UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

LUCKNOW

Suo - Motu Case No. 01 of 2013
&
Petition Nos.: 849/2012 & 883/2013

SUO MOTU DETERMINATION OF ANNUAL REVENUE REQUIREMENT (ARR) AND TARIFF FOR FY 2013-14 ALONG WITH TRUE UP FOR FY 2008-09, 2009-10 AND 2010-11.
OF
UTTAR PRADESH POWER TRANSMISSION CORPORATION LIMITED

ORDER UNDER SECTION 64 OF
THE ELECTRICITY ACT, 2003

31st May, 2013

TABLE OF CONTENTS

LIST OF TABLES

Before

UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

Suo - Motu Case No. 01 of 2013
&
Petition Nos.: 849/2012 & 883/2013

IN THE MATTER OF:

Suo-Motu Determination Of Annual Revenue Requirement (ARR) and Tariff For FY 2013-14 Along With True Up For FY 2008-09, 2009-10 And 2010-11 of Uttar Pradesh Power Transmission Corporation Limited (UPPTCL)

ORDER

The Commission having initiated suo-motu proceedings for Determination of Aggregate Revenue Requirement (ARR) and Tariff for FY 2013-14 and having considered the views / comments / suggestions / objections / representations received from the stakeholders during the course of the above proceedings and also in the public hearings held, in exercise of powers vested under Sections 61, 62, 64 and 86 of the Electricity Act, 2003 (hereinafter referred to as 'the Act'), hereby pass this Order signed, dated and issued on 31st May, 2013. The Licensee, in accordance with Section 139 of the Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations 2004, shall publish the approved tariffs within three days from the date of this Order. The tariffs so published shall become the notified tariffs and shall come into force after seven days from the date of such publication of the tariffs, and unless amended or revoked, shall continue to be in force till issuance of the next Tariff Order.

1. BACKGROUND AND PROCEDURAL HISTORY

1.1 BACKGROUND

1.1.1 The Uttar Pradesh Electricity Regulatory Commission (hereinafter referred to as the 'UPERC' or the 'Commission') was formed under U.P. Electricity Reform Act, 1999 by Government of Uttar Pradesh (GoUP) in one of the first steps of reforms & restructuring process of the power sector in the State. Thereafter, in pursuance of the reforms & restructuring process the erstwhile Uttar Pradesh State Electricity Board (UPSEB) was unbundled into the following three separate entities through the first reforms Transfer Scheme dated 14th January, 2000:

- Uttar Pradesh Power Corporation Limited (UPPCL): vested with the function of Transmission and Distribution within the State.
- Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (UPRVUNL): vested with the function of Thermal Generation within the State
- Uttar Pradesh Jal Vidyut Nigam Limited (UPJVNL): vested with the function of Hydro Generation within the State.

1.1.2 Through another Transfer Scheme dated 15th January, 2000, assets, liabilities and personnel of Kanpur Electricity Supply Authority (KESA) under UPSEB were transferred to Kanpur Electricity Supply Company Limited (KESCO), a company registered under the Companies Act, 1956.

1.1.3 After the enactment of the Electricity Act, 2003 (EA 2003) the need was felt for further unbundling of UPPCL (responsible for both Transmission and Distribution functions) along functional lines. Therefore, the following four new distribution companies (hereinafter collectively referred to as 'Discoms') were created vide Uttar Pradesh Transfer of Distribution Undertaking Scheme, 2003 dated 12th August, 2003 to undertake distribution and supply of electricity in the areas under their respective zones specified in the scheme:

- Dakshinanchal Vidyut Vitran Nigam Limited (Agra Discom or DVVNL)
- Madhyanchal Vidyut Vitran Nigam Limited (Lucknow Discom or MVVNL)
- Pashchimanchal Vidyut Vitran Nigam Limited (Meerut Discom or PVVNL)
- Purvanchal Vidyut Vitran Nigam Limited (Varanasi Discom or PuVVNL)

1.1.4 Under this scheme, the role of UPPCL was specified as "Bulk Supply Licensee" as per the license granted by this Commission and as "State Transmission

Utility” under sub-section (1) of Section 27-B of the Indian Electricity Act, 1910 as notified by the State Government.

1.1.5 Subsequently, the Uttar Pradesh Power Transmission Corporation Limited (UPPTCL), a Transmission Company (Transco), was incorporated under the Companies Act, 1956 by an amendment in the ‘Object and Name’ clause of the Uttar Pradesh Vidyut Vyapar Nigam Limited. The Transco is entrusted with the business of transmission of electrical energy to various utilities within the State of Uttar Pradesh. This function was earlier vested with UPPCL. Further, Government of Uttar Pradesh (GoUP), in exercise of power under the Section 30 of the EA 2003, vide notification No. 122/U.N.N.P/24-07 dated 18th July, 2007 notified Uttar Pradesh Power Transmission Corporation Limited as the “State Transmission Utility” of Uttar Pradesh. Subsequently, on 23rd December 2010, the Government of Uttar Pradesh notified the Uttar Pradesh Electricity Reforms (Transfer of Transmission and Related Activities Including the Assets, Liabilities and Related Proceedings) Scheme, 2010 which provided for the transfer of assets and liabilities from UPPCL to UPPTCL with effect from 1st April, 2007.

1.1.6 Thereafter, on 21st January, 2010, as the successor distribution companies of UPPCL (a deemed Licensee), the Discoms which were created through the notification of the UP Power Sector Reforms (Transfer of Distribution Undertakings) Scheme, 2003 and were issued fresh distribution licenses which replaced the UP Power Corporation Ltd (UPPCL) Distribution, Retail & Bulk Supply License, 2000.

1.2 DISTRIBUTION& TRANSMISSION TARIFF REGULATIONS

1.2.1 Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulations, 2006 (hereinafter referred to as the “Distribution Tariff Regulations”) were notified on 6th October, 2006. These Regulations are applicable for the purposes of ARR filing and Tariff determination to all the Distribution Licensees within the State of Uttar Pradesh from FY 2007-08 onwards.

1.2.2 Similarly, the Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006 (hereinafter referred to as the “Transmission Tariff Regulations”) were notified on 6th October, 2006. These Regulations are applicable for the purposes of ARR filing and Tariff determination of the Transmission Licensees within the State of Uttar Pradesh from FY 2007-08 onwards.

1.2.3 The Distribution Tariff Regulations and Transmission Tariff Regulations have been collectively referred to as 'Tariff Regulations' in this order.

2. PROCEDURAL HISTORY

2.1 ARR & TARIFF PETITION FILING BY THE LICENSEES

2.2.1 As per the provisions of the Transmission Tariff Regulations, the Transmission Licensees' are required to file their ARR / Tariff Petitions before the Commission latest by 30th November each year so that the tariff can be determined and be made applicable for the subsequent financial year.

2.2.2 The ARR / Tariff Petition for FY 2013-14 was filed by UPPTCL (hereinafter referred to as the 'Licensee' or the 'Petitioner') under Section 64 of the Electricity Act, 2003 on 7th December, 2012 (Petition No. 864 / 2012).

2.2 PRELIMINARY SCRUTINY OF THE PETITIONS

2.2.1 A preliminary analysis of the Petition was conducted by the Commission wherein it was observed that the audited accounts for the period (i.e., FY 2010-11) as stipulated by the Regulations, were not submitted by the Licensee. The matter of submission of audited accounts was also reaffirmed in the Hon'ble Appellate Tribunal for Electricity (hereinafter referred to as the 'Hon'ble APTEL') judgment dated 21st October, 2011 in Appeal No. 121 of 2010 in the Licensee's case.

2.2.2 In this regard, a deficiency note was issued by the Commission on 27th December, 2012 seeking clarifications on issues in regard to the ARR Petitions filed. The Commission had granted a time of 2 weeks to respond on the deficiency note i.e., by 10th January, 2013.

2.2.3 Thereafter, the Licensee requested for a time extension by two weeks vide a letter dated 18th January, 2013 to respond on the deficiency note.

2.2.4 Vide the judgement dated 11th November, 2011 in the matter OP No. 1 of 2011, the Hon'ble APTEL has directed the State Commissions that *"In the event of* delay *in filing of the ARR, truing-up and Annual Performance Review, one month beyond the scheduled date of submission of the petition, the State Commission must initiate suo-moto proceedings for tariff determination in accordance with Section 64 of the Act read with clause 8.1 (7) of the Tariff Policy."*

2.2.5 Considering the directives of the Hon'ble APTEL, the Commission issued a notice dated 16th January, 2013 intimating the Licensee to remain present on 28th January, 2013 and explain the reasons to the Commission for non submission of audited accounts of relevant years as required by the Regulations, and as to why suo-motu proceedings for determination of ARR and Tariff not be initiated in the Licensees' case.

2.2.6 During the hearings held on 28th January, 2013, the following oral submissions were made by the Licensee:

- **On the Issue of Audited Accounts for FY 2010-11 –** The Licensee submitted that the statutory audited accounts for FY 2010-11 would be submitted by it by 28th February, 2013. The Licensee informed that the statutory auditor in its case is an independent chartered accountant firm appointed by the Comptroller and Auditor General of India (CAG), New Delhi.

- **On the issue of Supplementary Audit Report of the Accountant General of Uttar Pradesh for FY 2010-11 -** The Licensee submitted that the supplementary audit report of the Accountant General of Uttar Pradesh (AGUP) would take further time as the office of the AGUP being a constitutional body is not under any control of the Licensee and hence the Licensee is not in a position to expedite the process of their audit.

- **On the issue of Preparation of Fixed Asset Registers –** The Licensee stated that in the Transmission Transfer Scheme, only broad level balances were approved. The bifurcations of unit wise and asset wise balances, is still pending as the Transfer Scheme is still not finalised. The Licensee stated that due to this reason, it was not in a position to prepare the Fixed Asset Registers and submit / publish them along with the proceedings for the ARR / Tariff determination for FY 2013-14.

2.2.7 The Commission observed that the Licensee was not in a position to remove the deficiency in its ARR filings in respect of the submission of audited accounts, supplementary audit report of the AGUP and fixed asset registers. In this background, the Commission informed the Licensee that it would be constrained to initiate suo-motu proceedings for tariff determination if there is continuing failure of the Licensee to remove the deficiency in its ARR filings.

In this regard, the Licensee stated that the Commission may proceed further with suo-motu proceedings, as it was not possible for it to ensure submission of supplementary audit report of the AGUP and fixed asset registers within the time frame indicated by the Commission.

2.2.8 Subsequently, on 7th February, 2013, the Licensee submitted the response to the Deficiency Note.

2.2.9 The oral submissions made in the hearing held on 28th January, 2013 were reaffirmed on affidavit by the Licensee on 21st February, 2013 on the directions of the Commission. The Licensee submitted that the fixed asset registers are *"under the process of preparation"*. However, the Licensee did not provide a timeframe for its submission.

2.2.10 The statutory audited accounts for FY 2008-09 and 2009-10 were submitted by the Licensee vide Letter No. 367/RAU/ARR FY 2013-14 on 12th February, 2013; and for FY 2010-11 were submitted vide Letter No. 763/RAU/UPPTCL on 8th April, 2013. The supplementary audit report of the AGUP for FY 2008-09 was submitted by the Licensee vide Letter No. 367/RAU/ARR FY 2013-14 on 12th February, 2013. The supplementary audit report of the AGUP for FY 2009-10 and 2010-11 has not been submitted by the Licensee.

2.2.11 The role of the Commission in timely and regular tariff approval is paramount and has been fairly established in law. The same has also been reaffirmed in OP No. 1 of 2011 issued by the Hon'ble APTEL on 11th November, 2011. The Commission could not have waited beyond a point of time for the Licensee to remove the deficiency in the ARR filings and delay the tariff determination process endlessly. At the same time, the Licensee needs to be discouraged from delaying the tariff determination process on the pretext of unavailability of supplementary audit report of the AGUP and fixed asset registers.

2.2.12 As the ARR filings were not accompanied by the audited accounts as stipulated by the Tariff Regulations, the Commission, in pursuance with the directions of the Hon'ble APTEL, powers conferred under Section 64 of the Electricity Act, 2003 and the Regulation 2.1.12 of the Distribution Tariff Regulations, initiated suo-motu proceedings for determination of ARR and Tariff for FY 2013-14.

2.2.13 The Commission even under suo-motu proceedings would require necessary data to assess the revenue requirement and fix the tariff. In this respect, it would place reliance on the audited accounts, provisional accounts and other submissions of the Licensee. The Licensee had made a detailed ARR / Tariff Petition as per the terms and conditions of the Tariff Regulations. The Commission found that the ARR / Tariff filings for FY 2013-14 along with the provisional accounts for FY 2011-12 presented along with the ARR / Tariff Petition for FY 2013-14 and statutory audited accounts for FY 2010-11 submitted thereafter were the most reliable data available with it for estimation of revenue requirement of the Licensee.

2.2.14 Considering this, the Commission through Orders dated 11th and 12th March, 2013, directed the Licensee to publish the salient features of the ARR / Tariff Petitions in at least two daily newspapers (one English and one Hindi) for two successive days and its websites for inviting views / comments / suggestions / objections / representations by all stakeholders and public at large with a view to ensure wide publicity of the decision of the Commission to initiate suo-motu proceedings for tariff determination. The Commission also directed the Licensee to upload the submitted petitions along with the response to the deficiency note and all subsequent submissions made in respect of these proceedings on their & UPPCL's website for the same purpose. This was done to ensure that the suo-motu proceedings are initiated with greater transparency and wide participation of the stakeholders.

2.3 PUBLICITY OF THE ARR / TARIFF PETITION

2.3.1 The Public Notice detailing the salient features of the ARR petitions appeared in daily newspapers as detailed below inviting objections from the public at large and all stakeholders:

- Times of India (English) : 22nd March, 2013; 23rd March, 2013
- Hindustan Times (English) :22nd March, 2013; 23rd March, 2013
- Dainik Jagran, Kanpur Edition:22nd March, 2013; 23rd March, 2013
- Dainik Jagran, Gorakhpur Edition:22nd March, 2013; 23rd March, 2013
- Dainik Jagran, Lucknow Edition:22nd March, 2013; 23rd March, 2013
- Dainik Jagran, Varanasi Edition:22nd March, 2013; 23rd March, 2013
- Dainik Jagran, Meerut Edition:22nd March, 2013; 23rd March, 2013
- Dainik Jagran, Jhansi Edition:22nd March, 2013; 23rd March, 2013
- Dainik Jagran, Agra Edition:22nd March, 2013; 23rd March, 2013
- Dainik Jagran, Bareilly Edition:22nd March, 2013; 23rd March, 2013

- Dainik Jagran, Allahabad Edition:22nd March, 2013; 23rd March, 2013
- Dainik Jagran, Moradabad Edition :22nd March, 2013; 23rd March, 2013
- Dainik Jagran, Aligarh Edition:22nd March, 2013
- Amar Ujala (Hindi) : 22nd March, 2013; 23rd March, 2013
- Rashtriya Sahara (Urdu):22nd March, 2013; 23rd March, 2013
- Rashtriya Sahara (Hindi):22nd March, 2013; 23rd March, 2013
- Hindustan (Hindi): 22nd March, 2013

2.4 PUBLIC HEARING PROCESS IN RESPECT OF ARR / TARIFF DETERMINATION

2.4.1 The Commission also held combined public hearings at 4 cities of Uttar Pradesh to encourage active participation of the stakeholders and obtain their views and suggestions over the suo-motu determination of ARR / Tariff for FY 2013-14.

S.No	Date	Place of Hearing	Hearings in the matter of
1.	15.04.2013	Kanpur	UPPTCL, DVVNL, MVVNL, PVVNL, PuVVNL and UPPTCL
2.	17.04.2013	Lucknow	UPPTCL, DVVNL, MVVNL, PVVNL, PuVVNL and UPPTCL
3.	22.04.2013	Greater Noida	NPCL
4.	22.04.2013	Noida	UPPTCL, DVVNL, MVVNL, PVVNL, PuVVNL and UPPTCL

2.5 FILING OF TRUE UP PETITIONS FOR FY 2008-09, 2009-10 AND 2010-11 BY THE LICENSEE

2.5.1 UPPTCL had also filed the petition for true up for the financial year 2008-09 on 19th November, 2012 (Petition No. 849 / 2012). Certain deficiencies were observed in the true up application for FY 2008-09. In this regard, a deficiency note was issued by the Commission on 4th February, 2013.

2.5.2 The Hon'ble APTEL in its judgment dated 9th April, 2013 in Appeal No. 242 of 2012, directed the Commission to carry out the true up of the accounts up to FY 2009-10 on priority and adjust the surplus / deficit in the ARR of the transmission tariff for FY 2013-14. The Commission was also directed to provide the Transmission Licensee, a schedule for submission of true up application along with audited accounts for FY 2010-11 and 2011-12 and in case of default by the Transmission Licensee, the Commission should take suitable action against them according to law.

2.5.3 Subsequently, the UPPTCL filed the Petition for true up for the financial years 2009-10 and 2010-11 on 29th April, 2013 (Petition No. 883 / 2013).

2.5.4 Thereafter, the UPPTCL submitted its replies on the deficiencies raised by the Commission on the true up petition for FY 2008-09 on 1st May, 2013.

2.5.5 The supplementary audit report of the AGUP for FY 2008-09 has been furnished by the Licensee. However, the true up petitions for 2009-10 and 2010-11 have been filed without the supplementary audit report of the AGUP.

2.5.6 The Commission has observed that the AGUP expresses his opinion on the financial statements of government companies after the statutory audit is completed. The audited accounts normally do not undergo any change based on the supplementary audit report of the AGUP. The issues qualified in the supplementary audit report are incorporated in subsequent year's balance sheets along with a compliance report.

2.5.7 Considering the lack of supplementary audit report of the AGUP and also considering the Hon'ble APTEL judgment dated 9th April, 2013, the Commission decided to proceed with the determination of true up for the financial years 2008-09, 2009-10 and 2010-11 on the basis of statutory audited accounts, with a condition that when the supplementary audit report of the AGUP is furnished, the Commission would conduct the final truing up, to adjust for variations, if any.

2.5.8 Considering this, the Commission through Order dated 6th May, 2013, directed the Licensee to publish the salient features of the true up petitions in at least two daily newspapers (one English and one Hindi) for two successive days and its websites for inviting views / comments / suggestions / objections / representations by all stakeholders and public at large with a view to ensure wide publicity of the petitions filed by it. The Commission also directed the Licensee to upload the submitted petitions along with the response to the deficiency note and all subsequent submissions made in respect of these proceedings on their & UPPCL's website for the same purpose.

2.6 PUBLICITY OF THE TRUE UP PETITIONS

2.6.1 The Public Notice detailing the salient features of the true up petitions for FY 2008-09, 2009-10 and 2010-11 appeared in daily newspapers as detailed below inviting objections from the public at large and all stakeholders:

- Times of India (English), All Edition: 9th May, 2013; 10th May 2013
- Dainik Jagran (Hindi) :All Edition: 9th May, 2013; 10th May 2013
- Amar Ujala (Hindi) :All Edition: 9th May, 2013; 10th May 2013

2.7 PUBLIC HEARING PROCESS IN RESPECT OF ARR / TARIFF DETERMINATION

2.7.1 The Commission also held Public Hearing at Lucknow on 22nd May, 2013 to encourage active participation of the stakeholders and obtain their views and suggestions over the true up petitions of the Licensee for FY 2008-09, 2009-10 and 2010-11.

3. PUBLIC HEARING PROCESS

3.1 OBJECTIVE

3.1.1 The Commission, in order to achieve the twin objective i.e. to observe transparency in its proceedings and functions and to protect interest of consumers has always attached importance to the views / comments / suggestions / objections / representations of the public on the True up and ARR / Tariff determination process. The process gains significant importance in a “cost plus regime”, where the entire cost allowed to the Licensee gets transferred to the consumer.

3.1.2 The comments of the consumers play an important role in the determination of tariff. Factors such as quality of electricity supply and the service levels need to be considered while determining the tariff. The Commission takes into consideration the submissions of the consumers before it embarks upon the exercise of determining the tariff.

3.1.3 The Commission, by holding public hearings, has provided the various stakeholders as well as the public at large, a platform where they were able to share their views / comments / suggestions / objections / representations for determination of the transmission for FY 2013 – 14 and truing up for FY 2008-09, 2009-10 and 2010-11. This process also enables the Commission to adopt a transparent and participative approach in the process of its proceedings.

3.1.4 Consumer representatives, industry associations as well as several individual consumers participated actively in the public hearing process.

3.1.5 The views / suggestions / comments / objections / representations received from the stakeholders and public at large were forwarded to the Licensee for their comments / response. The Commission considers these submissions of the consumers and the response of the Licensee before it embarks upon the exercise of determining the tariff for FY 2013-14 and true up for FY 2008-09, 2009-10 and 2010-11.

3.1.6 Besides this, the Commission, while determining the ARR / Tariff for FY 2013-14, has also taken into consideration the oral and written views / comments / suggestions / objections / representations received from various stakeholders during the public hearings or through post or by e-mail.

3.1.7 The Commission has taken note of the views and suggestions submitted by the various stakeholders which provided useful feedback on various issues and the Commission appreciates their keen participation in the entire process.

3.2 VIEWS / COMMENTS / SUGGESTIONS / OBJECTIONS / REPRESENTATIONS ON ARR / TARIFF AND TRUE UP PETITIONS

3.2.1 The Commission has taken note of the various views / comments / suggestions / objections / representations made by the stakeholders and would like to make specific mention of the following stakeholders for their valuable inputs:

- Mr. Avadhesh Kumar Verma, Chairman, Uttar Pradesh Rajya Vidyut Upbokta Parishad (UPRVUP).
- Mr. Rama Shankar Awasthi, Lucknow.

3.2.2 The list of the consumers, who have attended the public hearing and have submitted their views / comments / suggestions / objections / representations, is appended at Annexure I and Annexure II of this Order.

3.2.3 The major issues raised therein, the replies given by the Licensee and the views of the Commission have been summarised as detailed below:

TRUE UPS / AUDITED ACCOUNTS

A) Comments / Suggestions of the Public:

3.2.4 The stakeholders stated that in view of the directions of the Hon'ble APTEL in Appeal 242 of 2012 dated 9th April, 2013, the Commission should conduct a truing up till FY 2009-10 and the variation on account of the true up should be adjusted with the transmission tariff for FY 2013-14.

3.2.5 The stakeholders stated that in view of the directions of the Hon'ble APTEL in Appeal 242 of 2012 dated 9th April, 2013, the Commission needs to provide the Transmission Licensee, a schedule for submission of true up application along with audited accounts for FY 2010-11 and 2011-12 and in case of default by the Transmission Licensee, the Commission should take suitable action against them according to law.

3.2.6 The stakeholders have alleged that there are past years' surplus and upon truing up, the actual revenue requirement for FY 2013-14 would be much less that the projections of the Licensee.

3.2.7 The stakeholders have stated that the truing up for FY 2009-10 and 2010-11 should be finalised only after the supplementary audit report of the AGUP is furnished by the Licensee.

3.2.8 The stakeholders have alleged that the transmission lines of the Licensee are overloaded as a result of which, there are frequent trippings, leading to frequent outages. The stakeholders have stated that the true up and ARR determination should be done only after system upgradation is done by the Licensee.

3.2.9 The stakeholders have stated that in the proceedings for determination of ARR / Tariff for FY 2011-12, the Licensee had stated that against the approved transmission charge of Rs. 0.22 per unit in FY 2008-09, the actual transmission charge was Rs. 0.11 per unit. However, in the true up petition filed for FY 2008-09, the Licensee has stated that the actual transmission charges are Rs. 0.144 per unit. The stakeholders have requested the Commission to verify the discrepancy in different submissions of the Licensee.

B) The Licensee's response:

3.2.10 The Licensee submitted that it has already submitted a true up petition up to the financial year 2010-11. The true up petition for FY 2011-12 would be submitted immediately upon finalisation of the audited accounts.

3.2.11 The Licensee submitted that on the matter of furnishing of supplementary audit report of the AGUP, it has already explained to the Commission that the office of the AGUP being a constitutional body, the Licensee is not in a position to expedite their audit.

3.2.12 The Licensee submitted that it has planned substantial investments which would remove the transmission capacity bottlenecks in the ensuing year. The Licensee submitted that the true up and tariff determination may not be delayed as it would jeopardise its planned capital investments as financial institutions would not provide loans to it, in the absence of a Tariff Order.

3.2.13 The Licensee submitted that the stakeholder is referring to the submissions of the Licensee when the audit of accounts was not final. The Licensee submitted that the truing up has been sought as per statutory audited accounts.

C) The Commission's views:

3.2.14 The Commission was constrained to initiate suo-motu proceedings for tariff determination considering the continuing failure of the Licensee in furnishing audited accounts for the periods as stipulated by the Tariff Regulations. The sequence of events from the filing of the ARR Petitions by the Licensee up to the public hearings in respect of suo-motu proceedings for determination of tariff have been detailed in the foregoing sections. The same are not repeated here for the sake of brevity.

3.2.15 The Hon'ble APTEL in its judgment dated 9th April, 2013 in Appeal No. 242 of 2012 had directed the Commission to carry out the true up of the accounts up to FY 2009-10 on priority and adjust the surplus / deficit in the ARR of the transmission tariff for FY 2013-14. Accordingly, in compliance with the directives of the Hon'ble APTEL, the Commission has conducted a final truing up of UPPTCL for the financial years up to 2010-11 and have adjusted the surplus in the ARR of the transmission tariff for FY 2013-14 with a directive to the Transmission Licensee to submit the supplementary audit report of the AGUP for FY 2009-10 and 2010-11, immediately upon its finalisation. Appropriate adjustment, if any, arising upon the submission of the supplementary audit report of the AGUP would be passed by the Commission. Further, this Order provides a directive to the Licensee regarding the time frame, till which it is expected to furnish the true up petition for FY 2011-12 along with audited accounts. Failure to meet this deadline would lead to consequential action under the law by the Commission.

3.2.16 The Commission considers that the true up orders and determination of ARR / Tariff Order cannot be delayed and held in abeyance due to the alleged system capacity bottlenecks.

<u>EMPLOYEE COST</u>

A) Comments / Suggestions of the Public:

3.2.17 The stakeholders have stated that the Licensee may not be allowed employee costs over the extent approved in the Original Tariff Order.

3.2.18 The stakeholders have questioned the variations in the levels of capitalisation of employee costs.

B) The Licensee's response:

3.2.19 The Licensee submitted that the employee expenses have increased due to 6th pay revision. The effect of such pay revision was not included in the employee costs approved in the Tariff Orders. Since such expenses are uncontrollable in nature, these expenses may be allowed as separate pass through and on 'as claimed' basis.

3.2.20 The capitalisation is dependent on the capital investment undertaken in that relevant year.

C) The Commission's views:

3.2.21 The Commission had determined the expenses of the Base Year (FY 2007-08) in the Order on Petition No. 809 of 2012 dated 21st May, 2013. The base year expenses have been extrapolated to FY 2013-14 by considering the inflation index for the respective years. The expenses on account of pay revision; both arrear provision and the normal increase in salaries, pursuant to pay revision have been allowed over and above the normal employee expenses as such expenses are uncontrollable in nature. The same approach has been adopted for truing up the expenses for FY 2008-09, 2009-10 and 2010-11 as well.

3.2.22 The capitalisation as per audited accounts has been considered under truing up. For determining the ARR for FY 2013-14, the Commission has considered capitalisation @ 21.70% of the gross employee expenses. This rate is reflective of the past trends and is also in line with the actual capitalisation rate of the base year.

DEPRECIATION

A) Comments / Suggestions of the Public:

3.2.23 The stakeholders have stated that the depreciation prior to 23rd December, 2010 may be disallowed as the Transmission Transfer Scheme was finalised only on such date.

3.2.24 The stakeholders have stated that depreciation on assets created out of consumer contributions, capital subsidies and grants need to be disallowed.

3.2.25 The stakeholder has stated that as per the Tariff Regulations, assets are depreciable only up to 90%. However the Licensee has not provided any details of the percentage of depreciation claimed and salvage value remaining.

3.2.26 The stakeholders have stated that depreciation may be allowed in line with the Transmission Tariff Regulations.

B) The Licensee's response:

3.2.27 The Licensee submitted that it had commenced business operations along with all the transmission assets on 1st April, 2007. The Transmission Transfer Scheme was notified on 22nd December, 2010; however, the balances were retrospectively transferred w.e.f 1st April, 2007

3.2.28 The Licensee clarified that the consumer contributions are deducted from the capital investments for the purpose of claiming depreciation.

3.2.29 The Licensee clarified that since the fixed asset registers are under preparation, the asset wise accumulated depreciation claimed is not ascertainable. Moreover the tariff formats formulated by the Commission do not require the Licensee to provide such information.

C) The Commission's views:

3.2.30 The Commission is satisfied with the response provided by the Licensee in the matter of depreciation claimed for the period prior to 23rd December, 2010.

3.2.31 The Commission in the case of truing up and also while determining the ARR for the ensuing year has reduced the equivalent amount of depreciation charged on assets created out of consumer contributions, capital subsidies and grants.

3.2.32 The Commission has ensured that the depreciation claimed is below 90% of the asset value which devolved upon the Licensee in the Transmission Transfer Scheme dated 23rd December, 2010.

INTEREST AND FINANCE CHARGES

A) Comments / Suggestions of the Public:

3.2.33 The stakeholders have stated that capital investment needs to be approved only in cases where there is strict compliance by the Licensee.

3.2.34 The stakeholders have stated that the Commission may ensure that the loan taken towards capital expenditure are expensed strictly in that use only and no loan diversion may be allowed.

3.2.35 The stakeholders have stated that capital investment and interest on capital investment be allowed, only after deducting the amounts received as consumer contributions, capital subsidies and grants.

3.2.36 The stakeholders have stated that guarantee fees claimed may be disallowed as such expenses have not been claimed as per the terms of the Tariff Regulations.

B) The Licensee's response:

3.2.37 The Licensee clarified that there is automatic approval of investments up to a threshold limit of Rs. 10 crores in terms of Proviso to Clause 3.6.2 of the Transmission Tariff Regulations.

3.2.38 The Licensee has submitted that the actual loan balances are reflected in the accounts of the Licensee. The long term loans taken towards capital investments are expensed towards that scheme only.

3.2.39 The Licensee clarified that the consumer contributions are deducted from the capital investments for the purpose of claiming depreciation.

3.2.40 The guarantee fee is payable to GoUP for providing sovereign guarantee to banks and financial institutions who provide debt financing towards capital investment undertaken by the Licensee. Such charges being genuine and fair, need to be allowed by the Commission. Also, it has been the consistent practice of the Commission to allow such expenses in the past Orders.

C) The Commission's views:

3.2.41 The Commission has already expressed its displeasure on the non maintenance of fixed asset registers. However, the Commission has initiated suo-motu proceedings for tariff determination based on its best judgment of the actual capital investments and capitalisation in the transmission segment based on audited accounts.

3.2.42 As a first step towards reprimanding the Licensee over the issue of non-preparation of fixed asset registers, the Commission has withheld 20% of the allowable depreciation for FY 2013-14. The same would be released for recovery through tariff, upon submission of fixed asset registers up to the current year i.e., FY 2012-13.

3.2.43 The Commission is also not satisfied with the explanation provided that the fixed asset registers could not be prepared as the Transfer Scheme finalisation is pending. The responsibility of the Transfer Scheme finalisation also rests with the Licensee. The Licensee needs to pursue with the GoUP to get the Transfer Scheme finalised. Nevertheless, it cannot be argued, that fixed asset registers capturing at least the yearly capitalisations could always have been prepared. The Commission directs the Licensee to prepare the fixed asset registers duly accounting for the yearly capitalisations from FY 2012-13 onwards. The capitalisations for the period before that may be shown on gross level basis. Upon finalisation of the Transfer Scheme, the Licensee may update the fixed asset registers appropriately by passing necessary adjustments.

3.2.44 The Commission while approving the past years capitalisation in true up orders have relied on the gross fixed asset balances as per audited accounts. While approving the investment for the FY 2013-14, the Commission has disallowed 30% of the investment proposed in the ARR Petition.

3.2.45 The Commission while truing up the interest on long term loan and also for ARR / Tariff determination has considered a normative tariff approach with a gearing of 70:30. In this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be funded through equity contributions. The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers. Allowable depreciation for the year has been considered as normative loan repayment. The actual weighted average rate as per audited accounts has been considered for computing the interest. The approved interest capitalisation has been considered at a rate equivalent to the rate as per audited accounts. This approach ensures that no effect of diversion of funds (if any) is borne by the stakeholders.

3.2.46 It has been the consistent philosophy of the Commission to allow the guarantee fees and bank charges as part of finance charges. The Commission has approved such expenses as it facilitates the Licensee to get capex loans from financial institutions.

BAD AND DOUBTFUL DEBTS

A) Comments / Suggestions of the Public:

3.2.47 The stakeholders have stated that bad and doubtful debt provision may be disallowed to the Licensee as the major consumers of the Transmission Licensee are its subsidiary companies.

B) The Licensee's response:

3.2.48 The Licensee submitted that such expenses are legitimate business expenses and are accepted accounting principle even in sector like Banking where the provisioning of un-collectable dues is considered as a normal commercial practice. Further, the Licensee submitted that bad debts claimed are related to doubtful advances to contractors / suppliers, doubtful advances against capital works and doubtful other currents assets.

3.2.49 The Licensee has urged the Commission to allow such expenses while truing up as these are routine and genuine expenses.

C) The Commission's views:

3.2.50 The Commission has noted the suggestions of the Licensee. The Commission has disallowed the bad and doubtful debts claimed by the Licensee as these are extraneous to the Transmission Tariff Regulations.

RETURN ON EQUITY

A) Comments / Suggestions of the Public:

3.2.51 The stakeholders have stated that the Commission may examine the debt equity ratio for financing the capital investment.

3.2.52 The stakeholders have stated that the Commission should not consider the amounts standing against share application account as equity eligible for return.

B) The Licensee's response:

3.2.53 The Licensee has stated that it has already submitted the statutory audited accounts up to FY 2010-11 and provisional accounts for FY 2011-12. The accounts reflect the actual debt and equity balances as on the Transfer Scheme date.

3.2.54 The amounts received from the GoUP are first held in the share application account. Subsequently they are transferred to the share equity account based on the accounting policy of the Licensee. Nevertheless, since the Commission allows return on equity only on capitalised assets, the objections raised by the stakeholders do not have any impact whatsoever on the tariff being determined.

C) The Commission's views:

3.2.55 The Commission in the case of truing up and also while determining the ARR for the ensuing year has considered a normative tariff approach with a gearing of 70:30. Under this approach, the capital investment undertaken in any year is first reduced by the capital expenditure financed through consumer contributions, capital subsidies and grants. Thereafter, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be funded through equity contributions.

3.2.56 By adopting such an approach, the Commission has ensured that the debt equity ratio of 70:30 is maintained. Further, the Commission has allowed return on equity only on the normative equity in respect of capitalised assets.

4. ESCALATION INDEX / INFLATION RATE

The Regulation 4.2 of Transmission Tariff Regulations stipulates the methodology for consideration of the O&M Expenses, wherein such expenses are linked to the inflation index determined under these Regulations. The relevant provisions of the Transmission Tariff Regulations are reproduced below:

"4.2 Operation and Maintenance Expenses
1. The O&M expenses for the base year shall be calculated on the basis of historical / audited costs and past trend during the preceding five years. However, any abnormal variation during the preceding five years shall be excluded. ***O&M expenses so calculated for the base year shall then be escalated on the basis of prevailing rates of inflation for the year as notified by the Central Government and shall be considered as a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40. Base year, for these Regulations means, the first year of tariff determination under these Regulations.***

2. Where such data for the preceding five years is not available the Commission may fix O&M expenses for the base year as certain percentage of the capital cost.

3. Incremental O&M expenses for the ensuing financial year shall be 2.5% of capital addition during the current year. O&M charges for the ensuing financial year shall be sum of incremental O&M expenses so worked out and O&M charges of current year escalated on the basis of predetermined indices as indicated in regulation 4.2.1 above.

4. However, the Commission may direct the utilities to bring down the O & M expenses to an efficient level i.e., by fixing norms based on the circuit kilometers of transmission lines, transformation capacity at the sub-stations, number of bays in substation etc. of similarly placed efficient utilities, within such span of time, as may be determined by the Commission.

5. The Commission shall examine and if satisfied shall allow inclusion in revenue requirement in the next period additional O&M expenses on account of war, insurgency, and change in laws or like eventualities for a specified period." ***[Emphasis supplied]***

The Commission has determined the O&M expenses for the base year i.e., FY 2007-08 in the Order on Petition No. 809 of 2012 dated 21st May, 2013.

In this Order, the Commission has also approved the truing up in respect of financial years 2008-09, 2009-10 and 2010-11. The trued up O&M expenses for FY 2010-11 have been extrapolated up to FY 2013-14 at the yearly escalation index as provided by the Transmission Tariff Regulations.

The Commission in accordance with the Regulations has calculated the inflation index for any relevant year (n^{th} year) based on the weighted average index of Wholesale Price Index (WPI) and Consumer Price Index (CPI) of the previous year (n-1 year). The Commission has considered the WPI and CPI index as available on the website of Economic Advisor, Ministry of Commerce and Industry & Ministry of Labour respectively.

The computation of inflation index is given in the table below:

Table 4-1: CALCULATION OF ESCALATION / INFLATION INDEX

Month	Wholesale Price Index							Consumer Price Index							Consolidated Index						
	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13
April	108	115	124	125	139	152	164	120	128	138	150	170	186	205	113	120	129	135	151	166	180
May	109	115	124	126	139	152	164	121	129	139	151	172	187	206	114	120	130	136	152	166	181
June	110	115	127	127	140	153	165	123	130	140	153	174	189	208	115	121	132	137	153	167	182
July	111	116	129	128	141	154	166	124	132	143	160	178	193	212	116	122	134	141	156	170	184
August	112	116	129	130	141	155	167	124	133	145	162	178	194	214	117	123	135	143	156	171	186
September	112	116	129	130	142	156	169	125	133	146	163	179	197	215	117	123	136	143	157	173	187
October	113	116	129	131	143	157	169	127	134	148	165	181	198	217	118	123	136	145	158	173	188
November	113	117	127	133	144	157	169	127	134	148	168	182	199	218	118	124	135	147	159	174	188
December	112	117	125	133	146	157	169	127	134	147	169	185	197	219	118	124	134	148	162	173	189
January	112	118	124	135	148	159	170	127	134	148	172	188	198	221	118	124	134	150	164	174	191
February	113	119	123	135	148	159	170	128	135	148	170	185	199	223	119	125	133	149	163	175	191
March	113	122	124	136	150	161	171	127	137	148	170	185	201	224	118	128	133	150	164	177	192
Average	**111**	**117**	**126**	**131**	**143**	**156**	**168**	**125**	**133**	**145**	**163**	**180**	**195**	**215**	**117**	**123**	**134**	**144**	**158**	**172**	**187**
																Calculation of Inflation Index (CPI-40%, WPI-60%)					
Weighted Average of Inflation																**5.36%**	**8.51%**	**7.52%**	**9.96%**	**8.69%**	**8.75%**

As depicted in the table above, the Commission has considered an escalation / inflation index of 5.36% in FY 2008-09, 8.51% in FY 2009-10, 7.52% in FY 2010-11 and 8.75% in FY 2013-14.

5. TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2008-09

In this section, the Commission has analysed all the elements of actual revenue and expenses for FY 2008-09, and has undertaken the truing up of expenses and revenue after prudence check on the data furnished by the Licensee. The Commission has allowed the true-up for FY 2008-09 considering the principles laid down in the Transmission Tariff Regulations.

5.1 O&M EXPENSES

The Licensee's Submissions

5.1.1 The Licensee has submitted that the actual gross employee expenses were Rs. 328.01 crores as against Rs. 316.99 crores approved by the Commission in the Tariff Order for FY 2008-09. The employee expenses capitalised as per audited accounts are to the tune of Rs. 71.90 crores as against Rs. 91.93 crores approved in the Tariff Order. Thus the net employee expenses as per audited accounts are Rs. 256.10 crores as against Rs. 225.06 crores approved in the Tariff Order.

5.1.2 Further, the Licensee has submitted that the actual gross A&G expenses were Rs. 9.72 crores as against Rs. 32.32 crores approved by the Commission in the Tariff Order for FY 2008-09. The A&G expenses capitalised as per audited accounts are to the tune of Rs. 2.69 crores against Rs. 6.14 crores approved in the Tariff Order. Thus the net A&G expenses as per audited accounts are Rs. 7.03 crores as against Rs. 26.18 crores approved in the Tariff Order.

5.1.3 The actual repair and maintenance expenses for FY 2008-09 were Rs. 64.12 crores as against Rs. 66.83 crores approved by the Commission in the Tariff Order.

5.1.4 Thus, the Licensee has sought Rs. 327.26 crores towards net O&M expenses against Rs. 318.07 crores approved by the Commission in the Tariff Order.

The Commission's views:

5.1.5 The regulation 4.2 of the Transmission Tariff Regulations issued by the Commission stipulates:

1. *<u>The O&M expenses for the base year shall be calculated on the basis of historical/audited costs and past trend during the preceding five years. However, any abnormal variation during the preceding five years shall be excluded. O & M expenses so calculated for the base year shall then be escalated on the basis of prevailing rates of inflation for the year as notified by the Central Government and shall be considered as a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40. Base year, for these Regulations means, the first year of tariff determination under these Regulations.</u>*

2. *Where such data for the preceding five years is not available the Commission may fix O&M expenses for the base year as certain percentage of the capital cost.*

…………"

5.1.6 The Commission has determined the trued up O&M expenses of the base year (FY 2007-08) in the Order on Petition No. 809 of 2012 as Rs. 218.65 crores.

5.1.7 The allowable O&M expenses for FY 2008-09 have been approved by escalating the component wise approved O&M expenses for FY 2007-08 by using the escalation index of 5.36% approved in Section 4 above.

5.1.8 Further in addition to the O&M cost based on inflationary indices based escalation, the Transmission Tariff Regulations provide for incremental O&M expenses on addition to assets during the year. Regulation stipulates that *"Incremental O&M expenses for the ensuing financial year shall be 2.5% of capital addition during the current year. O&M charges for the ensuing financial year shall be sum of incremental O&M expenses so worked out and O&M charges of current year escalated on the basis of predetermined indices as indicated in regulation 4.2.1 above."*

5.1.9 Based on the above and considering the philosophy for computation of incremental O&M expenses approved in Order dated 7th January, 2013 in Petition No. 847/2012, the Commission has approved incremental O&M expenses for FY 2008-09 at Rs. 29.43 crores as provided in the table below:

Table 5-1: APPROVED INCREMENTAL O&M EXPENSES FOR FY 2008-09 (Rs Crores)

Particulars	Derivation	Approved
Net Additions to GFA during preceding year	A	1177.38
Preceding year O&M charge	B	-

Particulars	Derivation	Approved
Incremental O&M expenses @ 2.5% on Net Additions to GFA	**C = 2.50% of A**	**29.43**
Inflation Index	D	5.36%
Preceding year O&M charge so escalated	**E = B (1+D)**	**0.00**
O&M Expenses	**F = C + E**	**29.43**
a) Employee costs		20.80
b) R&M expenses		7.53
c) A&G expenses		1.10

5.1.10 The same are allocated across the individual elements of the O&M expenses on the basis of the contribution of each element in the gross O&M expenses which is being approved in subsequent paragraphs.

5.1.11 Further, Para 5 of the Notes on Account to the audited accounts for FY 2008-09 reveal that UPPTCL has made a provision of Rs. 59.08 crores towards pay arrears of 6th pay commission for the period from 1st April 2008 to 31st March, 2009. The Commission approves the pay revision arrears over and above the normal employee expenses as such expenses are uncontrollable in nature.

5.1.12 Thus the O&M expenses approved for FY 2008-09 are depicted in the table below:

Table 5-2: APPROVED O&M EXPENSES FOR FY 2008-09 (Rs. Crores)

Particulars	Approved
Employee Expenses	
Gross Employee Costs and Provisions	206.34
Incremental Employee Expenses @ 2.5% of GFA additions of preceding year	20.80
Gross Employee Expenses	**227.14**
Employee expenses capitalized	71.90
Net Employee Expenses	**155.23**
A&G Expenses	
Gross A&G Expenses	12.96
Incremental Employee Expenses @ 2.5% of GFA additions of preceding year	1.10
Gross A&G Expenses	**14.06**
A&G expenses capitalized	2.69
Net A&G Expenses	**11.38**
R&M Expenses	

Particulars	Approved
Repair & Maintenance Expenditure	70.10
Incremental Employee Expenses @ 2.5% of GFA additions of preceding year	7.53
Gross Repair & Maintenance Expenses	**77.63**
Total O&M Expenses Allowable as per Regulations	**244.24**

5.1.13 The summary of the O&M expenses submitted by the Petitioner and as approved by the Commission are shown in the table below:

Table 5-3: ACTUAL Vs APPROVED O&M EXPENSES FOR FY 2008-09

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
Employee Expenses	316.99	328.01	328.01	227.14
Repair & Maintenance Expenses	66.83	64.12	64.12	77.63
Administrative and General Expenses	32.32	9.72	9.72	14.06
Gross Operation and Maintenance Expenses	**416.14**	**401.85**	**401.85**	**318.83**
Less: Capitalisation				
Employee Cost Capitalized	91.93	71.90	71.90	71.90
A&G Expenses Capitalized	6.14	2.69	2.69	2.69
Total Capitalization	**98.07**	**74.59**	**74.59**	**74.59**
Net Operation and Maintenance Expenses	**318.07**	**327.26**	**327.26**	**244.24**

5.1.14 In addition to the above, the Commission approves the adjustment of Rs. 59.08 crores towards ‘provision for arrear payment consequent to 6th pay revision’ in addition to the employee expenses shown in the table above. Thus, the Commission approves net O&M expenses of Rs. 244.24 crores and pay revision provision of Rs. 59.08 crores.

5.2 INTEREST AND FINANCE CHARGES

5.2.1 Interest on Long Term Loans

5.2.1.1 The UPPTCL has claimed Gross interest expenses of Rs. 206.69 crores as against Rs. 268.44 crores approved in the Tariff Order for FY 2008-09.

5.2.1.2 Interest cost is an uncontrollable cost as the interest rate regime is determined by various external factors and the actual loans taken are consequential to the capital expenditure undertaken by the Licensee.

5.2.1.3 Considering the CWIP and GFA balances as per audited accounts, the Commission has derived the actual capital investments undertaken by UPPTCL in FY 2008-09. The details are provided in the table below:

Table 5-4: APPROVED CAPITAL INVESTMENTS IN FY 2008-09 (Rs. Crores)

Particulars	Derivation	2008-09
Opening WIP as on 1st April	A	798.36
Investments	B	738.91
Employee Expenses Capitalisation	C	71.90
A&G Expenses Capitalisation	D	2.69
Interest Capitalisation on Interest on long term loans	E	51.07
Total Investments	**F= A+B+C+D+E**	**1662.93**
Transferred to GFA (Total Capitalisation)	G	683.47
Closing WIP	**H= F-G**	**979.46**

5.2.1.4 The Commission has considered a normative tariff approach with a gearing of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers. The audited accounts of the Petitioner reveal the amounts received as consumer contributions, capital subsidies and grants.

5.2.1.5 The table below summarises the amounts received towards consumer contributions, capital grants and subsidies in FY 2008-09:

Table 5-5: APPROVED CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES IN FY 2008-09 (Rs. Crores)

Particulars	2008-09
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	102.58
Additions during the year	44.70
Less: Amortisation	5.87
Closing Balance	**141.41**

5.2.1.6 Thus, the approved financing of the capital investment is depicted in the table below:

Table 5-6: FINANCING OF THE CAPITAL INVESTMENTS IN FY 2008-09 (Rs. Crores)

Particulars	Derivation	Approved
Investment	A	738.91
Less:		
Consumer Contribution	B	44.70
Investment funded by debt and equity	C=A-B	694.22
Debt Funded	70%	485.95
Equity Funded	30%	208.27

5.2.1.7 Thus, from the above tables it is seen, that UPPTCL has made an investment of Rs. 738.91 crores in FY 2008-09. The consumer contributions, capital subsidies and grants received during the corresponding period is Rs. 44.70 crores. Thus, balance Rs. 694.22 crores have been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 485.95 crores or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 208.27 crores through equity. Allowable depreciation for the year has been considered as normative loan repayment. The actual weighted average rate of 8.53% has been considered for computing the interest. The opening balance of long term loan has been considered from the loan balance approved in the True-up Order for FY 2007-08 dated 21st May, 2013.

5.2.1.8 Considering the above, the gross interest on long term loan is Rs. 231.91 crores. The interest capitalisation has been considered at the same rate as per audited accounts. The computations for interest on long term loan are depicted below:

Table 5-7: APPROVED INTEREST ON LONG TERM LOAN FOR FY 2008-09 (Rs Crores)

Particulars	2008-09
Opening Loan	2634.52
Loan Additions (70% of Investments)	485.95
Less: Repayments (Depreciation allowable for the year)	314.54
Closing Loan Balance	2805.92
Weighted Average Rate of Interest	8.53%
Interest on long term loan	**231.91**
Interest Capitalisation Rate	24.71%
Less: Interest Capitalized	57.30
Net Interest Charged	**174.62**

5.2.2 Finance Charges

5.2.2.1 The UPPTCL has claimed Rs. 5.78 crores towards finance charges during FY 2008-09. Items claimed under this head are towards items such as bank charges and guarantee fees.

5.2.2.2 The Commission approves the bank charges and guarantee fees as per audited accounts to the extent of Rs. 5.78 crores.

5.2.3 Interest on Working Capital

5.2.3.1 In the Tariff Order for FY 2008-09, the Commission had allowed Rs. 29.84 crores towards interest on working capital. The Transmission Tariff Regulations provides for the normative interest on working capital based on the methodology outlined in the Regulations. Accordingly, the Commission has approved Rs. 22.77 crores towards interest on working capital for FY 2008-09 as computed in the table below:

Table 5-8: APPROVED INTEREST ON WORKING CAPITAL FOR FY 2008-09 (Rs. Crores)

S No	Particulars	Approved
1	One month's O & M Expenses	20.35
2	One-twelfth of the sum of the book value of materials in stores at the end of each month of such financial year.	29.06
3	Receivables equivalent to 60 days average billing on consumers	132.77
	Grand Total	**182.18**
	Less:	
4	Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act, 2003	-
	Net Working Capital	**182.18**
	Rate of Interest on Working Capital	12.50%
	Interest on Working Capital	**22.77**

5.2.3.2 The following table summarises the interest and finance charges submitted by the Petitioner as against those approved by the Commission for FY 2008-09:

Table 5-9: APPROVED INTEREST AND FINANCE CHARGES FOR FY 2008-09 (Rs. Crores)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
A: Interest on Long Term Loans				
Gross Interest on Long Term Loan	268.44	206.69	206.69	231.91
Less: Interest Capitalisation	61.74	51.07	51.07	57.30
Net Interest on Long Term Loans	**206.70**	**155.63**	**155.63**	**174.62**
B: Finance and Other Charges				
Guarantee Charges	-	5.62	5.62	5.62
Bank Charges	7.23	0.16	0.16	0.16
Total Finance Charges	**7.23**	**5.78**	**5.78**	**5.78**
C: Interest on Working Capital	**29.84**	**-**	**-**	**22.77**
Total (A+B+C)	**243.77**	**161.40**	**161.40**	**203.17**

5.3 DEPRECIATION

5.3.1 The actual depreciation expense charged in the audited accounts is Rs. 278.26 crores. However, the same has been accounted for considering the depreciation rates prescribed by the Companies Act, 1956.

5.3.2 The Commission has computed the allowable depreciation expense on the GFA base as per audited accounts for FY 2008-09 and at the rates approved by the Commission in the Tariff Order for FY 2008-09. The Commission has computed the depreciation only on the depreciable asset base and have excluded the non-depreciable assets such as land, land rights, etc.

5.3.3 Considering this philosophy, the gross entitlement towards depreciation has been computed at Rs. 320.38 crores.

Table 5-10: GROSS ALLOWABLE DEPRECIATION FOR FY 2008-09 (Rs. Crores)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Gross Depreciation
Land & Land Rights						
i) Unclassified	24.87	0.77	0.00	25.64		
ii) Freehold Land	0.05	0.00	0.00	0.05		

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Gross Depreciation
Buildings	175.51	6.81	1.48	180.83		
Other Civil Works	38.35	2.31	0.45	40.21		
Plants & Machinery	2735.24	547.32	44.19	3238.37		
Lines, Cable Network etc.	2780.55	118.42	0.60	2898.38		
Vehicles	3.70	0.02	0.10	3.62		
Furniture & Fixtures	1.09	0.04	0.00	1.13		
Office Equipments	1.70	0.31	0.00	2.01		
Jeep & Motor Car	0.00	0.00	0.00	0.00		
Assets taken over from Licensee pending final Valuation	25.22	7.47	0.00	32.68		
Total Depreciable Assets	**5761.36**	**682.70**	**46.82**	**6397.24**	**5.27%**	**320.38**
Total Non Depreciable Assets	**24.92**	**0.77**	**0.00**	**25.69**		
GRAND TOTAL	**5786.28**	**683.47**	**46.82**	**6422.93**		**320.38**

5.3.4 The Commission has scrutinised the audited accounts submitted by the Petitioner and obtained the figures in respect of depreciation charged on assets created out of consumer contributions, capital grants and subsidies. This equivalent depreciation amounting to Rs. 5.84 crores, has been reduced from the allowable depreciation for FY 2008-09.

5.3.5 Thus the approved depreciation for FY 2008-09 is Rs. 314.54 crores as depicted in the table below:

Table 5-11: NET APPROVED DEPRECIATION FOR FY 2008-09 (Rs. Crores)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
Gross Allowable Depreciation	325.65	284.10	284.10	320.38
Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy		5.84	5.84	5.84
Net Allowable Depreciation	**325.65**	**278.26**	**278.26**	**314.54**

5.4 PRIOR PERIOD EXPENSES

5.4.1 The UPPTCL has submitted that it has identified and accounted for certain prior period incomes and expenses in the audited accounts for FY 2008-09. In the audited financial statements for FY 2008-09, there has been recognition of Rs. 2.69 crores of prior period incomes and prior period expenses of Rs. 13.02 crores, thereby the net prior period expense claimed is Rs. 15.71 crores.

5.4.2 Prior period expenses and incomes are the outcomes of omissions / errors in recording the transactions in the accounting statements. The items booked under the prior period expenses are essentially ARR items like O&M expenses, interest and finance charges, etc. Each item of ARR has a distinct methodology of treatment in the ARR and true-up determination. In the absence of clarity and details of each item booked under prior period expenses with respect to the financial year to which they pertain, the Commission has not allowed any claims towards such items for FY 2008-09.

5.5 RETURN ON EQUITY

5.5.1 The UPPTCL has not claimed any amounts towards return on equity. Accordingly, the Commission has not approved any sums towards return on equity for FY 2008-09.

5.6 REVENUE SIDE TRUING UP

5.6.1 NON TARIFF INCOMES

5.6.1.1 The UPPTCL has submitted that the actual non-tariff income during FY 2008-09 were Rs. 24.43 crores as compared to Rs. 14.33 crores approved by the Commission in the Tariff Order. It includes Rs. 1.49 crores towards Open Access Charges and Rs. 0.17 crores towards SLDC charges.

5.6.1.2 The Commission has accepted the submission of the Licensee, under this head.

5.7 AGGREGATE REVENUE REQUIREMENT FOR FY 2008-09 AFTER TRUING UP

5.7.1 The Aggregate Revenue Requirement for FY 2008-09 after final truing up is summarised in the Table below:

Table 5-12: ARR FOR FY 2008-09 AFTER FINAL TRUING UP (Rs. Crores)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
Employee cost	316.99	328.01	328.01	227.14
A&G expenses	32.32	9.72	9.72	14.06
R&M expenses	66.83	64.12	64.12	77.63
Interest on Loan Capital	268.44	206.69	206.69	231.91
Interest on Working Capital	29.84	-	-	22.77
Finance Charges	7.23	5.78	5.78	5.78
Depreciation	325.65	278.26	278.26	314.54
Gross Expenditure	**1,047.30**	**892.58**	**892.58**	**893.84**
Less: Employee cost capitalized	91.93	71.90	71.90	71.90
Less: A&G Capitalisation	6.14	2.69	2.69	2.69
Less: Interest Capitalisation	61.74	51.07	51.07	57.30
Net Expenditure	**887.49**	**766.92**	**766.92**	**761.95**
Provision for Bad & Doubtful debts	-	8.45	-	
Debits, write-offs & other expenses	-	15.71	15.71	
Net Expenditure with provisions	**887.49**	**791.08**	**782.63**	**761.95**
Add: Return on Equity	321.96	-	-	-
Less: Non Tariff Income	14.33	24.43	24.43	24.43
Add: Pay revision provision				59.08
Annual Revenue Requirement (ARR)	**1,195.12**	**766.65**	**758.20**	**796.60**

5.7.2 The trued transmission charges for FY 2008-09 are Rs. 796.60 crores against Rs. 1,195.12 crores approved in the Tariff Order. Thus, as per the final truing up for FY 2008-09, there is a revenue surplus of Rs. 398.52 crores.

5.7.3 The treatment of the revenue surplus has been discussed in the succeeding section.

5.8 DERIVATION OF THE TRANSMISSION TARIFF FOR FY 2008-09

5.8.1 As per the truing up, the Commission has approved transmission charges of Rs. 796.60 crores against Rs. 1,195.12 crores approved in the Tariff Order.

5.8.2 Considering the actual energy handled, the trued up transmission charge has been assessed at Rs. 0.1511 per kWh as compared to Rs. 0.2157 per kWh approved in the Tariff Order for FY 2008-09.

Table 5-13: TRUED UP TRANSMISSION TARIFF FOR FY 2008-09

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
Net ARR (Rs Crore)	**1,195.12**	**766.65**	**758.20**	**796.60**
Energy Handled (MU)	55411.00	52719.15	52719.15	52719.15
Transmission Tariff (Rs/kWh)	**0.2157**	**0.1454**	**0.1438**	**0.1511**

6. TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2009-10

In this section, the Commission has analysed all the elements of actual revenue and expenses for FY 2009-10, and has undertaken the truing up of expenses and revenue after prudence check on the data furnished by the Licensee. The Commission has allowed the true-up for FY 2009-10 considering the principles laid down in the Transmission Tariff Regulations.

6.1 O&M EXPENSES

The Licensee's Submissions

6.1.1 The Licensee has submitted that the actual gross employee expenses were Rs. 311.95 crores as against Rs. 293.88 crores approved by the Commission in the Tariff Order for FY 2009-10. The employee expenses capitalised as per audited accounts are to the tune of Rs. 55.35 crores as against Rs. 85.23 crores approved in the Tariff Order. Thus the net employee expenses as per audited accounts are Rs. 256.60 crores as against Rs. 208.65 crores approved in the Tariff Order.

6.1.2 Further, the Licensee has submitted that the actual gross A&G expenses were Rs. 11.21 crores as against Rs. 16.13 crores approved by the Commission in the Tariff Order for FY 2009-10. The A&G expenses capitalised as per audited accounts are to the tune of Rs. 2.95 crores against Rs. 3.07 crores approved in the Tariff Order. Thus the net A&G expenses as per audited accounts are Rs. 8.26 crores as against Rs. 13.06 crores approved in the Tariff Order.

6.1.3 The actual repair and maintenance expenses for FY 2009-10 were Rs. 83.77 crores as against Rs. 76.12 crores approved by the Commission in the Tariff Order.

6.1.4 Thus, the Licensee has sought Rs. 348.63 crores towards net O&M expenses against Rs. 297.83 crores approved by the Commission in the Tariff Order.

The Commission's views:

6.1.5 The regulation 4.2 of the Transmission Tariff Regulations issued by the Commission stipulates:

1. *<u>The O&M expenses for the base year shall be calculated on the basis of historical/audited costs and past trend during the preceding five years. However, any abnormal variation during the preceding five years shall be excluded. O & M expenses so calculated for the base year shall then be escalated on the basis of prevailing rates of inflation for the year as notified by the Central Government and shall be considered as a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40. Base year, for these Regulations means, the first year of tariff determination under these Regulations.</u>*
2. *Where such data for the preceding five years is not available the Commission may fix O&M expenses for the base year as certain percentage of the capital cost.*

…………”

6.1.6 The Commission has determined the trued up O&M expenses of the base year (FY 2007-08) in the Order on Petition No. 809 of 2012 as Rs. 218.65 crores. Further the Commission has trued up the O&M expenses for 2008-09 at Rs. 244.24 core in the foregoing sections.

6.1.7 The Licensee had adopted 6th Pay Revision Committee Recommendations in the month of February 2009. The pay revision was made retrospectively applicable w.e.f 1st January, 2006. The provision for arrear liability from 1st January, 2006 to 31st March, 2008, amounting to Rs. 51.32 crores was made in the audited accounts of FY 2007-08. Further, the liability for FY 2008-09 amounting to Rs. 59.08 crores was charged to the employee costs for FY 2008-09. The normal increment in salaries was paid from April 2009 onwards. Hence the normal increase in employee costs would be reflected in the audited accounts of FY 2009-10.

6.1.8 The Commission has estimated the percentage increase in normal employee expenses for FY 2009-10 by isolating the impact of pay revision arrear in FY 2008-09. The normal gross employee expenses increased from Rs. 268.93 crores (excluding pay revision arrear) in FY 2008-09 to Rs. 311.95 crores in FY 2009-10 consequent to pay revision, which translates to an increase of 16%.

6.1.9 The allowable gross employee expenses for FY 2009-10 have been approved by escalating the component wise approved gross employee expenses for FY 2008-09 by 16% which is inclusive of the escalation index of 8.51% approved in Section 4 above for FY 2009-10.

6.1.10 The allowable A&G expenses and R&M expenses for FY 2009-10 have been approved by escalating the component wise approved A&G and R&M expenses for FY 2008-09 by using the escalation index of 8.51% approved in Section 4 above.

6.1.11 Further in addition to the O&M cost based on inflationary indices based escalation, the Transmission Tariff Regulations provide for incremental O&M expenses on addition to assets during the year. Regulation stipulates that *"Incremental O&M expenses for the ensuing financial year shall be 2.5% of capital addition during the current year. O&M charges for the ensuing financial year shall be sum of incremental O&M expenses so worked out and O&M charges of current year escalated on the basis of predetermined indices as indicated in regulation 4.2.1 above."*

6.1.12 Based on the above and considering the philosophy for computation of incremental O&M expenses approved in Order dated 7th January, 2013 in Petition No. 847/2012, the Commission has approved incremental O&M expenses for FY 2009-10 at Rs. 47.85 crores as provided in the table below:

Table 6-1: APPROVED INCREMENTAL O&M EXPENSES FOR FY 2009-10 (Rs Crores)

Particulars	Derivation	Approved
Net Additions to GFA during preceding year	A	636.65
Preceding year O&M charge	B	29.43
Incremental O&M expenses @ 2.5% on Net Additions to GFA	**C = 2.50% of A**	**15.92**
Inflation Index	D	8.51%
Preceding year O&M charge so escalated	**E = B (1+D)**	**31.94**
O&M Expenses	**F = C + E**	**47.85**
a) Employee costs		33.41
b) R&M expenses		12.60
c) A&G expenses		1.84

6.1.13 The same are allocated across the individual elements of the O&M expenses on the basis of the contribution of each element in the gross O&M expenses which is being approved in subsequent paragraphs.

6.1.14 Thus the O&M expenses approved for FY 2009-10 are depicted in the table below:

Table 6-2: APPROVED O&M EXPENSES FOR FY 2009-10 (Rs. Crores)

Particulars	Approved
Employee Expenses	
Gross Employee Costs and Provisions	239.35
Incremental Employee Expenses @ 2.5% of GFA additions of preceding year	33.41
Gross Employee Expenses	**272.76**
Employee expenses capitalized	55.35
Net Employee Expenses	**217.41**
A&G Expenses	
Gross A&G Expenses	14.06
Incremental Employee Expenses @ 2.5% of GFA additions of preceding year	1.84
Gross A&G Expenses	**15.91**
A&G expenses capitalized	2.95
Net A&G Expenses	**12.95**
R&M Expenses	
Repair & Maintenance Expenditure	76.06
Incremental Employee Expenses @ 2.5% of GFA additions of preceding year	12.60
Gross Repair & Maintenance Expenses	**88.66**
Total O&M Expenses Allowable as per Regulations	**319.02**

6.1.15 The summary of the O&M expenses submitted by the Petitioner and as approved by the Commission are shown in the table below:

Table 6-3: ACTUALS Vs APPROVED O&M EXPENSES FOR FY 2009-10 (Rs Crores)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
Employee Expenses	293.88	311.95	324.30	272.76
Repair & Maintenance Expenses	76.12	83.77	86.95	88.66
Administrative and General Expenses	16.13	11.21	11.59	15.91
Gross Operation and Maintenance Expenses	**386.13**	**406.93**	**422.85**	**377.32**
Less: Capitalisation				
Employee Cost Capitalized	85.23	55.35	55.35	55.35
A&G Expenses Capitalized	3.07	2.95	2.95	2.95

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
Total Capitalization	**88.30**	**58.30**	**58.30**	**58.30**
Net Operation and Maintenance Expenses	**297.83**	**348.63**	**364.55**	**319.02**

6.2 INTEREST AND FINANCE CHARGES

6.2.1 Interest on Long Term Loans

6.2.1.1 The UPPTCL has claimed net interest expenses of Rs. 227.05 crores as against Rs. 214.74 crores approved in the Tariff Order for FY 2009-10.

6.2.1.2 Interest cost is an uncontrollable cost as the interest rate regime is determined by various external factors and the actual loans taken are consequential to the capital expenditure undertaken by the Licensee.

6.2.1.3 Considering the CWIP and GFA balances as per audited accounts, the Commission has derived the actual capital investments undertaken by UPPTCL in FY 2009-10. The details are provided in the table below:

Table 6-4: APPROVED CAPITAL INVESTMENTS IN FY 2009-10 (Rs. Crores)

Particulars	Derivation	2009-10
Opening WIP as on 1st April	A	979.46
Investments	B	776.10
Employee Expenses Capitalisation	C	55.35
A&G Expenses Capitalisation	D	2.95
Interest Capitalisation on Interest on long term loans	E	53.67
Total Investments	**F= A+B+C+D+E**	**1867.52**
Transferred to GFA (Total Capitalisation)	G	729.24
Closing WIP	**H= F-G**	**1138.28**

6.2.1.4 The Commission has considered a normative tariff approach with a gearing of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers. The audited accounts of the Petitioner reveal the amounts received as consumer contributions, capital subsidies and grants.

6.2.1.5 The table below summarises the amounts received towards consumer contributions, capital grants and subsidies in FY 2009-10:

Table 6-5: APPROVED CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES IN FY 2009-10 (Rs. Crores)

Particulars	2009-10
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	141.41
Additions during the year	76.41
Less: Amortisation	8.90
Closing Balance	**208.92**

Thus, the approved financing of the capital investment is depicted in the table below:

Table 6-6: FINANCING OF THE CAPITAL INVESTMENTS IN FY 2009-10 (Rs. Crores)

Particulars	Derivation	2009-10
Investment	A	776.10
Less:		
Consumer Contribution	B	76.41
Investment funded by debt and equity	C=A-B	699.69
Debt Funded	70%	489.79
Equity Funded	30%	209.91

6.2.1.6 Thus, from the above tables it is seen, that UPPTCL has made an investment of Rs. 776.10 crores in FY 2009-10. The consumer contributions, capital subsidies and grants received during the corresponding period is Rs. 76.41 crores. Thus, balance Rs. 699.69 crores have been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 489.79 crores or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 209.91 crores through equity. Allowable depreciation for the year has been considered as normative loan repayment. The actual weighted average rate of 8.73% has been considered for computing the interest. The opening balance of long term loan has been considered from the trued up loan balance approved in the truing up for FY 2008-09 in the foregoing sections.

6.2.1.7 Considering the above, the gross interest on long term loan is Rs. 257.53 crores. The interest capitalisation has been considered at the same rate as per audited accounts. The computations for interest on long term loan are depicted below:

Table 6-7: APPROVED INTEREST ON LONG TERM LOAN FOR FY 2009-10 (Rs Crores)

Particulars	2009-10
Opening Loan	2805.92
Loan Additions (70% of Investments)	489.79
Less: Repayments (Depreciation allowable for the year)	198.63
Closing Loan Balance	3097.08
Weighted Average Rate of Interest	8.73%
Interest on long term loan	**257.53**
Interest Capitalisation Rate	23.64%
Less: Interest Capitalized	60.87
Net Interest Charged	**196.66**

6.2.2 Finance Charges

6.2.2.1 The UPPTCL has claimed Rs. 4.74 crores towards finance charges during FY 2009-10. Items claimed under this head are towards items such as bank charges and guarantee fees.

6.2.2.2 The Commission approves the bank charges, finance charges as per audited accounts to the extent of Rs. 4.74 crores.

6.2.3 Interest on Working Capital

6.2.3.1 In the Tariff Order for FY 2009-10, the Commission had allowed Rs. 18.14 crores towards interest on working capital. The Transmission Tariff Regulations provide for the normative interest on working capital based on the methodology outlined in the Regulations. Accordingly, the Commission has approved Rs. 21.77 crores towards interest on working capital for FY 2009-10 as computed in the table below:

Table 6-8: APPROVED INTEREST ON WORKING CAPITAL FOR FY 2009-10 (Rs. Crores)

S No	Particulars	Approved
1	One month's O & M Expenses	26.59
2	One-twelfth of the sum of the book value of materials in stores at the end of each month of such financial year.	32.42

S No	Particulars	Approved
3	Receivables equivalent to 60 days average billing on consumers	121.17
	Grand Total	**180.17**
	Less:	
4	Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act, 2003	-
	Net Working Capital	**182.18**
	Rate of Interest on Working Capital	11.75%
	Interest on Working Capital	**21.77**

6.2.3.2 The following table summarises the interest and finance charges submitted by the Petitioner as against those approved by the Commission for UPPTCL for FY 2009-10:

Table 6-9: APPROVED INTEREST AND FINANCE CHARGES FOR FY 2009-10 (Rs. Crores)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
A: Interest on Long Term Loans				
Gross Interest on Long Term Loan	214.74	227.05	227.05	257.53
Less: Interest Capitalisation	49.39	53.67	53.67	60.87
Net Interest on Long Term Loans	**165.35**	**173.38**	**173.38**	**196.66**
B: Finance and Other Charges				
Guarantee Charges	-	4.55	4.55	4.55
Bank Charges	3.32	0.19	0.19	0.19
Total Finance Charges	**3.32**	**4.74**	**4.74**	**4.74**
C: Interest on Working Capital	**18.14**	**-**	**-**	**21.17**
Total (A+B+C)	**186.81**	**178.13**	**178.13**	**222.58**

6.3 DEPRECIATION

6.3.1 The actual depreciation expense charged in the audited accounts is Rs. 301.94 crores. However, the same has been accounted for considering the depreciation rates prescribed by the Companies Act, 1956.

6.3.2 The Commission has computed the allowable depreciation expense on the GFA base as per audited accounts for FY 2009-10 and at the rates approved by the Commission in the Tariff Order for FY 2009-10. The Commission has computed the depreciation only on the depreciable asset base and have excluded the non-depreciable assets such as land, land rights, etc.

6.3.3 Considering this philosophy, the gross entitlement towards depreciation has been computed at Rs. 207.22 crores.

Table 6-10: GROSS ALLOWABLE DEPRECIATION FOR FY 2009-10 (Rs. Crores)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Gross Depreciation
Land & Land Rights						
i) Unclassified	25.64	1.40	0.00	27.04		
ii) Freehold Land	0.05	0.00	0.00	0.05		
Buildings	180.83	43.21	0.05	224.00		
Other Civil Works	40.21	2.64	0.00	42.84		
Plants & Machinery	3238.37	491.50	61.56	3668.32		
Lines, Cable Network etc.	2898.38	172.92	4.71	3066.59		
Vehicles	3.62	0.06	0.06	3.62		
Furniture & Fixtures	1.13	0.07	0.00	1.21		
Office Equipments	2.01	0.17	0.00	2.18		
Jeep & Motor Car	0.00	0.00	0.00	0.00		
Assets taken over from Licensee pending final Valuation	32.68	17.27	0.00	49.95		
Total Depreciable Assets	**6397.24**	**727.84**	**66.38**	**7058.71**	**3.08%**	**207.22**
Total Non Depreciable Assets	25.69	1.40	0.00	27.09		
GRAND TOTAL	**6422.93**	**729.24**	**66.38**	**7085.80**		**207.22**

6.3.4 The Commission has scrutinised the audited accounts submitted by the Petitioner and obtained the figures in respect of depreciation charged on assets created out of consumer contributions, capital grants and subsidies. This equivalent depreciation amounting to Rs. 8.59 crores has been reduced from the allowable depreciation for FY 2009-10.

6.3.5 Thus the approved depreciation for FY 2009-10 is Rs. 198.63 crores in respect of UPPTCL as depicted in the table below:

Table 6-11: NET APPROVED DEPRECIATION FOR FY 2009-10 (Rs. Crores)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
Gross Allowable Depreciation	172.87	310.53	310.53	207.22
Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy	-	8.59	8.59	8.59
Net Allowable Depreciation	**172.87**	**301.94**	**301.94**	**198.63**

6.4 PRIOR PERIOD EXPENSES

6.4.1 The UPPTCL has submitted that it has identified and accounted for certain prior period incomes and expenses in the audited accounts for FY 2009-10. In the audited financial statements for FY 2009-10, there has been recognition of Rs. 24.39 crores of prior period incomes and prior period expenses of Rs. 10.88 crores, thereby the net prior period expense claimed is Rs. -13.51 crores.

6.4.2 Prior period expenses and incomes are the outcomes of omissions / errors in recording the transactions in the accounting statements. The items booked under the prior period expenses are essentially ARR items like O&M expenses, interest and finance charges, etc. Each item of ARR has a distinct methodology of treatment in the ARR and true-up determination. In the absence of clarity and details of each item booked under prior period expenses with respect to the financial year to which they pertain, the Commission has not allowed any claims towards such items for FY 2009-10.

6.5 RETURN ON EQUITY

6.5.1 Under provisions of the Transmission Tariff Regulations, the Licensees are allowed a return of @ 14% on equity base; for equity base calculation debt equity ratio shall be 70:30. Where equity involved is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30%. Equity amounting to more than 30% shall be considered as loan. In case of actual equity employed being less than 30%, actual debt and equity shall be considered for determination of tariff.

6.5.2 In view of the huge gap in the recovery of cost of supply at the Discom level, the Transmission Licensee was of the view that return on equity would only result in accumulation of receivables.

6.5.3 As such, the Licensee has been claiming return on equity @ 2% since the financial years 2009-10 onwards. Return on equity has been computed on the normative equity portion (30%) on capitalised assets.

6.5.4 The Commission while truing up the return on equity has considered:

- Opening equity as on 1st April, 2007 based on the equity balance which devolved upon the Licensee in the Transmission Transfer Scheme.
- Equity additions in FY 2007-08, 2008-09 and 2009-10 equivalent to normative 30% of the capitalised assets
- A rate of 2% has been considered for computing return on eligible equity.

6.5.5 The allowable equity for FY 2009-10 has been computed to be Rs. 50.67 crores

Table 6-12: APPROVED RETURN ON EQUITY FOR FY 2009-10 (Rs Crores)

Particulars	Derivation	True up Petition	Approved
Equity at the beginning of the year	A	2,387.18	2,423.97
Assets Capitalised	B	662.87	729.24
Addition to Equity	C = 30% of B	198.86	218.77
Closing Equity	D = A + C	2,586.04	2,642.74
Average Equity	E = Average of A & D	2,486.61	2,533.35
Rate of Return	F	2.00%	2.00%
Return on Equity	**G = E x F**	**49.73**	**50.67**

6.6 REVENUE SIDE TRUING UP

6.6.1 NON TARIFF INCOMES

6.6.1.1 The UPPTCL has submitted that the actual non-tariff income during FY 2009-10 were Rs. 63.87 crores as compared to Rs. 19.87 crores approved by the

Commission in the Tariff Order. Such incomes are inclusive of non-tariff incomes such as interest income from loan to staff, rental from staff, etc as well as income from Open Access charges and SLDC charges.

6.6.1.2 The Commission has accepted the submission of the UPPTCL, under this head.

6.7 AGGREGATE REVENUE REQUIREMENT FOR FY 2009-10 AFTER TRUING UP

6.7.1 The Aggregate Revenue Requirement for UPPTCL for FY 2009-10 after final truing up is summarised in the Table below:

Table 6-13: ARR FOR FY 2009-10 AFTER TRUING UP (Rs. Crores)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
Employee cost	293.88	311.95	324.30	272.76
A&G expenses	16.13	11.21	11.59	15.91
R&M expenses	76.12	83.77	86.95	88.66
Interest on Loan Capital	214.74	227.05	227.05	257.53
Interest on Working Capital	18.14	-	-	21.17
Finance Charges	3.32	4.74	4.74	4.74
Depreciation	172.87	301.94	301.94	198.63
Gross Expenditure	**795.20**	**940.67**	**956.58**	**859.40**
Less: Employee cost capitalized	85.23	55.35	55.35	55.35
Less: A&G Capitalisation	3.07	2.95	2.95	2.95
Less: Interest Capitalisation	49.39	53.67	53.67	60.87
Net Expenditure	**657.51**	**828.70**	**844.62**	**740.23**
Provision for Bad & Doubtful debts	-	9.82	9.82	-
Debits, write-offs & other expenses	-	(13.52)	(13.52)	-
Net Expenditure with provisions	**657.51**	**825.01**	**840.92**	**740.23**
Add: Return on Equity	42.86	-	49.73	50.67
Less: Non Tariff Income	19.87	63.87	30.14	63.87
Annual Revenue Requirement (ARR)	**680.50**	**761.14**	**860.52**	**727.02**

6.7.2 The trued transmission charges for FY 2009-10 are Rs. 727.02 crores against Rs. 680.50 crores approved in the Tariff Order. Thus, as per the final truing up for FY 2009-10, there is a revenue gap of 46.52 crores.

6.7.3 The treatment of the revenue gap has been discussed in the succeeding section.

6.8 DERIVATION OF THE TRANSMISSION TARIFF FOR FY 2009-10

6.8.1 As per the truing up, the Commission has approved transmission charges of Rs. 727.02 crores against Rs. 680.50 crores approved in the Tariff Order.

6.8.2 Considering the actual energy handled, the trued up transmission charge has been assessed at Rs. 0.1278 per kWh as compared to Rs. 0.1256 per kWh approved in the Tariff Order for FY 2009-10.

Table 6-14: TRUED UP TRANSMISSION TARIFF FOR FY 2009-10

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
Net ARR (Rs Crore)	**680.50**	**761.14**	**860.52**	**727.02**
Energy Handled (MU)	54183.00	56745.60	56745.60	56892.53[1]
Transmission Tariff (Rs/kWh)	**0.1256**	**0.1341**	**0.1516**	**0.1278**

[1] Including extra state sales

7. TRUING UP OF AGGREGATE REVENUE REQUIREMENT FOR FY 2010-11

In this section, the Commission has analysed all the elements of actual revenue and expenses for FY 2010-11, and has undertaken the truing up of expenses and revenue after prudence check on the data furnished by the Licensee. The Commission has allowed the true-up for FY 2010-11 considering the principles laid down in the Transmission Tariff Regulations.

7.1 O&M EXPENSES

The Licensee's Submissions

7.1.1 The Licensee has submitted that the actual gross employee expenses were Rs. 354.47 crores as against Rs. 331.59 crores approved by the Commission in the Tariff Order for FY 2010-11. The employee expenses capitalised as per audited accounts are to the tune of Rs. 76.75 crores as against Rs. 65.44 crores approved in the Tariff Order. Thus the net employee expenses as per audited accounts are Rs. 277.72 crores as against Rs. 266.15 crores approved in the Tariff Order.

7.1.2 Further, the Licensee has submitted that the actual gross A&G expenses were Rs. 14.62 crores as against Rs. 17.23 crores approved by the Commission in the Tariff Order for FY 2010-11. The A&G expenses capitalised as per audited accounts are to the tune of Rs. 4.04 crores against Rs. 10.85 crores approved in the Tariff Order. Thus the net A&G expenses as per audited accounts are Rs. 10.58 crores as against Rs. 6.38 crores approved in the Tariff Order.

7.1.3 The actual repair and maintenance expenses for FY 2010-11 were Rs. 98.06 crores as against Rs. 88.02 crores approved by the Commission in the Tariff Order.

7.1.4 Thus, the Licensee has sought Rs. 386.36 crores towards net O&M expenses against Rs. 360.56 crores approved by the Commission in the Tariff Order.

The Commission's views:

7.1.5 The regulation 4.2 of the Transmission Tariff Regulations issued by the Commission stipulates:

1. *The O&M expenses for the base year shall be calculated on the basis of historical/audited costs and past trend during the preceding five years. However, any abnormal variation during the preceding five years shall be excluded. O & M expenses so calculated for the base year shall then be escalated on the basis of prevailing rates of inflation for the year as notified by the Central Government and shall be considered as a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40. Base year, for these Regulations means, the first year of tariff determination under these Regulations.*

2. *Where such data for the preceding five years is not available the Commission may fix O&M expenses for the base year as certain percentage of the capital cost.*

…………”

7.1.6 The Commission has trued up the O&M expenses for 2009-10 at Rs. 319.02 core in the foregoing sections.

7.1.7 The allowable O&M expenses for FY 2010-11 have been approved by escalating the component wise O&M expenses for FY 2009-10 by using the escalation index of 7.52% approved in Section 4 above.

7.1.8 Further in addition to the O&M cost based on inflationary indices based escalation, the Transmission Tariff Regulations provide for incremental O&M expenses on addition to assets during the year. Regulation stipulates that *“Incremental O&M expenses for the ensuing financial year shall be 2.5% of capital addition during the current year. O&M charges for the ensuing financial year shall be sum of incremental O&M expenses so worked out and O&M charges of current year escalated on the basis of predetermined indices as indicated in regulation 4.2.1 above.”*

7.1.9 Based on the above and considering the philosophy for computation of incremental O&M expenses approved in Order dated 7th January, 2013 in Petition No. 847/2012, the Commission has approved incremental O&M expenses for FY 2010-11 at Rs. 68.03 crores as provided in the table below:

Table 7-1: APPROVED INCREMENTAL O&M EXPENSES (Rs Crores)

Particulars	Derivation	2010-11
Net Additions to GFA during preceding year	A	662.87
Preceding year O&M charge	B	47.85

Particulars	Derivation	2010-11
Incremental O&M expenses @ 2.5% on Net Additions to GFA	**C = 2.50% of A**	**16.57**
Inflation Index	D	7.52%
Preceding year O&M charge so escalated	**E = B (1+D)**	**51.45**
O&M Expenses	**F = C + E**	**68.03**
a) Employee costs		46.97
b) R&M expenses		18.41
c) A&G expenses		2.65

7.1.10 The same are allocated across the individual elements of the O&M expenses on the basis of the contribution of each element in the gross O&M expenses which is being approved in subsequent paragraphs.

7.1.11 Thus the O&M expenses approved for FY 2010-11 are depicted in the table below:

Table 7-2: APPROVED O&M EXPENSES FOR FY 2010-11 (Rs. Crores)

Particulars	Approved
Employee Expenses	
Gross Employee Costs and Provisions	257.35
Incremental Employee Expenses @ 2.5% of GFA additions of preceding year	46.97
Gross Employee Expenses	**304.32**
Employee expenses capitalized	76.75
Net Employee Expenses	**227.58**
A&G Expenses	
Gross A&G Expenses	15.12
Incremental Employee Expenses @ 2.5% of GFA additions of preceding year	2.65
Gross A&G Expenses	**17.77**
A&G expenses capitalized	4.04
Net A&G Expenses	**13.73**
R&M Expenses	
Repair & Maintenance Expenditure	81.78
Incremental Employee Expenses @ 2.5% of GFA additions of preceding year	18.41
Gross Repair & Maintenance Expenses	**100.19**
Total O&M Expenses Allowable as per Regulations	**341.49**

7.1.12 The summary of the O&M expenses submitted by the Petitioner and as approved by the Commission are shown in the table below:

Table 7-3: ACTUAL Vs APPROVED O&M EXPENSES FOR FY 2010-11 (Rs. Crores)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
Employee Expenses	331.59	354.47	366.69	304.32
Repair & Maintenance Expenses	88.02	98.06	102.01	100.19
Administrative and General Expenses	17.23	14.62	15.01	17.77
Gross Operation and Maintenance Expenses	**436.84**	**467.15**	**483.72**	**422.28**
Less: Capitalisation				
Employee Cost Capitalized	65.44	76.75	76.75	76.75
A&G Expenses Capitalized	10.85	4.04	4.04	4.04
Total Capitalization	**76.28**	**80.79**	**80.79**	**80.79**
Net Operation and Maintenance Expenses	**360.56**	**386.36**	**402.93**	**341.49**

7.2 INTEREST AND FINANCE CHARGES

7.2.1 Interest on Long Term Loans

7.2.1.1 The UPPTCL has claimed Gross interest expenses of Rs. 275.50 crores as against Rs. 209.53 crores approved in the Tariff Order for FY 2010-11.

7.2.1.2 Interest cost is an uncontrollable cost as the interest rate regime is determined by various external factors and the actual loans taken are consequential to the capital expenditure undertaken by the Licensee.

7.2.1.3 Considering the CWIP and GFA balances as per audited accounts, the Commission has derived the actual capital investments undertaken by UPPTCL in FY 2010-11. The details are provided in the table below:

Table 7-4: APPROVED CAPITAL INVESTMENTS IN FY 2010-11 (Rs. Crores)

Particulars	Derivation	2010-11
Opening WIP as on 1st April	A	1138.28
Investments	B	1329.70

Particulars	Derivation	2010-11
Employee Expenses Capitalisation	C	76.75
A&G Expenses Capitalisation	D	4.04
Interest Capitalisation on Interest on long term loans	E	78.65
Total Investments	**F= A+B+C+D+E**	**2627.41**
Transferred to GFA (Total Capitalisation)	G	499.08
Closing WIP	**H= F-G**	**2128.33**

7.2.1.4 The Commission has considered a normative tariff approach with a gearing of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers. The audited accounts of the Petitioner reveal the amounts received as consumer contributions, capital subsidies and grants.

7.2.1.5 The table below summarises the amounts received towards consumer contributions, capital grants and subsidies in FY 2010-11:

Table 7-5: APPROVED CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES IN FY 2010-11 (Rs. Crores)

Particulars	2010-11
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	208.92
Additions during the year	30.49
Less: Amortisation	11.16
Closing Balance	**228.24**

7.2.1.6 Thus, the approved financing of the capital investment is depicted in the table below:

Table 7-6: FINANCING OF THE CAPITAL INVESTMENTS IN FY 2010-11 (Rs. Crores)

Particulars	Derivation	2010-11
Investment	A	1329.70
Less:		
Consumer Contribution	B	30.49
Investment funded by debt and equity	C=A-B	1299.21
Debt Funded	70%	909.45

Particulars	Derivation	2010-11
Equity Funded	30%	389.76

7.2.1.7 Thus, from the above tables it is seen, that UPPTCL has made an investment of Rs. 776.10 crores in FY 2010-11. The consumer contributions, capital subsidies and grants received during the corresponding period is Rs. 30.49 crores. Thus, balance Rs. 1299.21 crores have been funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 909.45 crores or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 389.76 crores through equity. Allowable depreciation for the year has been considered as normative loan repayment.

7.2.1.8 The actual weighted average rate of 8.77% has been considered for computing the interest. The opening balance of long term loan has been considered from the loan balance approved in the truing up for FY 2009-10.

7.2.1.9 Considering the above, the gross interest on long term loan is Rs. 297.78 crores. The interest capitalisation has been considered at the same rate as per audited accounts. The computations for interest on long term loan are depicted below:

Table 7-7: APPROVED INTEREST ON LONG TERM LOAN FOR FY 2010-11 (Rs Crores)

Particulars	2010-11
Opening Loan	3097.08
Loan Additions (70% of Investments)	909.45
Less: Repayments (Depreciation allowable for the year)	310.12
Closing Loan Balance	3696.41
Weighted Average Rate of Interest	8.77%
Interest on long term loan	**297.78**
Interest Capitalisation Rate	28.55%
Less: Interest Capitalized	85.01
Net Interest Charged	**212.77**

7.2.2 Finance Charges

7.2.2.1 The UPPTCL has claimed Rs. 3.93 crores towards finance charges during FY 2010-11. Items claimed under this head are towards items such as bank charges and guarantee fees.

7.2.2.2 The Commission approves the bank charges, finance charges as per audited accounts to the extent of Rs. 3.93 crores.

7.2.3 Interest on Working Capital

7.2.3.1 In the Tariff Order for FY 2010-11, the Commission had allowed Rs. 25.30 crores towards interest on working capital. The Transmission Tariff Regulations provide for the normative interest on working capital based on the methodology outlined in the Regulations. Accordingly, the Commission has approved Rs. 26.06 crores towards interest on working capital for FY 2010-11 as computed in the table below:

Table 7-8: APPROVED INTEREST ON WORKING CAPITAL FOR FY 2010-11 (Rs. Crores)

S No	Particulars	Approved
1	One month's O & M Expenses	28.46
2	One-twelfth of the sum of the book value of materials in stores at the end of each month of such financial year.	39.49
3	Receivables equivalent to 60 days average billing on consumers	140.50
	Grand Total	**208.44**
	Less:	
4	Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	-
	Net Working Capital	**208.44**
	Rate of Interest on Working Capital	12.50%
	Interest on Working Capital	**26.06**

7.2.3.2 The following table summarises the interest and finance charges submitted by the Petitioner as against those approved by the Commission for UPPTCL for FY 2010-11:

Table 7-9: INTEREST AND FINANCE CHARGES FOR FY 2010-11 (Rs. Crores)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
A: Interest on Long Term Loans				
Gross Interest on Long Term Loan	209.53	275.50	275.50	297.78
Less: Interest Capitalisation	-	78.65	78.65	85.01
Net Interest on Long Term Loans	**209.53**	**196.85**	**196.85**	**212.77**

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
B: Finance and Other Charges				
Guarantee Charges	-	3.78	3.78	3.78
Bank Charges	-	0.14	0.14	0.14
Discount to Consumer	-	0.01	0.01	0.01
Total Finance Charges	**-**	**3.93**	**3.93**	**3.93**
C: Interest on Working Capital	**25.30**	**-**	**-**	**26.06**
Total (A+B+C)	**234.82**	**200.78**	**200.78**	**242.76**

7.3 DEPRECIATION

7.3.1 The actual depreciation expense charged in the audited accounts is Rs. 326.20 crores. However, the same has been accounted for considering the depreciation rates prescribed by the Companies Act, 1956.

7.3.2 The Commission has computed the allowable depreciation expense on the GFA base as per audited accounts for FY 2010-11 and at the rates approved by the Commission in the Tariff Order for FY 2010-11. The Commission has computed the depreciation only on the depreciable asset base and have excluded the non-depreciable assets such as land, land rights, etc.

7.3.3 Considering this philosophy, the gross entitlement towards depreciation has been computed at Rs. 320.62 crores.

Table 7-10: GROSS ALLOWABLE DEPRECIATION FOR FY 2010-11 (Rs. Crores)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Gross Depreciation
Land & Land Rights						
i) Unclassified	27.04	4.17	0.00	31.21		
ii) Freehold Land	0.05	0.00	0.00	0.05		
Buildings	224.00	24.50	0.00	248.50		
Other Civil Works	42.84	0.45	0.00	43.29		

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Gross Depreciation
Plants & Machinery	3668.32	331.58	71.23	3928.67		
Lines, Cable Network etc.	3066.59	126.39	0.59	3192.39		
Vehicles	3.62	0.04	0.08	3.58		
Furniture & Fixtures	1.21	0.16	0.00	1.36		
Office Equipments	2.18	0.13	0.03	2.28		
Jeep & Motor Car	0.00	0.00	0.00	0.00		
Assets taken over from Licensee pending final Valuation	49.95	11.67	0.00	61.62		
Total Depreciable Assets	**7058.71**	**494.92**	**71.93**	**7481.69**	**4.41%**	**320.62**
Total Non Depreciable Assets	**27.09**	**4.17**	**0.00**	**31.26**		
GRAND TOTAL	**7085.80**	**499.08**	**71.93**	**7512.95**		**320.62**

7.3.4 The Commission has scrutinised the audited accounts submitted by the Petitioner and obtained the figures in respect of depreciation charged on assets created out of consumer contributions, capital grants and subsidies. This equivalent depreciation amounting to Rs. 10.50 crores, has been reduced from the allowable depreciation for FY 2010-11.

7.3.5 Thus the approved depreciation for FY 2010-11 is Rs. 310.12 crores in respect of UPPTCL as depicted in the table below:

Table 7-11: NET APPROVED DEPRECIATION FOR FY 2010-11 (Rs. Crores)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
Gross Allowable Depreciation	313.43	336.69	336.69	320.62
Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy		10.50	10.50	10.50
Net Allowable Depreciation	**313.43**	**326.20**	**326.20**	**310.12**

7.4 PRIOR PERIOD EXPENSES

7.4.1 The UPPTCL has submitted that it has identified and accounted for certain prior period incomes and expenses in the audited accounts for FY 2010-11. In the audited financial statements for FY 2010-11, there has been recognition of Rs. 38.89 crores of prior period incomes and prior period expenses of Rs. 5.09 crores, thereby the net prior period expense claimed is Rs. -33.80 crores.

7.4.2 Prior period expenses and incomes are the outcomes of omissions / errors in recording the transactions in the accounting statements. The items booked under the prior period expenses are essentially ARR items like O&M expenses, interest and finance charges, etc. Each item of ARR has a distinct methodology of treatment in the ARR and true-up determination. In the absence of clarity and details of each item booked under prior period expenses with respect to the financial year to which they pertain, the Commission has not allowed any claims towards such items for FY 2010-11.

7.5 RETURN ON EQUITY

7.5.1 Under the provisions of the Transmission Tariff Regulations, the Licensees are allowed a return of @ 14% on equity base; for equity base calculation debt equity ratio shall be 70:30. Where equity involved is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30%. Equity amounting to more than 30% shall be considered as loan. In case of actual equity employed being less than 30%, actual debt and equity shall be considered for determination of tariff.

7.5.2 In view of the huge gap in the recovery of cost of supply at the Discom level, the Transmission Licensee was of the view that return on equity would only result in accumulation of receivables.

7.5.3 As such, the Licensee has been claiming return on equity @ 2% since the financial years 2009-10 onwards. Return on equity has been computed on the normative equity portion (30%) on capitalised assets.

7.5.4 The Commission while truing up the return on equity has considered:

- Opening equity as on 1st April, 2007 based on the equity balance which devolved upon the licensee in the Transmission Transfer Scheme.
- Equity additions in FY 2007-08, 2008-09, 2009-10 and 2010-11 equivalent to normative 30% of the capitalised assets
- A rate of 2% has been considered for computing return on eligible equity.

7.5.5 The allowable equity for FY 2010-11 has been computed to be Rs. 54.35 crores

Table 7-12: APPROVED RETURN ON EQUITY FOR FY 2010-11 (Rs Crores)

Particulars	Derivation	Petition	Approved
Equity at the beginning of the year	A	2,586.04	2,642.74
Assets Capitalised	B	427.15	499.08
Addition to Equity	C = 30% of B	128.15	149.73
Closing Equity	D = A + C	2,714.19	2,792.47
Average Equity	E = Average of A & D	2,650.11	2,717.60
Rate of Return	F	2.00%	2.00%
Return on Equity	**G = E x F**	**53.00**	**54.35**

7.6 REVENUE SIDE TRUING UP

7.6.1 NON TARIFF INCOMES

7.6.1.1 The UPPTCL has submitted that the actual non-tariff income during FY 2010-11 were Rs. 105.74 crores as compared to Rs. 40.30 crores approved by the Commission in the Tariff Order. Such incomes are inclusive of non-tariff incomes such as interest income from loan to staff, rental from staff, etc as well as income from Open Access charges and SLDC charges.

7.6.1.2 The Commission has accepted the submission of the UPPTCL, under this head.

7.7 AGGREGATE REVENUE REQUIREMENT FOR FY 2010-11 AFTER TRUING UP

7.7.1 The Aggregate Revenue Requirement for FY 2010-11 after final truing up is summarised in the Table below:

Table 7-13: ARR FOR FY 2010-11 AFTER FINAL TRUING UP (Rs. Crores)

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
Employee cost	331.59	354.47	366.69	304.32
A&G expenses	17.23	14.62	15.01	17.77
R&M expenses	88.02	98.06	102.01	100.19
Interest on Loan Capital	209.53	275.50	275.50	297.78
Interest on Working Capital	25.30	-	-	26.06
Finance Charges	-	3.93	3.93	3.93
Depreciation	313.43	326.20	326.20	310.12
Gross Expenditure	**985.10**	**1,072.78**	**1,089.35**	**1,060.17**
Less: Employee cost capitalized	65.44	76.75	76.75	76.75
Less: A&G Capitalisation	10.85	4.04	4.04	4.04
Less: Interest Capitalisation	-	78.65	78.65	85.01
Net Expenditure	**908.82**	**913.34**	**929.91**	**894.37**
Provision for Bad & Doubtful debts	-	26.34	26.34	-
Debits, write-offs & other expenses	-	(33.80)	(33.80)	-
Net Expenditure with provisions	**908.82**	**905.88**	**922.45**	**894.37**
Add: Return on Equity	45.66	-	53.00	54.35
Less: Non Tariff Income	40.30	105.74	33.52	105.74
Annual Revenue Requirement (ARR)	**914.18**	**800.15**	**941.94**	**842.99**

7.7.2 The trued transmission charges for FY 2010-11 are Rs. 842.99 crores against Rs. 914.18 crores approved in the Tariff Order. Thus, as per the final truing up for FY 2010-11, there is a revenue surplus of 71.19 crores.

7.7.3 The treatment of the revenue surplus has been discussed in the succeeding section.

7.8 DERIVATION OF THE TRANSMISSION TARIFF FOR FY 2010-11

7.8.1 As per the truing up, the Commission has approved transmission charges of Rs. 842.99 crores against Rs. 914.18 crores approved in the Tariff Order.

7.8.2 Considering the actual energy handled, the trued up transmission charge has been assessed at Rs. 0.1354 per kWh as compared to Rs. 0.1473 per kWh approved in the Tariff Order for FY 2010-11.

Table 7-14: TRUED UP TRANSMISSION TARIFF FOR FY 2010-11

Particulars	Tariff Order	Actual as per audited accounts	True-up Petition	Approved
Net ARR (Rs Crore)	**914.18**	**800.15**	**941.94**	**842.99**
Energy Handled (MU)	62061.96	62268.45	62268.45	62268.45
Transmission Tariff (Rs/kWh)	**0.1473**	**0.1285**	**0.1513**	**0.1354**

8. AGGREGATE REVENUE REQUIREMENT FOR FY 2013-14

8.1 TRANSMISSION LOSSES

In the Tariff Order for FY 2012-13 dated 19th October, 2012, the Commission had approved intra-state transmission losses of 3.63% and interstate transmission losses upto State's Transmission periphery as 2.08%.

The Transmission Tariff Regulations clearly state that the base line for losses will have to be based on proper loss estimation studies. In this regard, the Commission had directed the Licensee to submit data regarding voltage wise transmission losses for the past three years along with the estimation for the current and ensuing year. However, the Licensee has not submitted the same.

The Commission is constrained to approve the transmission losses as proposed by the Licensee in its ARR / Tariff Petition for FY 2013-14. The Commission approves intra-state transmission losses of 3.67% and interstate transmission losses upto State's Transmission periphery as 1.65% for FY 2013-14.

Table 8.1-1: APPROVED TRANSMISSION LOSSES FOR FY 2013-14

Particulars	Unit	Approved
Gross Power Purchase and Billed (MU)	A	84,632.24
Net Power Purchase at UP State's Transmission Periphery (MU)	B	83,235.32
Inter-state Transmission Losses	C = 1-(B/A)	1.65%
Energy Received by Discoms (Transmission-Distribution Interface) (MU)	D	80,180.59
Intra-state Transmission Losses	E = 1-(D/B)	3.67%
Total Transmission Losses (Inter + Intra State Transmission Losses)	F = 1-(D/A)	5.26%

8.2 COMPONENTS OF ARR AND ANALYSIS OF EACH COMPONENT

The Commission has analysed all the components of the Aggregate Revenue Requirement (ARR) to provide suitable values for each component. As per the Transmission Tariff Regulations, the ARR includes the following components:

a) Operation & Maintenance Expenses
   - Employee Expenses

- Administration & General Expenses
- Repairs and Maintenance Expenses

b) Interest Expenses
- Interest on Loan Capital
- Interest on Working Capital

c) Depreciation Expenses
d) Other Income (Non-tariff Income)
e) Special Appropriations
f) Return on Equity
g) Tax on Income
h) Any other relevant expenditure

Based on Transmission Tariff Regulations, the Commission has analysed each component of the ARR and accordingly approved each of the component along with the justification for the same.

8.3 OPERATION & MAINTENANCE EXPENSES

8.3.1 O&M expenses comprise of employee related costs, A&G expenses and R&M expenditure. The regulation 4.2 of the Transmission Tariff Regulations issued by the Commission stipulates:

1. *<u>The O&M expenses for the base year shall be calculated on the basis of historical/audited costs and past trend during the preceding five years. However, any abnormal variation during the preceding five years shall be excluded. O & M expenses so calculated for the base year shall then be escalated on the basis of prevailing rates of inflation for the year as notified by the Central Government and shall be considered as a weighted average of Wholesale Price Index and Consumer Price Index in the ratio of 60:40. Base year, for these Regulations means, the first year of tariff determination under these Regulations.</u>*

2. *Where such data for the preceding five years is not available the Commission may fix O&M expenses for the base year as certain percentage of the capital cost.*

…………”

8.3.2 The Commission has trued up each component of the O&M expenses up to FY 2010-11 in the preceding Section.

8.3.3 The allowable O&M expenses for FY 2013-14 have been approved by escalating the component wise O&M expenses for FY 2010-11 by using the yearly inflation indices approved in Section 4 above.

8.3.4 Further in addition to the O&M cost based on inflationary indices based escalation, the Transmission Tariff Regulations provide for incremental O&M expenses on addition to assets during the year. Regulation stipulates that *"Incremental O&M expenses for the ensuing financial year shall be 2.5% of capital addition during the current year. O&M charges for the ensuing financial year shall be sum of incremental O&M expenses so worked out and O&M charges of current year escalated on the basis of predetermined indices as indicated in regulation 4.2.1 above."*

8.3.5 Based on the above, the Commission has approved incremental O&M expenses for FY 2013-14 at Rs. 154.99 crores as depicted in the table below.

Table 8.3-1: APPROVED INCREMENTAL O&M EXPENSES FOR FY 2013-14 (Rs Crores)

Particulars	Derivation	2011-12	2012-13	2013-14
Net Additions to GFA during preceding year	A	427.15	539.52	1571.39
Preceding year O&M charge	B	68.03	85.48	106.40
Incremental O&M expenses @ 2.5% on Net Additions to GFA	**C = 2.50% of A**	**10.68**	**13.49**	**39.28**
Inflation Index	D	9.96%	8.69%	8.75%
Preceding year O&M charge so escalated	**E = B (1+D)**	**74.80**	**92.91**	**115.70**
O&M Expenses	**F = C + E**	**85.48**	**106.40**	**154.99**
a) Employee costs		58.42	72.55	105.15
b) R&M expenses		23.73	29.67	43.70
c) A&G expenses		3.34	4.18	6.14

8.3.6 The same are allocated across the individual elements of the O&M expenses on the basis of the contribution of each element in the gross O&M expenses which is being approved in subsequent paragraphs.

8.3.7 Thus the O&M expenses approved for FY 2013-14 are depicted in the table below:

Table 8.3-2: APPROVED O&M EXPENSES FOR FY 2013-14

Particulars	FY 2011-12	FY 2012-13	FY 2013-14
Employee Expenses			
Gross Employee Costs and Provisions	282.99	307.58	334.48

Particulars	FY 2011-12	FY 2012-13	FY 2013-14
Incremental Employee Expenses @ 2.5% of GFA additions of preceding year	58.42	72.55	105.15
Gross Employee Expenses	**341.41**	**380.13**	**439.64**
Employee expenses capitalized	120.74	82.49	95.40
Net Employee Expenses	**220.67**	**297.64**	**344.23**
A&G Expenses			
Gross A&G Expenses	16.63	18.07	19.65
Incremental Employee Expenses @ 2.5% of GFA additions of preceding year	3.34	4.18	6.14
Gross A&G Expenses	**19.97**	**22.25**	**25.79**
A&G expenses capitalized	6.00	4.23	4.90
Net A&G Expenses	**13.97**	**18.02**	**20.89**
R&M Expenses			
Repair & Maintenance Expenditure	89.93	97.74	106.29
Incremental Employee Expenses @ 2.5% of GFA additions of preceding year	23.73	29.67	43.70
Gross Repair & Maintenance Expenses	**113.65**	**127.41**	**149.99**
Total O&M Expenses	**348.29**	**443.07**	**515.12**

8.3.8 The O&M expenses would be subject to truing up upon finalisation of audited accounts.

8.4 GFA BALANCES AND CAPITAL FORMATION ASSUMPTIONS:

8.4.1 The Commission in order to approve realistic levels of gross fixed asset balance and consequent tariff components such as depreciation, interest on loan and return on equity, has considered the opening balance of FY 2011-12 in line with the closing balance as per audited accounts for FY 2010-11.

8.4.2 The Commission has considered the capital additions, capital deletions, capital work in progress balances, etc from the provisional accounts for FY 2011-12 submitted by the Transmission Licensee along with the ARR / Tariff Petition filed on 7th December, 2012.

8.4.3 In the case of FY 2012-13, the Commission has considered the capital investments, capital additions, etc. from the Tariff Order dated 19th October, 2012, approved by the Commission.

8.4.4 The Commission has observed that the capital investment claimed by the Licensee is not in strict accordance with the Transmission Tariff Regulations. In order to reprimand the Licensee, the Commission disallows 30% of the capital investment claimed in the ARR / Tariff Petition and allows only Rs. 2,100 crores towards capital investment for FY 2013-14.

8.4.5 The expenses capitalisation has been considered as approved in the foregoing section.

8.4.6 The interest capitalisation has been considered as approved in Section 8.7.1.

8.4.7 25% of the total investments including opening capital work in progress balance, expenses & interest capitalisation during the year have been projected to be capitalised in FY 2013-14.

8.4.8 Accordingly, the details of approved Capitalisation and Work-in-progress for FY 2011-12 to FY 2013-14 are provided in the table below:

Table 8.4-1: CAPITALIZATION AND WIP UP TO FY 2013-14

(Rs Crores)

Particulars	Derivation	2011-12	2012-13	2013-14
Opening WIP as on 1st April	A	2128.33	4105.48	4714.18
Investments	B	2281.46	1800.00	2100.00
Employee Expenses Capitalisation	C	120.74	82.49	95.40
A&G Expenses Capitalisation	D	6.00	4.23	4.90
Interest Capitalisation on Interest on long term loans	E	175.69	293.38	339.26
Total Investments	**F= A+B+C+D+E**	**4712.21**	**6285.58**	**7253.75**
Transferred to GFA (Total Capitalisation)	G	606.73	1571.39	1813.44
Closing WIP	**H= F-G**	**4105.48**	**4714.18**	**5440.31**

8.5 FINANCING OF THE CAPITAL INVESTMENT

8.5.1 The Commission has considered a normative tariff approach with a gearing of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The portion of capital expenditure financed through consumer contribution, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers.

8.5.2 The provisional accounts for FY 2011-12 reveal the amounts received as consumer contributions, capital subsidies and grants. Further, the consumer contributions, capital subsidies and grants for FY 2012-13 and 2013-14 have been considered to be in the same ratio to the total investments, as proposed by the Licensee in its ARR Petitions for FY 2012-13 and 2013-14 respectively.

8.5.3 The table below summarises the amounts considered towards consumer contributions, capital grants and subsidies from FY 2011-12 to 2013-14:

Table 8.5-1: CONSUMER CONTRIBUTIONS, CAPITAL GRANTS AND SUBSIDIES CONSIDERED UP TO FY 2013-14 (Rs. Crores)

Particulars	2011-12	2012-13	2013-14
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	228.24	245.76	483.92
Additions during the year	27.94	250.00	175.00
Less: Amortisation	10.42	11.84	16.56
Closing Balance	**245.76**	**483.92**	**642.36**

8.5.4 Thus, the approved financing of the capital investment is depicted in the table below:

Table 8.5-2: FINANCING OF THE CAPITAL INVESTMENTS UP TO FY 2013-14

(Rs. Crores)

Particulars	Derivation	2011-12	2012-13	2013-14
Investment	A	2281.46	1800.00	2100.00
Less:				
Consumer Contribution	B	27.94	250.00	175.00
Investment funded by debt and equity	C=A-B	2253.52	1550.00	1925.00
Debt Funded	70%	1577.46	1085.00	1347.50
Equity Funded	30%	676.06	465.00	577.50

8.5.5 The Commission approves consumer contributions, capital subsidies and grants to the tune of Rs. 175 crores in FY 2013-14. Thus, balance Rs. 1,925 crores have been considered to be funded through debt and equity. Considering a debt equity ratio of 70:30, Rs. 1,347.50 crores or 70% of the capital investment is approved to be funded through debt and balance 30% equivalent to Rs. 577.50 crores through equity.

8.6 DEPRECIATION EXPENSE

8.6.1 For the purpose of computing depreciation, the Commission has considered the GFA base as per audited accounts for FY 2010-11 and have subsequently added the yearly capitalisations for FY 2011-12, 2012-13 and 2013-14 considered in Section 8.4.8 above.

8.6.2 The Transmission Tariff Regulations provide that the depreciation shall be calculated on straight line method at the rates specified by the Central Electricity Regulatory Commission in its Tariff Regulations. Considering this, the Commission has considered a depreciation rate of 5.28% which is the rate provided by the CERC (Terms and Conditions of Tariff) Regulations, 2009.

8.6.3 The Commission has computed the depreciation only on the depreciable asset base and have excluded the non-depreciable assets such as land, land rights, etc.

8.6.4 Considering this philosophy, the gross entitlement towards depreciation has been computed to be Rs. 554.25 crores as depicted in the table below:

Table 8.6-1: GROSS ALLOWABLE DEPRECIATION FOR FY 2013-14 (Rs. Crores)

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Gross Depreciation
Land & Land Rights						
i) Unclassified	33.35	0.00	0.00	33.35		
ii) Freehold Land	0.05	0.00	0.00	0.05		
Buildings	259.60	0.00	0.00	259.60		
Other Civil Works	43.82	0.00	0.00	43.82		
Plants & Machinery	5128.36	906.72	0.00	6035.08		
Lines, Cable Network etc.	4080.50	906.72	0.00	4987.22		
Vehicles	3.53	0.00	0.00	3.53		
Furniture & Fixtures	1.42	0.00	0.00	1.42		
Office Equipments	3.24	0.00	0.00	3.24		
Jeep & Motor Car	0.00	0.00	0.00	0.00		

Particulars	Opening GFA	Additions to GFA	Deductions to GFA	Closing GFA	Depreciation Rates considered	Allowable Gross Depreciation
Assets taken over from Licensee pending final Valuation	70.00	0.00	0.00	70.00		
Total Depreciable Assets	**9590.46**	**1813.44**	**0.00**	**11403.90**	**5.28%**	**554.25**
Total Non Depreciable Assets	**33.40**	**0.00**	**0.00**	**33.40**		
GRAND TOTAL	**9623.87**	**1813.44**	**0.00**	**11437.30**		**554.25**

8.6.5 The Commission has projected the depreciation on assets created out of consumer contributions, capital grants and subsidies for FY 2013-14 in the same ratio as per provisional accounts of FY 2011-12. The Commission has reduced the equivalent depreciation amounting to Rs. 16.56 crores in respect of depreciation on assets created out of consumer contributions, capital grants and subsidies.

8.6.6 The Commission has been, time and again, directing the Licensee to prepare and furnish fixed asset registers. Maintenance of fixed asset registers ensures that the costs incurred on each asset, date of commissioning, location of asset, and other technical details are properly and adequately recorded.

8.6.7 As a first step towards reprimanding the Licensee over the issue of non-preparation of fixed asset registers, the Commission has withheld 20% of the allowable depreciation for FY 2013-14. The same would be released for recovery through tariff, upon submission of fixed asset registers up to the current year i.e., FY 2012-13.

8.6.8 Thus, the Commission has approved net depreciation expense of Rs. 537.69 crores for FY 2013-14 as depicted in the table below:

Table 8.6-2: NET APPROVED DEPRECIATION FOR FY 2013-14 (Rs. Crores)

Particulars	Approved
Gross Allowable Depreciation	554.25
Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy	16.56
Net Approved Depreciation for FY 2013-14	**537.69**
Less: Depreciation withheld due to non-maintenance of Fixed Asset Registers	107.54
Depreciation allowable for Recovery in FY 2013-14	**430.15**

8.7 INTEREST AND FINANCE CHARGES

8.7.1 INTEREST & FINANCE CHARGES ON LONG TERM LOAN

8.7.1.1 It is reiterated that the Commission has considered a normative tariff approach with a gearing of 70:30. In this approach, 70% of the capital expenditure undertaken in any year has been considered to be financed through loan and balance 30% has been considered to be funded through equity contributions. The portion of capital expenditure financed through consumer contributions, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the consumers.

8.7.1.2 Allowable depreciation for the year has been considered as normative loan repayment.

8.7.1.3 The weighted average rate of interest has been considered as per the ARR / Tariff Petition filed for FY 2013-14, as it seems to be fair and equitable. The interest capitalisation has been considered at a rate of 23% which is consistent with the previous Orders of the Commission.

8.7.1.4 The computations for interest on long term loan are depicted below:

Table 8.7.1-1: APPROVED INTEREST ON LONG TERM LOAN FOR FY 2013-14 (Rs Crores)

Particulars	2011-12	2012-13	2013-14
Opening Loan	3696.41	4935.53	5636.15
Loan Additions (70% of Investments)	1577.46	1085.00	1347.50
Less: Repayments (Depreciation allowable for the year)	338.35	384.38	537.69
Closing Loan Balance	4935.53	5636.15	6445.96
Weighted Average Rate of Interest	9.44%	9.80%	9.88%
Interest on long term loan	**407.45**	**518.02**	**596.92**
Interest Capitalisation Rate	42.51%	23.00%	23.00%
Less: Interest Capitalized	173.22	119.15	137.29
Net Interest Charged	**234.23**	**398.88**	**459.63**

8.7.1.5 Thus, the Commission has approved gross interest on long term loan of Rs. 596.92 crores and capitalisation thereof amounting to Rs. 137.29 crores for FY 2013-14.

8.7.2 FINANCE CHARGES

8.7.2.1 The Commission has allowed guarantee fees and bank charges to the tune of Rs. 2.92 crores and Rs. 0.04 crores respectively. The same have been computed by extrapolating the actual guarantee fees and bank charges incurred in FY 2011-12 as per provisional accounts by using the Inflation Index.

8.7.3 INTEREST ON WORKING CAPITAL

8.7.3.1 The Transmission Tariff Regulations provides for normative interest on working Capital based on the methodology outlined in the Regulations. The Licensee is eligible for interest on working capital worked out on methodology specified in the Regulations as provided below:

(i) Operation and Maintenance expenses, which includes Employee costs, R&M expenses and A&G expenses, for one month;

(ii) One-twelfth of the sum of the book value of stores, materials and supplies at the end of each month of current financial year.

(iii) Receivables equivalent to 60 days average billing of consumers less security deposits by the beneficiaries

8.7.3.2 In accordance with the Transmission Tariff Regulations, the interest on the working capital requirement would be the Bank rate as specified by the Reserve Bank of India as on 1st April of the relevant year plus a margin as decided by the Commission. Accordingly, the Commission for this Order has considered the interest rate on working capital requirement at 12.50% including margin. The actual rate of interest would be considered based on the audited accounts during the true-up process for the year in accordance the Transmission Tariff Regulations.

8.7.3.3 The Commission has, in accordance with the above mentioned Transmission Tariff Regulations, considered the interest on working capital which is shown in the table below:

Table 8.7.3-1: APPROVED INTEREST ON WORKING CAPITAL FOR FY 2013-14

(Rs Crores)

S No	Particulars	Derivation	Approved

S No	Particulars	Derivation	Approved
1	*Total O&M Expenses*	**A**	***443.07***
2	One Month's O&M Expenses	B = 1/12 of A	36.92
3	*Book Value of Stores*	*C*	*208.33*
4	One twelfth of the sum of book value of the material in stores	D = 1/12 of C	17.36
5	Receivable equivalent to 60 days average billing of consumers	E	215.51
6	**Total Working Capital Requirement**	**F = B + D + E**	**269.79**
7	Interest rate	G	12.50%
8	**Interest on Working Capital**	**H = F x G**	**33.72**

8.8 OTHER INCOME

8.8.1 Other Income includes non-tariff income, which comprises of items such as interest on loans and advances to employees, income from fixed rate investment deposits and interest on loans and advances to staff.

8.8.2 The Commission has approved non-tariff income of Rs. 36.23 crores in this Order. Any variation would be taken up at the time of true-up.

8.9 RETURN ON EQUITY

8.9.1 Under provisions of the Transmission Tariff Regulations, the Licensees are allowed a return of @ 14% on equity base; for equity base calculation debt equity ratio shall be 70:30. Where equity involved is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30%. Equity amounting to more than 30% shall be considered as loan. In case of actual equity employed being less than 30%, actual debt and equity shall be considered for determination of tariff.

8.9.2 In view of the huge gap in the recovery of cost of supply at the Discom level, the Transmission Licensee was of the view that return on equity would only result in accumulation of receivables.

8.9.3 As such, the Licensee has been claiming return on equity @ 2% since the financial years 2009-10 onwards. Return on equity has been computed on the normative equity portion (30%) on capitalised assets.

8.9.4 The Commission while undertaking analysis for allowance of return on equity has considered opening level of equity for FY 2011-12 based on the closing regulatory equity approved in the section dealing with the true up for FY 2010-11. Subsequently, it has considered the yearly normative equity based on the capital additions for FY 2011-12, 2012-13 and 2013-14 depicted in Section 8.4.8.

8.9.5 Thus, the allowable equity for FY 2013-14 has been computed to be Rs. 74.36 crores as depicted in the table below:

Table 8.9-1: APPROVED RETURN ON EQUITY FOR FY 2013-14 (Rs Crores)

Particulars	Derivation	2011-12	2012-13	2013-14
Equity at the beginning of the year	A	2,792.47	2,974.49	3,445.90
Assets Capitalised	B	606.73	1,571.39	1,813.44
Addition to Equity	C = 30% of B	182.02	471.42	544.03
Closing Equity	D = A + C	2,974.49	3,445.90	3,989.94
Average Equity	E = Average of A & D	2,883.48	3,210.20	3,717.92
Rate of Return	F	2.00%	2.00%	2.00%
Return on Equity	**G = E x F**	**57.67**	**64.20**	**74.36**

8.10 SUMMARY OF AGGREGATE REVENUE REQUIREMENT FOR FY 2013-14

8.10.1 The summary of the expenses under different heads as approved by the Commission for FY 2013-14 is given in table below:

Table 8.10-1: AGGREGATE REVENUE REQUIREMENT FOR FY 2013-14 (Rs Crores)

Particulars	Approved
Employee cost	439.64
A&G expenses	25.79
R&M expenses	149.99
Interest on Loan Capital	596.92
Interest on Working Capital	38.68
Finance Charges	2.91
Depreciation	430.15
Gross Expenditure	**1,684.08**
Less: Employee cost capitalized	95.40
Less: A&G Capitalisation	4.90

Particulars	Approved
Less: Interest Capitalisation	137.29
Net Expenditure	**1,446.49**
Provision for Bad & Doubtful debts	-
Debits, write-offs & other expenses	-
Net Expenditure with provisions	**1,446.49**
Add: Return on Equity	74.36
Less: Non Tariff Income	36.23
Annual Revenue Requirement (ARR)	**1,484.62**

8.10.2 Thus, the approved ARR for UPPTCL for FY 2013-14 is Rs. 1,484.62 crores.

8.11 SLDC CHARGES

8.11.1 Load Despatch Centres have been termed as apex bodies in the electricity industry. They need true independence not only in financial terms but also in decision making. The Ministry of Power, Government of India had also constituted a Committee on "Manpower Certification and Incentives for System Operation and Ring Fencing Load Despatch Centres" to ensure functional autonomy for Load Despatch Centres. The Committee in its report dated 11th August, 2008 observed that functional autonomy would mean taking decisions without being adversely influenced by extraneous issues originating from the Company Management or any of the market players, which can be ensured through:

- Independent governance structure;
- Separate accounting;
- Adequate number of skilled manpower having high ethical standards and driven by altruistic values;
- Adequate logistics / infrastructure.

8.11.2 For implementation of the above recommendations, the Commission had approved SLDC Charges which shall be payable by UPPTCL and which will be recovered through transmission tariff as per the Clause 8 (2) of the SLDC Regulations.

8.11.3 The Commission in its Tariff Orders had emphasised on the importance of segregation of accounts of SLDC and had directed the Licensee towards its submission. However the Licensee has failed to provide segregated accounts for SLDC function.

8.11.4 The estimated costs of running UPPTCL central load despatch centre in Lucknow and four regional load despatch centres at Panki, Sahupuri, Modipuram and Moradabad which are owned and operated by UPPTCL are embedded in the ARR being trued up for the financial years 2008-09, 2009-10, 2010-11 as well as in the ARR being approved in FY 2013-14.

8.12 TRANSMISSION CHARGES

8.12.1 The Transmission Tariff Regulations provide for capacity (MW) based transmission charges. But there are still numerous issues involved in the determination of the megawatt based transmission tariff like allocation of transmission capacity to the existing long term transmission system users, allocation of the existing PPAs etc.

8.12.2 Presently, the State Discoms have not been allotted transmission capacity as such, hence the transmission tariff has been calculated by the Commission on the basis of the numbers of units wheeled by the Transmission Licensee for the Distribution Licensees.

8.12.3 The Commission has computed the transmission tariff applicable for the FY 2013-14 based on the above methodology since the allocation of transmission capacity to the long term transmission system users is not currently available.

8.12.4 The Commission has approved the Transmission Tariff for FY 2013-14 after considering the revenue gaps / (surplus) determined after truing up of the FY 2007-08 (in Order No. 809 of 2012), FY 2008-09, 2009-10 and 2010-11 and the approved ARR for FY 2013-14. Any differences in the ARR and revenue gap / (surplus) for the FY 2011-12, 2012-13 and 2013-14 would be subject to true up.

Table 8.12-1: APPROVED TRANSMISSION TARIFFS FOR FY 2013-14

Particulars	Unit	Approved
Annual Revenue Requirement for FY 2013-14	Rs Crore	1,484.62
Revenue Gap for FY 2007-08	Rs Crore	20.21
Revenue Gap for FY 2008-09	Rs Crore	(398.52)
Revenue Gap for FY 2009-10	Rs Crore	46.52

Particulars	Unit	Approved
Revenue Gap for FY 2010-11	Rs Crore	(71.19)
Total Net ARR for FY 2013-14	Rs Crore	1,081.64
Energy delivered to Discoms	MU	80,180.59
Transmission Charges	Rs./kWh	0.135

8.12.5 The Commission thus approves a transmission tariff of Rs. 0.135 / kWh for FY 2013-14.

8.12.6 The transmission charges as determined are payable by all Distribution Licensees of the State.

8.13 OPEN ACCESS: TRANSMISSION CHARGES

8.13.1 The Commission has computed the transmission charges for FY 2013-14 at Section 8.12 of this Order for use of the UPPTCL network for transmission of power.

8.13.2 The Commission in its previous Order had impressed upon the Licensee to submit the details in support of the voltage wise losses claimed. However the Licensee had not submitted any supporting study to justify the voltage wise losses. The ARR / Tariff Petition of UPPTCL for FY 2013-14 is also void of any supporting information / study with regard to the voltage wise losses considered.

8.13.3 The Commission in its previous order had considered the interim allocation of cost at various voltage levels and approved the transmission charges payable by the Open Access consumers. In the absence of any study and details of voltage wise losses, the Commission is constrained to adopt a normative approach for the determination of Open Access charges at different voltage levels. Therefore, the Commission has adopted the same approach as considered in its last Order for approval of transmission charges at different voltage levels.

8.13.4 In the absence of voltage level wise break-up of expenses and asset details, the Commission has for the purpose of the present order considered an interim allocation of costs at various voltage levels and approved the following transmission charges payable by all Open Access customers based on the voltage level at which they are connected with the grid.

8.13.5 The transmission charges for open access consumers connected at voltage levels above 132 kV are assumed to be at 75% of the charges specified for consumers connected at 132 kV voltage level. The short term open access charges are approved to be 25% of the long term open access charges. The transmission open access charges approved are given in the table below:

Table 8.13-1: APPROVED VOLTAGE LEVEL TRANSMISSION OA CHARGES FOR FY 2013-14

		FY 2013-14 (Approved)	
Details	**Unit**	**Long Term**	**Short Term**
Connected at 132 kV Voltage Level	Rs./kWh	0.135	0.034
Connected above 132 kV Voltage Level	Rs./kWh	0.101	0.025

8.13.6 In addition to the above charges, the open access consumer would also be liable to bear the transmission losses in kind. In the absence of authenticated voltage level loss data, the Commission has ruled that the transmission losses for FY 2013-14 would be 3.67%, irrespective of the voltage levels at which the consumers are connected to the grid.

8.13.7 The Open Access charges and the losses to be borne by the open access consumers may be reviewed by the Commission on the submission of the relevant information by the Licensee.

9. DIRECTIVES

The Commission had issued several directives to UPPTCL / SLDC in the previous Tariff Order. The UPPTCL / SLDC have failed to provide any status on compliance of the directives.

The Commission once again directs the UPPTCL / SLDC to comply with the directives issued in the previous Tariff Order. The compliance report on the said directives shall be submitted to the Commission within one month from the date of issue of this Tariff Order.

Further, some of the directives issued by the Commission in the present Tariff Order are in continuation or similar to the directives issued in the previous Tariff Order. In case UPPTCL / SLDC has not complied with the same earlier, it shall be necessary for them to provide reasons for non - compliance and further comply with the same as per the time-lines prescribed in the present Tariff Order.

The directives to the Licensee as issued under the present Tariff Order along with the time frame for compliance are given in the table below:

TABLE 9-1: DIRECTIVES

S No	Description of Directive for UPPTCL / SLDC	Time Period for compliance from the date of issue of the Tariff Order
1	The Commission directs UPPTCL to file its ARR / Tariff Petition for FY 2014-15 along with true up petition for FY 2011-12 based on audited accounts in compliance with the directives of the Hon'ble APTEL in Appeal No. 242 of 2012.	By 30th November, 2013
2	The Commission directs UPPTCL to submit the supplementary audit report of the AGUP for FY 2009-10 and 2010-11.	Within 7 days of the date of its finalization by the AGUP
3	The Commission directs UPPTCL to frame an appropriate policy on capitalization of (i) employee costs, and (ii) A&G expenses	Along with the petition for FY 2014-15
4	The Commission directs UPPTCL to submit the Fresh Actuarial Valuation Study Report in respect to employee expenses.	Along with the petition for FY 2014-

S No	Description of Directive for UPPTCL / SLDC	Time Period for compliance from the date of issue of the Tariff Order
		15
5	The Commission reiterates its direction to the UPPTCL to ensure proper maintenance of detailed fixed assets registers as specified in the Transmission Tariff Regulations. As the fixed asset registers are pending since FY 2007-08, the Commission directs the UPPTCL to submit a status report and provide the proposed timelines / milestones for clearing the backlog. The Commission understands that clearing the backlog would take substantive time. In order to ensure that fixed asset registers are timely and regularly prepared going forward, the Commission directs the UPPTCL to prepare the fixed asset registers duly accounting for the yearly capitalisations from FY 2012-13 onwards. The capitalisation for the period before that may be shown on gross level basis. This dispensation is merely to ensure that the proper asset registers capturing all necessary details of the asset, including the costs incurred, date of commissioning, location of asset, and all other technical details are maintained for the ensuing years. However, the Licensee would also be required to clear the backlog in a time bound manner. Upon finalisation of the Transfer Scheme and clearing of backlog, the Licensee may update the fixed asset registers appropriately by passing necessary adjustments.	Immediate
6	The Commission redirects the UPPTCL / SLDC that the ARR / budget for SLDC should be submitted separately along with the ARR submission of TRANSCO. The costs have to be separately identified and not embedded in the TRANSCO ARR.	Along with the petition for FY 2014-15
7	The Commission directs UPPTCL to formalise the capacity of transmission system in use by long-term open access customers (Distribution Licensees or generating companies) in accordance with the principle laid down under Clause 3.11 of Transmission Tariff Regulations and based on existing PPAs / MoU's signed by them for purchase or sale of electricity.	Immediate

S No	Description of Directive for UPPTCL / SLDC	Time Period for compliance from the date of issue of the Tariff Order
8	The Commission directs UPPTCL to initiate the process of signing of BPTA with Distribution Licensees who are the existing long-term customers and submit the status on execution of BPTA of the same.	Within 3 months
9	The Commission directs SLDC to submit organizational structure of SLDC and status of implementation of the same in view of its creation on 24th January, 2011 by a notification of the State Govt.	Within one month.
10	The Commission directs the UPPTCL to submit a long term business plan in accordance with Clause 2.1.6 of the Transmission Tariff Regulations. The UPPTCL in such business plan shall identify capex projects for the ensuing year and subsequent four years and submit detailed capital investment plan along with a financing plan for undertaking the identified projects in order to meet the requirement of load growth, refurbishment and replacement of equipment, reduction in transmission losses, improvement of voltage profile, improvement in quality of supply, system reliability, metering, communication and computerization, etc.	Within 3 months
11	The Commission directs the UPPTCL to conduct benchmarking studies to determine the desired performance standards in accordance with Clause 2.1.7 of the Transmission Tariff Regulations.	Within 3 months
12	The Commission directs the UPPTCL to conduct proper loss estimate studies under its supervision so that the Commission may set the base line losses in accordance with Clause 3.3.5 and Clause 3.3.6 of the Transmission Tariff Regulations and submit the report to the Commission.	Within 3 months
13	The Commission directs the UPPTCL to submit completion report in respect of all capital projects which have achieved the Commercial Operation Date during FY 2011-12 in accordance with Clause 3.6.7 of the Transmission Tariff Regulations.	Along with the true up petition for FY 2011-12
14	The Commission directs the UPPTCL to exclude the transmission charges approved by CERC towards transmission lines connecting	Along with the petition for FY 2014-

S No	Description of Directive for UPPTCL / SLDC	Time Period for compliance from the date of issue of the Tariff Order
	two States from the overall transmission charges claimed in the next ARR filing for UPPTCL	15
15	The Commission directs the Licensee to pressingly pursue the GoUP for finalisation of the Transfer Scheme and submit a copy of the same.	Within 3 months
16	Clause 5.3.5 of the National Electricity Policy states the following: "To facilitate orderly growth and development of the power sector and also for secure and reliable operation of the grid, adequate margins in transmission system should be created. The transmission capacity would be planned and built to cater to both the redundancy levels and margins keeping in view international standards and practices. A well planned and strong transmission system will ensure not only optimal utilization of transmission capacities but also of generation facilities and would facilitate achieving ultimate objective of cost effective delivery of power. To facilitate cost effective transmission of power across the region, a national transmission tariff framework needs to be implemented by CERC. The tariff mechanism would be sensitive to distance, direction and related to quantum of flow. As far as possible, consistency needs to be maintained in transmission pricing framework in inter-State and intra-State systems. Further it should be ensured that the present network deficiencies do not result in unreasonable transmission loss compensation requirements." In exercise of the powers conferred under section 178 read with Part V of the Electricity Act, 2003 (36 of 2003), and in line with the above provision of the National Electricity Policy, the Central Electricity Regulatory Commission notified the Regulations i.e. CERC (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 on 15th June 2010 which came into effect from 1.7.2011. Further, the Clause 7.1 (7) of the National Tariff Policy states the following: "After the implementation of the proposed framework for the	Within 6 months.

S No	Description of Directive for UPPTCL / SLDC	Time Period for compliance from the date of issue of the Tariff Order
	inter-State transmission, a similar approach should be implemented by SERCs in next two years for the intra-State transmission, duly considering factors like voltage, distance, direction and quantum of flow.” The National Tariff Policy requires the states to adopt the mechanism similar to the one adopted at the Central level within two years of its implementation at the central level. Hence, the transmission pricing mechanism in line with the PoC mechanism has to be implemented at the state level by June 2013 The Commission directs the UPPTCL to submit load flow studies along with the assessment of various options with regards to transmission pricing, their relative advantages and disadvantages and suitability for adoption in Uttar Pradesh	

The Commission would like to mention here that the list given above may not be exhaustive and the Licensee is directed comply with all directives given in the text of this Tariff Order.

The Commission directs the Licensee to follow the directions scrupulously and send the periodical reports by 30^{th} of every month about the compliance of these directions in the format titled ‘Action Taken Report on the Directions Issued by the Commission’ provided at ‘Annexure-III’ of this Order.

10. APPLICABILITY OF THE ORDER

The Licensee, in accordance with Section 139 of the Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations 2004, shall publish the approved tariffs within three days from the date of this Order. The Petitioner shall ensure that the same is published in at least two daily newspapers (one English and one Hindi) having wide circulation in the area of supply. The tariffs so published shall become the notified tariffs applicable in the area of supply and shall be effective after seven days of such publication, and unless amended or revoked, shall continue to be in force till issuance of the next Tariff Order.

(Meenakshi Singh)	**(Shree Ram)**
Member	**Member**

Dated: 31st May, 2013
Lucknow.

ANNEXURE – I

LIST OF PERSONS WHO HAVE ATTENDED PUBLIC HEARING AT 4 PLACES IN RESPECT OF SUO-MOTU PROCEEDINGS FOR ARR & TARIFF DETERMINATION FOR FY 2013-14

List of Persons who attended Public Hearing in Kanpur on 15th April, 2013		
S.No	**Name**	**Organization**
1	Mr. S.K. Verma	SE, Kesco
2	Mr. Sushil Garg	EE, Kesco
3	Er. B.K. Astha	SDO, Kesco
4	Mr. Pankaj Saxena	Dy. CAO, Kesco
5	Mr. Lalit Mohan Agarwal	Girohar Cold Storage
6	Mr. Ramesh Kumar	CE (Commercial), Kesco
7	Mr. S.B. Verma	PA (Commercial), Kesco
8	Mr. R.D. Pandey	EE, Kesco
9	Mr. Manmohan Rajpal	Indian Industries Association (IIA)
10	Mr. Rajesh Grover	Indian Industries Association (IIA)
11	Mr. G.R. Ambwani	Indian Industries Association (IIA)
12	Mr. Anil Gupta	Consumer
13	Mr. Umesh Chandra Srivastava	Consumer
14	Mr. Chotebhai Naronha	Consumer
15	Mr. G.K Agarwal	Consumer
16	Mr. Sunil Gupta	PIA
17	Mrs. Nisha Rani	Consumer
18	Mr. B.D. Rai	Bhartiya Janata Party (BJP)
19	Mr. D.N. Mishra	Consumer
20	Mr. R.S. Pandey	Managing Director, Kesco
21	Mr. S.N. Bajpai	Director (Technical), Kesco
22	Mr. Bharat Rajyogi	Aam Aadmi Party
23	Mr. P.N. Agarwal	Prakash Metal Works (P) Ltd.
24	Mr. D.C. Verma	EE, (RAU), UPPCL
25	Mrs. Rani	Consumer
26	Mr. Mohd. Ghufran	CE (RAU), UPPCL
27	Mr. Sukhendu Joshi	EE (RAU), UPPCKL

List of Persons who attended Public Hearing in Lucknow on 17th April, 2013		
S.N	**Name**	**Organization**
1	Mr. Rakesh Goel	Consumer
2	Mr. Munna Lal	Consumer
3	Mr. Raghendra Singh	Consumer
4	Mr. P.N. Kulki	Akhil Bhartiya Mathdhikar Sangh
5	Mr. J.P. Arya	Indira Nagar Adhivakta Sangh
6	Col. M.C. Papnai	President VSS
7	Mr. S.M.S. Chauhan	Consumer
8	Mr. Sayed Ghazi Abbas	Consumer
9	Mr. Awadhesh Kumar Verma	Chairman, UP Rajya Vidyut Upbhokta Parishad
10	Mr. G.S. Dhirani	Cold Storage Association UP
11	Mr. Mohd Firoz	Consumer
12	Mr. Munna Lal Sonkar	Consumer
13	Mr. Akram	Consumer
14	Mr. Arun Kumar Tiwari	Consumer
15	Mr. Satish Kumar	Consumer
16	Mr. Brij Nath Yadav	Consumer
17	Mr. Parvesh	Consumer
18	Mr. Deena Nath	Consumer
19	Mr. K.K. Jaiswal	Consumer
20	Mr. G.C. Chaturvedi	Indian Industries Association (IIA)
21	Mr. Shashi Bhushan Mishra	Consumer
22	Mr. Gokul Prasad	Consumer
23	Mr. Naseeruddin	Consumer
24	Mr. Babu Lal	Consumer
25	Mr. Lakhan	Consumer
26	Mr. Mohd Sharif	Consumer
27	Mr. A.K. Arora	Consumer
28	Mr. Gyan Prakash	Hindustan
29	Mr. Rohit Joshi	Consumer
30	Mr. Rohit Gupta	Consumer
31	Mr. Nadeem	Consumer
32	Mr. Golu Sonkar	Consumer
33	Mr. Amir	Consumer
34	Mr. Raju Sonkar	Consumer
35	Mr. Prashant Bhatia	Indian Industries Association (IIA)
36	Mr. Rama Shanker Awasthi	Consumer
37	Mr. Vaibhav Shukla	NTPC Ltd.
38	Mr. K.B. Singh	NTPC Ltd.
39	Mr. Prashant Chaturvedi	NTPC Ltd.
40	Mr. Mahendra Tiwari	Amar Ujala

List of Persons who attended Public Hearing in Lucknow on 17th April, 2013		
S.N	**Name**	**Organization**
41	Mr. Vipin Kumar Gupta	Secretary, ABMS
42	Mr. G.C. Chaturvedi	Indian Industries Association (IIA)
43	Mr. Tanay Agarwal	Indian Industries Association (IIA)
44	Mr. P.R. Pandey	Vice President, Jan Kalyan Mahasamiti
45	Brijesh Kumar Tiwari	President, Jan Kalyan Mahasamiti
46	Mr. Guddu	Consumer
47	Mr. Ram Ashim Yadav	Consumer
48	Mr. S.A. Rizvi	EE (RAU), UPPCL
49	Mr. Mohd Ghufran	CE (RAU), UPPCL
50	Mr. D.C. Verma	EE (RAU), UPPCL

List of Persons who attended Public Hearing in Greater Noida on 22nd April, 2013		
S.N	**Name**	**Organization**
1	Mr. Mohit Bhatia	WLL, Junpat
2	Mr. Jogendra	Makara
3	Mr. Manoj Bhatt	Bulk
4	Mr. Harber Singh	Kanpur
5	Mr. Naveen	Village- Tilpata
6	Mr. Manoj Nagar	Village- Bajpura
7	Mr. Mahaveer	Khanpur
8	Mr. Sunil	Sakipur
9	Mr. Narendra	Bhanohta
10	Mr. Sanjeev	Makara
11	Mr. Balendra Singh	Beta II, G. Nagar
12	Mr. Haroon Khan	Thapheda
13	Mr. Govind Singh	-
14	Mr. Suresh Bhatia	Junpat
15	Mr. Ravi Nagar	Chaula
16	Mr. Vinit Rana	Lukshar
17	Mr. Anil Kumar	D-92, Alpha 01
18	Mr. Satish	Dabra
19	Ms. Rupa Gupta	G-193,
20	Mr. A.W. Pandey	Chairman, Indian Industries Association
21	Mr. Bhim	-
22	Mr. Abhishek	Habibpur
23	Mr. Basanta Sahu	-
24	Mr. Priyanshu	Sallarpur
25	Mr. Ashok Kumar	Ghaziabad
26	Mr. J.S. Rana	Accman Industry
27	Mr. Anil Bhava	NBT
28	Mr. Rajesh Gautam	Dainik jagran
29	Mr. Arun Bhatia	National
30	Ms. Pinki Verma	AWHO Society
31	Mr. Deepak Kumar	-
32	Mr. Vinod Kumar	Surajpur S/s
33	Mr. Vamid Kumar	Bata I
34	Mr. Arvind Mishra	Dainik Jagran
35	Mr. Sanjay Garg	Dainik Jagran
36	Mr. Vishaeed Gautam	RWA
37	Mr. Alok Singh	RWA
38	Mr. Ajay Bhatt	-
39	Mr. S.A. Rizvi	EE (RAU), UPPCL
40	Mr. Mohd Ghufran	CE (RAU), UPPCL

List of Persons who attended Public Hearing in Greater Noida on 22nd April, 2013		
S.N	**Name**	**Organization**
41	Mr. D.C. Verma	EE (RAU), UPPCL

List of Persons who attended Public Hearing in Noida on 22nd April, 2013		
S.N	**Name**	**Organization**
1	Mr. Vinod Kumar	Consumer
2	Mr. J.L. Bajaj	Former Chairman, UPERC
3	Mr. Vipin Melhan	Noida Entrepreneurs Association (NEA)
4	Mr. Harish Joneja	Noida Entrepreneurs Association (NEA)
5	Mr. Sharad Jain	Noida Entrepreneurs Association (NEA)
6	Mr. Sushil Kumar Agarwal	Consumer
7	Mr. R.K. Singh	EE, PVVNL
8	Mr. R.P. Singh	SE, PVVNL
9	Mr. Mohan Singh	CE, PVVNL
10	Mr. Mahkas Singh	Consumer
11	Mr. Krishan Singh	EE, UPPTCL
12	Mr. Mohd Ismail	EE, UPPTCL
13	Mr. Arun P. Singh	SE, UPPTCL
14	Mr. J.S. Yadav	EE, PVVNL
15	Mr. Raghvendra	EE, PVVNL
16	Mr. Salil Yadav	SDO, PVVNL
17	Mr. Durgesh Jha	DLA-News
18	Mr. Anant Kumar Das	News Bench
19	Mr. Jyoti Kumar	News Bench
20	Mr. Vishal	EUDD, Noida, PVVNL
21	Mr. Saadal	EUDD, Noida, PVVNL
22	Mr. Sumesh Singh	DPS Autocad
23	Mr. Mukesh Gorgel	Shakti Enterprises
24	Mr. A.K. Chaudhary	EE, PVVNL
25	Mr. D.C. Verma	EE (RAU), UPPCL
26	Ms. Sukriti Mishra	Viom Networks Ltd
27	Mr. Sakesh Sharma	Noida Small Ind. Association
28	Mr. M.K. Sharma	Noida Small Ind. Association
29	Mr. Atul Mittal	Noida Entrepreneurs Association (NEA)
30	Mr. S.A. Rizvi	EE (RAU), UPPCL
31	Mr. Mohd Ghufran	CE (RAU), UPPCL

ANNEXURE – II

LIST OF PERSONS WHO HAVE ATTENDED PUBLIC HEARING IN RESPECT OF TRUE-UP FOR FY 2008-09, FY 2009-10 AND FY 2010-11

List of Persons who attended Public Hearing in Lucknow on 22nd May, 2013		
S.No	**Name**	**Organization**
1	Mr. Rama Shanker Awasthi	Consumer
2	Mr. Awadhesh Kumar Verma	Chairman, UP Rajya Vidyut Upbhokta Parishad
3	Mr. D.C. Verma	EE (RAU), UPPCL
4	Mr. S.A. Rizvi	EE (RAU), UPPCL
5	Mr. S. Joshi	EE (RAU), UPPCL
6	Mr. Mohd Ghufran	CE (RAU), UPPCL
7	Mr. B.K. Saxena	EE, UPPTCL
8	Mr. Shailendra Gaur	EE, UPPTCL

ANNEXURE – III

ACTION TAKEN REPORT ON THE DIRECTIONS ISSUED BY THE COMMISSION IN THE ARR / TARIFF ORDER FOR FY 2013-14

S No	Description of Directive for UPPTCL / SLDC	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
1	The Commission directs UPPTCL to file its ARR / Tariff Petition for FY 2014-15 along with true up petition for FY 2011-12 based on audited accounts in compliance with the directives of the Hon'ble APTEL in Appeal No. 242 of 2012.	By 30th November, 2013	
2	The Commission directs UPPTCL to submit the supplementary audit report of the AGUP for FY 2009-10 and 2010-11.	Within 7 days of the date of its finalization by the AGUP	
3	The Commission directs UPPTCL to frame an appropriate policy on capitalization of (i) employee costs, and (ii) A&G expenses	Along with the petition for FY 2014-15	
4	The Commission directs UPPTCL to submit the Fresh Actuarial Valuation Study Report in respect to employee expenses.	Along with the petition for FY 2014-15	
5	The Commission reiterates its direction to the UPPTCL to ensure proper maintenance of detailed fixed assets registers as specified in the Transmission Tariff Regulations. As the fixed asset registers are pending since FY 2007-08, the Commission directs the UPPTCL to submit a status report and provide the proposed timelines / milestones for clearing the backlog.	Immediate	

S No	Description of Directive for UPPTCL / SLDC	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
	The Commission understands that clearing the backlog would take substantive time. In order to ensure that fixed asset registers are timely and regularly prepared going forward, the Commission directs the UPPTCL to prepare the fixed asset registers duly accounting for the yearly capitalisations from FY 2012-13 onwards. The capitalisation for the period before that may be shown on gross level basis. This dispensation is merely to ensure that the proper asset registers capturing all necessary details of the asset, including the costs incurred, date of commissioning, location of asset, and all other technical details are maintained for the ensuing years. However, the Licensee would also be required to clear the backlog in a time bound manner. Upon finalisation of the Transfer Scheme and clearing of backlog, the Licensee may update the fixed asset registers appropriately by passing necessary adjustments.		
6	The Commission redirects the UPPTCL / SLDC that the ARR / budget for SLDC should be submitted separately along with the ARR submission of TRANSCO. The costs have to be separately identified and not embedded in the TRANSCO ARR.	Along with the petition for FY 2014-15	
7	The Commission directs UPPTCL to formalise the capacity of transmission system in use by long-term open access customers (Distribution Licensees or generating companies) in accordance with	Immediate	

S No	Description of Directive for UPPTCL / SLDC	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
	the principle laid down under Clause 3.11 of Transmission Tariff Regulations and based on existing PPAs / MoU's signed by them for purchase or sale of electricity.		
8	The Commission directs UPPTCL to initiate the process of signing of BPTA with Distribution Licensees who are the existing long-term customers and submit the status on execution of BPTA of the same.	Within 3 months	
9	The Commission directs SLDC to submit organizational structure of SLDC and status of implementation of the same in view of its creation on 24th January, 2011 by a notification of the State Govt.	Within one month.	
10	The Commission directs the UPPTCL to submit a long term business plan in accordance with Clause 2.1.6 of the Transmission Tariff Regulations. The UPPTCL in such business plan shall identify capex projects for the ensuing year and subsequent four years and submit detailed capital investment plan along with a financing plan for undertaking the identified projects in order to meet the requirement of load growth, refurbishment and replacement of equipment, reduction in transmission losses, improvement of voltage profile, improvement in quality of supply, system reliability, metering, communication and computerization, etc.	Within 3 months	

S No	Description of Directive for UPPTCL / SLDC	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
11	The Commission directs the UPPTCL to conduct benchmarking studies to determine the desired performance standards in accordance with Clause 2.1.7 of the Transmission Tariff Regulations.	Within 3 months	
12	The Commission directs the UPPTCL to conduct proper loss estimate studies under its supervision so that the Commission may set the base line losses in accordance with Clause 3.3.5 and Clause 3.3.6 of the Transmission Tariff Regulations and submit the report to the Commission.	Within 3 months	
13	The Commission directs the UPPTCL to submit completion report in respect of all capital projects which have achieved the Commercial Operation Date during FY 2011-12 in accordance with Clause 3.6.7 of the Transmission Tariff Regulations.	Along with the true up petition for FY 2011-12	
14	The Commission directs the UPPTCL to exclude the transmission charges approved by CERC towards transmission lines connecting two States from the overall transmission charges claimed in the next ARR filing for UPPTCL	Along with the petition for FY 2014-15	
15	The Commission directs the Licensee to pressingly pursue the GoUP for finalisation of the Transfer Scheme and submit a copy of the same.	Within 3 months	

S No	Description of Directive for UPPTCL / SLDC	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
16	Clause 5.3.5 of the National Electricity Policy states the following: "To facilitate orderly growth and development of the power sector and also for secure and reliable operation of the grid, adequate margins in transmission system should be created. The transmission capacity would be planned and built to cater to both the redundancy levels and margins keeping in view international standards and practices. A well planned and strong transmission system will ensure not only optimal utilization of transmission capacities but also of generation facilities and would facilitate achieving ultimate objective of cost effective delivery of power. To facilitate cost effective transmission of power across the region, a national transmission tariff framework needs to be implemented by CERC. The tariff mechanism would be sensitive to distance, direction and related to quantum of flow. As far as possible, consistency needs to be maintained in transmission pricing framework in inter-State and intra-State systems. Further it should be ensured that the present network deficiencies do not result in unreasonable transmission loss compensation requirements." In exercise of the powers conferred under section 178 read with Part V of the Electricity Act, 2003 (36 of 2003), and in line with the above provision of the National Electricity Policy, the Central Electricity	Within 6 months.	

S No	Description of Directive for UPPTCL / SLDC	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
	Regulatory Commission notified the Regulations i.e. CERC (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 on 15th June 2010 which came into effect from 1.7.2011. Further, the Clause 7.1 (7) of the National Tariff Policy states the following: "After the implementation of the proposed framework for the inter-State transmission, a similar approach should be implemented by SERCs in next two years for the intra-State transmission, duly considering factors like voltage, distance, direction and quantum of flow." The National Tariff Policy requires the states to adopt the mechanism similar to the one adopted at the Central level within two years of its implementation at the central level. Hence, the transmission pricing mechanism in line with the PoC mechanism has to be implemented at the state level by June 2013 The Commission directs the UPPTCL to submit load flow studies along with the assessment of various options with regards to transmission pricing, their relative advantages and disadvantages and suitability for adoption in Uttar Pradesh		