other expenses under different sub-heads are allowed by increasing the base expenses by increase in Wholesale Price Index (WPI). The PwC submitted report on manpower planning to PSPCL in March, 2011, but till date, no decision has been taken by PSPCL to implement this report, despite repeated directions from the Commission. The Govt. may impress upon PSPCL to take appropriate decision on the implementation of PwC report. PSPCL may also be directed to implement re-organisation of distribution set-up on functional lines in a time bound manner, to improve manpower productivity and efficiency. Also refer paras 3.5 and 4.5.

Issue No.2 - A&G Expenses
The PSTCL has submitted the A&G expenses as per relevant PSERC Tariff Regulations and APTEL's judgement in various Appeals. Therefore, Commission is required to approve the A&G expenses as submitted by PSTCL.
View of the Commission
The Commission has been allowing A&G expenses after prudent check and in line with

PSERC Tariff Regulations. Also refer paras 3.7 and 4.7.

Issue No.3 - R&M Expenses

The transmission system of the State is very old and the same has to be maintained efficiently with appropriate replacements of equipments and renovations so that uninterrupted supply can be maintained and grid failure be avoided. Keeping in view the above facts, the Commission is requested to allow R&M expenses as requested by PSTCL.

View of the Commission

The Commission has been allowing R&M expenses after prudent check and in line with PSERC Tariff Regulations. Also refer paras 3.6 and 4.6.

Issue No.4 - Capital Expenditure

PSTCL has submitted Capital Expenditure of Rs. 520.37 crore for FY 2015-16 which includes (i) undertaking of 400 kV transmission lines and sub-stations works related to Talwandi Sabo Power Project and Rajpura Thermal Power Project which are likely to be completed in all respects by FY 2015-16 (ii) undertaking of 220 kV/ 132 kV works during FY 2015-16 (iii) implementation of Enterprise Resource Planning (ERP) from FY 2015-16 (iv) establishment of Training Centre (V) Capital Investment Plant for SLDC for FY 2015-16 and other works etc. the Commission is requested to allow these expenses.

View of the Commission

The Capital Expenditure has been approved after taking into account the actual expenditure during the current year. The expenditure is allowed after prudent check in line with PSERC Tariff Regulations. Also refer paras 3.9 and 4.9.

Issue No.5 - Transmission Losses

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

View of the Commission

The Commission is insisting PSTCL since issuance of Tariff Order for FY 2011-12 to complete intra-state boundary metering, so that transmission losses of PSTCL could be correctly determined and trajectory set for reduction of transmission losses. But, PSTCL has not completed the work of boundary metering till now. In the absence of boundary metering, the Commission is provisionally fixing transmission losses at 2.5%, subject to True up after the intra-state boundary metering is completed and energy audit is conducted by PSTCL. PSTCL has now intimated vide its letter dated 30.01.2015 that it will provide the overall transmission losses by 30.06.2015 along with data for at least 6 months. Also, refer to para 4.4.

Issue No.6 - SLDC Business

PSTCL is discharging the statutory functions of the SLDC in the State of Punjab. State Load Despatch Centre in Punjab has started working independently since FY 2011-12. SLDC of Punjab is at nascent stage of being established as an independent unit.

The SLDC is pivotal to the State's power sector. Its financial, operational and technical viability has to be maintained at every cost. The Commission is requested to approve the expenditure as detailed in the ARR for smooth functioning of SLDC.

View of the Commission

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

ANNEXURE- II

Minutes of the Meeting of State Advisory Committee of the Punjab State Electricity Regulatory Commission held on February 16, 2015

The meeting of the PSERC, State Advisory Committee was held in the office of Commission at Chandigarh on February 16, 2015 to discuss ARRs and Tariff Petitions for FY 2015-16 filed by PSPCL and PSTCL. The following were present:

1.	Mrs. Romila Dubey Chairperson, PSERC	Ex-officio Chairperson
2.	Er. Gurinder Jit Singh Member, PSERC	Ex-officio Member
3.	Sh. H.S. Grewal, Addl. Director, F&S Pb. On behalf of Secretary, Food & Supplies and Consumer Affairs, GoP	Ex-officio Member
4.	Sh. Narinder Mehta, OSD/PR. On behalf of Secretary, Power, GoP	Member
5.	Sh. Jaspal Singh, Chief Engineer PAU, Ludiana	Member
6.	Sh. J.P. Singh, A.L.C. On behalf of Labour Commissioner Deptt. of Labour & Employment, GoP	Member
7.	Sh. Dinesh Gupta, Chairman, CII, Punjab State Council,	Member
8.	Sh. R.S. Sachdeva, Chairman, Sh. K.K.Singla, Advisor Power, PHDCCI, Punjab Committee,	Member
9.	Er. Aishvarya Sharma, AAE(Imp) On behalf of Director Agriculture	Member
10.	Sh. Vinod Bansal, Financial Advisor On behalf of Director/F&C, PSTCL	Member
11.	Er. K.L. Sharma, Director/Distribution, PSPCL	Member
12.	Er. Trilok Singh, Chief Engineer/ARR &TR PSPCL	Member
13.	Er. S.K. Anand, (Ex-Member, PSEB)	Member

14.	Prof. R.S.Ghuman, Chair Professor, Nehru SAIL Chair & Head Panchayati Raj Unit, CRRID	Member
15.	Sh. Pishora Singh, President, Bhartiya Kisan Union (EKTA)	Member
16.	Sh. Rakesh Sareen, Zonal Incharge REC, Panchkula	Member
17.	Sh. Bhagwan Bansal, Punjab Cotton Factory, Ginners Association	Member
18.	Shri Jagtar Singh, Director, Social Work & Rural Development Centre	Member
19.	Er. Suresh Kumar Gupta, (Ex-Member PSEB),	Member
20.	Sh.Surinder Singh On behalf of Chief Executive Officer, Punjab Energy Development Agency (PEDA)	Member
21.	Er. A.S.Pabla (Ex-Chief Engineer, PSEB), H.No.69, Phase-IIIA, S.A.S Nagar, Mohali.	Member
22.	Sh. Jarnail Singh, Executive Engineer On behalf of Director, Local Govt. Deptt., Punjab	Member
23.	Sh. Vijay Talwar, State Vice-President-cum-Co Chairman, National Power Committee, Laghu Udyog Bharti (Pb. Chapter)	Special Invitee
24.	Er. P.P. Garg, Secretary/PSERC	Ex-Officio Secretary

The Chairperson welcomed the members of State Advisory Committee and thanked everyone present for having spared time to attend the meeting. The Chairperson thereafter requested the members to offer their suggestions/ comments on the Annual Revenue Requirements and Tariff Petitions for FY 2015-16 filed by PSPCL and PSTCL.

1. <u>Mr. Dinesh Gupta, Chairman, CII</u>

Mr. Gupta stated that the Hon'ble APTEL decision in respect of Wheeling Charges and Return on Equity be implemented by the Commission. Chairperson said that legal view on these issues shall be obtained before taking further action in the matter. Mr. Gupta further mentioned that PSPCL has given inflated figures in its ARR of FY 2015-16 which need to be examined by the Commission. Also, PSPCL projected high employee cost during FY 2015-16. The employee cost has been increased by 24% with respect to the previous year, this increase should not be more than 5%. He further pointed out that the cross subsidies should be linked with the cost of supply of different categories and not with the average cost of supply as it is increasing every year, instead of decreasing,. Also, there should be voltage-wise tariffs for industrial consumers. He requested that in some industries, meters with high multiplication factor should be changed as difficulties are being experienced in reading of the meters. He further requested that the Tariff Order for FY 2015-16 should be issued in time and some rebate/incentive should be given to the big industries.

2. **Mr. R.S. Sachdeva & Er. K.K.Singla, PHD Chamber of Commerce**

At the outset, Mr. Sachdeva pointed out that the Commission should take suo-moto notice in respect of difficulties experienced by the consumers in a regular manner. He pointed out that the rebate to be given to the consumers whose consumption increases more than the average of preceding three years, is not being given by PSPCL. Chief Engineer/ARR&TR stated that it will be given after March, 2015. On this, Chairperson directed PSPCL to act in the matter as per directions given in the Tariff Order. Mr. Sachdeva requested that Tariff Order should be issued within the timeframe, otherwise it should not be implemented retrospectively. He further requested that the new amendments in the Electricity Act proposed by Govt. of India should be kept in view by the Commission while deciding the issues. Chairperson informed that till the Act is amended, present Act will remain in force. Mr. Sachdeva further raised the issue that voltage wise different categories of industrial consumers be created for determining the tariff. The decision of the Hon'ble APTEL in case of Wheeling Charges & Return on Equity be implemented immediately. Mr. Sachdeva requested the Commission that during the winter season, there are no system constraints, so peak load restrictions should be removed during this period of the year and peak load exemption charges should be reduced. Due to low demand in the winter season, PSPCL is surrendering power, as such ToD rebate should be increased during this period to ₹2.50/kVAh. Chief Engineer/ARR&TR informed that only 26 MS consumers opted for ToD tariff during FY 2014-15. Mr. Sachdeva further requested that true-up for FY 2012-13 should be taken up only after CAG report and videography of all the public hearings on ARR be done by PSERC.

3. Prof. R.S. Ghuman, Chair Professor, CRRID

Prof. Ghuman appreciated and felicitated PSPCL for reducing T&D losses and hoped that in future also PSPCL will further reduce losses. He pointed out that the power purchase made by PSPCL is increasing year by year, which is not a good sign. It is to be seen how PSPCL is purchasing power from outside the State and from IPPs. He further mentioned that PSPCL's own generation has decreased from 52% to 49%, which means PSPCL has now become a junior partner in generation of power in the State. The amount of subsidy paid by the Govt. is also increasing every year and he wondered whether the Govt. can sustain subsidy at that level. The subsidies should be given to the poor and not to the rich. He further mentioned that industrialists are talking about subsidy to the agriculture sector but are silent on the benefits/incentives given to the industry by the Govt. Regarding PSTCL, he said that the revenue gap projected in the ARR for FY 2015-16 is not clear. Financial Adviser PSTCL, Mr. Vinod Bansal clarified the same.

4. Sh. Pishora Singh, President, Bharti Kisan Union (Ekta)

Mr. Pishora Singh stated that difficulty is experienced in release of new AP tube well connections by PSPCL due to stay order by the Green Tribunal or some other reasons which should be looked into by PSPCL. The compensation given by PSPCL for erection of transmission towers and poles in the land of consumers is only for the crop and not for the land under the towers. Er. S.K. Gupta also endorsed the view of Mr. Pishora Singh and said that as per rules, compensation should be given to the land owner in case of crop as well as for the land under the towers. Mr. Pishora Singh pointed out that certain transformers erected earlier individually by the consumers for release of AP connections are not being replaced by PSPCL. On this, Director/Distribution informed that PSPCL is replacing the transformers only of the make approved by PSPCL and not the others. To this reply of Director/Distribution, Mr. Pishora Singh stated that PSPCL should have informed this thing at the time of release of connection itself whether transformer is of approved make or not. However, Director/Distribution noted this point for further consideration. Mr. Pishora Singh further brought into notice that the cost of burnt meters installed outside the consumer premises is charged to the consumers. On this issue, Director/Distribution informed that the meters are burnt due to many reasons including overloading, internal fault etc.

5. **Sh. Jagtar Singh, Director Social Welfare & Rural Development Centre**

Sh. Jagtar Singh pointed out that PSPCL is asking for payment through draft in case billing amount is more than ₹5,000/-. On this, Member (G) informed that this limit has been increased to ₹10,000/- from ₹5,000/-. He suggested that subsidy should be given to the BPL families and there are instances where people are getting the benefit of BPL subsidies but they are above BPL which should be looked into by PSPCL.

6. **Mr. Bhagwan Bansal, Punjab Cotton Factory, Ginners Association**

Mr. Bansal pointed out that there should be two connections for the Cotton Ginning Industry from two different transformers. During off season, the main transformer should be switched off and supply should be given for light load from the smaller transformer. On this, Mr. S.K. Gupta stated that by doing so, the bigger transformer will be damaged when switched on after off season period due to absorption of moisture by it in idle state.

7. **Mr. Vijay Talwar, Laghu Udyog Bharti (Punjab Chamber)**

Mr. Talwar pointed out the decreasing strength of manpower of PSPCL in BBMB and suggested that full share of employees should be posted in BBMB by PSPCL even by carrying out more recruitment. There is a quota of 1550 employees in BBMB but PSPCL has deputed only 500 employees and is paying for 1550 employees. Thus around 1000 officials as per share in BBMB have not been posted, resulting in a loss of ₹120 crore per year because these 1000 employees which have not been posted are getting pay from PSPCL and BBMB is charging ₹120 crore extra. This needs prudent check by Hon'ble Commission.

Medium supply existing industrial consumers were allowed to use 100 kW which means 110 kVA at 0.9 power factor. He requested that the load category of MS consumers be extended upto 110 kVA.

He pointed out that artificial demand has been created by PSPCL during peak load hours. When the power is surplus in Punjab, peak load charges should be removed. During surplus power regime, ToD should be extended for whole of the year. A separate category for mixed load industries is required to be created in Schedule of Tariff.

PSPCL issued Commercial Circular in November 2014 stating the names of approved manufactures for supply of ToD meters. This circular clearly states that meters for private sales shall be available only after the supply of the meters to

Powercom, thus depriving the consumers to purchase their own ToD compliant meters. As per provisions of Section 55 of Electricity Act 2003 and meter regulations, it is mandatory for the distribution licensee to install a correct meter and to operate, maintain & regulate the meters. Thus it is very much clear that PSPCL was to receive the meters first then the meters could be available for private sale. Once PSPCL receive meters from manufactures it is mandatory for them to install at consumer premises so that consumers could avail the benefits of ToD tariff. These actions were probably to stop running of PSPCL own thermal plants for making purchase of electricity at higher rates.

Audit Report for FY 2012-13 has mentioned very serious observations and PSPCL should comply with those meticulously. PSPCL website is not being updated regularly which should be updated at least once in a month. He further suggested that PSERC is empowered u/s 86 of Electricity Act 2003, to suggest to Govt. of Punjab for reducing electricity duty for saving the industry from high input costs. For implementing the APDRP schemes, PSPCL is resorting to long power cuts, hence defeating the very purpose of use of surplus power by the consumers. Similarly, compulsory weekly off days are imposed on the industrial consumers by PSPCL again defeating the use of surplus power. PSPCL is charging ₹6,700 per pole for supplying poles to the consumers, whereas its manufacturing cost in its own workshop is ₹2,200/-.

He pointed out that there is 26% equity share of PSPCL in PANEM Coal Ltd. He asked for the reasons of sudden increase in coal rates by PANEM and the reasons of non supply of coal to PSPCL which resulted in shut down of power plants, heavy power cuts in Punjab resulting in huge loss of the State. Business of PSPCL with the equity out of PSPCL funds was to be disclosed and was to be scrutinized by the Hon'ble Commission. But perhaps this was not disclosed. Further, PSPCL has invested further equity of ₹391 crore by taking loan. This amount & interest there upon should not be allowed.

8. Mr. Rakesh Sareen, Zonal Incharge, REC

Mr. Sareen pointed out that the big revenue gap will affect the viability of PSPCL. The Commission should allow this gap to PSPCL.

9. Er. S.K.Gupta, Ex. Member, PSEB

Er. S.K. Gupta stressed that the role of Advisory Committee should be to deliberate on how to get PSPCL out of red and wipe out its revenue gap. PSPCL should be directed to come up with a policy paper and measures to wipe out its revenue gap. He further suggested that SLDC charges should be levied on open access consumers. For FY 2015-16, PSPCL is not giving any concrete proposal to meet coal supply shortage. In ARR for FY 2015-16, PSPCL has mentioned that PANEM coal will be supplied to GNDTP generating plant, but in reality, it will not be possible due to Hon'ble Supreme Court judgement on coal mines. The fixed cost of 3 upcoming IPPs in Punjab has put additional burden on the consumers of the State, because of power surrender by PSPCL. Punjab Govt. should give full subsidy to PSPCL and its ever increasing gap should be looked into by PSERC.

10. Er. Surinder Singh, Punjab Energy Development Agency

Er. Surinder Singh stated that on going Mukerian Hydel Plant be executed by PSPCL expeditiously to meet the target of non-solar NRSE power.

11. Er. A.S.Pabla, Ex. Chief Engineer, PSEB

Er. A.S.Pabla expressed his concern at failure of PSPCL to implement Energy Conservation/DSM projects. He pointed out that under Bachat Lamp Yojna, 30% more saving of energy will be there, when reduction in T&D losses and other factors are to be taken into consideration. He further highlighted the importance of implementing Demand Side Management projects since such measures not only result in energy saving but also save huge investment on system up-gradation. The implementation of Agriculture DSM also result in reduction of Govt. subsidy. It was proposed by him that PSPCL should be directed to ensure implementation of DSM projects in a time bound manner.

12. Er. S.K. Anand, Ex. Member PSEB

Er. Anand complimented PSPCL on their winning the CBIP award for the best performing power utility in the country. He reiterated that in the current scenario in the power sector, PSPCL is definitely one of the top performing utilities, having considerably brought down losses, primarily by controlling the commercial losses.

However, he pointed out the critical state of affairs in the distribution sector, which is suffering from all round poor standards, because of the lack of dedicated systems that ensure focus on the specific areas of design and construction, as well as operation and maintenance. Given the present system, there is almost a total lack of engineering inputs in this sector, and to make matters worse, there is a severe shortage of functionaries, across the board. He cautioned that unless the distribution organization is restructured on functional basis, in line with international practices, there is little chance of:

(i) Sustaining and reducing the commercial loss level, and targeting major reduction in technical losses.

(ii) Improving the quality of supply, which is far below the laid down standards (PSERC directions).

(iii) Implementing smart schemes like automation and SCADA systems. (PSERC directions).

(iv) Utilizing APDRP funds for well designed, sustainable and high priority schemes. (Most funds are being spent on non sustainable, low priority schemes).

(v) Addressing the problem of shortages of functionaries, created by an obsolete system.

He suggested that to carry out construction works as per the laid down standards and to implement planned preventive maintenance of the distribution system, dedicated design & construction(D & C) divisions and O&M divisions should be created in the field areas. He emphasized that these D&C and O&M divisions should be created in a definite time frame, on the same lines as that of the newly created commercial divisions.

13. <u>Er. K.L. Sharma, Director/Distribution PSPCL</u>

Director/Distribution stated that PSPCL is striving hard for giving better electricity supply and services to the consumers of the State. On a number of issues raised in the meeting, he mentioned that PSPCL is gradually improving on these fronts and losses are coming down and quality is being improved. Regarding purchase of power, merit order principle is followed by PSPCL, keeping in view the availability and demand of power. Regarding improving sub-transmission system, much has been done in the recent past with the result that only one power transformer has been damaged during the last year. He further stated that there is lot of scope for further improvement in the distribution system network and PSPCL is paying due attention to the same.

Chief Engineer/ARR&TR, PSPCL stated that financial grade rating of PSPCL has improved in the recent past, and own generation from its thermal generating plants has been projected in the ARR for FY 2015-16 as per the guidelines of CEA.