



GUJARAT ELECTRICITY REGULATORY COMMISSION



Tariff Order

Truing up for FY 2012-13 and
Determination of Tariff for FY 2014-15

For

**Gujarat Energy Transmission Corporation Limited
(GETCO)**

Case No. 1375 of 2013

29th April 2014

**6th Floor, GIFT ONE, Road 5C, GIFT City
Gandhinagar-382 335 (Gujarat), INDIA
Phone: +91-79-23602000 Fax: +91-79-23602054/55
E-mail: gerc@gercin.org : Website www.gercin.org**



सत्यमेव जयते

**GUJARAT ELECTRICITY REGULATORY COMMISSION
(GERC)**

GANDHINAGAR

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ABBREVIATIONS

A&G	Administration and General Expenses
ARR	Aggregate Revenue Requirement
CAPEX	Capital Expenditure
CERC	Central Electricity Regulatory Commission
Control Period	FY 2011-12 to FY 2015-16
DGVCL	Dakshin Gujarat Vij Company Limited
DISCOM	Distribution Company
EA	Electricity Act, 2003
EHV	Extra High Voltage
FPPPA	Fuel and Power Purchase Price Adjustment
FY	Financial Year
GEB	Gujarat Electricity Board
GERC	Gujarat Electricity Regulatory Commission
GETCO	Gujarat Energy Transmission Corporation Limited
GFA	Gross Fixed Assets
GoG	Government of Gujarat
GSECL	Gujarat State Electricity Corporation Limited
GUVNL	Gujarat Urja Vikas Nigam Limited
HT	High Tension
JGY	Jyoti Gram Yojna
kV	Kilo Volt
kVA	Kilo Volt Ampere
kVAh	Kilo Volt Ampere Hour
kWh	Kilo Watt Hour
LT	Low Tension Power
MGVCL	Madhya Gujarat Vij Company Limited
MTR	Mid-term Review
MU	Million Units (Million kWh)
MW	Mega Watt
MYT	Multi-Year Tariff
O&M	Operations & Maintenance
PF	Power Factor
PGCIL	Power Grid Corporation of India Limited
PGVCL	Paschim Gujarat Vij Company Limited
PPA	Power Purchase Agreement
R&M	Repair and Maintenance
RLDC	Regional Load Despatch Centre
SBI	State Bank of India
SLDC	State Load Despatch Centre
UGVCL	Uttar Gujarat Vij Company Limited
WRLDC	Western Regional Load Despatch Centre



**Before the Gujarat Electricity Regulatory Commission at
Gandhinagar**

Case No. 1375 of 2013

Date of the Order: 29/04/2014

CORAM

Shri Pravinbhai Patel, Chairman
Dr. M. K. Iyer, Member

ORDER

1. Background and Brief History

1.1 Background

The Gujarat Energy Transmission Corporation Limited (hereinafter referred to as "GETCO" or the "Petitioner") has on 27th November, 2013 filed a Petition under Section 62 of the Electricity Act, 2003, read in conjunction with Gujarat Electricity Regulatory Commission GERC (MYT) Regulations, 2011, for the Truing up of FY 2012-13 and for determination of transmission fees and charges for the FY 2014-15. The Commission admitted the Petition on 4th December, 2013.

1.2 Gujarat Energy Transmission Corporation Limited (GETCO)

The Government of Gujarat unbundled and restructured the Gujarat Electricity Board with effect from 1st April 2005. The Generation, Transmission and Distribution



businesses of the erstwhile Gujarat Electricity Board were transferred to seven successor companies. The seven successor companies are listed below:

- i. Gujarat State Electricity Corporation Limited (GSECL) - A Generation Company
- ii. Gujarat Energy Transmission Corporation Limited (GETCO) - A Transmission Company

Four Distribution Companies, namely:

- iii. Dakshin Gujarat Vij Company Limited (DGVCL)
- iv. Madhya Gujarat Vij Company Limited (MGVCL)
- v. Uttar Gujarat Vij Company Limited (UGVCL)
- vi. Paschim Gujarat Vij Company Limited (PGVCL); and
- vii. Gujarat Urja Vikas Nigam Limited (GUVNL) – A Holding Company and is also responsible for purchase of electricity from various sources and supply to Distribution Companies.

The Government of Gujarat, vide notification dated 3rd October 2006, notified the final opening balance sheets of the transferee companies as on 1st April, 2005, containing the value of assets and liabilities, which stand transferred from the erstwhile Gujarat Electricity Board to the transferee companies, including Gujarat Energy Transmission Corporation Limited (GETCO). Assets and liabilities (gross block, loans and equity) as on the date mentioned in the Notification have been considered by the Commission in line with the Financial Restructuring Plan (FRP), as approved by Government of Gujarat.

1.3 Commission's Order for the Second Control Period

Gujarat Energy Transmission Corporation Limited filed its Petition under the Multi-Year Tariff framework for the FY 2011-12 to FY 2015-16, on 30th December 2010, in accordance with the Gujarat Electricity Regulatory Commission (Multi-Year Tariff Framework) Regulations, 2007, notified by GERC.

The Commission issued the new MYT Regulations, notified as GERC (Multi-Year Tariff) Regulations, 2011, on 22nd March, 2011.

Regulation 1.4 (a) of GERC (Multi-Year Tariff) Regulations, 2011 reads as under:

“These Regulations shall be applicable for determination of tariff in all cases covered under these Regulations from 1st April, 2011 and onwards.”

The Commission, in exercise of the powers vested in it under Sections 61, 62 and 64 of the Electricity Act, 2003, and all other powers enabling it in this behalf and after taking into consideration the submissions made by GETCO, the objections by various stakeholders, response of GETCO, issues raised during the public hearing and all other relevant material, issued the Multi-Year Tariff Order on 31st March 2011 for the control period comprising FY 2011-12, FY 2012-13, FY 2013-14, FY 2014-15 and FY 2015-16, based on the GERC (MYT) Regulations, 2011.

1.4 Admission of the current petition and the public hearing process

The Petitioner submitted the current Petition for “Truing-up” of FY 2012-13, and determination of tariff for FY 2014-15 on 27th November, 2013. The Commission admitted the above Petition (Case No. 1375/2013) on 4th December, 2013.

In accordance with Section 64 of the Electricity Act, 2003, the Commission directed GETCO to publish its application in the abridged form to ensure public participation. The Public Notice, inviting objections / suggestions from its stakeholders on the ARR petition filed by it, was issued in the following newspapers on 11.12.2013.

Sl. No.	Name of the Newspaper	Language	Date of publication
1	Indian Express	English	11.12.2013
2	Sandesh	Gujarati	11.12.2013

The petitioner also placed the public notice and the Petition on the website (www.getcogujarat.com), for inviting objections and suggestions on its Petition. The interested parties/stakeholders were asked to file their objections / suggestions on the petition on or before 10th January, 2014.

The Commission received objections / suggestions from seven stakeholders. The Commission examined the objections / suggestions received and fixed the date for public hearing for the petition on 11th February, 2014 at the Commission’s Office, Gandhinagar, and subsequently a communication was sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission. The public hearing was conducted in the Commission’s Office in Gandhinagar as scheduled on the above date.

The names of the stakeholders who filed their objections and the objectors who participated in the public hearing for presenting their objections are given below:

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Sl. No.	Name of Stakeholders	Participated in the Public Hearing
1	Laghu Udhog Bharati Gujarat	Yes
2	Ultra Tech Cement	Yes
3	Gujarat Vepari Mahamandal Sahakari Audyogik Vasahat Ltd.	No
4	The Institute of Indian Foundrymen	No
5	Ganapatbhai Lalubhai Suthar	No
6	OPGS Power Gujarat Private Limited	No
7	Shri Amarsinh Chavda	No

Apart from above-mentioned stakeholders, Utility Users' Welfare Association was also present during the course of hearing. A short note on the main issues raised by the objectors in the submissions in respect to the Petition, along with the response of GETCO and the Commission's views on the response, are briefly given in Chapter 3.

1.5 Contents of this Order

The order is divided into six chapters, as under:

1. The **First Chapter** provides the background of the Petitioner, the Petition and details of the public hearing process and the approach adopted for this Order.
2. The **Second Chapter** outlines the summary of GETCO's Truing up Petition.
3. The **Third Chapter** provides a brief account of the public hearing process, including the objections raised by various stakeholders, GETCO's response and the Commission's views on the response.
4. The **Fourth Chapter** deals with the "Truing up" for FY 2012-13.
5. The **Fifth Chapter** deals with the determination of Transmission charges for FY 2014-15.
6. The **Sixth Chapter** deals with the compliance of directives.

1.6 Approach of this order

The GERC (MYT) Regulations, 2011, provide for "Truing up" of the previous year and determination of tariff for the ensuing year. The Commission has approved ARR for five years of the control period of FY 2011-12 to FY 2015-16 in the MYT Order and the revised ARR for FY 2014-15 and FY 2015-16, based on Mid-term Review of the Business Plan.

The GETCO has approached the Commission with the present Petition for "Truing up" of the FY 2012-13, i.e., the second year of the control period FY 2011-12 to FY 2015-16 and determination of the tariff for the FY 2014-15.



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In this Order, the Commission has considered the “Truing up” for the FY 2012-13, as per GERC (MYT) Regulations, 2011, and the determination of tariff for the FY 2014-15, based on the revised ARR approved for FY 2014-15 in the Mid-term Review.

The Commission has undertaken “Truing up” for the FY 2012-13, based on the submissions of the Petitioner. The Commission has undertaken the computation of gains and losses for the FY 2012-13, based on the audited annual accounts.

While truing up of FY 2012-13, the Commission has been primarily guided by the following principles:

1. Controllable parameters have been considered at the level approved as per the MYT Order, unless the Commission considers that there are valid reasons for revision of the same.
2. Uncontrollable parameters have been revised, based on the actual performance observed.
3. The Truing up for the FY 2012-13 has been considered, based on the GERC (MYT) Regulations, 2011. For the determination of the Transmission Tariff for FY 2014-15, the Commission has considered the revised ARR for FY 2014-15, based on the Mid-term Review of the Business Plan Order issued by the Commission.



2. A Summary of GETCO's Petition

2.1 Actuals for FY 2012-13 submitted by GETCO

The Gujarat Energy Transmission Corporation Limited (GETCO) submitted the Petition seeking approval of Truing up for Aggregate Revenue Requirement of FY 2012-13 and determination of transmission charges for the FY 2014-15. The transmission charges are to be recovered from the transmission system users, as per the GERC (MYT) Regulations, 2011.

GETCO submitted the details of expenses under various heads as given in Table below:

Table 2.1: Actuals Claimed by GETCO for FY 2011-12

Sl. No.	Particulars	Approved for FY 2012-13 in MYT Order	Actuals / Normative for FY 2012-13 (Rs. Crore)
1	Operations & Maintenance Expenses *	801.19	595.00
2	Depreciation	576.79	448.00
3	Interest & Finance Charges	397.09	329.00
4	Interest on Working Capital	39.65	51.00
5	Return on Equity	444.68	370.00
6	Total Fixed Charges	2259.39	1793.00
7	Less: Expense Capitalised*	176.00	-
8	Add: Provision for Tax	15.37	81.00
9	Total Transmission Charges	2098.76	1874.00
10	Less: Other Income	103.00	77.00
11	Aggregate Revenue Requirement	1995.76	1797.00
12	Add: Incentive for Target Availability	-	27.00
13	Add: Revenue gap of SLDC Truing up for FY 2009-10	-	-
14	Total Revenue Requirement	1995.76	1824.00

* Approved 'Expenses Capitalised' Amount was adjusted in O&M Expenses, since O&M Expenses have been taken based on O&M norms for the year 2011-12.

2.2 Proposed Transmission Charges for FY 2014-15

The proposed transmission charges per MW per day, based on the capacity to be handled, would be as under:



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Table 2.2: Proposed Transmission Tariff/Charges for FY 2014-15

Sl. No.	Transmission Tariff	Unit	Amount
1	Estimated ARR for FY 2014-15	Rs. Crore	2804.00
2	Add: Revenue Gap / (Surplus) for FY 2012-13 Computed in this Petition	Rs. Crore	40.00
3	ARR After Considering Gaps of Previous Years (1-2)	Rs. Crore	2764.00
4	Total MW Allocation as per MYT Order Dated 31 st March 2011	MW	21822.00
5	Transmission Tariff	Rs/MW/day	3470.00

2.3 Request of GETCO:

1. To admit the Petition for Truing up for FY 2012-13 and approval of the revised tariff for FY 2014-15.
2. To approve Gains/Losses for the True-up for FY 2012-13 and allow sharing of Gains / (Losses) with the Consumers, as per the sharing mechanism.
3. To approve the tariff for FY 2014-15.
4. To allow recovery of cost components, based on the methodology, as and when issued by the Appellate Tribunal of electricity against appeal No. 108 of 2013.
5. To consider incentive on the basis of availability.
6. To grant any other relief as the Commission may consider appropriate.
7. To allow further submissions, additions and alterations to this Petition as may be necessary from time to time.
8. To pass any other order as the Commission may deem fit, and appropriate under the circumstances of the case and in the interest of justice.



3. Brief outline of objections raised, response from GETCO and the Commission's View

3.1 Public Response to Petition

In response to the public notice inviting objections/suggestions from stakeholders on the Petition filed by GETCO for Truing up of FY 2012-13 and determination of Tariff for FY 2014-15 under GERC (MYT) Regulations, 2011, seven Consumers / organisations filed their objections / suggestions. Details of consumers / organisations who have filed their objections are provided in the Table below:

Table 3.1: List of Objectors

Sl. No.	Name
1	Laghu Udhog Bharati Gujarat
2	Ultra Tech Cement
3	Gujarat Vepari Mahamandal Sahakari Audyogik Vasahat Limited
4	The Institute of Indian Foundrymen
5	Ganapatbhai Lalubhai Suthar
6	OPGS Power Gujarat Private Limited
7	Shri Amarsinh Chavda

The Commission considered the objections/suggestions and the issues presented before the Commission and the response by GETCO on the same.

The details of the submissions made by the objector, response of the Petitioner and the views of the Commission are summarised in the following Section.

3.2 Objector 1: Laghu Udhog Bharat Gujarat

Objection 1: Available funds for operations in the year 2012-13

Available funds for the year 2012-13 are tabulated below. The daily expenses, as per profit and loss statement included in the annual report, are Rs. 4.5 Crore. Revenue per day is Rs. 5.45 Crore.

Daily Revenue Rs. Cr.	5.45
Surplus and Reserve Rs. Cr.	2391.121
Accumulated Depreciation Rs. Cr.	2394
Current Assets Rs. Cr.	1193.252
Total Rs. Cr.	5988.15

These figures do not tally with the Cash Flow Statement of the annual accounts of 2012-13. The validation of utilisation of the above funds is required, which has not been done. The Commission is requested to refer to Table 1 of the Petition and disallow Rs. 329 Crore as interest and finance charges. With the above figures, there



is net gain of Rs. 380 Crore, by considering the ARR gap of Rs. 40 Crore. The difference of gain of Rs. 340 Crore shall be carried forward to the ARR. Details of the sum accumulated due to pro-rata charges recovered from new H.T Consumers of various DISCOMs and its use have not been provided in the ARRs.

The sum received from renewable energy operations, on account of substation maintenance charges, has not been shown anywhere.

The Commission is requested not to consider the 2012-13 True-up Petition and determination of tariffs for the year 2013-14 and Mid-term Plan Petition submitted separately and carry forward of the gain of Rs. 340 Crore of year 2012-13 to the subsequent years.

Response of GETCO

It is submitted that this is statement of facts. Based on figures given in the rejoinders, it is clarified that figures considered are the accounting figures, including SLDC. Accumulated depreciation of Rs. 2394 Crore, as on 31st March, 2013, has been considered in the Rejoinder Petition. However, the accumulated depreciation, as on 31st March, 2013, was Rs. 2901.52 Crore.

Figures submitted in the Rejoinder Petition are from the Balance Sheet and Profit & Loss account of GETCO - but not from the Cash Flow Statement of GETCO for FY 2012-13.

Interest and finance charges of Rs. 329 Crore have been claimed as per the GERC methodology. However, the repayment during the year has been claimed as normative repayment proportionate to normative loans, as against actual loans. This methodology has been adopted due to the difference of normative loan and the actual term loans of GETCO, which has huge actual loans, as compared to its normative loans, and repayment equal to depreciation will create cash flow issues in GETCO.

GETCO has proposed Rs. 77 Crore, excluding Rs. 156.98 Crore of Government Grants/ Subsidies and Consumer Contributions. GETCO receives Government Grants/ Subsidies and Consumer Contributions towards cost of capital assets and offers @ 11.75% of the year-end balance as deferred income during the year. GETCO recovers this consumer contribution on pro rata basis towards contribution to cost of upstream strengthening of capital assets as pro-rata charges.

In the ARR, GETCO has taken a stand of not claiming depreciation of assets acquired from Government Grants/ Subsidies and Consumer Contributions and is not considering the deferred income as part of 'other income'.

Substation operations & maintenance charges from renewable energy developers is charged @ 1.5 % as per GERC Order and shown under other income in GETCO's Petition.

Commission's View

The income and expenses of GETCO have been allowed in the True-up as per GERC Regulations, based on the Audited Accounts, after the prudence check and any Gains/Losses are carried forward as per Regulations.

3.3 Objector 2: Ultra Tech Cement

Objection 1: The Petition is not in accordance with the provisions of EA, 2003 and the National Electricity Policy (NEP)

The Petition/proposal submitted should be in compliance/ accordance with the provisions of EA, 2003, and the National Electricity Policy (NEP) and the Notifications in this regard. However, looking at the progress of the expansion of the network with huge capital expenditure and, more particularly, actions like limiting the Open Access capacity within the contract demand in the name of transmission constraint, etc., despite the system operating at a lower capacity due to Stranded Generation capacity in Gujarat, the mandate under the EA, 2003, and the NEP seems to be overlooked in letter and spirit in favour of DISCOMs. Such actions are against the directions under the EA, 2003, and NEP for introducing the Open Access scheme to promote efficiency in the power sector.

The details of units wheeled during the recent past period by the Respondents are as under:

Month	Wheeling units- Narmada Cement Jafarabad Works (NCJW) (in Lakh kWh)	Wheeling units Narmada Cement Magdalla Works (NCMW) (in Lakh kWh)
Nov-13	81.49	24.18
Oct-13	80.84	25.12
Sep-13	16.02	22.28
Aug-13	78.88	24.40
Jul-13	81.87	24.13
Jun-13	81.04	24.01
May-13	66.61	17.38
Apr-13	64.10	15.79



Response of GETCO

GETCO is developing its transmission network on long term basis after due approval from GERC on year-to-year basis, and after following GERC's Open Access Regulations in letter and spirit. Even though the capacity of the generating stations, is put up for respective DISCOMs, if their long term access beneficiaries are stranded, it is purely a commercial matter of DISCOM.

Commission's View

The response of GETCO is noted.

Objection 2: The Actual capital expenditure spent is not in tune with the approved one

It is observed that, against the approved capital expense of Rs. 1076/- Crore for 400 KV Lines, an expenditure of only Rs. 181 Crore has actually been incurred. Similarly, for 220 KV lines, as against the approved capital expenditure of Rs. 244 Crore, only Rs. 143 Crore has been spent. On the other hand, in the case of 66 KV S/S, as against the approved expenditure of Rs. 180 Crore, Rs. 545 Crore has been spent, and for 66 KV Lines, as against the approved expenditure of Rs. 179 Crore, an amount of Rs. 522 Crore has been spent.

Response of GETCO

It is submitted that this is a statement of fact.

Commission's View

The response of GETCO is not satisfactory. It may be a statement of facts. GETCO should have explained why the expenditure on 400KV and 220KV is less than that estimated and why it is much more than what was estimated in the case of 66KV. This is what consumer expects from GETCO.

Objection 3: The spare capacity available has not been utilised and Open Access users are restricted within their contract demand.

(Also raised by OPGS Power Gujarat Pvt. Ltd.)

It seems that the spare capacity already available is not being fully utilised and the Open Access users are restricted within their Contract Demand and in spite of this, the Open Access charges are being recovered, which is a duplication of recovery towards the Transmission/Wheeling charges. The Commission is requested to direct

the GETCO/Utilities not to recover the transmission charges, when no spare Open Access capacity is offered/ used, by restricting them to the contract demand only.

Response of GETCO

It is submitted that no more spare capacity is available in the upstream network. It means that when the consumer is having contract demand with long-term access, the right can be changed to other Open Access options like Short-Term Open Access.

The Short-Term Open Access charges that are being recovered have nothing to do with the Contract Demand charges and there is no duplication in recovery from the consumer.

Commission's View

The response of the GETCO is noted.

Objection 4: Capacity available under LTOA/MTOA/STOA to be displayed on SLDC website

(Also raised by OPGS Power Gujarat Pvt. Ltd.)

The Respondents would like to humbly submit that the updated information on availability of the LTOA/MTOA/STOA available and allotted should be displayed on the websites of GETCO and SLDC in the public domain. This is extremely necessary to prevent manipulations in this matter, considering the provisions under the EA, 2003/NEP for de-linking the transmission business from generation and distribution businesses, at least till the Transmission/SLDC Companies are made independent in the real sense.

Response of GETCO

It is submitted that, while the data of LTOA, MTOA & STOA granted are available on the SLDC website for the capacity availed by consumers, the availability of LTOA, MTOA & STOA needs to be worked out based on location, voltage class of consumers and output of the system study on case-to-case basis.

GETCO cannot upfront/ declare loading data of the entire transmission network for each and every element. At the most, GETCO can provide details of the capacity available of main transmission network from one region of Gujarat to other region, but it will not help, since the Open Access to consumers depends on many factors



like availability of generation on merit order basis, network constraints in the particular season, including the renewable energy generation and sub-transmission network of 220 KV to 66 KV.

Commission's View

The data of LTOA, MTOA and STOA are available on the SLDC website. The consumers may utilise the data for seeking Short-Term Open Access. GETCO/SLDC may explore possibility of displaying more meaningful information on their website related to congestion in the system, spare transmission capacity available in the system etc.

Objection 5: Income from Inter State Transmission by IEX/PX has not been indicated in the Petition

Detailed information, such as Income from the Open Access users, income from collections like 15 % supervision charges on deposit works, etc., does not appear to be indicated in the data furnished in the Petition. The same need be furnished and accounted for.

Response of GETCO

It is submitted that tariff from long and medium term Open Access users is the total ARR approved by the commission to be recovered. This includes 14% return on equity. Short-Term Open Access charges are adjusted with LTOA & MTOA Charges as a rebate to MTOA & LTOA consumers, as stipulated in GERC Open Access Regulations.

Other recoveries like 15% supervision charges on deposit work, as stipulated in GERC (Licensee's Power to Recover Expenditure incurred in providing supply and other Miscellaneous Charges) Regulations, 2005, are treated as part of Consumer Contributions.

Commission's View

The Commission considers the other income of GETCO, as per GERC Regulations as well as practice followed in Truing up exercise.



Objection 6: Impact of Tariff Proposals on Respondents, no commensurate increase in Transmission network, though transmission charges are proposed for the income.

(Also raised by OPGS Power Gujarat Pvt. Ltd.)

It is observed that the transmission Charges are proposed for revision/increase from Rs. 2972/MW/Day to Rs. 3470/MW/Day, i.e., an increase by about 17%. However, there appears to be no commensurate increase in the transmission network capacity/services made available, and hence this aspect needs proper justification.

Response of GETCO

It is submitted that the transmission tariff worked out for GETCO is as per the Regulations.

With regard to the observation made by the Respondent regarding no commensurate increase in transmission network with transmission tariff, it is stated that GETCO has incurred capital expenditure in developing its network and power handling capacity to provide more reliable and better quality power. During FY 2012-13, GETCO served 80444.78 MUs, as compared to 67674.38 MUs in FY 2011-12 (excluding TPAEC & TPSEC). Further, during FY 2012-13, GETCO added transmission lines, substations and transformation capacity of 3027 Ckt. Km., 80 Nos. and 5977 MVA respectively.

It is also stated that a substantial network of 66 KV transmission lines and substations was created, in order to provide better service to the end consumers on 24x7 basis. This includes consumers in tribal and coastal areas, who are few in quantum (MW wise) but important as far as service is concerned. The renovation and modernisation of aged assets is absolutely necessary for providing better service to consumers in terms of reliability/ availability within the capacity of the existing transmission network. GETCO's equipment failure rate of transformers has come down from 1.15% to 0.82% during FY 2012-13. Therefore, the Respondent cannot logically blame GETCO for not bringing about a commensurate increase in transmission network capacity/service made available, merely based on increase in the transmission tariff from Rs. 2970/MW/day to Rs. 3470/MW/day.

Commission's View

The Commission approves the transmission cost based on prudence check and as per GERC Regulations.

Objection 7: Transmission Losses for FY 2012-13
(Also raised by OPGS Power Gujarat Pvt. Ltd.)

There seems to be certain inconsistency in the data furnished under the Petition, viz., 3.89% with respect to quantum of Transmission Losses, while the figures on SLDC website shows 4.48%. Data from the SLDC website is as under:

Transmission Losses for the FY 2012-13, as per the SLDC Website data

Month	Energy Injected into GETCO network (in MUs)	Energy Dispatched from GETCO Network (in MUs)	Energy Losses (in MUs)	% Losses
Mar-13	6831.24	6538.55	292.7	4.28
Feb-13	5881.82	5648.35	233.47	3.97
Jan-13	6235.54	5995.71	239.83	3.85
Dec-12	6497.73	6221.16	276.57	4.26
Nov-12	6089.23	5842.08	247.15	4.06
Oct-12	7055.91	6751.33	304.59	4.32
Sep-12	5208.98	4988.38	220.6	4.24
Aug-12	5985.21	5713.57	271.64	4.54
Jul-12	6146.96	5814.26	332.7	5.41
Jun-12	6069.1	5747.54	321.56	5.3
May-12	6451.88	6136.78	315.1	4.88
Apr-12	6231.14	5938.74	292.4	4.69

As against the above, Page 16 of the Petition shows the losses as under:

Transmission Losses

The actual Transmission losses for FY 2012-13 were 3.89%, as against 4.25% approved by the Commission

Table: Transmission Losses of GETCO for FY 2012 -13

Particulars	FY 2012-13 (Approved)	FY 2012-13 (Actuals)
Transmission Losses	4.25%	3.89%

Accordingly, the difference in losses need be correctly reflected in the Petition and also passed on to the Open Access users, on account of excess recovery.

It is also observed that while scheduling the power, SLDC considers losses prior to two months, whereas while the DISCOMs are settling the energy account considering the losses of the same months, resulting in a mismatch in the energy account. This need be corrected suitably.

Response of GETCO

It is submitted that there is no inconsistency created by SLDC and GETCO regarding transmission losses and its applicability. GETCO's transmissions losses are technical



in nature and calculated as per the methodology approved by the Commission vide Tariff Order No. 990 of 2010 dated 31st March 2010. GETCO's computation of transmission losses is based purely on its stand-alone performance point of view. On the other hand, transmission losses, as per SLDC/DISCOMs, are transmission losses, based on energy accounting, which was also considered by the Commission in Clause 77.1 of GERC (MYT) Regulations, 2011 dated 22.03.2011. The relevant clause is as follows:

Transmission losses:

77.1 The energy losses in the transmission system of the Transmission Licensee, as determined by the State Load Despatch Centre, shall be borne by the Transmission System Users in proportion to their usage of the intra-State transmission system."

It is clearly identified that transmission losses borne by Transmission System Users are the actual transmission losses as per SLDC. Distribution Companies of the State have to consider transmission losses as per SLDC for billing purpose - not as per GETCO's transmission losses.

With regard to mismatch of energy accounting, the same does not pertain to GETCO and needs to be answered by DISCOMs.

Commission's View

The response of GETCO is noted.

3.4 Objectors 3 & 4: Gujarat Vepari Mahamandal Sahakari Audyogik Vasahat Limited and The Institute of Indian Foundrymen

Objection 1: Contingency Reserve should not to be allowed

GETCO has considered a contingency reserve of Rs. 67.92 Crore and 79.86 Crore for FY 2014-15 and 2015-16 respectively to derive the ARR. Since the projected ARR is estimated to be more than that approved and revenue from transmission charges from STOA consumer has increased, it is requested that the contingency reserve be not allowed.

Response of GETCO

It is submitted that GETCO is claiming its legitimate share of contingency reserves of Rs. 67.92 Crore and Rs. 79.86 Crore for FY 2014-15 and FY 2015-16 respectively, as per Clause 71.7 of GERC (MYT) Regulations, 2011.

Commission's View

The contingency reserve is allowed, as per GERC Regulations.

Objection 2: Amendment of Regulations in regard to Transmission charges payable to STOA

As per OA notification No. 03 of 2011 of the Commission, transmission charges payable by STOA consumers are 1/4th of those payable by LTOA or MTOA consumers. The Petitioner has filed Petition No. 1303 of 2013 to amend the said Regulations and the Commission has ordered that the process for amendment to the Regulations be initiated. If the amendment is made, the revenue of GETCO on this account would increase three times with the same STOA MUs. As per data submitted by DISCOMs of GUVNL in their Tariff Petitions, on the account of power purchase through STOA by HT consumers, they considered a zero growth rate for HT sale MUs. Obviously, this will raise MW loading on transmission lines and the revenue from transmission charges of GETCO. So, the net ARR needs to be reduced accordingly.

Response of GETCO

It is submitted that the observation of three times increase in revenue of GETCO with same STOA MUs made by respondent is not valid, since the revenue from Short-Term Open Access is adjusted with LTOA and MTOA charges as a rebate to MTOA & LTOA consumers, as per Regulations.

As per GERC (MYT) Regulations, 2011, GETCO can recover revenue up to the tune of its approved aggregate revenue requirement (ARR). By making STOA charges the same as LTOA or MTOA charges, the burden on LTOA or MTOA consumers will reduce, which will result in reduction of burden on consumers of Gujarat State.

Commission's View

The response of GETCO is noted.

Objection 3: The details of Miscellaneous Revenue of Rs. 71 Crore are not given.

For both FY 2014-15 and FY 15-16, GETCO has considered the miscellaneous revenue of Rs. 71 Crore, but its details are not given. The Petitioner is requested to submit the detailed data about miscellaneous receipts.

Response of GETCO

It is submitted that other income of Rs. 77.14 Crore has been considered in Tariff Petition No. 1375 of 2013. Details of the same are as under:

		(Rs. Crore)
Sl. No.	Particulars	FY 2012-13 Other Income
1	Income from Trading -Stores, Scrap, etc.	8.35
2	Penalties Received from Suppliers and Consumers.	4.21
3	Revenue Subsidy & Grants	0.45
4	Miscellaneous Receipts.	64.13
5	Total	77.14

Commission's View

The response of GETCO is noted.

Objection 4: True data of power purchased by OA customers

It is requested that the data of power purchased by OA customers of Gujarat through STOA in the current FY till Dec-2013 be given.

Response of GETCO

It is submitted that power purchase details do not pertain to GETCO.

Commission's View

The response of GETCO is noted.

3.5 Objector 5: Ganapathbai Lalubhai Suthar

Objection 1: Transmission charges from the wind farms

GETCO has increased the Transmission Tariff Rs./Mw/Day to Rs. 2970 from 18.4.2013 for approval of Annual Revenue Requirement (ARR). For the Next Year, GETCO has suggested that the amount be increased to Rs. 3470/MW/Day Wheeling.

In Gujarat, there is no any Wind direction and Velocity are Fixed. In Kutch site, so many changes are done on wind Velocity. Approximately, the plant load factors are less than 0.17%. For Example, if we Install a 1.25 MW capacity Wind Mill, we will receive approximately only 1800000 Lakh units. Moreover, before 2012, Transmission losses were 4.0%, as per the Agreement. Now DISCOMs are recovering 10% Transmission Losses in respect of wind Generation Units commissioning after 2012. As per the commercial circular dated 18-04-2013, the transmission tariffs are recovered by GETCO, This has resulted in no benefit for new



wind mills installed after 2012. The transmission tariff is Rs. 1355,062 annually for one wind farm of 1.25 MW capacity.

It is also stated that only 10% losses are to be recovered. No transmission Tariffs/ Mw/Day are to be recovered.

Response of GETCO

It is stated that the issue regarding recovery of transmission charges from the wind farms has been dealt in detail by the GERC in Wind Order No. 2 of 2012, while determining the tariff of the wind generator. The tariff control period under the said Order is from 11.08.2012 to 31.03.2016. Therefore, this issue may be taken up during tariff determination of the wind generator for the next control period.

Commission’s View

The response of GETCO is noted.

3.6 Objector 6: OPGS Power Gujarat Private Limited

Objection 1: Operations and Maintenance expenses in True-up for FY 2012 -13

The Transmission Licensee has calculated the Gains/ (Losses) from O&M expenses as follows:

	FY 2012-13 (Approved)	FY 2012-13 (Actual)	FY 2012-13 (Audited)	Gains/(Losses) due to controllable factors	Gains/(Losses) due to uncontrollable factors
	1	2	3	4=2-3	5=1-2
Net O&M Cost	625	794	595	199	(169)

However, the Normative Actual expenses of Rs. 794 Crore are the gross normative O&M expenses, whereas the rest of figures are for net O&M expenses. The comparison should be made only on the same basis.

As per the MYT order dated 31 March 2011, the gross O&M expenses were Rs. 801 Crore and expenses capitalised were Rs. 176 Crore, based on which the net O&M expense of Rs. 625 Crore was arrived at. Therefore, even if the same level of capitalised expenses are considered, the calculation will be revised as given below (only indicative):



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	FY 2012-13 (Approved)	FY 2012-13 (Actual)	FY 2012-13 (Audited)	Gains/(Losses) due to controllable factors	Gains/(Losses) due to uncontrollable factors
	1	2	3	4=2-3	5=1-2
Net O&M Cost	625	618	595	23	7

Response of GETCO

It is submitted that O&M expenses proposed by GETCO are normative and have been computed, based on the norms provided in GERC (MYT) Regulations, 2011 (not as per audited actual expenses for FY 2012-13). On the other hand, the expense capitalised is the amount capitalised from the actual expenses. Therefore, the 'normative O&M expenses' and 'actual O&M expenses (having actual expenses capitalised') cannot be compared.

The above has also been affirmed in GERC Order No.1034/2010 dated 03/02/2011, wherein the Commission clarified that deducting expense capitalised from ARR is not appropriate. The relevant Para is as under:

“8.4 Capital Expenditure & Capitalization (Capitalized expenses)

The Commission acknowledges the concern of GETCO, and decides that the practice followed by the Commission of deducting interest capitalized from the ARR is not appropriate, since capitalization expenses had been considered for estimating debt-equity levels.”

The same principle is under appeal before the Hon'ble Appellate Tribunal for Electricity in Case No. 108 of 2013. Judgement of Hon'ble Tribunal will be binding on GETCO.

Commission's View

The O&M expenses are approved on normative basis, based on the length of the transmission network and the number of bays in the sub-station. The gross O&M expenses are considered as a part of ARR and the O&M expenses capitalised are deducted from the ARR.

Objection 2: Other Income for FY 2012-13

The Transmission Licensee has claimed revenue from other income of only Rs. 77 Crore for FY 2012-13. However, the various revenue sources, other than transmission charges, as per Note 22 of the audited accounts, are given below:



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Particulars	Rs. Crore
Parallel Operation Charges	19.31
Misc Charges from Consumers	13.71
Income towards Government Grants/Subsidies towards cost of capital assets	156.98
Income from Trading-stores, scrap, etc.	8.35
Penalties received from Suppliers and Contractors	4.21
Revenue Subsidies and Grants	0.45
Misc. Revenue	47.10
Total	250.11

Therefore, the "other income" for FY 2012-13 shall be taken at least as 250.11 Rs. Crore, instead of 77 Rs. Crore, as claimed by the Transmission Licensee.

Detailed information, such as income from the Open Access users, income from collections like 15% supervision charges on deposit works, etc., does not appear to be indicated clearly in the Petition. The Commission is requested to direct the Transmission Licensee to furnish this information, so that the same may be examined by the Commission and all other stakeholders of the power sector of the state.

Further, the Transmission Licensee has mentioned Rs. 1703.77 Crore as the "Revenue from Transmission Charges" in Note 22 of the audited accounts. No break-up of this item has been provided by the Transmission Licensee. The Commission is requested to ascertain if this includes the revenue from STOA charges and O&M charges collected from users of dedicated lines, etc.

Revenue from STOA charges, revenue collected towards O&M charges from users of dedicated lines and similar revenue items have to be added to the "other income" of Rs. 250.11 Crore for the purpose of truing up.

Response of GETCO

It is submitted that GETCO has proposed Rs. 77 Crore, excluding Rs. 156.98 Crore of Government Grants/ Subsidies and Consumer Contributions. GETCO receives Government Grants/ Subsidies and Consumer Contributions toward cost of capital assets and offers @ 11.75% of year-end balance as deferred income during the year. In the ARR, GETCO has even taken a stand of not claiming depreciation of assets acquired from Government Grants/ Subsidies and Consumer Contributions and is not considering deferred income in 'other income'.



In addition to the above, STOA revenue is adjusted with LTOA & MTOA charges as a rebate to MTOA and LTOA consumers in the same month of operations and other recoveries like 15% supervision charges on deposit work, as stipulated in GERC (Licensee's Power to Recover Expenditure incurred in providing supply and other Miscellaneous Charges) Regulations, 2005, are considered as deferred income, as explained above.

Further, it is confirmed that revenue toward O&M charges collected from users of dedicated lines and similar revenue items have been considered in the true-up.

Details of Miscellaneous Receipts under 'other income' have been submitted as a separate Annexure, which has been attached in the Objection file.

Commission's View

The 'other income' is considered in the True-up as per GERC Regulations.

Objection 3: Availability of Transmission System

The Transmission Licensee has claimed that it has achieved a system availability of 99.46% for FY 2012-13. As per clause 70 of the GERC (Multi-Year Tariff) Regulations, 2011, the calculation of transmission availability needs to be certified by the Gujarat State Load Dispatch Centre.

The Commission is requested to ascertain if such certification for transmission availability calculations for FY 2012-13 has been submitted by the Transmission Licensee.

Response of GETCO

It is submitted that transmission system availability calculation is duly certified by SLDC and submitted to GERC.

Commission's View

The Commission has considered the availability of transmission system on due verification and the certificate provided by SLDC.

Objection 4: Separate Book of Accounts for SLDC

As per Note 22 of the Audited Accounts, revenue from operations consists of even the revenue from SLDC fees and charges. The Transmission Licensee may clarify



whether the audited accounts submitted by it are inclusive of accounts of SLDC also, or whether it maintains separate accounts.

It is submitted that accurate scrutiny of accounts for the purpose of true-up may not be possible if separate audited accounts of SLDC and Transmission business are not submitted, since ARR of SLDC is considered separately by the Commission. For example, depreciation is claimed as per the entire amount of depreciation (Rs. 523 Crore) as reflected in Note 26 of the audited accounts of the Transmission Licensee for FY 2012-13. However, if this consists of depreciation towards SLDC assets too, there will be the recovery of such charges twice, i.e., through GETCO ARR and SLDC ARR.

Response of GETCO

It is submitted that annual audited accounts of SLDC are separately audited and certified. Further, the audited account of GETCO includes SLDC accounts, as the company separation is yet to take place. In addition to the above, ARR and true-up of GETCO, the amount relating to SLDC is deducted and not claimed in GETCO ARR/ True-up.

Commission's View

As SLDC is not formed as a separate company, the audited Accounts still form a part of GETCO's accounts, but the amounts are segregated and duly certified by the Auditor.

Objection 5: Tax

The Transmission Licensee has claimed income tax for FY 2012-13 as per the tax provision of Rs. 81 Crore. The Commission is requested to ascertain whether this is supported by documentary proof of payment of such tax and whether this includes the tax towards profit of SLDC business. As per clause 42 of GERC (Multi-Year Tariff) Regulations, 2011, truing up of tax shall be based on documentary evidence and the tax on any income, other than that from the core business, shall not be allowed to be passed through.

Response of GETCO

It is submitted that GETCO is claiming the actual income tax of Rs. 81 Crore paid by GETCO, based on documentary proof/ income tax challan and not merely based on tax provision. Further, it excludes tax proportionate to SLDC income.



Commission's View

The tax of GETCO is allowed as per GERC Regulations.

Objection 6: Compensation to Generators for start-up charges due to tripping of Transmission System

It is stated that it is the duty of the transmission licensee to operate and maintain the transmission lines in a reliable and efficient manner. In this regard, it may be noted that in cases where the generation stations get tripped due to a fault in transmission system of the Transmission Licensee, the generating companies incur significant costs towards the subsequent start-up of their generating units, since they have to pay towards the drawal of start-up power from the grid. This is in addition to the revenue loss they incur during the period of such shutdown, and the cost of oil required during the start-up.

It is requested to provide an appropriate arrangement, wherein generating companies are properly compensated for their start-up charges by the Transmission Licensee, in case the shutdown of the station was due to faults arising in the system of the Transmission Licensee. In this regard, it may also be noted that the Transmission Licensee has claimed an amount of 27.17 Rs. Crore for FY 2012-13 as incentive towards achievement of transmission availability beyond the target levels.

Response of GETCO

It is submitted that a request has been made to the GERC; hence GETCO has no comments to offer on this issue.

Commission's View

If the generation has faced any problem of non-availability of transmission system for drawal of start-up power, even if generator has agreement for drawal of such power, the Commission may be approached for necessary redressal.

3.7 Objector 7: Shri Amarsinh Chavda

Objection 1: Low quality materials

Materials being used are of low quality.

Response of GETCO

It is submitted that GETCO ensures quality in its operations and maintenance practices. Materials, like conductors, Insulators, transformers and other kind of



electrical equipments, used in transmission are purchased from registered vendors only and utilised after a rigorous inspection process.

Commission's View

The response of GETCO is noted.

Objection 2: Closing of Generating Stations

Generating Stations remain closed. These Generating Stations should be kept running and the power produced should be sold to TPL at low cost since the cost of these generating companies is Rs. 3.50/-, while that of TPL is Rs. 10/-.

Response of GETCO

This issue does not pertain to GETCO.

Commission's View

The response of GETCO is noted.

Objection 3: Inadequate Power to farm sector

GUVNL sells power to other States, but farmers of the State do not receive adequate power.

Response of GETCO

This issue does not pertain to GETCO.

Commission's View

The response of GETCO is noted.

4. Truing up for FY 2012-13

4.1 Introduction

This chapter deals with the Truing up of FY 2012-13 of GETCO.

While doing 'Truing up' of various components of ARR for FY 2012-13, the actuals for FY 2012-13 are compared with the approved ARR, as per MYT Order issued on 31st March, 2011.

The Commission has analysed each of the components of the Annual Revenue Requirement (ARR) in the following sections.

4.2 Operations and Maintenance Expenses for FY 2012-13

GETCO has claimed Rs. 794 Crore towards O&M expenses in the Truing up for FY 2012-13, as against Rs. 801 Crore approved in the MYT order dated 31st March 2011. The O&M expenses approved for FY 2012-13 by the Commission in the MYT order for FY 2011-16 and claimed by GETCO as are given in Table below:

Table 4.1: O&M Expenses (Normative / Actuals) for FY 2012-13

Sl. No.	Particulars	Reference	FY 2012-13 (Approved)	FY 2012-13 (Actual)
1	Based on No. of Bays			
	Average No. of bays during the year	No.	8787	9086
	O&M Expenses per bay	Rs. Lakh	6.09	6.09
	Total O&M Expenses based on no. of bays	Rs. Crore	535	553
2	Based on no. of Transmission lines			
	Average lines length during the year	No.	51166	46203
	O&M Exp norm per ckt Km	Rs. Lakh	0.52	0.52
	Total O&M Expenses based on no. of ckt km	Rs. Crore	266	240
3	Total O&M Expenses (as per Norms)	Rs. Crore	801	794

Petitioner's submission

GETCO has submitted that it has considered O&M Expenses, net of expenses capitalised for FY 2012-13, for working of Gains / (Losses) as there is no separate head provided for expenses capitalised in GERC (MYT) Regulations, 2011. GETCO has computed the normative O&M Expenses, based on the length of transmission lines and no. of bays for FY 2012-13.

GETCO has further submitted that the net O&M Cost, as per audited accounts for FY 2012-13 are Rs. 595 Crore, as detailed in the Table below:



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Table 4.2: Net O&M Expenses (as per audited accounts) for FY 2012-13
(Rs. Crore)

Sl. No.	Particulars	FY 2012-13 (Actual)
1	Employee Costs	359
2	R&M Expenses	183
3	A&G Expenses	53
4	Net O&M Expenses	595

GETCO has further submitted that it has not considered expenses capitalised for FY 2012-13, since O&M expenses have been computed, based on the norms provided in GERC (MYT) Regulations, 2011. GETCO has arrived at a controllable gain of Rs. 199 Crore and uncontrollable loss of Rs. 168 Crore, as detailed in the Table below:

Table 4.3: Gains / (Losses) claimed from O&M Expenses

(Rs. Crore)

Sl. No.	Particulars	FY 2012-13 (Approved)	FY 2012-13 (Normative / Actuals)	FY 2012-13 (as per audited accounts)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
1	Operations & Maintenance Expenses	625	794	595	199	(168)

Commission's Analysis

GETCO has arrived at the O&M expenses for FY 2012-13, by applying the normative expenses over the actual numbers of bays, as mentioned above, and the actual length of lines and compared it with the approved O&M expenses for the computation of Gains/Losses. Further, GETCO has compared the normative actual O&M expenses that it has computed at Rs. 794 Crore with net of capitalised expenses at Rs. 595 Crore, instead of the gross O&M expenses of Rs. 801.19 Crore approved for FY 2012-13 in the MYT Order dated 31st March 2011. GETCO should have compared the O&M expenses approved in the MYT Order with actual O&M expenses on normative basis, or the comparison should have been on the net of capitalisation on both sides.

Upon direction from the Commission to arrange electrical inspector certificates for commissioning all kinds of Bays and Lines, GETCO has submitted the electrical inspector certificates for all kinds of bays and Lines. Taking into consideration the actually erected 589 no. of bays and 3215 ckt. km of lines in FY 2012-13, GETCO has submitted the average number of bays and average ckt. km of lines as detailed below:



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Average No. Bays and Average Ckt Km of Lines for FY 2012-13

1.	Average No. of Bays		
	- Opening No. of Bays for FY 2012-13	No.	8791
	- Addition during the year	No.	589
	- Average No. of Bays during the year	No.	9086
2.	Average Ckt Km of Transmission Lines		
	- Opening Balance for FY 2012-13	Ckt. Km	44500
	- Addition during the year	Ckt. Km	3215
	- Average Lines length during the year	Ckt. Km	46108

With reference to a further query from the Commission, GETCO has furnished the copies of the Electrical Inspector certificates indicating the actual addition of Transmission lines @ 3010 ckt. km during FY 2012-13.

Taking cognisance of the actually erected 589 number of bays and 3010 ckt. km of lines in FY 2012-13 and the Electrical Inspector certificates submitted by GETCO, the normative O&M expenses are worked out to Rs. 792.56 Crore, as against Rs. 801.19 Crore approved for FY 2012-13 in the MYT order, as detailed in Table 4.4 below:

Table 4.4: O&M Expenses Normative in Truing up for FY 2012-13

(Rs. Crore)			
Particulars	Lines (Ckt/km)	Bays (Nos.)	Total
At the beginning of the year	44500	8791	
Additions during the year	3010	589	
At the end of the year	47510	9380	
Average	46005	9086	
Rate (Rs. Lakh)	0.52	6.09	
O&M expenses (Rs. Crore)	239.23	553.31	792.53

The Commission approves the normative O&M expenses at Rs. 792.53 Crore in the Truing up for FY 2012-13 against Rs. 801.19 Crore approved in the MYT order.

The O&M expenses, as per audited annual accounts, are Rs. 828.49 Crore for FY 2012-13. These O&M expenses, as per accounts, are inclusive of SLDC expenses. The O&M expenses of GETCO, excluding SLDC expenses, are Rs. 816.64 (828.49-11.85) Crore. The employee cost is Rs. 539.93 Crore and the R&M Expenses are Rs. 192.77 Crore. The A&G expenses, as per annual accounts, are Rs. 83.94 Crore, which include Rs. 4.09 Crore towards contributions and charities. The Commission disallows the contributions and charities amounting to Rs. 4.09 Crore. The approved actual O&M expenses in truing up are Rs. 812.55 Crore, as detailed in the Table below:



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Table 4.5: O&M Expenses Approved in Truing up for FY 2012-13

(Rs. Crore)				
Sl. No.	Particulars	As per audited accounts of GETCO	As per audited accounts of SLDC	Approved in Truing up for GETCO
1	Employee Cost	549.55	9.62	539.93
2	R&M Expenses	193.18	0.41	192.77
3	A&G Expenses	85.76	1.82	83.94
4	Total	828.49	11.85	816.64
5	Less: Contribution and charities			4.09
6	Net O&M Expenses			812.55

O&M expenses are controllable in nature, under Regulation 23 of GERC (MYT) Regulations, 2011. However, the Commission is of the view that the variance in the O&M expenses, as approved in the MYT Order and the normative O&M expense, as per actual performance during the year, is considered as uncontrollable. The O&M expenses and Gains / (Losses) considered in the Truing up for FY 2012-13 are summarised in the Table below:

Table 4.6: O&M Expenses and Gains/(Losses) Approved in Truing up for FY 2012-13

(Rs. Crore)						
Particulars	Approved for FY 2012-13 in MYT order	Normative Approved in Truing up	Approved as per audited accounts in Truing up	Deviation + / (-)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
1	2	3	4	5 = (2-4)	6 = (3-4)	7 = (2-3)
O&M Expenses	801.19	792.53	812.55	(11.36)	(20.02)	8.66

4.3 Capital Expenditure and Capitalization for FY 2012-13

GETCO has furnished the actual capital expenditure at Rs. 2149 Crore for FY 2012-13, as against Rs. 2277 Crore approved for the year in MYT order dated 31st March 2011. The details of the capital expenditure incurred during FY 2012-13 furnished by GETCO are given in the Table below:

Table 4.7: Capital Expenditure reported for FY 2012-13

(Rs. Crore)			
Sl. No.	Particulars	FY 2012-13 Approved in MYT Order	FY 2012-13 Claimed in Truing up
	New Projects		
1	400 KV Sub-stations	212	199
2	400 KV Lines	1076	181
3	220 KV Sub-stations	20	144
4	220 KV Lines	244	143
5	132 KV Lines		23
6	132 KV Sub-stations		3
7	66 KV Sub-stations	180	545
8	66 KV Lines	179	522
9	Bus / Reactor Shunt	15	12



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Sl. No.	Particulars	FY 2012-13	FY 2012-13
		Approved in MYT Order	Claimed in Truing up
	Capacitors		
10	Transformer Bays		2
	Total of New Projects	1925	1775
	R&M		
1	Renovation & Modernization	298	207
	Augmentation of Sub-station / lines		163
	Total of R&M	298	370
	City Development Plan	-	4
	Vadodara City Development Plan	54	-
	OPGW	-	-
	Total	2277	2149

Petitioner's Submission

The Petitioner has submitted that it has incurred expenditure for construction of new sub-stations and transmission lines required for strengthening of the transmission network of GETCO.

Funding of CAPEX

GETCO has submitted that Capital Expenditure has been funded through internal accruals (Equity) generated by GETCO. The remaining expenditure incurred during FY 2012-13 has been funded through debt, as detailed in the Table below:

Table 4.8: Actual Funding of CAPEX

(Rs. Crore)		
Sl. No.	Particulars	FY 2012-13 (Actual)
1	CAPEX for the year	2149
2	Capitalization	1634
3	Debt	885
4	Equity	379
5	Grants	369

Commission's Analysis

The Commission has noted the capital expenditure, as given in the Petition by GETCO, and verified the capitalisation from the Audited Annual Accounts for FY 2012-13. The actual capital expenditure, capitalisation and the normative debt and equity for the FY 2012-13 are given in the Table below:



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Table 4.9: Capital Expenditure and Capitalisation approved in the Truing up for FY 2012-13

Particulars	FY 2012-13
CAPEX during FY 2012-13	2149.08
Capitalised in FY 2012-13	1634.04
Less: Grants	369.45
Balance Capitalization	1264.59
Debt (70%)	885.21
Equity (30%)	379.38

(Rs. Crore)

The addition of loan and equity during FY 2012-13 will be considered for computation of interest and return on equity.

4.4 Depreciation for FY 2012-13

GETCO has claimed Rs. 448 Crore towards actual depreciation for FY 2012-13, as against Rs. 576.79 Crore approved for the year in the MYT Order dated 31st March, 2011. The depreciation charges approved for FY 2012-13 in the MYT Order and claimed by GETCO in the Truing up are given in the Table below:

Table 4.10: Depreciation claimed for FY 2012-13

Sl. No.	Particulars	FY 2012-13 Approved in the MYT Order	FY 2012-13 claimed in Truing up	Deviation + / (-)
1	Gross Block at the beginning of the year	10437	9537	
2	Additions during the year (Net)	2151	1634	
3	Total Depreciation for the year	577	523	54
4	Average rate of Depreciation	5.01%	5.05%	
5	Less : Depreciation on Assets funded by Govt. Grants / Consumer Contributions / Subsidies not considered		75	
6	Total Depreciation claimed for the year 2011-12	577	448	129

(Rs. Crore)

Petitioner's Submission

GETCO has submitted that the actual depreciation charge for FY 2012-13 was Rs. 523 Crore, as against Rs. 576.79 Crore approved in the MYT Order, and worked out the weighted average rate of depreciation as 5.05%. GETCO has explained that it has been booking @ 11.75% of the closing grants, consumer contribution and subsidies towards acquisition of Fixed Assets as income during the year. GETCO has computed depreciation of Rs. 75 Crore on the asset funded, by way of Govt. Grant / Consumer Contribution at depreciation rate of 5.05%.



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Accordingly, GETCO has claimed a depreciation of Rs. 448 (523-75) Crore and arrived at a gain of Rs. 129 Crore, as detailed in the Table below:

Table 4.11: Gains/(Losses) claimed on Depreciation in the Truing up for FY 2012-13 (Rs. Crore)

Particulars	Approved for FY 2012-13 in MYT order	Claimed in Truing up for FY 2012-13	Gains / (Losses) due to Controllable Factor	Gains / (Losses) due to Uncontrollable Factor
Depreciation	577	448	-	129

Commission's Analysis

GETCO has computed the depreciation on the assets funded by Grants / Consumer Contributions and Subsidies towards acquisition of Fixed Assets at Rs. 75 Crore with the weighted average rate of 5.05% and subtracted this amount from Rs. 523 Crore of depreciation charged to P&L accounts of and claimed the depreciation at Rs. 498 Crore in the Truing up.

The amount of Govt. Grants / Consumer Contribution / Subsidies, as on 31st March 2012, was Rs. 1293.72 Crore and the additions during the year was Rs. 369.46 Crore. The depreciation on the assets funded by way of Govt. Grants / Consumers Contribution / subsidies worked out to Rs. 75 Crore on the average rate of depreciation of 5.05% and this amount has been deducted from the depreciation amount charged to P&L accounts for FY 2012-13 and GETCO has claimed Rs. 448 Crore against Rs. 523 Crore as per P&L statement of Audited Annual Accounts. While deducting depreciation computed on the grants / Consumer Contribution for the depreciation claim for the year, GETCO has not considered that portion of Consumer Contribution / Grants depicted in the Non-Tariff income, for deduction in the ARR. The Commission has noted in Para 4.4 of the Tariff Order dated 28th March 2013, as given below:

“The Commission has followed the policy of considering portion of grants as Non-Tariff income for all the licensees and any change in this behalf of affects the parameters considered in the MYT order for FY 2011-12 to FY 2015-16.”

The net depreciation, as verified from the Note 12 of the audited annual accounts for FY 2012-13, is Rs. 507.52 Crore. This includes depreciation of Rs. 0.49 Crore relating to SLDC. The depreciation has been provided on straight-line basis, as per the rates prescribed by GERC, as notified vide Note 1 (4) (i) of the annual accounts.



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The Commission has computed the allowable depreciation for FY 2012-13, as detailed in the Table below:

Table 4.12: Depreciation approved in the Truing up for FY 2012-13
(Rs. Crore)

Particulars	Claimed in Truing up for FY 2012-13	Approved in the Truing up for FY 2012-13
GFA in the Beginning of the year	9537.00	9536.79
Additions during the year (Net)	1634.00	1634.04
Depreciation for the year	523.00	507.03
Average Rate of Depreciation	5.05%	4.90%

The Commission, accordingly, approves the depreciation at Rs. 507.03 Crore excluding Rs. 0.49 Crore of SLDC in the Truing up, as per audited accounts for FY 2012-13.

With regard to the computation of Gains / (Losses), Regulation 23.2 considers variation in capitalisation on account of time and/or cost overruns / efficiencies in the implementation of capital expenditure project, not attributable to an approved change in scope of such project, change in statutory levies or force majeure events, as a controllable factor. If the gain is on account of lesser capital expenditure and capitalisation, it cannot be attributed to the efficiency of the utility to allow one-third of gain to the utility. Similarly, if the loss is on account of higher capital expenditure and capitalisation due to bonafide reasons, the utility cannot be penalised by allowing only two-thirds of the loss in the ARR. And hence, the Commission considered the variation in capitalization as uncontrollable. This applies to debt and equity in allowing Gains / (Losses) on account of interest and return on equity also.

The Commission, accordingly, approves the Gains / (Losses) on account of depreciation, attributing the same to uncontrollable factors in the Truing up for FY 2012-13, as detailed in the Table below:

Table 4.13: Gains / (Losses) due to Depreciation in the Truing up for FY 2012-13
(Rs. Crore)

Particulars	Approved for FY 2012-13 in MYT Order	Approved in Truing up	Deviation + / (-)	Gains / (Losses) due to controllable factors	Gains / (Losses) due to uncontrollable factors
Depreciation	576.79	507.03	69.76	-	69.76



4.5 Interest and Finance Charges for FY 2012-13

GETCO has claimed Rs. 329 Crore towards interest and finance charges in the Truing up for FY 2012-13, as against Rs. 397.09 Crore approved for the year in the MYT order dated 31st March, 2011. The interest and finance charges approved in the MYT order and claimed by GETCO in the Truing up are as given in the Table below:

Table 4.14: Interest and Finance Charges Claimed by GETCO

	(Rs. Crore)	
Particulars	Approved for FY 2012-13 in MYT order	Claimed in Truing up for FY 2012-13
Interest and Finance Charges	397.00	329.00

Petitioner's Submission

GETCO has submitted that depreciation for the year has been taken as repayment - in line with GERC (MYT) Regulations, 2011. However, as the normative loan is considerably lower than actual term loans of the company, the repayment was taken proportionally, to arrive at the average normative loan. GETCO has proposed to consider normative repayments proportionate to the normative loans, as against the actual loans, as detailed in Table below:

Table 4.15: Interest and Finance Charges claimed by GETCO

(Rs. Crore)				
Sl. No.	Particulars	FY 2012-13 (Approved)	FY 2012-13 (Actuals)	Deviation + / (-)
1	Opening Loans	3643	2741	
2	Loan Additions during the year	1506	885	
3	Repayment during the year	577	275	
4	Closing Normative Loan	4571	3351	
5	Average Loans	4107	3046	
6	Interest on Loan	395	325	
7	Guarantee Charges	2	3.72	
8	Total Interest & Financial Charges	397	329	68
9	Weighted Average Rate of Loan	9.62%	10.67%	

GETCO has claimed Rs. 68 Crore as gain from interest and finance charges due to uncontrollable factors, as detailed in Table below:

Table 4.16: Gains/ (Losses) claimed from Interest and Finance Charges

(Rs. Crore)				
Particulars	FY 2012-13 (Approved)	FY 2012-13 (Actuals)	Gains / (Losses) due to controllable factors	Gains / (Losses) due to uncontrollable factors
Interest & Finance Charges	397.00	329.00	-	68



Commission's Analysis

The Commission has examined the submission of GETCO. The Closing balance of Rs. 2741.01 Crore of the previous year FY 2011-12 is considered as the opening loan for FY 2012-13. The Commission has verified the capitalisation of assets during the FY 2012-13 from the Audited Annual Accounts and approved the asset addition of Rs. 1634.04 (1634.17-0.13) Crore. The Commission has deducted the Consumer Contribution and Govt. Grant of Rs. 369.45 Crore from capitalisation and approved the normative debt of Rs. 885.21 Crore for FY 2012-13 as per prevailing practice. GETCO has not taken into consideration the repayment of loan equivalent to the depreciation for the year. GETCO has made a plea to consider normative repayments proportionate to the normative loans, as against the actual loan outstanding. This is not in accordance with Regulation 39.3 of GERC (MYT) Regulations, 2011. GETCO has submitted the weighted average rate of interest as 10.67%. As per Regulation 39.5 of GERC (MYT) Regulations, 2011, the weighted average rate of interest is to be calculated on the basis of the actual loan portfolio at the beginning of each year to the transmission company. On a query from the Commission, GETCO submitted details of loans showing opening balance as on 01.04.2012 and applicable rate of interest on each loan portfolio for FY 2012-13. The Commission has worked out the weighted average interest rate as 10.78% and applied the same on the normative loan amount. The other finance charges of Rs. 3.72 Crore claimed as actuals have been verified from the Audited Annual Accounts and found that the other interest charges, including the guarantee charges, are Rs. 3.61 Crore. Based on the actual capitalisation achieved by GETCO during FY 2012-13 and the approved normative borrowings considering the interest rate of 10.78%, the Commission has computed the interest on normative loans, as detailed in the Table below:

Table 4.17: Approved Interest and Finance Charges in Truing up for FY 2012-13
(Rs. Crore)

Particulars	Claimed in Truing up for FY 2012-13	Approved in Truing up for FY 2012-13
Opening Normative Loan	2741	2741.01
Loan Addition during the year	885	885.21
Repayment during the year	275	507.03
Closing loan	3351	3119.19
Average Loan	3046	2930.10
Weighted average rate of interest	10.67%	10.78%
Interest on loan	325	315.86
Other finance charges	3.72	3.61
Total Interest and Finance Charges	329	319.47



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As noted in Para 4.4 above, the Commission is of the view that the parameters which impact interest and finance charges should be treated as uncontrollable. The Commission, accordingly, approves the Gains / (Losses) on account of interest and finance charges in the Truing up for FY 2012-13, as detailed in the Table below:

Table 4.18: Approved Gains/ (Losses) in Interest and Finance Charges in the Truing up for FY 2012-13

Particulars	Approved for FY 2012-13 in MYT order	Approved in Truing up	Deviation + / (-)	(Rs. Crore)	
				Gains/ (Losses) Controllable factor	Gains/ (Losses) Uncontrollable factor
Interest and Finance Charges	397.09	319.47	77.62	-	77.62

4.6 Return on Equity (ROE) for FY 2012-13

GETCO has claimed Rs. 370 Crore towards return on equity in the Truing up for FY 2012-13, as against Rs. 444.68 Crore approved for the year in the MYT Order dated 31st March, 2011. The ROE approved for FY 2012-13 in the MYT Order and claimed by GETCO in the Truing up are given in the Table below:

Table 4.19: Return on Equity claimed by GETCO for FY 2012-13

Particulars	(Rs. Crore)	
	Approved for FY 2012-13 in MYT order	Claimed in Truing up for FY 2012-13
Return on Equity	445.00	370.00

Petitioner's submission

GETCO has submitted that Return on Equity has been computed at 14%, based on the closing equity for FY 2011-12 and the normative equity addition during FY 2012-13. GETCO has further submitted that the comparison between the actual value of Return on Equity for FY 2012-13 with the value approved by the Commission has resulted in the uncontrollable gain of Rs. 74 Crore, as detailed in the Table below:

Table 4.20: Return on Equity claimed by GETCO for FY 2012-13

Sl. No.	Particulars	(Rs. Crore)		
		FY 2012-13 (Approved)	FY 2012-13 (Actuals)	Deviation + / (-)
1	Opening Equity Capital	2854	2455	
2	Equity Additions during the year	645	379	
3	Closing Equity	3499	2835	
4	Average Equity	3176	2645	
5	Rate of Return on the Equity	14%	14%	-
6	Return on Equity	445	370	74



Commission's Analysis

The Commission has examined the submission of GETCO. The Return on Equity is being allowed on a normative basis and the quantum of equity addition in the year depends upon the capitalisation achieved during the year. The closing equity of the previous year, i.e., 2011-12 is considered as the opening equity for FY 2012-13. The Commission has approved the normative equity addition at Rs. 379.38 Crore in Para 4.3 above. Based on the actual capitalisation achieved by GETCO during FY 2012-13 and the approved normative equity, the Commission has computed the Return on Equity for FY 2012-13, as detailed in the Table below:

Table 4.21: Approved Return on Equity in the truing up for FY 2012-13
(Rs. Crore)

Particulars	Claimed in Truing up for FY 2012-13	Approved in Truing up
Opening Equity	2455	2455.34
Equity addition during the year	379	379.38
Closing Equity	2835	2834.72
Average Equity	2645	2645.03
Rate of Return on Equity	14%	14%
Return of Equity	370	370.30

The Commission approves the Return on Equity at Rs. 370.30 Crore in the Truing up for FY 2012-13.

The Commission is of the view that the Return on Equity depends on the amount of capitalisation during the financial year and that the parameters impacting the capitalisation are uncontrollable in nature. As noted in Para 4.4 above, the factors impacting the Return on Equity are considered as uncontrollable. The Commission, accordingly, approves the gains and losses on account of Return on Equity in the Truing up for FY 2012-13, as detailed in the Table below:

Table 4.22: Gains / (Losses) in Return on Equity approved in the Truing up
(Rs. Crore)

Particulars	Approved for FY 2012-13 in MYT order	Approved in Truing up for FY 2012-13	Deviation + / (-)	Gains / (Losses) due to Controllable factor	Gains / (Losses) due to Uncontrollable actor
Return on Equity	444.68	370.30	74.38	-	74.38



4.7 Capitalisation of Expenses for FY 2012-13

GETCO has not shown any capitalisation of expenses in the Truing up for FY 2012-13. The capitalisation of expenses approved for the year in MYT Order was Rs. 176 Crore.

Petitioner's submission

GETCO has submitted that O&M Expenses have been taken, based on the norms provided in GERC (MYT) Regulations, 2011, and, therefore, expenses capitalised during FY 2012-13 have not been considered. GETCO has further submitted that the Commission had upheld GETCO's appeal against the Order dated 31st March 2010 in the Order dated 3rd February, 2011 in the matter of deducting interest capitalised from the ARR and hence GETCO has not shown expenses capitalised for FY 2012-13

Commission's Analysis

The capitalisation of expenses consists of two elements: (i) capitalisation of interest, and (ii) capitalisation of O&M expenses. As far as capitalisation of interest is concerned, the same is not deducted from the ARR, since the capitalisation is considered for debt-equity and for normative computation of interest on loan. As far as capitalisation of O&M expense is concerned, the same is required to be deducted from the ARR, since this amount has already been included in the approved capitalisation of assets. The gross O&M expenses, as per audited accounts, are allowed in the ARR and, therefore, it is appropriate to consider the deduction of capitalisation of O&M expenses from the ARR.

The actual O&M Expenses capitalised as per audited accounts are Rs. 212.13, as detailed below:

Table 4.23: O&M expenses capitalized during FY 2012-13
(Rs. Crore)

Employee Cost	180.91
R&M expenses	0.15
A&G expenses	31.07
Total	212.13

The Commission, accordingly, approves the capitalisation of O&M expenses at Rs. 212.13 Crore, as per the audited annual accounts in the Truing up for FY 2012-13. The Commission considers the capitalisation of O&M expenses as uncontrollable.

4.8 Income Tax for FY 2012-13

GETCO has furnished the actual tax at Rs. 81.00 Crore in the Truing up for FY 2012-13, as against Rs. 15.37 Crore approved for the year in MYT Order dated 31st March 2011. The provision for tax approved in the MYT Order and actual claimed by GETCO are as given in detail in the Table below:

Table 4.24: Income tax claimed by GETCO

	(Rs. Crore)		
Particulars	Approved for FY 2012-13 in MYT order	Claimed in Truing up for FY 2012-13	Deviation + / (-)
Income Tax	15.37	81.00	(66.00)

Petitioner's submission

GETCO has submitted that the actual tax paid is Rs. 81.00 Crore, as against the approved tax of Rs. 15.37 Crore, resulting in an uncontrollable loss of Rs. 65.63 Crore.

Commission's Analysis

The Commission has, on verification from the audited accounts for FY 2012-13, found that the tax Provision is Rs. 69.42 Crore. In reply to a query from the Commission, GETCO submitted that the amount of Rs. 69.42 Crore is just a provision in the audited annual accounts, while GETCO has actually paid Rs. 82.61 Crore towards income tax. GETCO has submitted the copies of challans as documentary evidence in support of the claim. The tax paid includes Rs. 1.60 Crore apportioned to SLDC.

The Commission, accordingly, approves the income tax at Rs. 81.00 (82.61-1.60) Crore in the Truing up for FY 2012-13.

As regards the computation of Gains / (Losses), Regulation 23.1 (g) considers variation in taxes on income as uncontrollable.

The Commission, accordingly, approves the Gains / (Losses) on account of tax on income in the Truing up for FY 2012-13, as detailed in Table below:

Table 4.25: Gains / (Losses) approved in the Truing up for FY 2012-13

	(Rs. Crore)				
Particulars	Approved for FY 2012-13 in MYT Order	Approved in Truing up for FY 2012-13	Deviation + / (-)	Gains / (Losses) due to Controllable factors	Gains / (Losses) due to Uncontrollable Factors
Income Tax	15.37	81.00	(65.63)	-	(65.63)



4.9 Revenue from other Income for FY 2012-13

GETCO has claimed the actual “other income” at Rs. 77 Crore in the Truing up for FY 2012-13, as against Rs. 103 Crore approved for the year in MYT Order dated 31st March, 2011. The details are given in detail in Table below:

Table 4.26: Non-Tariff Income claimed by GETCO

(Rs. Crore)			
Particulars	Approved for FY 2012-13 in MYT order	Claimed in Truing up for FY 2012-13	Deviation + / (-)
Non-Tariff Income	103.00	77.00	(26.00)

Petitioner’s Submission

GETCO has submitted that, as per the accounting policies of GETCO, the depreciation on assets which are financed by grants, subsidies and Consumer Contribution and considered while computing the depreciation in the annual accounts, GETCO is recovering Consumer Contribution on prorata basis towards contribution to cost of upstream strengthening of capital assets as prorata charges. GETCO has booked income towards Govt. Grants / Subsidies towards cost of capital assets (deferred) of Rs. 156.98 Crore, GETCO has reiterated that depreciation is a source of funding of the assets which have been financed by grants and consumer contribution that need to be replaced after their estimated useful life. In view of this, GETCO has not considered it as non- tariff income and it has been subtracted from the total ‘other income’ shown in the Annual Accounts. GETCO has also not considered depreciation on the assets acquired from Govt. Grants / Subsidies and requested that the same be approved.

GETCO has further submitted that income from interest on staff loan income from investment will not be part of other income, Since the Commission is not allowing expenses of interest on staff

Commission’s Analysis

The Commission has verified and found the actual ‘other income’, including the interest on staff loans and advance of Rs. 3.55 Crore, is Rs. 248.15 Crore. The balance ‘other income’, after deducting interest on staff loans, is Rs. 244.62 Crore, which includes Rs. 156.98 Crore pertaining to the income towards grants / subsidies towards cost of capital assets (Deferred amount). GETCO has not considered the Rs. 156.98 Crore as Non-Tariff income.



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The Commission has allowed depreciation on all the assets, including those created through grants and Consumer Contribution. It is, therefore, required that the amount of Rs. 156.98 Crore being the income pertaining to grants and subsidies be considered as part of other income, as per the prevailing practice.

The Commission, accordingly, approves the other income at Rs. 244.62 Crore as actual, as per the audited annual accounts in the Truing up for FY 2012-13.

The Commission considers the other income as uncontrollable and, accordingly, approves the Gains / (Losses) on Non- Tariff income in the Truing up for FY 2012-13, as detailed in the Table below:

Table 4.27: Gains / (Losses) on Non-Tariff income approved in the Truing up for FY 2012-13

(Rs. Crore)					
Particulars	Approved for FY 2012-13 in MYT Order	Approved in Truing up for FY 2012-13	Deviation + / (-)	Gains / (Losses) due to Controllable factors	Gains / (Losses) due to Uncontrollable factors
Non-Tariff Income	103.00	244.62	(141.62)	-	(141.62)

4.10 Interest on working capital for FY 2012-13

GETCO has claimed Rs. 51.00 core towards interest on working capital in the Truing up for FY 2012-13, as against Rs. 39.65 core approved for the year in the MYT Order for FY 2011-16. The amounts of interest on working capital approved for FY 2012-13 in the MYT Order and claimed by GETCO in the Truing up are given in the Table below:

Table 4.28: Interest on working capital claimed by GETCO

(Rs. Crore)		
Particulars	Approved for FY 2012-13 in MYT Order	Claimed in Truing up for FY 2012-13
Interest on Working Capital	39.65	51.00

Petitioner's submission

GETCO has submitted that working capital was computed, based on the norms provided in GERC (MYT) Regulations, 2011, and for computation of spares, 1% of the opening GFA. i.e., GFA as on 1st April 2005, with 6% yearly escalation, and 1 % of the average yearly additions from FY 2005-06 till FY 2012-13, with 6% yearly escalation considered, as detailed in the Table below:



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Table 4.29: Calculation sheet for Maintenance Spares till FY 2012-13

(Rs. Crore)

Sl. No.	Particulars		2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
1	Opening Balance of GFA		4049.10	4433.73	4861.81	5453.70	6067.63	6762.26	8109.69	9536.79
	SLDC		3.36	3.36	3.36	3.36	3.36	6.90	6.86	7.58
2	Addition during the year		384.63	428.08	591.89	613.93	694.63	1347.43	1427.10	1634.04
	SLDC						3.54	(0.04)	0.72	
3	Closing balance of GFA		4433.73	4861.81	5453.70	6067.63	6762.26	8109.69	9536.79	11170.83
	SLDC		3.36	3.36	3.36	3.36	6.90	6.86	7.58	7.58
4	Average GFA of the year		4241.42	4647.77	5157.76	5760.67	6414.95	7435.98	8823.24	10353.81
5	Spares as % of capital cost	1%								
	Escalation (y-o-y)	6%								
	Maintenance Spares									
	Opening Balance of Assets (i.e. as on March 31, 2005)		40.49	42.92	45.50	48.23	51.12	54.19	57.44	60.88
	Assets capitalised during FY 2005-06		3.85	4.08	4.32	4.58	4.86	5.15	5.46	5.78
	Assets capitalised during FY 2006-07			4.28	4.54	4.81	5.10	5.40	5.73	6.07
	Assets capitalised during FY 2007-08				5.952	6.27	6.65	7.05	7.47	7.92
	Assets capitalised during FY 2008-09					6.14	6.51	6.90	7.31	7.75
	Assets capitalised during FY 2009-10						6.95	7.36	7.80	8.27
	Assets capitalised during FY 2010-11							13.47	14.28	15.14
	Assets capitalised during FY 2011-12								14.27	15.13
	Assets capitalised during FY 2012-13									16.34
	Total		44.34	51.28	60.27	70.03	81.18	99.52	119.77	143.29

GETCO has further submitted it has considered the State Bank Advance Rate (SBAR) as on 1st of April 2012, i.e., 14.75% and that comparison of actual value of interest on working capital, based on the above methodology, and the value approved by the Commission for the year in MYT Order resulted in an uncontrollable loss of Rs. 11 Crore, as detailed in the Table below:

Table 4.30: Interest on Working Capital and Gains / (Losses) claimed in Truing up
(Rs. Crore)

Sl. No.	Particulars	FY 2012-13 Approved in the MYT Order	FY 2012-13 Claimed in Truing up	Deviation + / (-)
1	O&M Expenses (1 Month)	67	50	
2	Maintenance Spares (1% of opening GFA with 6% escalation)	104	143	
3	Receivables (2 Month)	166	152	
4	Total Working Capital	337	345	
5	Rate of Interest on Working Capital	11.75%	14.75%	
	Interest on Working Capital	40	51	(11)

Commission's Analysis

The Commission has examined the computation of normative working capital and interest thereon under GERC (MYT) Regulations, 2011. Regulation 41.2 (b) specifies that interest shall be allowed at a rate equal to the State Bank Advance Rate (SBAR) as on 1st April of the Financial year in which the Petition is filed.



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Regarding 1% Maintenance spares, Regulation 4.2 (a)(ii) of GERC (MYT) Regulations, 2011, specifies maintenance spares as 1% of the historical cost, escalated at 6% from the date of commercial operation. The spares are required for plant machinery and the 1% spares are to be considered on the historical cost of plant and machinery only, instead of the entire GFA. However, the Commission has been considering the maintenance spares at 1% of the opening GFA for the respective year, since it is difficult to keep track of the dates of commercial operation of transmission lines and sub-stations and keep a watch on the requirement of spares escalation. The Commission has, therefore, been considering maintenance spares at 1% of the opening GFA (Historical cost), since there is substantial increase in GFA year on year.

While truing up for FY 2011-12 in the Tariff order for FY 2012-13, the Commission had decided, to consider the rate of SBAR prevailing as on 1st April of the Financial Year for which truing up is being done.

The SBAR as on 1st April 2012 was 14.75%. The Commission, accordingly, takes into consideration the SBAR of 14.75% for computation of Interest in Working Capital for FY 2012-13.

The Commission has computed the Working Capital and interest thereon, as detailed in the Table below:

Table 4.31: Interest on Working Capital approved in Truing up for FY 2012-13
(Rs. Crore)

Particulars	Approved in Truing up for FY 2012-13
O&M Expenses (1 Month)	67.71
Maintenance Spares (1% of opening GFA)	95.37
Receivable (1 Month)	141.93
Total Working Capital	305.01
Rate of Interest	14.75%
Interest on Working Capital	44.99

The Commission, accordingly, approves the interest on working capital at Rs. 44.99 Crore in the Truing up for FY 2012-13.

The Commission considers the Interest on working capital as uncontrollable, since the components forming part of the working capital are mostly uncontrollable. The Commission, accordingly, approves the Gains / (Losses) on account of interest on Working Capital in the Truing up for FY 2012-13, as detailed in the Table below:



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Table 4.32: Gains/ (Losses) in Interest on Working Capital Approved in the Truing up for FY 2012-13

Particulars	Approved for FY 2012-13 in MYT Order	Approved in Truing up for FY 2012-13	Deviation + / (-)	(Rs. Crore)	
				Gains / (Losses) due to Controllable factors	Gains / (Losses) due to Uncontrollable factors
Interest on Working Capital	39.65	44.99	(5.34)	-	(5.34)

4.11 Incentive for Target availability for FY 2012-13

GETCO has claimed incentive for target availability at Rs. 27.17 Crore in the Truing up for FY 2012-13. The details are given in the Table below:

Table 4.33: Incentive for Target Availability claimed by GETCO

Particulars	(Rs. Crore)	
	Approved for FY 2012-13 in MYT order	Claimed in Truing up for FY 2012-13
Incentive for Target Availability	-	27.17

Petitioner's Submission

The Petitioner has submitted that GETCO had achieved an availability of 99.46% for its transmission network during FY 2012-13. It has further submitted that GETCO has computed the incentive on higher availability based on the target availability of 98%, in accordance with Regulation 75.1 of the GERC (MYT) Regulations, 2011. The details are given in the Table below:

Table 4.34: Incentive Claimed for Higher Availability

Sl. No.	Particulars	(Rs. Crore)
		FY 2012-13
1	Target Availability as per MYT Regulations (%)	98.00%
2	Actual Availability (%)	99.46%
3	Aggregate Revenue Requirement	1824
4	Incentive for Transmission System Availability	27.17

Commission's Analysis

The Incentive claimed by GETCO for increase in annual availability beyond the target availability is in accordance with the provisions of Regulation 75 of GERC (MYT) Regulations, 2011. Incentive has to be given as per the formula mentioned in Regulation 75.1 of the GERC (MYT) Regulations, 2011, as shown below:

“.....

$$\text{Incentive} = \text{ATC} \times \frac{\text{Annual availability achieved} - \text{Target Availability}}{\text{Target Availability}}$$



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Where;

ATC= Annual Transmission Charges determined by the Commission.....”

The Commission has computed the incentive, based on the trued up ARR for FY 2012-13, as detailed in the Table below:

Table 4.35: Incentive approved for higher availability

		(Rs. Crore)
Sl. No.	Particulars	FY 2012-13
1	Target Availability (%)	98%
2	Actual Availability (%)	99.46%
3	Aggregate Revenue Requirement	1678.60
4	Incentive for Transmission system availability	24.51

The Commission, accordingly, approves the incentive for achieving higher availability at Rs. 24.51 Crore in the Truing up for FY 2012-13.

The Commission considers the incentive for Target Availability as uncontrollable and, accordingly, approves the Gains/(Losses), as detailed in Table below:

Table 4.36: Gains / (Losses) approved on the Incentive in the Truing up

					(Rs. Crore)
Particulars	Approved for FY 2012-13 in MYT order	Approved in Truing up for FY 2012-13	Deviation + / (-)	Gains / (Losses) due to Controllable Factors	Gains / (Losses) due to Uncontrollable Factors
Incentive for Target Availability	0	24.51	(24.51)	-	(24.51)

4.12 Gains / (Losses) under “Truing up”

The Commission reviewed the performance of GETCO under Regulation 22 of GERC (MYT) Regulations, 2011, with reference to the Audited Annual Accounts for FY 2012-13.

The Commission has computed the sharing of Gains and (Losses) for FY 2012-13, based on the Truing up for each of the components discussed in the above Paragraphs.

The fixed charges approved for FY 2012-13 in the MYT Order dated 31st March 2011, claimed by GETCO in Truing up (Gains / (Losses)), computed in accordance with GERC (MYT) Regulations, 2011 are given in the Table below:



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Table 4.37: Approved in Truing up Order for FY 2012-13

(Rs. Crore)

Sl. No.	Fixed charges	Approved for FY 2012-13 in the MYT Order	Actual claimed in Truing up for FY 2012-13	Approved in Truing up for FY 2012-13	Deviation + / (-)	Gains/ (Losses) due to Controllable Factors	Gains/ (Losses) due to Uncontrollable Factors
1	2	3	4	5	6=3-5	7	8
1	Operations & Maintenance Expenses	801.19	792.53	812.55	(11.36)	(20.02)	8.66
2	Depreciation	576.79	448	507.03	69.76		69.76
3	Interest & Finance Charges	397.09	329	319.47	77.62		77.62
4	Interest on Working Capital	39.65	51	44.99	(5.34)		(5.34)
5	Return on Equity	444.68	370	370.30	74.38		74.38
6	Total Fixed Costs	2259.40	1990.53	2054.35	205.05	(20.02)	225.07
7	Less: Expenses Capitalised	176	0	212.13	(36.13)		(36.13)
8	Provision for Tax	15.37	81	81	(65.63)		(65.63)
9	Total Transmission Charges	2098.77	2071.53	1923.22	175.55	(20.02)	195.57
10	Less: Other Income	103	77	244.62	(141.62)		(141.62)
11	Aggregate Revenue Requirement	1995.77	1994.53	1678.60	317.17	(20.02)	337.19
12	Add: Incentive for Achieving Target Availability	0	27	24.51	(24.51)		(24.51)
13	Total Revenue Requirement	1995.77	2021.53	1703.11	292.66	(20.02)	312.68

Table 4.36 indicates a controllable loss of Rs. 20.02 Crore and an uncontrollable gain of Rs. 312.68 Crore.

4.13 Sharing of Gains / (Losses) for FY 2012-13

The Commission has analysed the Gains / (Losses) on account of controllable and uncontrollable factors.

The relevant Regulations are extracted below:



“Regulation 24. Mechanism for pass-through of Gains or Losses on account of uncontrollable factors

24.1 The approved aggregate gain or loss to the Generating Company or Transmission Licensee or Distribution Licensee on account of uncontrollable factors shall be passed through as an adjustment in the Tariff of the Generating Company or Transmission Licensee or Distribution Licensee over such period as may be specified in the Order of the Commission passed under these Regulations.

24.2 The Generating Company, or Transmission Licensee or Distribution Licensee shall submit such details of the variation between expenses incurred and revenue earned and figures approved by the Commission, in the prescribed format to the Commission, along with detailed computations and supporting documents as may be required for verification by the Commission.

24.3 Nothing contained in this Regulation 24 shall apply in respect of any gain or loss arising out of variations in the price of fuel and power purchase which shall be dealt with as specified by the Commission from time to time.

Regulation 25. Mechanism for sharing of Gains or Losses on account of controllable factors

25.1 The approved aggregate gain to the Generating Company or Transmission Licensee or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:

- a. One-third of the amount of such gain shall be passed on as a rebate in Tariffs over such period as may be specified in the Order of the Commission under Regulation 22.6;*
- b. The balance amount, which will amount to two-thirds of such gain, may be utilised at the discretion of the Generating Company or Transmission Licensee or Distribution Licensee.*

25.2 The approved aggregate loss to the Generating Company or Transmission Licensee or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:

- (a) One-third of the amount of such loss may be passed on as an additional charge in Tariffs over such period as may be specified in the Order of the Commission under Regulation 22.6; and*

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(b) *The balance amount, which will amount to two-thirds of such loss, shall be absorbed by the Generating Company or Transmission Licensee or Distribution Licensee.”*

The revenue gap, based on the true-up ARR and the Gains / (Losses) approved in the Truing up for FY 2012-13, is summarised in the Table below:

Table 4.38: Revenue (Gap) / Surplus for FY 2012-13

Sl. No.	Particulars	(Rs. Crore) FY 2012-13
1	ARR approved in the MYT Order on 31.03.2011 for FY 2012-13	1995.76
2	Less: Gain on Account of Uncontrollable Factors to be Passed on to the Consumers	312.68
3	Add: Loss on Account of Controllable Factors to be Passed on to the Consumers (1/3 rd of Rs. 2.60 Crore)	6.67
4	Revised ARR for FY 2012-13	1689.75
5	Net (Gap) / Surplus	306.01

The Truing up Exercise carried out indicates a revenue surplus of Rs. 306.01 Crore, as against ARR of 1995.76 approved for FY 2012-13 in the MYT Order dated 31st March, 2011.

The Commission has arrived at a surplus of 306.01 Crore in truing up for FY 2012-13. This surplus is carried forward to ARR of FY 2014-15 for determination of transmission charges.



5. Determination of Transmission Charges for FY 2014-15

5.1 Introduction

This chapter deals with the determination of transmission charges for the FY 2014-15 for GETCO. The Commission has considered the Revised ARR approved for the FY 2014-15 in the Mid-term Review and the adjustment on account of truing up for FY 2012-13, while determining the transmission Tariff for FY 2014-15.

5.2 Determination of Transmission Tariff for FY 2014-15

The table below summarises the Annual Revenue Requirement, as approved by the Commission for the FY 2014-15 in the Mid-term Review. Detailed analysis of each expense head has already been provided in the Mid-term Review.

The ARR approved for FY 2014-15 in the MYT order projected by GETCO in the Mid-term Review and approved by the Commission in the Mid-term Review are given in the Table below:

Table 5.1: Approved ARR for 2014-15

(Rs. Crore)

Sl. No.	Particulars	FY 2014-15		
		Approved in the MYT order	Projected in the Mid-term Review	Approved in the Mid-term Review
1	Operations & Maintenance Expenses	977.24	936.94	995.03
2	Depreciation	803.41	749.26	720.43
3	Interest and Finance Charges	588.57	517.73	444.96
4	Interest on Working Capital	54.05	75.45	61.22
5	Return on Equity	634.66	548.38	519.22
6	Add: Contingency Reserve	0	67.92	67.31
7	Total Fixed Costs	3,057.92	2895.67	2,808.18
8	Less: Expenses Capitalised	213.00	-	212.13
9	Add: Provision for Tax	15.37	109.72	79.4
10	Total Transmission Charges	2,860.29	3005.39	2675.45
11	Less: Other Income	103.00	201.73	202
12	Aggregate Revenue Requirement	2,757.29	2803.66	2,473.45

The Petitioner has submitted Transmission Tariff for FY 2014-15, based on the proposed truing up of FY 2012-13. Accordingly, the Commission has determined the revenue gap/surplus, based on the truing up of FY 2012-13. The Petitioner's proposal and the Commission's approved transmission Tariff for FY 2014-15 are given in Table below:



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Table 5.2: Transmission Tariff for FY 2014-15

(Rs. Crore)				
Sl. No.	Particulars	Unit	FY 2014-15 (Proposed)	FY 2014-15 (Approved)
1	Approved ARR for FY 2014-15, as per the Mid-term Review Order	Rs. Crore	2804	2473.45
2	Less: Revenue Surplus/(Gap) for FY 2012-13	Rs. Crore	40	306.01
3	ARR for 2014-15, including adjustment for the Truing up for FY 2012-13	Rs. Crore	2764	2167.44
4	Total MW Allocation, as per Mid-term Review Order	MW	21822	21822
5	Transmission Tariff	Rs./MW/Day	3470	2721

The Commission, accordingly, approves the Annual Tariff for Transmission for FY 2014-15, as mentioned above.



6. Compliance of Directives

6.1. Compliance of Directives issued by the Commission

6.1.1 The Commission in its Tariff Order dated 28th March, 2013 had issued certain directives. GETCO has submitted a report on compliance of the directives issued by the Commission. The comments of the Commission on the submission/compliance of GETCO are given below:

6.2. Compliance of Directives

Directive 1: Transmission System Availability

(Page 56 of Tariff Order No. 1262 of 2012, dated 28th March, 2013)

GETCO has furnished the transmission system availability figures in its ARR and Tariff petition for Truing up for FY 2009-10 and Performance Review for FY 2010-11. The availability is required to be supported by detailed calculations as required by GERC Regulations, 2005. The detailed calculation for the availability of transmission system for FY 2009-10 and FY 2010-11 shall be furnished by April 2011. The claim of incentive for FY 2011-12 to FY 2015-16 shall be supported by detailed calculation as per GERC (MYT) Regulations, 2011. These calculations shall be submitted to the Commission within three months after the end of the relevant year.

Compliance:

The commission specified the methodology to be adopted for calculating Transmission System Availability (TSA) as per Annexure-II of GERC (MYT) Regulations, 2011, Clause 70: Norms of operation.

As per the provision and procedure for calculation of Transmission System Availability of GERC (Multi-Year Tariff) Regulations, 2011, GETCO furnished Transmission System Availability for FY 2012-13 duly certified by SLDC as under:

Transmission System Availability is calculated on the basis of availability of transmission lines, transformers & reactors. Non availability factor & availability of transmission lines, transformers & reactors is as under:

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1. Transmission Line

a) NAFY (Non availability factor for the year)

$$\text{NAFY} = \frac{\left[\frac{\sum (\text{OH line X Ckt KM X NSC})}{\sum (\text{Ckt KM X NSC})} \right] / \text{Total available Hrs of year}}$$

$$\text{NAFY} = \frac{69.83 + 102.28 + 29.35 + 61.04}{5539.42 + 14708.64 + 5104.21 + 25323.77}$$

↑	↑	↑	↑
Σ Tr Lines = 400 KV	Σ Tr Lines = 220 KV	Σ Tr Lines = 132 KV	Σ Tr Lines = 66 KV

$$\text{NAFY} = \frac{262.51}{50676.03}$$

$$\text{NAFY} = 0.0052$$

b) TAFY (Transmission System Availability factor for the year)

$$\text{TAFY} = (100 - (100 * \text{NAFY}))$$

$$= 100 - (100 * 0.0052)$$

$$= 99.48 \%$$

2. Transformer & Reactor

a) NAFY (Non availability factor for the year)

$$\text{NAFY} = \frac{\left[\frac{\sum (\text{OH trans X MVA trans X 2.5}) + \sum (\text{OH react X MVA react X 4})}{\sum (\text{MVA trans X 2.5}) + \sum (\text{MVA react X 4})} \right] / \text{Total available Hrs of year}}$$

$$\text{NAFY} = \frac{96.93 + 476.00 + 70.10 + 153.09 + 19.90}{19312.50 + 51425.00 + 15325.00 + 61161.25 + 3120.00}$$

↑	↑	↑	↑	↑
Σ X'mer = 400 KV	Σ X'mer = 220 KV	Σ X'mer = 132 KV	Σ X'mer = 66 KV	Σ Reactor

$$\text{NAFY} = \frac{816.02}{150343.75}$$

$$\text{NAFY} = 0.0054$$

Multiplying factor for Transformer = 2.5
 Multiplying factor for Reactor = 4

b) TAFY (Transmission System Availability factor for the year)

$$\text{TAFY} = (100 - (100 * \text{NAFY}))$$

$$= 100 - (100 * 0.0054)$$

$$= 99.46 \%$$

Based on the calculation mentioned above, Non availability factor & transmission availability for the whole GETCO system in FY 2012-13 is as under:



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NAFY (Non Availability Factor for the FY 2012-13)

$$\text{NAFY} = \frac{[\sum (\text{OH line X Ckt KM X NSC}) + \sum (\text{OH trans X MVA trans X 2.5}) + \sum (\text{OH react X MVAR react X 4})]}{\sum (\text{Ckt KM X NSC}) + \sum (\text{MVA trans X 2.5}) + \sum (\text{MVAR react X 4})} \quad \text{Total available Hrs of year}$$

$$\text{NAFY} = \frac{262.51 + 816.02}{50676.03 + 150343.75}$$

↑	↑
∑ Tr. Lines	∑ Transformers & Reactors

$$\text{NAFY} = \frac{1078.53}{201019.78}$$

$$= 0.0054$$

OH=Outage Hours

TAFY (Transmission System Availability factor for the FY 2012-13)

$$\begin{aligned} \text{TAFY} &= (100 - (100 * \text{NAFY})) \\ &= (100 - (100 * 0.0054)) \\ &= 99.46 \% \end{aligned}$$

Commission's Comments:

Action taken is noted.

Directive 2: Reactive Compensation

(Page 58 of GERC Tariff Order No. 1262 of 2012 dated 28th March 2013)

The Commission has taken note of the submission made by the Petitioner. The Commission observes that the pace of installation of 11 kV capacitors is slow. The Commission therefore directs the Petitioner to expedite this work and to submit a status report on the work in progress (quarterly).

Compliance:

The status of work completed as on 08.10.2013 and Action Plan for completion of balance work of installation of capacitor bank is as under:



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Sl. No.	Work Planned	Current Status (as on 18.11.2013)			
1	Planning & Progress of installation of 233 Nos. (630 MVAR) of 11KV Capacitor Bank	The entire work is completed.			
2	Installation of 72 Nos. 11KV capacitor Banks (180 MVAR)	Execution work is under progress. The current status is as under:			
		Capacitor Bank Progress Detail			
		Installation Planned	Commissioned	Testing Completed	Target
		72	64	8	Nov-2013

While the installation of above capacitor banks is in progress, there has been good voltage profile in the main transmission system (400 KV) and sub transmission system (220 to 66 KV). GETCO is following prescribed voltage limit as per GERC Grid Code_ Notification: No. 5 of 2004 and real time operation data is analyzed in different seasons for Reactive Power Management.

Commission's Comments:

Action taken is noted by the Commission. As already directed, a status report on the work in progress (quarterly) shall be submitted.



COMMISSION'S ORDER

The Commission approves the components of transmission charges and the Transmission tariff for GETCO for FY 2014-15, as shown in the Tables below:

(Rs. Crore)		
Sl. No.	Particulars	FY 2014-15
1	Operations and Maintenance Expenses	995.03
2	Depreciation	720.43
3	Interest and Finance Charges	444.96
4	Interest on Working Capital	61.22
5	Return on Equity	519.22
6	Add: Contingency Reserve	67.31
7	Total Fixed Costs	2808.18
8	Less: Expenses Capitalised	212.13
9	Add: Provision for Tax	79.4
10	Total Transmission Charges	2675.45
11	Less: Other Income	202
12	Aggregate Revenue Requirement	2473.45
13	Add. Incentive for Target Availability	-
14	Total Revenue Requirement	2473.45
15	Less: Revenue Surplus for FY 2012-13	306.01
16	ARR for FY 2014-15 including adjustment for FY 2012-13	2167.44

Transmission Tariff

Sl. No.	Particulars	Unit	FY 2014-15
1	Transmission Tariff	Rs./MW/day	2,721

The order shall come into force with effect from 1st May, 2014.

Sd/-

DR. M.K. IYER
 Member

Sd/-

SHRI PRAVINBHAI PATEL
 Chairman

Place: Gandhinagar
 Date: 29/04/2014

