KARNATAKA ELECTRICITY REGULATORY COMMISSION

TARIFF ORDER 2023

OF

KPTCL

ANNUAL PERFORMANCE REVIEW FOR FY22

&

APPROVAL OF ANNUAL REVENUE REQUIREMENT

&

REVISION of TRANSMISSION TARIFF FOR FY24

12th May, 2023

No. 16 C-1, Miller Tank Bed Area,
Vasanthnagar, Bengaluru-560 052

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C O N T E N T S

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ABBREVIATIONS	
ABT	Availability Based Tariff
A & G	Administrative & General Expenses
ALDC	Area Load Dispatch Centre
APR	Annual Performance Review
ARR	Annual Revenue Requirement
ATE	Appellate Tribunal for Electricity
BESCOM	Bangalore Electricity Supply Company
CAPEX	Capital Expenditure
CERC	Central Electricity Regulatory Commission
CEA	Central Electricity Authority
CESC	Chamundeshwari Electricity Supply Corporation
CPI	Consumer Price Index
CWIP	Capital Work in Progress
DA	Dearness Allowance
DPR	Detailed Project Report
EA	Electricity Act
EC	Energy Charges
ERC	Expected Revenue From Charges
ESAAR	Electricity Supply Annual Accounting Rules
ESCOMs	Electricity Supply Companies
FoR	Forum of Regulators
FY	Financial Year
GESCOM	Gulbarga Electricity Supply Company
GFA	Gross Fixed Assets
GoI	Government Of India
GoK	Government Of Karnataka
HESCOM	Hubli Electricity Supply Company
HP	Horse Power
ICAI	Institute of Chartered Accountants of India
IFC	Interest and Finance Charges
IEGC	Indian Electricity Grid Code
IW	Industrial Worker
KASSIA	Karnataka Small Scale Industries Association
KEB	Karnataka Electricity Board
KER Act	Karnataka Electricity Reform Act
KM/Km	Kilometre
KPCL	Karnataka Power Corporation Limited
kV	Kilo Volts
kVA	Kilo Volt Ampere
kW	Kilo Watt
kWH	Kilo Watt Hour
LDC	Load Despatch Centre
MAT	Minimum Alternate Tax
MD	Managing Director

MESCOM	Mangalore Electricity Supply Company
MFA	Miscellaneous First Appeal
MIS	Management Information System
MoP	Ministry of Power
MU	Million Units
MVA	Mega Volt Ampere
MW	Mega Watt
MYT	Multi Year Tariff
NFA	Net Fixed Assets
NTP	National Tariff Policy
O&M	Operation & Maintenance
P & L	Profit & Loss Account
PCKL	Power Corporation of Karnataka Ltd.
P & G Trust	Pension & Gratuity Trust
PLR	Prime Lending Rate
PPA	Power Purchase Agreement
R & M	Repairs and Maintenance
ROE	Return on Equity
ROW	Right of Way
SBI	State Bank of India
SCADA	Supervisory Control and Data Acquisition System
SLDC	State Load Despatch Centre
SRLDC	Southern Regional Load Dispatch Centre
STU	State Transmission Utility
TSA	Transmission System Availability
TCC	Total Contracted Capacity
TR	Transmission Rate
WPI	Wholesale Price Index
WC	Working Capital

KARNATAKA ELECTRICITY REGULATORY COMMISSION

No.16C-1. Miller Tank Bed Area, Vasanthnagar
BENGALURU - 560 052

Dated 12th May, 2023

In the matter of:

Application of the Karnataka Power Transmission Corporation Limited, in respect of the Annual Performance Review for FY22, and consequential revision of Annual Revenue Requirement for FY24 and Revision of Transmission Tariff for FY24.

Present:	**Shri P. Ravi Kumar**	**Chairman**
	Shri H.M. Manjunatha	**Member**
	Shri M.D. Ravi	**Member**

O R D E R

The Karnataka Power Transmission Corporation Ltd (hereinafter referred to as KPTCL) is a Transmission Licensee, under the provisions of the Electricity Act, 2003. KPTCL, in terms of the provisions of the KERC (Tariff) Regulations, 2000 and KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006, as amended from time to time, has filed its application on 30th November, 2022, for Annual Performance Review for FY22, as per the audited accounts and consequential revision of ARR and transmission tariff for FY24.

In exercise of the powers conferred under Sections 62 and 64 and other provisions of the Electricity Act, 2003 and the KERC (Tariff) Regulations, 2000 read with the KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006, as amended from time to time and other enabling Regulations, the Commission has considered the said application of the KPTCL. The item-wise analysis, review and the Commission's decisions thereon are brought out in the subsequent chapters of this Order.

CHAPTER – 1

INTRODUCTION

1.0 A brief Profile of the State Transmission Utility - KPTCL

The Karnataka Power Transmission Corporation Limited, (KPTCL) is a transmission licensee under Section 14 and a State Transmission Utility (STU) under Section 39 of the Electricity Act, 2003 (hereinafter, referred to as the Act).

The KPTCL is a Company incorporated on 28th July, 1999, registered under the Companies Act, 1956 and has commenced its operations from 1st August, 1999. Initially the KPTCL performed the functions of both Transmission and Distribution of electricity in the State, which were earlier carried out by the erstwhile the Karnataka Electricity Board (KEB).

After unbundling and formation of separate Distribution Companies, the KPTCL was assigned with the functions of transmission of power from 1st June, 2002 as a Transmission Company, which also functions as the State Transmission Utility (STU) in Karnataka. The Distribution business was entrusted to the newly created Electricity Supply Companies (ESCOMs).

The bulk power purchase activity was separated from the functions of KPTCL as per the Electricity Act, 2003 from 10th June, 2005 and the KPTCL became an exclusive transmission company. The co-ordination of bulk power purchase activities has been vested with the newly formed Power Company of Karnataka Ltd., (PCKL).

The KPTCL enables the ESCOMs to supply electricity to around 285.97 lakhs consumers of different categories spread over the State covering an area of about 1.92 lakh square kilometers. To transmit power from different sources of generation, besides the CTU network, KPTCL, as on 31.03.2022, has 1299 substations and 40304 Ckt. kms of transmission lines which include 66 kV, 110 kV, 220 kV and 400 kV lines spread over the State.

To carry out its functions in a smooth and effective manner, the KPTCL has created six transmission zones, each headed by a Chief Engineer; sixteen circles, each headed by a Superintending Engineer; and fifty divisions, each headed by an Executive Engineer. The operation and maintenance of the transmission system in the State is looked after by thirty-five Transmission Line and Substation Maintenance Sub-divisions. Also, there are fifteen Transmission major works divisions to carry out the construction activities related to transmission system of the State.

Further, there are six Relay testing Circles covering sixteen relay Testing Divisions for protection, troubleshooting and maintenance of protective relays, metering and testing. These relay testing wings also carry out the pre-commissioning tests of new sub-stations, besides testing of interface meters at regular periods. Separate Hotline wing headed by the Chief Engineer is established. Separate hotline Circle is established with 2 hotline Divisions and 6 Sub-divisions to facilitate live line work (without taking LC) using hot stick method and also bare hand technique using insulated elevated platform for replacing punctured / broken insulator / deteriorated jumps and establish connectivity of receiving station / sub-station.

1.1 KPTCL at a glance:

Sl. No	Particulars		31.03.2022
1.	**Generation Capacity (connected to Transmission System)**	MW	
	a) KPC Hydro and Thermal	MW	8852
	b) CGS (Karnataka Share)	MW	4415
	c) NCE, IPPs and Others	MW	17676
2.	**No. of Receiving Sub-Stations**		
	a) 400 kV	Nos.	8
	b) 220 kV	Nos.	124
	c)110 kV	Nos.	465
	d)66 kV	Nos.	702
3	**Length of Tr. Lines**		
	a) 400 kV	CKms.	3701
	b) 220 kV	CKms.	12623
	c)110 kV	CKms.	11830
	d)66 kV	CKms.	12150
3.	Gross Assets as at the end of FY22	Rs. in Crores	27,663.44
4.	**Total employees:**		
	a) Sanctioned	Nos.	16,327
	b) Working	Nos.	9,510
5.	Demand for Transmission charges of Power to ESCOMs (FY22), wheeling and Miscellaneous Charges	Rs. in Crores	4,106.98
6.	Collection of transmission charges	Rs. in Crores	3,384.87
Source: KPTCL –SLDC load curve, KPTCL Website, APR Filing and Annual Accounts			

1.2 Transmission capacity of KPTCL in FY22:

The total transmission capacity in the State was 25500.50 MW during FY22. The ESCOM-wise transmission capacity for FY22 is as follows:

ESCOM WISE TRANSMISSION CAPACITY IN MW – FY22

Company	Capacity in MW
BESCOM	13043.50
MESCOM	1870.00
CESC	2847.00
HESCOM	4850.00
GESCOM	2890.00
TOTAL	**25500.50**

CHAPTER – 2

TARIFF APPLICATION PROCESS

2.1 BACKGROUND:

The Commission has approved the revised ARR and transmission tariff of KPTCL for FY22 in its Tariff Order dated 9th June, 2021. The KPTCL in its application dated 30th November, 2022, has sought approval of the revised ARR under APR for FY22 and consequential revision of ARR and Transmission Tariff for FY24.

2.2 Commission's Directives and Compliance by KPTCL:

The Commission, in its Tariff Order dated 9th June, 2021, has issued directives on various matters pertaining to transmission system maintained and operated by the KPTCL. The Commission has directed the KPTCL to ensure full compliance of the directives in a time bound manner.

The summary of the directives issued by the Commission and compliance by the KPTCL thereof, is appended vide Appendix, to this Order.

2.3 Public Hearing Process:

On receipt of the application of the KPTCL dated 30th November, 2022 filed for approval of APR for FY22 and consequential revision of ARR and transmission tariff for FY24, the Commission has communicated its preliminary observations on its application on 9th December, 2022. The KPTCL has filed its replies on 19th December, 2022.

The Commission, vide its letter dated 27th December, 2022, informed KPTCL that its tariff application has been treated as petition in terms of the Tariff Regulations subject to further verification and validation. Accordingly, the KPTCL was directed to publish the summary of the application in the newspapers within five days, in accordance with Clause 5(1) of the KERC (Tariff) Regulations, 2000, as amended from time to time.

In compliance of the above directions of the Commission, the KPTCL has published the summary of its application in the following newspapers on 31.12.2022 and 01.01.2023.

- Deccan Herald
- The Hindu
- Prajavani
- Udayavani

The KPTCL's Application for approval of APR for FY22 and consequential revision of ARR and Transmission tariff for FY24, was also made available on the web-sites of the KPTCL and the Commission. In response to the notices published in the above newspapers calling for objections on the approval of APR for FY22 and revision of ARR and transmission tariff of the KPTCL for FY24, the Commission has received **one** objection from stakeholders within the specified time and **four** objections received after due date.

The Commission held a Public Hearing on **13th February, 2023** in the Court Hall of the Commission and four person made oral submissions during the public hearing.

2.4 Consultation with Advisory Committee of the Commission:

The meeting of the Advisory Committee of the Commission was held on **24.03.2023.** The various issues involved in the KPTCL's application were discussed in the meeting and the Members offered valuable suggestions. The Commission has taken note of these suggestions, while finalising this Order.

CHAPTER – 3

PUBLIC CONSULTATION

SUGGESTIONS / OBJECTIONS & REPLIES

3.1 As per the provisions of Section 64 of the Electricity Act, 2003, the Commission has undertaken the process of public consultations duly inviting suggestions / views / objections from the stakeholders/ interested persons on the Application filed by the KPTCL for the approval of APR for FY22 and consequential revision of ARR and Transmission Tariff for FY24. Accordingly, the Commission held a Public Hearing on 13th February, 2023, in the Commission's Court Hall to provide an opportunity to the persons who are interested to express their views/ objections on the above application filed by KPTCL.

3.2 Written Objections:

The following persons have filed written objections:

Sl. No	Application No	Name & Address of objectors
1	KA-01	Sri. B. Praveen, Hon. General Secretary, KASSIA, 2/106, 17th Cross, Magadi Chord Road, Vijayanagar, Bengaluru – 560 040
2	KA-02	Sri. Lokaraj, Secretary General, FKCCI, KG Road, Bengaluru – 560 009.
3	KA-03	Sri. Deepak G Gala, No. 4-311, Opp. Basava Temple, Maktamapur, Kalaburagi – 585 101.
4	KA-04	Sri. Roy Mark Carlo, Loretto House, Amtady, Bantwal Taluk, Dakshina Kannada – 574 210.
5	KB-01	The Director (Finance), BESCOM, KR Circle, Bengaluru – 560 001

The summary of objections, the KPTCL's reply and the Commission's view are annexed as Appendix -1 to this Order.

3.3 Public Hearing:

During the Public Hearing held on 13th February, 2023, the Managing Director, KPTCL, made a brief presentation on the profile, performance and achievements of KPTCL for the Financial year 2021-22 and requested the Commission to approve the revised ARR after Annual Performance Review for FY22 and approve the revised ARR and Transmission Tariff for FY24.

Name of the persons, who have made oral submissions during the public hearing held on 28.02.2022.

Sl. No	Name & Address of objectors
1	Sri. Shrinath Bhandary, KASSIA.
2	Sri. Shridhar Prabhu, FKCCI(Advocate)
3	Sri. K.C. Nagaraju, Jagani
4	Sri. G.N. Krishnappa, Energy Engineering

The summary of points raised during public hearing is as follows:

Sri. Shrinath Bhabdary, KASSIA:

1. The additional Employee cost towards Pension and Gratuity claimed by the KPTCL may impact MSME activity due to increase in tariff.
2. As per Tripartite Agreement contribution to the P & G Fund shall have to be made by Government of Karnataka.
3. KPTCL needs to submit the pending works of FY23.

Sri. Shridhar Prabhu, FKCCI(Advocate):

1. The Financial Advisor, Regulatory Affairs, KPTCL has not been authorized to sign the affidavit in support of the impugned application and filing the same before the Commission.
2. Transmission tariff should be claimed in Rupees per unit and not on MW basis.
3. Government orders dated 15.11.2022 and 24.11.2022 on Pension contributions payable by the Government, are not binding on KPTCL or to the Commission.
4. KPTCL has filed additional Employee cost towards Pension and Gratuity in the petition before the amendment made to Karnataka Electricity Reforms Gazette on 06.01.2023.
5. Government of Karnataka's cannot amend the KER Act 1999 and as KPTCL is not authorised to recover the amount from tariff where the

liability has not been transferred to the book of accounts of KPTCL. This burden should not be passed on to the consumers in the form of tariff and KPTCL is nowhere connected to take responsibility of discharge of liability of the Government of Karnataka.

6. KPTCL being a STU, has to take care that the internal transmission lines should not be overloaded.
7. Under Section (32) of EA Act 2003, the functioning of SLDC should be separated from KPTCL.

Sri. K.C. Nagaraju, Jagani

In respect of power supply to layouts, Split/Partial approval for availing power supply in ESCOMs should be stopped, which make financial loss to KPTCL.

Sri. G.N. Krishnappa, Energy Engineering

a. Split/Partial approval for availing power supply to layouts in ESCOMs should be stopped and allow KPTCL to build stations to arrange power supply to such layouts.
b. There is delay in laying of transmission line to Mandur Sub-station

KPTCL's response:

For the objection raised by KASSIA and FKCCI, the KPTCL has submitted its response to the Commission on 23.02.2023.

Commission views:

During the public hearing, the Commission sought reply to the objection raised by KASSIA and FKCCI and the KPTCL has furnished its reply on 23.02.2023. The Commission has taken note of the reply furnished by the KPTCL and the matter has been dealt with appropriately in the relevant chapter of this Tariff Order.

CHAPTER – 4

ANNUAL PERFORMANCE REVIEW FOR FY22

4.0 KPTCL's Application for APR for FY22:

The KPTCL, in its application dated 30th November, 2022, in its prayer has requested the Commission to take up the Annual Performance Review (APR) for the FY22, and approve the revised ARR, based on its Audited Accounts for FY22.

The Commission, in its Multi-Year Tariff (MYT) Order dated 30th May, 2019 and Tariff Order dated 9th June, 2021 had approved revised Annual Revenue Requirement (ARR) of Rs.4276.07 Crores for FY22, which was inclusive of the deficit of Rs.34.18 Crores per APR for FY20 and amortized regulatory asset of Rs.331.41 Crores as per the Hon'ble ATE order dated 05.10.2020.

In this Chapter, the Commission has reviewed the Annual Performance of KPTCL for FY22, in accordance with the provisions of the MYT Regulations, keeping in view the KPTCL's application, the Audited Accounts for FY22, Commission's observations and the replies thereon furnished by KPTCL. The item-wise analysis of expenditure and revenue and the decisions, thereon, of the Commission are discussed in the following paragraphs:

4.1 KPTCL's Submission:

The KPTCL has submitted the details of revenue earned and item-wise expenditure incurred during FY22 for the purpose of carrying out APR as indicated below:

TABLE – 4.1
KPTCL's filing – APR FY22

Amount in Rs. Crores

Sl. No.	Particulars	As approved (Tariff Order dated 30th May, 2019 & Tariff Order dated 09th June, 2021)	As filed
1	Energy available for transmission in MU	77880.46	75677.11
2	Energy sold at IF Points in MU	75427.21	73416.39
3	Transmission Losses in MU	2453.25	2260.72
4	Transmission Loss in %	2.978%	2.987%
5	**Installed Capacity in MW**	23518	26861
6	**Revenue from Transmission Charges**	**4276.07**	**4106.98**
	Expenditure:		
7(i)	Employee Cost	1,850.52	1310.09
(ii)	Repairs & Maintenance		334.24
(iii)	Admin, & General Expenses		147.10
	Total O&M Expenses	**1,850.52**	**1791.43**
8	Depreciation	895.25	1169.27
9	Interest & Finance Charges	573.01	574.45
10	Interest on working capital	104.04	51.99
11	Return on Equity	843.36	892.64
12	Income Tax	0.00	287.33
13	Other Debits	0.00	34.76
14	Extraordinary items	0.00	-178.31
15	Less: Interest & Finance Charges capitalized	-81.91	-111.34
16	Less: Other Expenses capitalized	-48.74	-68.62
17	Less: Other Income	-225.04	-272.59
18	Net Prior Period Income/Charges	0.00	0.00
19	Carry forward and Deficit as per APR for FY20	34.18	0.00
20	Amortized Regulatory Assets (Over 5 years period as per the Orders of the Hon'ble APTEL dated 05.10.2020)	331.41	0.00
21	**Total ARR**	**4276.07**	**4171.01**
22	Less: Disallowance of imprudent capex for FY22	0.00	0.00
23	**Net ARR**	**4276.07**	**4171.01**
24	**Revenue Gap for FY22**	**0.00**	**64.03**
25	Transmission charges per unit in paise	54.91	55.12
26	**Transmission Charges in Rs. /MW/Month**	**151518**	**129401**

As per the APR application, KPTCL has reported a gap of Rs.64.03 Crores in revenue for FY22, as indicated above and has requested the Commission to approve the revised ARR of Rs.4171.01 Crores for FY22. In addition to the above, KPTCL has included Rs.5.33 Crores towards amount disallowed towards the works which were identified as imprudent for FY20 and FY21, which have now become prudent. Further, KPTCL has also claimed Rs.2734.10 Crores towards additional employee costs towards GoK portion of pension and Gratuity Expenditure consequent to G.O dated 15.11.2022 and corrigendum Order dated 24.11.2022. Thus, KPTCL has claimed a total revenue gap of Rs.2803.46 Crores for FY22.

The Commission has noted that, as per Format-A1 and the audited accounts, the KPTCL had earned a surplus of Rs.828.60 Crores for FY22.

4.2 Financial Performance of KPTCL as per Audited Accounts for FY22:

The overview of the financial performance of KPTCL for the FY22, as per its Audited Accounts, is as follows:

TABLE – 4.2

Financial Performance of the KPTCL – FY22

Amount in Rs. Crore

Sl. No	Particulars	FY22
	Revenue:	
1	Revenue from Operations	4106.98
2	Other Income	272.59
3	**Total Revenue**	**4379.57**
	Expenditure:	
4	**O & M Expenses**	
	Employee Cost	1310.08
	Repairs & maintenance	334.24
	A & G Expenses	147.10
5	Depreciation	1169.75
6	Interest& Finance Charges	626.44
7	Income Tax and Deferred Tax	287.33
8	Other Debits	34.76
9	Extraordinary items	-178.31
10	Expenses capitalized	-180.43
	Total Expenditure	**3550.96**
	Profit for the Year	**828.61**

As per the Audited Accounts, the KPTCL has earned a profit of Rs.828.61 Crores for the FY22. Considering the surplus earned by the Company in the previous years, the cumulative surplus as per the audited accounts, at the end of FY22 is Rs.4441.59 Crores, which is inclusive of profit earned during FY22.

4.3 Annual Performance Review for FY22:

The Commission has considered the actual revenue and expenses reported by KPTCL as per the Audited Accounts, vis-à-vis the expenses / targets approved by the Commission, in its Tariff Order dated 30th May, 2019 and the revised ARR as per Tariff Order dated 09th June, 2021, for the purpose of Annual Performance Review for FY22.

The Annual Performance Review (APR) of KPTCL for FY22, has been taken up by the Commission, in accordance with the provisions of the KERC (Tariff) Regulations 2000 and KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006, as amended from time to time. The analysis of item-wise expenditure and the decisions of the Commission thereon, are discussed in the following paragraphs:

i) Transmission Losses for FY22:

The Commission in its Tariff Order 2020, had fixed the revised average transmission loss target at 2.978% with upper and lower range of 3.028% and 2.928% respectively for FY22 on the basis of the methodology suggested by the KPTCL, wherein the total energy at interface points of the ESCOMs is deducted from the energy input from generation bus to the KPTCL grid, to arrive at the transmission loss in KPTCL system.

The KPTCL, in its filings, has reported transmission loss of 2.987%, as against the Commission approved annual average transmission loss of 2.977% for the FY22.

Preliminary observations of the Commission and KPTCL reply:

1. KPTCL has filed actual voltage-wise losses, as detailed below:

Voltage (in kV)	Losses(in %)			Filed by KPTCL
	FY 19	FY20	FY21	FY22
400kV	0.325	**0.288**	**0.292**	**0.260**
220kV	1.506	1.507	1.440	1.473
110kV	0.381	0.393	0.339	0.336
66kV	**0.949**	**0.941**	**0.968**	**0.919**

It is seen from the above Table that during FY22, there is marginal increase in loss levels in respect of 220kV transmission system. Hence, the Commission had directed the KPTCL to furnish the reasons for increase in the transmission losses under 220kV voltage class for FY22 over FY21. The Commission has also directed the KPTCL to entrust the study to a third party to study the reasons for higher transmission loss at 220 kV level and to submit the report to the Commission, by the end of February 2023.

The KPTCL, in its reply to the preliminary observations, has submitted that Transmission losses of any transmission network are dynamic in nature. The variation in transmission losses depends on the quantum of energy flow and the direction in which the flows take place. It is for this reason the Commission has indicated the range of losses within which the transmission network has to operate.

The increase in 220 kV losses over the previous year loss of 1.440 is marginal i.e., 0.03% and need not always follow a reduction path at all voltage levels.

The transmission losses for the entire network of KPTCL is well within the range prescribed by the Commission for FY22. Year on year the losses at different voltage levels are fluctuating. However, in FY22 losses in other voltage levels except 220 kV have come down as compared to FY21. The average transmission losses are showing reducing trend from FY 19 onwards as noted below:

Year	Loss Levels
FY19	3.161%
FY20	3.129%
FY21	3.025 %
FY22	2.977 %

Further, the transmission loss for the current year upto August is 2.992 % as against the target of 2.864% fixed by the Commission.

The Commission takes note of the reply submitted by KPTCL and as already directed KPTCL to initiate a detailed study in the matter of higher transmission losses at 220 kV level and after the receipt of Study Report, take remedial measures to address the issues, besides submitting a compliance report to the Commission.

2. The Commission had observed that in the tariff application filed by the KPTCL, the energy to be handled has been clubbed into one figure as 73416.388 MU and the energy transmitted at IF points with ESCOMs is shown as 64887.292 MU which includes EHT, IPP and ESCOM energy consumptions.

Energy Consumptions(in MU)		
EHT	IPP	ESCOMs IF points
6694.773	1834.322	64887.292

The ESCOMs, in their tariff applications have filed the energy at IF points for FY22 after deducting the transmission losses, as detailed below:

Energy Consumption by ESCOMs at IF Points for FY22 (in MU)					
BESCOM	MESCOM	CESC	HESCOM	GESCOM	Total
30084.58	5681.01	7537.42	13700.8	8749.50	65753.31

Whereas, as per KPTCL filing the ESCOM's energy at Interface points is 64887.292 MU, including energy drawn by ESCOM at 11kV and 33kV IF points, which also includes wheeled energy, auxiliary energy and energy drawn under STOA.

The KPTCL, in its reply to the Commission's preliminary observations has submitted the energy requirement of ESCOM's in the segregated in the prescribed format as below:

Sl. No.	Name of the ESCOMs	Energy in MU at IF points for FY22
1	BESCOM	34756.176
2	MESCOM	6143.097
3	CESC	8202.522
4	HESCOM	14738.948
5	GESCOM	9575.642
TOTAL		**73416.385**

KPTCL has also submitted that during the reconciliation of energy done with ESCOMs, the total Energy consumption of all ESCOMs is 73416.385 MU which is inclusive of energy drawn under STOA, Auxiliary, Wheeled Energy and Railway Traction.

The Commission notes that, as per the Audited Accounts the actual transmission loss by considering the total energy handled of 75671.008 MU and the total energy transmitted to ESCOM's and Hukeri RECS of 73418.331 MU, for FY22 in 2.977%.

After considering the replies furnished by KPTCL, and the audited accounts, the Commission has considered the actual transmission loss of 2.977% as reported by the KPTCL, based on the input energy and energy supplied exclusively at the interface points of the KPTCL transmission system. The Commission therefore, decides to approve the KPTCL's transmission loss of 2.977% for FY22. Since, the actual transmission loss of 2.977%, as reported by KPTCL for FY22, is well within the approved upper and lower range of 3.028% and 2.928%, KPTCL is not entitled for any incentive or penalty for achieving the transmission losses for FY22.

Hence, the Commission decides not to allow any incentive or levy penalty, as the actual transmission loss of 2.977% is within the approved lower and upper limits.

ii) Transmission System Availability (TSA):

KPTCL's Submission:

KPTCL, in its filing has submitted that it has achieved Transmission System Availability (TSA) of 99.19% and has requested to allow an incentive for achieving system availability above the target availability of 98% as specified under the MYT Regulations.

The details of Transmission System Availability (TSA) of the transmission lines, transformers and the reactors in the transmission system, as submitted by KPTCL vide its letter dated 07.11.2022 for FY22, are as follows:

TABLE – 4.3
Transmission System Availability – FY22

Name of the Transmission Zone	Total No of AC Tr. Lines	% Availability	Total No of ICT's	% Availability	Total No of switched BUS Reactors	% Availability	% Availability for the system
Bagalkote Zone	500	99.536%	647	99.923%	1	100.000%	99.754%
Bengaluru Zone	486	99.233%	721	99.931%	7	79.622%	99.534%
Kalaburagi Zone	330	99.567%	437	99.964%	0	0.000%	99.793%
Hassan Zone	250	94.501%	374	99.917%	3	100.000%	99.758%
Mysuru Zone	227	99.919%	341	99.950%	0	0.000%	99.938%
Tumakuru Zone	163	99.325%	427	99.947%	6	88.760%	99.664%
Total	**1956**	**98.183%**	**2947**	**99.935%**	**17**	**87.254%**	**99.195%**

Commission's Analysis:

i) The Commission, while examining the Transmission system availability, had made the following observations:

a. The reasons for unscheduled interruptions for BTPS-Guttur line and Thallak-Challakere Line-1 (Tumakuru Zone) for 331.60 Hours and 1178.07 Hours respectively, may be furnished.

b. The percentage availability of Static VAR Compensators has been considered as 95.88% as against 94.60% in Format 'F-5 abst New' of TSA for Bengaluru Zone, resulting in TSA for the system as 99.43% as against 99.40%.

c. The availability of BUS reactors in Format-5 in Bagalkote Zone has been considered as 0.00 as against 100%. The same may be corrected.

d. KPTCL shall submit the details of all the forced outages faced by RE generators for want of transmission network and suitable action plan to address them suitably.

KPTCL in its reply to the preliminary observations, has submitted that:

i. KPTCL has submitted the event-wise reasons for unscheduled interruptions for BTPS–Guttur and Thallak-Challakere#1 for 331.60 Hours and 1178.07Hours (Tumkur zone).

ii. The percentage availability of Static VAR Compensators has been wrongly considered. Since the formula for calculating Transmission System Availability (TSA), does not include this Static VAR Compensators data, the overall TSA for the State remains un-changed at 99.43%.

iii. There are no Un-scheduled interruptions of Bus Reactors during FY22. Since the link was missing in Format-5 "ABSTRACT" it is taken as "0"%. The availability of BUS reactors in Format-5 in Bagalkote zone is re-corrected as 100% in Format-5. Transmission System Availability for the system remains un-changed.

iv. The SLDC issues back down instructions to RE generators as part of grid operations to ensure grid security and maintain the frequency in the permissible limits in terms of IEGC/KEGC. Other than the above events and outages during scheduled maintenance, KPTCL has informed that no forced outages are imposed on RE generators.

The Commission, vide its letter dated 09.12.2022 & reminder e-mail dated 31.01.2023 had directed the ESCOMs to confirm the zone-wise Transmission System Availability (TSA) of KPTCL for the period April 2021 to March 2022. All the ESCOMs, except MESCOM, had concurred with the TSA as submitted by KPTCL for their respective zones. However, MESCOM had raised certain queries regarding mismatch in the details of unscheduled interruptions pertaining to

Mangaluru circle with respect to Hassan Zone, thereby the TSA of Hassan Zone worked out to 97.7429% instead of 97.7580%. The queries raised by MESCOM was forwarded to KPTCL for clarification. Accordingly, KPTCL vide its letter dated 21.02.2023, had clarified the following:

1. Due to formula error, the availability of 220kV & 110kV transmission lines pertaining to Mangalore Circle was reflected as 100% to all the transmission lines, same has been verified and corrected.
2. Availability of 66kV 'Doddakadnur to Doddahally transmission line' pertaining to Hassan Circle was reflected as 16.67%, the same has been verified and corrected to 99.99%.
3. Availability of '66kV Manjunathpura-Santhebachally transmission line' pertaining to Hassan Circle was reflected as 99.99% same has been verified and corrected to 100%
4. Accordingly, the overall TSA of Hassan Zone for FY22, has been corrected/modified to 97.7608%.
5. Thus, KPTCL submitted that the overall transmission system availability for FY22 works out to 99.1954% as against 99.1947%. KPTCL stated that the TSA of 99.19% as filed in the Petition thus, holds good.

The Commission, after duly validating the submissions made by the KPTCL, has considered the TSA at 99.19%, and directs KPTCL to consistently improve and maintain its TSA, by monitoring and taking remedial measures in respect of the transmission elements which are prone to show lower availability. **KPTCL shall also ensure that no RE Generation is affected by transmission system constraints.**

iii) Incentive for Transmission System Availability:

The Commission in accordance with the provisions of Regulation 3.17(1) of the KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006, is allowing an incentive to the Transmission Licensee for achieving system availability above the target availability of 98%. Hence, considering the availability and the net ARR for FY22 as approved by the Commission in this order, the allowable incentive for the FY22 is calculated as follows:

TABLE – 4.4

Incentive for better Transmission System Availability

Particulars	FY22
System Availability Target	98%
Actual System Availability for FY22	99.19%
Maximum Availability considered to allow incentive (No incentive allowed beyond 99.75% as per MYT Regulations)	99.75%
Availability beyond target levels	1.19%
Incentive for Availability beyond target levels linked to approved ARR in Rs. Crores	49.54
50% to be shared with the ESCOMs and balance to be retained by KPTCL Rs. Crores	**24.77**

The total incentive earned by the KPTCL on account of improved system availability for the FY22 is Rs.49.54 Crores. The Commission hereby approves sharing of the gains with ESCOMs in the ratio of 50:50. Thus, the incentive on account of system availability achieved by KPTCL beyond the target set by the Commission for FY22, is Rs.24.77 Crores.

The Commission, therefore, directs the KPTCL to recover the above incentive of Rs.24.77 Crores from the ESCOMs, in proportion to their actual transmission capacity for the FY22. It is reiterated that KPTCL shall utilize the incentive received towards adoption of technological advancements in tools & machineries and also to impart advanced training to its officers and employees, to improve their efficiency in performance and report compliance thereof, to the Commission.

iv) Operation and Maintenance Expenses:

KPTCL's Submission:

KPTCL in its application, has claimed the actual O&M expenses of Rs.1791.43 Crores as per audited accounts as against Rs.1850.52 Crores approved by the Commission for FY22. The claimed O&M expenses includes Employee costs of Rs.1310.09 Crores, Administration and General Expenses of Rs.147.10 Crores and Repairs & Maintenance expenses of Rs.334.24 Crores.

The Commission, in its Tariff Order dated 9th June, 2021, had approved O&M Expenses of Rs.1850.52 Crores for FY22, inclusive of contributions of terminal benefits to P&G Trust and the leave contribution. Thus, the actual O&M Expenses claimed by KPTCL is lower than the approved expenses by Rs.59.09 Crores.

KPTCL in its application has submitted that, as per Annual Accounts, it has incurred Rs.1252.92 Crores for FY22 towards employee costs after deducting the expenses shared by ESCOMs, employee cost capitalized and KPTCL portion of P&G Trust. The employee cost includes the contribution to P&G Trust of Rs.342.57 Crores and Rs.92.26 Crores towards earned leave encashment.

KPTCL has submitted that the net R&M expenses incurred for the year is Rs.334.22 Crore, which is after deducting Rs.0.0145 Crores of capitalized R&M expenses.

KPTCL has computed the O&M Expenses at Rs.2316.05 Crore as per the norms as specified by the Commission towards operation and maintenance of lines and Bays for FY22. However, the actual O&M Expenses as per Annual Accounts is Rs.1791.43 Crores (before deducting Rs.68.61 Crores of capitalized expenses) for FY22. **KPTCL in its filing has requested the Commission to allow O&M expenses as per actuals, as brought out in the annual accounts for FY22.**

Commission's Analysis and Decision:

The Commission's preliminary observations on O & M expenses and replies furnished by KPTCL thereon are discussed below:

a) KPTCL, as per the GO dated 15.11.2022 and 24.11.2022, has claimed Rs.2734.10 Crores towards GoK portion of Pension and Gratuity Expenditure in contravention of the existing provisions of Karnataka Electricity Reforms (Transfer of Undertakings of KPTCL and its Personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002. The Commission, in its earlier tariff orders, while approving the ARR of the KPTCL & ESCOMs had made its stand very clear that, the expenditure towards P & G contributions has to be borne by the Government. Despite this, KPTCL has claimed a huge amount to be passed on to the consumers, without proper justification. KPTCL shall furnish the reasons for claiming the past arrears pertaining to GOK portion of P&G

contribution amount in its APR for FY22, which is in contravention of the existing provisions of KER Rules, 2002.

KPTCL in its reply to the preliminary observations, has submitted that GoK vide G.O. dated 15/11/2022 has directed KPTCL;

1) To amend the existing provision of Karnataka Electricity Reforms (Transfer of Undertakings of KPTCL and its Personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002, for Rule 4(13) (1).

2) To claim GoK portion of pension and gratuity from FY 2023-24 onwards in KPTCL's Tariff and transfer the same to P&G Trust.

3) To claim the arrears of GoK portion of pension and gratuity contribution of Rs.3357.27 Crores for the year 2021-22 and 2022-23 in three equal installments in KPTCL's Tariff and transfer the same to P&G trust.

Commission's Analysis and Decision:

The Commission has taken note of the above replies furnished by KPTCL and the amount of expenditure booked as per the audited accounts for FY22. The analysis of the Commission and decisions thereon are discussed below:

The Commission, in its Tariff Order dated 30th May, 2019, while approving the O&M expenses for FY22 had considered 25440 number of Bays and 40152 Ckt. Kms of transmission Lines. The actual number of Terminal Bays and the length of Ckt. Kms. of transmission lines constructed by the KPTCL, as furnished by KPTCL are shown below:

TABLE - 4.5
Length of Transmission Lines and No. Bays

Transmission Lines-Voltage class:	Transmission lines (in Circuit kms) as on 31.03.2022)
400 KV	3701
220 KV	12623
110 KV	11830
66 KV	12150
TOTAL	40304
Type of Bay	**Nos. as on 31.03.2022**

Line Bay	6017
Transformer bay	2921
PT Bay	1838
Capacitor Bank Bay	1242
11 KV Bay	13991
Total	26009

From the above table, the Commission notes that, KPTCL has achieved its target for achievement of the proposed length (Ckt. Kms.) of transmission lines and bays for FY22.

Thus, in line with the earlier Tariff Orders and as per CERC Notification No. Eco TI/2022-CERC dated 30.03.2022, the Commission decides to continue to compute composite inflation index based on 80% weightage in respect of CPI and 20% weightage in respect of WPI. Based on this composite inflation index, the Commission has computed the inflation factor, as per the methodology adopted by the CERC, in its orders on escalation rates, issued from time to time, as under:

TABLE - 4.6
Computation of Inflation Rate

Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1)* (LnRt)]
2010	89.7	61.1	66.82				
2011	98.2	66.5	72.84	1.09	0.09	1	0.09
2012	105.7	72.7	79.30	1.19	0.17	2	0.34
2013	111.1	80.6	86.70	1.30	0.26	3	0.78
2014	114.8	85.7	91.52	1.37	0.31	4	1.26
2015	110.3	90.8	94.70	1.42	0.35	5	1.74
2016	110.3	95.3	98.30	1.47	0.39	6	2.32
2017	114.1	97.6	100.90	1.51	0.41	7	2.88
2018	118.9	102.4	105.70	1.58	0.46	8	3.67
2019	121.2	110.2	112.40	1.68	0.52	9	4.68
2020	121.8	116.3	117.40	1.76	0.56	10	5.64
2021	135.0	122.0	124.60	1.86	0.62	11	6.85
A= Sum of the product column							**30.25**
B= 6 Times of A							**181.51**
C= (n-1)*n*(2n-1) where n= No of years of data=12							**3036.00**
D=B/C							**0.06**
g(Exponential factor)= Exponential (D)-1							**0.0616**
e=Annual Escalation Rate (%)=g*100							**6.1611**
As per CERC Notification No. Eco T I / 2022-CERC dated 30.03.2022 with weightage of 80% on CPI and 20% on WPI							

As per the MYT Regulations, the O&M expenses of the transmission licensee are treated as controllable expenses. The major components of the O & M expenses are: Employees Cost, Administration and General Expenses and

Repairs and Maintenance expenses. The audited accounts for FY22 indicate the actual expenses incurred under these heads of expenditure. The Commission notes that the uncontrollable O&M expenses of contribution made by KPTCL towards Pension and Gratuity and earned leave encashment to Pension and Gratuity Trust as per the audited accounts for FY22 is Rs.342.57 Crores and Rs.84.78 Crores (after deducting the provision created for half pay leave, which is not uncontrollable) respectively.

The Commission, in accordance with Clause 2.5.1 of the MYT Regulations, has computed the normative O&M expenses considering the values of the base year of the Control period determined on the basis of the latest available audited accounts, best estimates for the relevant years and other factors considered appropriate by the Commission, after applying the tests for determining the controllable and uncontrollable nature of various items. Thus, the normative O&M expenses have been determined, considering the actual O&M expenses incurred by the KPTCL during the base year in 2019 and the O&M expenses approved by the Commission for FY20 and FY21, the actual number of bays and length of transmission lines in circuit kilometers and the inflation factor for the year 2022.

Considering the inflation rate of 6.1611%, the normative O & M expenses for the FY22 will be as follows:

TABLE – 4.7

Approved Normative O&M Expenses for FY22

Amount in Rs. Crores

Particulars	Amount
O&M cost in terms Rs. Thousand/bay	423.55
O&M cost in terms Rs. Thousand/Km of Line	113.03
Inflation rate (%)	6.1611
No. of Bays	26009
Length of Line in Kms	40304
O&M Expenses for Bays Rs. Crores	1101.62
O&M Expenses for Lines Rs. Crores	455.56
TOTAL O&M Expenses as per Norms Rs. Crores	**1557.18**

Thus, the normative O&M expenses without considering the contribution to P&G Trust and leave encashment works out to Rs.1557.18 Crores. Further, considering Rs.342.57 Crores towards P&G contribution and Rs.84.78 Crores towards Earned

Leave encashment as an uncontrollable O&M expenses, the allowable O & M expenses for the FY22 is worked out as under:

TABLE – 4.8
Approved Allowable O & M expenses for FY22

Amount in Rs. Crores

Particulars	FY22
O&M Expense as per Norms Rs. Crores	1557.18
Additional O&M Expenses on account of P&G Contribution and Earned Leave Encashment	427.35
Allowable O&M Expenses with P&G Contribution, Leave contribution and Arrears of Pay revision	**1984.53**

Thus, considering the above uncontrollable O&M expenses of Rs.427.35 Crores, the total allowable O&M expenses works out to Rs.1984.53 Crores for FY22. However, the Commission notes that as per audited accounts, KPTCL has incurred an expenditure of Rs.1783.94 Crores towards O&M expenses which consists of Rs.334.24 Crores, Rs.1302.61 Crores (HPL contribution of Rs.7.48 Crore not considered) and Rs.147.10 Crores towards R&M expenses, Employee expenses and A&G expenses respectively.

KPTCL, in its filing, has stated that the allowable O & M Expenses as per norms is Rs.2316.05 Crores for FY22. However, it has requested the Commission to allow the actual O & M expenses of Rs.1722.81 Crores (excluding expenses capitalised). The actual total O & M Expenses incurred by including the capitalized amount works out to Rs.1783.94 Crores (exclusive of encashment provisions created for Half Pay Leave of Rs.7.48 Crore). Hence, the Commission hereby decides to approve the actual expenses of Rs.1783.94 Crores, as total O&M expenses for the FY22.

As regards the claim of Rs.2734.10 Crores made by KPTCL towards arrears of GoK portion of the Pension and Gratuity (P & G) amount as per G.O. dated 15.11.2022 and Corrigendum dated 24.11.2022, the Commission notes that as per the existing Rules governing the payment of Government portion of P & G contributions, the same has to be met by the Government on the basis of "Pay as You Go" as was decided by the Government and even if the Government intends to amends the existing Rules, the amended Rules will have prospective effect and cannot be given effect retrospectively from FY21-22 onwards.

Hence, as per the applicable provision of the GoK Rules in the relevant periods, and the provisions of Tripartite Agreement agreed between the parties, the GoK portion of the contribution to P&G Trust shall be payable by GoK only and the Commission is unable to consider the above claims in the revised ARR of KPTCL for FY22.

Regarding the claim made by the KPTCL towards GoK portion of contributions to P&G Trust of Rs.1616.34 Crores, the Commission notes that, KPTCL has included this amount in the APR for FY22 much before the issue of amendment to the KER (Transfer of Undertaking of KPTCL and its Personnel to Electricity Distribution and Retail Supply Companies) Rules 2002. The inclusion of the Government committed portion of the contributions to P&G Trust is a severe burden to the consumers. The Commission notes the steep rise in the power purchase cost on account of steep rise in the coal prices and other factors which has resulted in increase in financial losses by the ESCOM's. Further addition of huge amount of GoK portion of P&G contribution in the ARR and Retail Supply Tariff would be a severe burden on the consumers, which in turn results in consumers moving away of the from the ESCOM's grid and avail open access which would affect further loss to the ESCOMs. Hence, for the present the Commission is unable to accept the claims of KPTCL for inclusion of GoK portion of P&G contribution for FY23-24 in the ARR and retail supply tariff for FY24.

v) Depreciation:

KPTCL, in its application has stated that, as per the audited accounts, the net depreciation after excluding the capitalized depreciation amount of Rs.0.49 Crores is Rs.1169.27 Crores for FY22. Hence, KPTCL has claimed Rs.1169.27 Crores towards net depreciation as against Rs.895.25 Crores, approved by the Commission in its Tariff Order dated 9th June, 2021.

Commission's Analysis and decision:

The Commission, in accordance with the provisions of the KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006, as amended from time to time has determined the allowable depreciation duly considering the actual average gross block of fixed assets for FY22.

The gross depreciation before capitalization is Rs.1169.75 Crores as per the audited accounts for FY22. Out of this amount, Rs.0.487 Crores being the capitalized depreciation amount. After excluding the depreciation on the assets created out of consumer contribution / grants of Rs.136.997 Crores accounted under other income head of account and depreciation charged on SLDC assets of Rs.0.22 Crores, the net depreciation for FY22 works out to Rs.1032.05 Crores. The Asset-wise break-up of depreciation is shown as under:

TABLE – 4.9
Allowable Depreciation for FY22

Amount in Rs. Crores

Sl. No	Particulars of assets	Depreciation for the Year
1	Land and Rights/leased assets	0.676
2	Building and structures	27.488
3	Plant and Machinery Substation Transformers, Circuit breakers, other fixed apparatus of rating 100 MVA and above.	566.301
4	Substation Transformers, Circuit breakers, other fixed apparatus of rating below 100 MVA .	548.033
5	Hydraulic Works	7.571
6	Other Civil Works	12.760
7	Vehicles	2.463
8	Furniture Fixtures	1.556
9	Office Equipment	0.227
10	Intangible Assets	0.245
11	Depreciation on released assets and released assets issued to repairs.	2.435
12	**Gross Depreciation (Before Capitalisation)**	**1169.754**
13	Less: Depreciation withdrawn on assets created out of consumer contribution and grants	136.997
14	Less: Depreciation on SLDC assets	0.220
15	Less: Depreciation Capitalised	0.487
	Allowable Net depreciation	**1032.05**

Thus, the Commission decides to allow Rs.1032.05 Crores towards Depreciation for FY22.

vi) Capital Expenditure for FY22:

KPTCL's submission:

KPTCL, in its APR filing has submitted the capital works achievements for having incurred capex of Rs.3014.13 Crores for FY22, is as under:

TABLE - 4.10
Details of Capital works achievements

Particulars	Stations (in No's)	Capacity Added in MVA	Line constructed in Ckt. Kms	Augmentation Works (in No's)
400 kV	0	0	0	-
220 kV	10	2300	434.186	7
110 kV	21	360	654.576	58
66 kV	10	127	374.671	107
Total	**41**	**2787**	**1463.43**	**172**

The KPTCL, in reply to the preliminary observations, has furnished the breakup of capital expenditure in respect of capital works achieved during FY22, as follows:

TABLE – 4.11

Capital expenditure of KPTCL for FY22

(Amount in Rs. Crores)

Particulars	Actual capital expenditure
Sub-Station works `	1018.41
Line Works	1343.11
Augmentation Works	518.37
Other works	134.24
Total	**3014.13**

Commission's Analysis and Decision:

The Commission, in its MYT Order 2019, had recognized Rs.2,000.00 Crores as capex and had considered Rs.1,500.00 Crores for determination of ARR and transmission tariff computation for FY22, subject to prudence check and also directed KPTCL that, if it requires any additional capex, it shall incur the same through re- appropriation of the amounts saved in other heads of expenditure, with proper justification.

KPTCL, in its APR filing for FY22, has stated, that it has incurred a capex of Rs.3014.13 Crores, which exceeds the approved capex amount. The Commission, in its preliminary observations, had directed KPTCL to furnish the reasons for exceeding capex of Rs.2000 Crores for FY22, without approval of the Commission along with quantifiable justification in respect of the following objectives, as cited in the MYT Order 2019:

a) To meet additional load;
b) To improve voltage profile;
c) To take up Green Energy Corridor Projects;
d) To strengthen the Bengaluru city transmission network;
e) To facilitate 24/7 power supply by ESCOMs.

KPTCL, in its reply has submitted that KERC, vide its Tariff Order of KPTCL dated 30.05.2019, had recognized a Capex of Rs.2000 Crores for each of the years of Control period FY20-22, subject to prudence check. And also directed "KPTCL not to approach the Commission in the middle of the year for any additional capex requirement".

Further, KPTCL has submitted that the Right of Way (RoW) issues for establishing transmission corridor are increasing year on year along with increase in payment towards compensation for land as also there is increase in costs of material and labor for construction of stations and lines as per revised IEEMA rates and also requested the Commission to consider the net present value of the investments which are made for future requirement needs like meeting additional load, which would also simultaneously result in improved voltage profile. However, KPTCL has not backed up these submissions with specific data giving the details of cases of increase in capital cost by way of payment of compensation and the actual increase in cost due to increase in rates revised by IEEMA.

As regards the concept of 'net present value' cited by KPTCL, the Commission desires to know as to how far this NPV concept is helpful in justifying the excess capex over and above the approved amounts. In the guidelines issued by the Commission on capex, no such concept is envisaged. Hence, the Commission is unable to consider the NPV concept for increase in capex.

The capital expenditure is being approved on the basis of average of the capex achieved by KPTCL in the previous years. Hence, the Commission is of the opinion that the reply furnished by the KPTCL is vague and not satisfactory.

The Commission would like to make it clear that KPTCL cannot take the approval of the Commission for granted, by exceeding the approved capex.

Further, KPTCL should note that, before approving the capital works to be taken up during the year, the Commission while determining the transmission tariff has considered all aspects such as debt equity ratio, borrowings, repayments, the internal resources and tariff impact of allowing such capex. If the approved capex is exceeded, KPTCL would not recover the tariff to the extent of capex incurred over and above the approved capex. Hence, it is implied that KPTCL would adhere to the approved capex in order to maintain the financial discipline expected of a public utility. In case the approved capex is exceeded, KPTCL should justify the same by identifying the spill over works pertaining to previous financial years but completed in the current financial year. But, KPTCL has not furnished the details of spill over works taken up during FY22. Thus, it is evident that KPTCL is not monitoring its spill over works and the new works to be taken up during the current year, which is perhaps resulting in failure to maintain financial discipline.

It is observed that the details of Opening Balance and Closing Balance provided in Annexure-12 (replies to preliminary observations) do not match with Format – 17 of the APR filing for FY22. The Commission took serious note of this and directed KPTCL to maintain proper records in respect of capex incurred during the year pertaining to each of the works completed/commissioned and categorized, which will further enable proper accounting and monitoring of the execution of works.

Further, justifying the capex incurred, KPTCL has submitted that it has undertaken seven works for evacuation of around 4794 MW of Renewable Energy under **Green Energy Corridor Phase-I** of MNRE and waiting for concurrence of MNRE in respect of 13 works proposed under Green Energy Corridor Phase-II. It is stated that an amount of Rs.228.56 Crores has been received towards, Grant in respect of GEC works. However, KPTCL has not clarified the total grant received for FY22.

KPTCL has also stated that it has added 1886.4 MVA in respect of Augmentation works while justifying the capex. Also KPTCL has submitted that it has commissioned 34 numbers of stations and 66 numbers of transmission lines.

As regards financing of the capex, it is indicated that KPTCL has adhered to the Debt equity ratio as per MYT Norms and that the capex has been met by borrowings and the internal sources.

As per the audited accounts, KPTCL has incurred an amount of Rs.574.45 Crores towards interest and finance charges as against approved amount of Rs.573.01 Crores vide its MYT Order dated 30th May, 2019. Since the KPTCL has incurred the interest& Finance charges with only a marginal increase, the tariff impact towards this is not significant and hence, the Commission recognizes the capex of Rs.3014.13 Crores for FY22.

KPTCL, in its APR filing for FY22, has requested the Commission to allow Rs.5.83 Crores, which was disallowed earlier in respect of 2 numbers of imprudent works duly indicating the amount in total revenue gap in Table-10 and overall gap for inclusion in Tariff for FY23.

KPTCL shall take note that the Commission in its Tariff Order 2021 dated: 09.06.2021 and MYT Order 2022 dated: 04.04.2022, had disallowed the depreciation and interest on loans in respect two numbers of imprudent works amounting to Rs.1.51 Crores and Rs.3.82 Crores in APR of FY20 and FY21 respectively. The amount was disallowed for the respective years for not being Prudent in that year. **In view of this, KPTCL is informed that the amount once disallowed in the respective years for not being prudent cannot be reversed/added in ARR gap (FY23) and same cannot be passed on to the consumers.**

Prudence Check of Capital Expenditure for FY21 and FY22:

The Commission, in its Tariff Orders dated 4th November 2020 and 9th June 2021, had allowed Capital expenditure incurred by the KPTCL for FY21 and FY22 respectively, subject to carrying out the prudence check of the various capital works undertaken by KPTCL. Accordingly, the Commission had entrusted conducting prudence check of capital expenditure to Consultants.

The Consultants have submitted the report in the matter. The Commission had forwarded a copy of the report of the Consultant to KPTCL for information and to submit its comments on the findings of the report in the matter of imprudent works. KPTCL has submitted its compliance on 24.03.2023. For the imprudent work KPTCL has submitted that CESC is responsible for not completing the link line to evacuate power. The matter was referred to CESC for its comments. Since the replies from CESC were not received on time, the findings of the report on prudence check could not be incorporated in this Order. Hence, the Commission will take a view on the report including previous years' imprudent works, after analyzing the replies from the CESC and KPTCL to incorporate the disallowance or otherwise in the ensuing Tariff Order.

vii) Interest and Finance Charges:

The KPTCL in its filing, has claimed an amount of Rs.574.45 Crores as against Rs.573.01 Crores as approved by the Commission in the Tariff Order dated 30th May, 2019, towards interest on capital loan for FY22.

Commission's Analysis & Decision:

The Commission, in its preliminary observations had noted that KPTCL in Format T-9, has indicated the details of both long term capital loan and working capital loan for FY22. Hence, KPTCL was directed to furnish the loan-wise interest rates on the amount of loan borrowed with reference to the loan as per Audited Accounts for FY22. Accordingly, KPTCL in its reply to the preliminary observations, has submitted the statement showing Loan-wise interest rates and other details like tenure of the loan, maturity date, etc.

The Commission notes that, the interest and finance charges on capital loan of Rs.574.45 Crores, includes interest on belated payment of income tax for Rs.9.27

Crores for FY22. For computation of interest and finance charges on capital loans, the Commission has considered the opening and closing balance of long-term loans, new loans availed and repayment of loans made during FY22, as per the details provided under Format – T9 and Audited Accounts for FY22. Based on the opening and closing balances of long-term capital loans, the average capital loan for the year FY22 works out to Rs.8006.84 Crores. The actual amount of interest on capital loans, without considering interest on belated payment of income tax of Rs.9.27 Crores works out to Rs.565.18 Crores for FY22. The weighted average rate of interest works out to 7.06%. The details of the allowable interest on capital loans is worked as follows:

TABLE – 4.12
Allowable Interest and Finance Charges

Amount in Rs. Crores

Particulars	FY22
Opening balance of capital loan	7592.76
Add: New Loans borrowed (secured & unsecured)	1558.00
Less: Repayments during the year	729.83
Total loan at the end of the year	8420.92
Average Loans	8006.84
Interest on long term loans, as per audited account (Without allowing interest on belated payment of income tax for RS.9.2704 Crs.)	565.18
Weighted average rate of interest based on the actual interest provided on long term loans in FY20 as per audited accts in %	7.06%
Allowable interest on long term loans	**565.18**
Less: Interest capitalized	111.34
Net Allowable Interest	**453.85**

As the actual weighted average rate of interest on capital loan of 7.06% is comparable with the prevailing interest rates for long term capital loans, the Commission decides to allow the actual interest on long term capital loans of Rs.565.18 Crores excluding the interest on belated payment of income tax of Rs.9.27 Crores for FY22. Further, considering the actual capitalization of interest on long term capital loan of Rs.111.34 Crores as per the audited accounts, the net interest on long term loans works out to Rs.453.85 Crores for FY22.

Thus, the Commission decides to allow the gross interest on long term loans of Rs.565.18 Crores and Rs.111.34 Crores towards capitalization of interest on capital loan for FY22.

viii) Interest on Working Capital:

The Commission, in its Tariff Order dated 30th May, 2019, had approved an amount of Rs.104.04 Crores towards interest on working capital for FY22, as per the provisions of the MYT Regulations. KPTCL, in its filing has claimed the actual amount of Rs.51.99 Crores incurred towards interest paid to Commercial Banks on working capital for FY22.

The Commission notes that, as per the Regulations, the Interest on working capital works out to be Rs.102.52 Crores. Thus, the KPTCL is entitled to interest on working capital for FY22, as per the norms under MYT Regulations, which is worked out as follows:

TABLE – 4.13

Allowable Interest on Working Capital

Amount in Rs. Crores

Particulars	FY 22
One-twelfth of the amount of O&M Exp.	148.66
Stores, materials and supplies 1% of Opening balance of GFA	245.97
One-sixth of the revenue from Transmission users at the prevailing tariffs	684.50
Total Working Capital	**1079.13**
Rate of Interest (% p.a.)	9.50%
Interest on Working Capital	**102.52**
Actual Interest on WC as per accounts	51.99
As per Regulations actual plus 50% of difference (savings) between actual and normative	**77.25**

Thus, the Commission decides to allow Rs.77.25 Crores towards interest on working capital for FY22.

ix) Other Debits:

KPTCL in its Petition, has claimed an amount of Rs.34.76 Crores towards other debits for FY22. This amount includes provision of Rs.8.88 Crores relating to provision made for Service Tax, penalty levied by IT Department and other provisions and Rs.25.88 Crores towards Other debit expenses.

The Commission notes as per the audited account under note 32.1(A) to (F) that the other expenses debits includes the provision made for Service Tax, cost of non-returned transformers issued for repair and penalty levied by Income Tax Department for delay in payment of TDS amount of Rs.8.8748 Crores for FY22. Thus, the Commission, as per the provisions of the MYT Regulations, without considering amount of Rs.8.88 Crores decides to allow an amount of **Rs.25.88 Crores** towards Other Debits for FY22.

x) Return on Equity:

The KPTCL in its Petition, has claimed an amount of Rs.892.64 Crores towards Return on Equity for FY22, as against Rs.843.36 Crores as ROE grossed up with MAT approved by the Commission in its Tariff Order dated 30th May, 2019. The details of the KPTCL's submission on RoE are as follows:

TABLE – 4.14

Return on Equity - KPTCL's Submission

Amount in Rs. Crores

Calculation of RoE	FY22
Paid-up share capital	2182.32
Share Deposit	0.00
Reserves and Surplus	3576.63
Total Equity	5758.95
RoE @ 15.50%	**892.64**

Commissions Analysis and Decision:

In accordance with the provisions of the MYT Regulations, the Commission has considered the opening balance of equity, based on the amount of paid-up share capital, share deposits and accumulated balance of surplus / deficit in profit and loss account under 'Reserves and Surplus' of the audited accounts for FY22.

Further, the Commission, in compliance of the Orders of the Hon'ble ATE in Appeal No.46/2014, has been indicating the details of opening and closing balances of gross fixed assets along with break-up of equity and loan component in all its Tariff Order.

The details of GFA, debt and equity (net-worth) for FY22 are indicated as follows:

TABLE – 4.15
Status of Debt Equity Ratio for FY22

Amount in Rs. Crores

Particulars	GFA	Actual Debt	Actual Equity (Net-worth)	Normative Debt @ 70% of GFA	Normative Equity @ 30% of GFA	%age of actual debt on GFA	%age of actual equity on GFA
Opening Balance	22767	7592.759	5758.957	15936.90	6830.10	33.35%	25.30%
Closing Balance	25245.49	8420.918	6623.917	17671.84	7573.65	33.36%	26.24%

From the above table, it is evident that the actual debt equity ratio is within the normative debt equity ratio of 70: 30, on the opening and closing balances of GFA for FY22.

Based on the above, the Commission hereby decides to allow RoE at 15.50% on the opening balance of Paid-up share capital along with the opening balance up of accumulated surplus, besides allowing the taxes separately. Accordingly, the allowable RoE for FY22 is computed as follows:

TABLE – 4.16
Allowable RoE for FY22

Amount in Rs. Crores

Particulars	FY22
OB: Paid Up Share Capital	2182.32
OB: Share Deposit	0.00
OB: Reserves & Surplus (accumulated surplus)	3576.63
Total Equity	**5758.96**
Allowable RoE @ 15.5% on equity	**892.64**

Thus, the Commission decides to approve an amount of Rs.892.64 Crores as the RoE for FY22.

xi) Provision for Taxation:

The KPTCL in its application, has requested the Commission to allow an amount of Rs.287.33 Crores towards Income Tax for FY22.

The Commission, in its preliminary observations, had observed that as per audited accounts, KPTCL has accounted Rs.198.73 Crores as Income Tax and Rs.88.59 Crores towards Deferred Tax Liability. KPTCL was directed to submit the computation sheet for having booked Rs.198.73 Crores towards Income Tax for FY22.

KPTCL, in its reply, has furnished the computation sheet for having accounted Rs.198.73 Crores towards Income Tax for FY22. It is seen that KPTCL has computed tax on the profits earned. As per the provisions of MYT Regulations, KPTCL is entitled to the actual income tax payable on the allowable Return on equity grossed up with MAT rates applicable for the relevant years. Accordingly, the allowable maximum income tax payable works out to Rs.224.13 Crores considering RoE at 15.5% of 30% of GFA of Rs.6830.10 Crores grossed up with MAT of 15% along with surcharge at 12% and 4% CESS. The Commission notes that as per the latest audited account submitted by KPTCL, the actual income tax booked for FY22 is Rs.198.73 Crores. However, considering the total opening equity of Rs.5758.96 Crores, the RoE works out to Rs.892.64 Crores when grossed up with MAT of 15%, surcharge at 12% and 4% CESS, the provision for taxation works out to Rs.188.98 Crores. Hence, the allowable income tax as per the provision of MYT Regulations is Rs.188.98 Crores for FY22.

Thus, the Commission decides to allow an amount of Rs.188.98 Crores towards Income Tax for FY22.

xii) Net Prior Period Income and Expenses /Losses:

The KPTCL in its filing, has not claimed any amount towards net prior period income and expenses / losses for FY22.

The Commission notes that as per the P & L Accounts in the audited accounts for FY22, KPTCL has not incurred any Expenses /Losses towards Net Prior Period Income.

Therefore, the Commission decides not to allow any income/expenditure towards net prior period expenses for FY22.

xiii) Other Expenses Capitalized:

The KPTCL, in its filing has claimed Rs.68.62 Crores as against Rs.48.74 Crores approved by the Commission in its Tariff Order dated 30th May, 2019 towards capitalization of employee cost, R&M expenses and A&G expense for FY22.

The Commission notes that, as per the audited accounts, KPTCL has capitalized Rs.57.1651 Crores, Rs.0.0145 and Rs.11.456 Crores towards employee costs, R&M expenses and A&G expenses for FY22.

Thus, the Commission decides to allow Rs.68.605 Crores towards capitalization of other expenses for FY22.

xiv) Extraordinary / Exceptional Items:

KPTCL in its filing has claimed Rs.178.31 Crores towards withdrawal gratuity provisions made in respect of employees covered under NDCPS during FY20 and FY21 based on the provisional Actuarial Valuation Report provided by LIC withdrawn for FY22 under extraordinary / exceptional items.

Commission's Analysis and Decisions:

The Commission notes the claims made by KPTCL as per audited accounts for FY22 towards withdrawn gratuity provisions made during FY20 and FY21 in respect of NDCPS employees based on provisional Actuarial Valuation Report. Accordingly, the Commission by considering the same has allowed Rs.178.31 Crores towards exceptional items for FY22.

xv) Other Income:

The KPTCL in its Petition, has indicated an amount of Rs.272.59 Crores towards Other Income for computation of revenue gap for APR FY22, which includes Rs.137.00 Crores towards depreciation withdrawn on assets created out of consumer contribution/grants. This amount of Rs.272.59 Crores mainly includes interest on Bank deposit, rent from staff quarters and others, profit on sale / hire of apparatus, profit on sale of stores, miscellaneous recoveries and excess provision in earlier years which are no longer required, etc.

The Commission notes that depreciation on assets created out of consumer contribution/grants is Rs.137 Crores which is deducted while allowing the depreciation for FY22. Thus, excluding this, the Commission recognizes other income of Rs.135.59 Crores earned by KPTCL, as per the audited accounts for FY22.

Thus, the Commission decides to allow an amount of Rs.135.59 Crores as other income (non-tariff income) for FY22.

xvi) SLDC Charges:

The KPTCL, in its Petition, has claimed SLDC charges of Rs.30.57 Crores for FY22 as detailed below:

TABLE – 4.17

SLDC Charges for FY22-KPTCL's Submission

Amount in Rs. Crores

Sl. No.	Particulars	FY22
1	Employee cost	20.61
2	A & G Expenses	9.57
3	Repairs & Maintenance Expenses	0.17
4	Depreciation	0.22
	Total	**30.57**

The Commission in its preliminary observations, had observed that KPTCL, in its APR filing has claimed Rs.30.57 Crores towards SLDC charges for FY22. Accordingly, KPTCL was directed to furnish the copy of the Trial Balance of SLDC for FY22 in support of its claim. As directed, KPTCL furnished a copy of SLDC Trial balance for FY 2022 for having claimed Rs.30.57 Crores towards SLDC charges for FY22.

Commission's Analysis and Decisions:

The system operations of the SLDC being on activity not related to transmission business. As such the Commission decides that the SLDC charges cannot be factored in the ARR of the KPTCL. As the KPTCL is incurring these costs but has excluded the same in its ARR filing, the same needs to be collected from the users of the transmission network.

The Commission in its Order dated 9th June, 2021 had approved Rs.34.63 Crores towards revised SLDC Charges for FY22. The Commission while computing the depreciation for FY22 has recognized Rs.0.22 Crores towards depreciation on SLDC assets. However, considering the actual SLDC charges of Rs.30.35 Crores (excluding depreciation amount) incurred during FY22, as per KPTCL's application, and the detail submitted, the Commission decides to approve the same amount and adjust the difference amount of Rs.4.28 Crores between the approved and the actual expenditure to among the ESCOMs for FY22, out of the approved SLDC charges payable for FY24 are as follows:

TABLE – 4.18
Allowable SLDC Charges for FY22

Amount in Rs. Crores

Particulars	Capacity Allocation in MW for FY22	SLDC Charges for FY22 as per APR	SLDC Charges for FY22 as approved in Order dated 09.06.2021	Difference to be adjusted in FY24
BESCOM	13043.50	15.524	17.548	-2.023
MESCOM	1870.00	2.226	2.585	-0.359
CESC	2847.00	3.388	3.982	-0.594
HESCOM	4850.00	5.772	6.389	-0.616
GESCOM	2890.00	3.440	4.128	-0.688
TOTAL	**25500.50**	**30.35**	**34.630**	**-4.28**

Thus, the Commission decides to consider the actual SLDC charges of Rs.30.35 Crores for FY22 and the difference of Rs.4.28 Crores in SLDC charges allowed to be adjusted along with the SLDC charges payable by ESCOMs to KPTCL for FY24 as discussed in the subsequent Chapter of this Order.

xvii) Revenue:

KPTCL in its Petition, has considered an amount of Rs.4106.98 Crores as against Rs.4276.07 Crores, approved by the Commission, in its Tariff Order 9th June, 2021, as the Revenue from Transmission Charges and miscellaneous charges as per the audited accounts for FY22.

The Commission, in its preliminary observations has noted that, Format T-18 indicates that the receivable from BESCOM to KPTCL stands at Rs.1191.11 Crores out of the total outstanding of Rs.1448 Crores as at the end of 31.03.2022. In spite of guaranteed provisions as per the transmission agreement executed with the ESCOMs, the outstanding amounts receivable from ESCOMs is showing an increasing trend affecting the finances of KPTCL. KPTCL was directed to furnish the reasons for accumulation of arrears from the ESCOMs and the action plan for the realization of the same.

KPTCL, in its reply to the preliminary observations, has submitted that it is pursuing with ESCOMs to collect the outstanding transmission charges and has requested Energy Department, GoK for adjusting the transmission charges against the subsidy payable to ESCOMs. The GoK has adjusted subsidies to the tune of Rs.399.42 Crores payable to ESCOMs and has paid the same to KPTCL against the receivables.

KPTCL informed that based on Electricity (Late Payment Surcharge and related matter) Rules, 2022, in its Order dated 22.08.2022 the Gok has accorded approval for availing loan of Rs.1115.24 Crores to ESCOMs to clear the transmission dues to KPTCL, duly providing the Government Guarantee. As per the Order of GoK, ESCOMs have to pay the Transmission dues in 48 equal installments by availing the loan from REC/Commercial Banks. Hence, the ESCOMs will clear the dues to an extent of Rs.1115.24 Crores within 48 months. Further, KPTCL has been constantly addressing letters to the concerned Managing Directors of ESCOMs, requesting them to remit the outstanding transmission charges payable to KPTCL. KPTCL has also filed a Petition against BESCOM and MESCOM before the KERC with a request to direct BESCOM and MESCOM to pay the transmission charges only through ESCROW arrangement as per the Government Order dated 10.05.2005 along with directions to BESCOM and MESCOM to reconcile the statement of accounts from 2014-15 onwards with KPTCL and to implement the consequential effect of such reconciliation. The matter is still pending before the Hon'ble Commission. However, even after constant persuasion, the ESCOMs are not remitting the transmission charges regularly thus affecting the financial position of KPTCL over the period.

TABLE – 4.19

Revenue for FY22-KPTCL submission

Amount in Rs. Crores

Consumer Category	Revenue
BESCOM	2032.46
MESCOM	289.79
CESC	459.60
HESCOM	723.34
GESCOM	439.47
ISTS Charges	38.44
Other Income	98.24
Wheeling Charges & Open Access charges	25.62
Total	**4106.98**

The Commission, while taking note of the above reply, as furnished by KPTCL, and the audited accounts, decides to consider Rs.4106.98 Crores as the revenue from operation, for the purpose of APR for FY22.

xviii) Abstract of Approved ARR for FY22 as per APR:

Based on the above decisions the consolidated Statement of approved ARR as per APR for FY22 is as follows:

TABLE – 4.20
Abstract of approved ARR for FY22 as per APR

Amount in Rs. Crores

Sl. No.	Particulars	As approved (T.O. dated 30.05.2019 & 09.06.2021)	As filed on 30.11.2022	As per approved APR
1	Energy available for transmission in MU	77880.46	75671.008	75671.008
2	Energy sold at IF Points in MU	75427.21	73418.331	73418.331
3	Transmission Losses in MU	2453.25	2252.677	2252.677
4	Transmission Loss in %	2.978%	2.977%	2.977%
5	Installed Capacity in MW	23518	25486	25500.50
6	**Revenue from Transmission of power and other operative income**	**4276.07**	**4106.98**	**4106.98**
7	**Expenditure in Rs. Crores**			
i	Employee Cost	1,850.52	1310.09	1783.94
ii	Repairs & Maintenance		334.24	
iii	Administration & General Expenses		147.10	
	Total O&M Expenses	**1850.52**	**1791.43**	**1783.94**
8	Depreciation	895.25	1169.27	1032.05
9	Interest & Finance Charges	573.01	574.45	565.18
10	Interest on working capital	104.04	51.99	77.25
11	Return on Equity	843.36 (with MAT at	892.64 (@15.5%)	892.64

		21.5488% (19.7575% on allowable equity))		
12	Income Tax	0.00	287.33	188.98
13	Other Debits	0.00	34.76	25.88
14	Extraordinary items	0.00	-178.31	**-178.31**
15	**Less:** Interest & Finance Charges capitalized	81.91	111.34	-111.34
16	**Less:** Other Expenses capitalized	-48.74	68.62	-68.61
17	**Less:** Other Income	-225.04	272.59	-135.59
18	Net Prior Period Income /Charges	0.00	0.00	0.00
19	Carry forward of Deficit as per APR of FY20	34.18	0.00	0.00
20	Amortized Regulatory Assets (Over five years'period0 as per Orders of the Hon'ble ATE dated 05.10.2020	331.41	0.00	0.00
21	**ARR**	**4276.07**	**4171.01**	**4072.08**
22	Less: Disallowance of imprudent capex for FY22	0.00	0.00	0.00
23	**Net ARR**	**4276.07**	**4171.01**	**4072.08**
24	**Surplus/Deficit (-) for FY22**	0.00	**-64.03**	**34.90**

As per the above computations, the Commission hereby approves Net ARR of Rs.4072.08 Crores for FY22, after undertaking the Annual Performance Review of FY22, as per the audited accounts.

After considering the actual Revenue from Transmission business of Rs.4106.98 Crores for FY22, as per the audited accounts, there is a net surplus of Rs.34.90 Crores for FY22.

4.4 Treatment of surplus in Revenue for FY22:

KPTCL has proposed a revised ARR of Rs.4171.01 Crores for FY22 as against an ARR of Rs.4276.07 Crores as approved by the Commission in its Order dated 09.06.2021. The Commission, after analyzing the submission of KPTCL, decides to allow revised ARR of Rs.4072.08 Crores towards Annual Performance Review for FY22. The net Revenue surplus for FY22 is worked out at Rs.34.90 Crores.

The Commission decides to carry forward the said surplus of Rs.34.90 Crores, to the ARR for FY24, as discussed in the subsequent Chapter of this Order.

CHAPTER – 5

ANNUAL REVENUE REQUIREMENT FOR FY24

5.1 Approved ARR for FY24:

KPTCL in its application dated 30th November, 2022, has requested the Commission to allow recovery of the proposed overall gap of Rs.2803.46 Crores from ESCOMs w.e.f., 01.04.2023. To arrive at the gap, KPTCL has considered the following amounts:

Amount in Rs. Crores

1	Revenue Gap as per application for APR for FY22	64.03
2	Add: Amount disallowed in respect of works which were identified as imprudent for FY20 and FY21, which are now prudent.	5.33
3	Add: Consequent to G.O. dated 15.11.2022 and corrigendum dated 24.11.2022, additional employee cost towards GoK portion of Pension and Gratuity Expenditure. a) Towards arrears from FY21-22 to FY22-23 to be collected in three equal instalments. (i.e., Rs. 3,357.27 Crores / 3 =1,117.76 Crores) b) Amount towards estimated contribution for FY23-24 i.e. Rs.1,616.34 Crores.	2,734.10
4	**Overall Gap**	**2,803.46**

KPTCL has also prayed for modifying the short-term open access charges and to allow recovery of actual SLDC charges of Rs.30.35 Crores for FY22.

The Commission in its Tariff Order dated 4th April, 2022 had approved ARR and Transmission Tariff for the control period FY23 to FY25. In the said Tariff Order, the Commission had approved an ARR of Rs.5415.75 Crores for FY24 as tabulated below:

TABLE – 5.1

Approved ARR FY24

Amount in Rs. Crores

Sl. No	Particulars	As approved
	Expenditure	
1	Total O&M Expenses	2,263.89
2	Depreciation	1,250.20
3	Interest & Finance Charges	680.88
4	Interest on working capital	120.67
5	Return on Equity with MAT at 21.5488% (19.7575% on allowable equity)	1,027.69
6	Amortized Regulatory Assets as per KERC Order dated 19.10.2020	331.41
	Less:	
7	Interest & Finance Charges capitalized	-106.27
8	Other Expenses capitalized	-69.72
9	Other Income	-82.99
	NET ARR	**5,415.75**

KPTCL, in its application has sought to add the revenue gap of FY22 of Rs.64.03 Crore to the approved ARR of FY24.

The Commission notes that, KPTCL in its filing, for Annual Performance Review for FY22, has also claimed an amount of Rs. 2,734.10 Crores towards additional employee cost on account of arrears of Pension & Gratuity Contributions (P & G Contributions) from FY21-22 to FY22-23, being the Government's portion of P & G contribution, payable by the Government. KPTCL has submitted that, consequent to the issue of Government Order dated 15.11.2022 and Corrigendum dated 24.11.2022, the arrears of Government portion of P & G Contribution payable by GoK, amounting to Rs.3357.27 Crores is ordered to be recovered through tariff in three equal instalments of Rs.1117.76 Crores each. Along with this amount, KPTCL has also claimed Rs.1616.34 Crores towards estimated Government portion of contributions to P&G Trust for FY23-24. Based on this, KPTCL has claimed the total amount of Rs.2734.10 Crores as an additional expense in its application for approval of revised ARR as per Annual Performance Review for FY22.

The Commission further notes that, KPTCL has also claimed Rs.5.33 Crores being the amount disallowed in respect of works which have identified as imprudent for FY20 and FY21, which are now prudent (Rs.1.51 Crores + Rs.3.82 Crores).

Commission's Preliminary Observations:

In the preliminary observations to the KPTCL's APR filing, the Commission has observed that KPTCL in its filing, has claimed Rs.2734.10 Crores towards GoK portion of Pension and Gratuity Expenditure (contribution to be made to P&G Trust) in contravention of the existing provisions of Karnataka Electricity Reforms (Transfer of Undertakings of KPTCL and its Personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002, as per the GO dated 15.11.2022 and 24.11.2022. The Commission, in its earlier Tariff Orders, while approving the ARR of the KPTCL & ESCOMs has made its stand very clear on the issue that, the same has to be borne by the Government. Despite this, KPTCL has claimed a huge amount to be passed on to the consumers, without proper justification. KPTCL shall furnish the reasons for claiming the past arrears pertaining to GoK portion of P&G contribution, in its APR for FY22, which is in contravention of the existing provisions of KER Rules, 2002.

KPTCL Reply:

KPTCL in its reply dated 19th December, 2022 by enclosing the copy of the Government Order and submitted that:

The GoK vide G.O. dated 15.11.2022 has directed following:

1. To amend the existing provision of Karnataka Electricity Reforms (Transfer of Undertakings of KPTCL and its Personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002, for Rule 4(3)(1).
2. To claim GoK portion of pension and gratuity from FY2023-24 onwards in KPTCL and ESCOMs Tariff and transfer the same to P & G Trust.
3. To claim the arrears of GoK portion of pension and gratuity contributions of Rs.3357.27 Crores for the 2021-22 and 2022-23 in three equal instalments in the

tariff. Further, GoK vide its amendment dated 24.11.2022 stated that, point no. 2 and 3 may be read as below:

2) To claim GoK portion of pension and gratuity from FY2023-24 on wards in KPTCL's Tariff and transfer the same to P & G Trust.

3) To claim the arrears of GoK portion of pension and gratuity contribution of Rs.3353.27 Crores for the year 20212-22 and 2022-23 in three equal instalments and transfer the same to P & G Trust.

Commission's Analysis and Decision:

P & G Contributions payable by Government: The Commission notes that at the time of filing the APR application by KPTCL dated 30.11.2022, for revision of transmission tariff for FY24, the Government was expected to pay the P & G contribution as per the existing Rules. The decision to claim the same in retail supply tariff was based on the Government Order dated 15.11.2022, which was not supported by any Rules.

Rule 4 (13) (1) of the "Karnataka Electricity Reforms (Transfer of Undertakings of KPTCL and its personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002" stipulates as under:

"(13)(1) The State Government, and not the Escoms, shall be liable for and shall make appropriate arrangements in regard to, the funding of the pension funds and all the statutory and other personnel related funds for the services rendered by the Specified Personnel to Karnataka Electricity Board and KPTCL prior to the Effective Date of Second Transfer of the Specified Personnel and to the extent they are unfunded as at the respective Effective Date of the Specified Personnel. Until such arrangements are made by the State Government, the discharge of all such unfunded liabilities for Specified Personnel who retire after the Effective Date of Second Transfer of such Specified personnel shall be arranged by KPTCL".

The Commission also notes that, the GoK has added a proviso to the above Rule, vide Notification dated 31.12.2022, which was published in the official Gazette on 6th January, 2023, which reads as follows:

"Provided that the Government whenever deems it fit, may by an order direct KPTCL to claim the Government portion of Pension Contribution through tariff by filing an application before the State Regulatory Commission".

As per the clause-1 sub-rule 2) of the Notification dated 31.12.2022, the amended Rules shall come into force from the date of its publication in the Official Gazette of Karnataka. **The amended rules were published in the Official Gazette on 06.01.2023.**

Further, as per Rule 4(13(1), which is an absolute Rule, it is the State Government, and not the Escoms which is responsible for funding the Pension and Gratuity payment of the *Specified Personnel.* The Government's responsibility cannot be shifted to the KPTCL by issue of a Proviso to the 'Absolute Rule'.

Hence, the Commission is unable to accept the claim of KPTCL to pass on a sum of Rs.2,734.10 Crores in the tariff. The Commission reiterates that the said amount shall be provided by the Government.

Amount Disallowed towards Imprudent Works: As regards the claim of Rs.5.33 Crores being the amount disallowed towards imprudent works of FY20 and FY21, the Commission would like to point out that the disallowance will remain in force as long as the works continue to be imprudent. After the works are put to use, and after the same is treated as prudent, the disallowance is discontinued from the year in which the imprudent work is treated as prudent. Hence, the disallowance of Rs.5.33 Crores for earlier period, in which the works were imprudent, cannot be claimed back from a retrospective period.

As discussed in the previous chapter, the Commission has decided to carry forward the net surplus of Rs.34.90 Crores based on the APR for FY22, discussed in Chapter-4 of this Order.

Further, KPTCL vide its letter dated 23.03.2023 has submitted that consequent to the GoK approval KPTCL has issued Board Order dated 20th March, 2023, for revision of pay scale of employees with effect from 1st April 2022. Accordingly, has submitted the KPTCL / ESCOM wise details of additional employee cost including the P&G contribution of existing employees to be incurred for FY23 and FY24 as under:

TABLE – 5.2

Additional Employee Cost on Account of Pay Revision

Amount in Rs.Crores

Name of the Company	2022-23	2023-24
KPTCL	184.00	195.00
BESCOM	248.00	259.00
MESCOM	82.00	86.00
CESC	99.00	107.00
HESCOM	142.00	156.00
GESCOM	111.00	116.00
TOTAL	**867.00**	**918.00**

The Commission notes that, the some of the ESCOMs in their filing of revision of ARR for FY24 have included additional employees cost likely to be incurred and some of the ESCOMs have requested for consideration of the additional employees cost to be incurred on the issue of Board Order on pay revision by KPTCL in connection with the approval accorded by the Board of Director.

The Commission further notes from the Order issued by the KPTCL on revision pay scale Board that, the revised pay and allowance shall be drawn from the month of April, 2023 and onwards and separate orders will be issued for the payment arrears due on 01.04.2022 to 31.03.2023. As the orders on the payment for FY23 are not yet issued by the KPTCL, the additional employee cost on account of pay revision for FY23, shall be claimed after actual payment and accounting the same for FY23, at the time of filing application for approval of APR for FY23.

As regards the payment of amount towards pay revision for FY24, to be made from 1st April 2023 onwards, the Commission decides to allow f Rs.195.00 Crores being the KPTCL portion in the revised ARR of KPTCL, to be approved for FY24. The amounts pertaining to other ESCOMs are considered in the revised ARR of ESCOMs for FY24.

Thus, the revised ARR for FY24 is as follows:

TABLE – 5.3
Revised ARR for FY24

Amount in Rs. Crores

Particulars	FY22
Approved ARR for FY24 as per Tariff Order dated 4th April, 2022	5,415.75
Less: Surplus as per the approved ARR, as per APR for FY22.	-34.90
Additional employee cost on account of revision of Pay for FY24	195.00
Revised ARR for FY24	**5575.85**

Accordingly, the Commission decides to approve the revised ARR of Rs.5575.85 Crores for FY24.

i) Revised Transmission Tariff for FY24:

The Commission in its Tariff Order dated 4th April, 2022 had considered the ESCOM-wise transmission capacity for FY24 are under:

TABLE - 5.4

ESCOM-wise capacity Allocation for FY24- As per MYT Tariff Order dated 04.04.2022

ESCOMs	Capacity Allocation in MW
BESCOM	13,373
MESCOM	1,935
CESC	2,800
HESCOM	4,875
GESCOM	3,120
TOTAL (MW)	**26,103**

The transmission tariff approved by the Commission, in its MYT Order mentioned above, was Rs.1,72,897 per MW per Month for FY24 based on the approved ARR of Rs.5415.75 Crores.

The Commission has re-estimated the transmission capacity as 28,501 MW for FY24, keeping in view actuals for FY22, and the achievement made so far during FY23, the proposed capital investment plan. The following is the revised transmission capacity projections:

TABLE - 5.5

ESCOM- wise capacity Allocation for FY24

ESCOMs	Capacity Allocation in MW
BESCOM	14,644
MESCOM	2,170
CESC	3,147
HESCOM	5,450
GESCOM	3,090
TOTAL (MW)	**28.501**

The Commission notes that, the above projected transmission capacity for FY24 is based on the actual transmission capacity of 25,500.50 MW in FY22.

Considering the above estimated transmission capacity for FY24, the revised transmission charges to be recovered from the ESCOMs and long-term users of transmission network for FY24, are determined as under:

TABLE – 5.6

Approved Transmission Charges Payable by ESCOMs for FY24

Particulars	Capacity Allocation (MW)	Transmission charges for FY24 (Rs. Crores per annum)	Transmission charges for FY24 (Rs. Crores per Month)
BESCOM	14644	2864.9084	238.742
MESCOM	2170	424.5323	35.378
CESC	3147	615.6697	51.306
HESCOM	5450	1066.2217	88.852
GESCOM	3090	604.5184	50.377
TOTAL (MW)	**28501**	**5575.8505**	**464.654**

The revised transmission charge for FY24 works out to Rs.1,63,031 per MW per month.

ii) SLDC Charges:

The Commission, in its Tariff Order dated 4th April, 2022 had approved the ESCOM-wise SLDC charges for FY24 as follows:

TABLE – 5.7

SLDC charges – Approved for FY24 in Tariff Order 2022

Amount in Rs. Crores

ESCOMs	Capacity Allocation In MW	Share of SLDC Charges Approved for FY22
BESCOM	13373	16.404
MESCOM	1935	2.374
CESC	2800	3.435
HESCOM	4875	5.980
GESCOM	3120	3.827
TOTAL	**26103**	**32.02**

The Commission, as discussed in Chapter-4 of this Order has decided to allow the net surplus in SLDC charges of Rs.4.28 Crores among the ESCOMs for FY22 out of the SLDC charges of Rs.32.02 Crores approved for FY24.

The revised SLDC charges, considering the APR for FY22 and approved ARR for FY24 as per the Commission's Order dated 4th April, 2021 (duly considering the revised transmission capacity), to be collected from ESCOMs during FY24 are as follows:

TABLE – 5.8

Approved Revised SLDC charges of FY24

Amount in Rs. Crores

Particulars	Actual Capacity Allocation for FY22 (MW)	SLDC Charges for FY22 as per APR	SLDC Charges for FY22 as approved in Order dated 04th April, 2021	Difference to be adjusted in FY24	Revised Transmission Capacity for FY24	Approved SLDC Charges for FY24	Net SLDC Charges to be collected in FY24
1	2	3	4	5	6	7	8 (7-5)
BESCOM	13043.50	15.524	17.548	-2.023	14644	16.404	14.381
MESCOM	1870.00	2.226	2.585	-0.359	2170	2.374	2.015
CESC	2847.00	3.388	3.982	-0.594	3147	3.435	2.841
HESCOM	4850.00	5.772	6.389	-0.616	5450	5.980	5.364
GESCOM	2890.00	3.440	4.128	-0.688	3090	3.827	3.139
TOTAL	**25500.50**	**30.35**	**34.630**	**-4.280**	**28501**	**32.02**	**27.740**

Thus, the Commission decides to allow the revised SLDC charges of Rs.27.74 Crores recoverable from ESCOMs for FY24.

iii) Transmission Charges and SLDC Charges for all Open Access Consumers:

The Commission notes that, apart from the ESCOMs, the open access consumers/Railways/IPPs are also availing the services of the SLDC and hence they should also bear the expenses incurred by the SLDC.

Apart from the applicable transmission charges payable to KPTCL, earlier the Commission in its Tariff Order dated 4th April, 2022 had decided to allow the SLDC to collect **Rs.33.61 per MW per day for all open access transactions from 1st of April, 2023** onwards, as charges towards SLDC expenditure based on the total transmission capacity and the allowable SLDC expenses for FY24.

As determined above, the transmission charge of **Rs.1,63,031 per MW** per month is applicable for all long-term open access consumers for FY24 (excluding RE projects for which separate Orders issued by the Commission would be applicable).

Further, the revised transmission charges for short term open access consumers for FY24 are as follows:

TABLE – 5.9

Revised transmission & SLDC charges for short term open access consumers – FY24

<table>
<tr><th>Duration of Open Access (Rs/MW)</th><th>Transmission Charges Amount in Rs/MW</th><th>SLDC Charges in Rs/MW/Day</th></tr>
<tr><td>More than 12 hrs & up to 24 hrs in a day in one block</td><td>1339.98</td><td rowspan="3">26.67</td></tr>
<tr><td>More than 6 hrs & up to 12 hrs in a day in one block</td><td>669.99</td></tr>
<tr><td>Up to 6 hrs in a day in one block</td><td>334.99</td></tr>
</table>

O R D E R

1. **In exercise of the powers conferred on the Commission under Sections 62 and 64 and other enabling provisions of the Electricity Act 2003, the Commission hereby approves the revised ARR as per Annual Performance Review for FY22 and determines and hereby notifies the revised Annual Revenue Requirement and Transmission Tariff of KPTCL and SLDC charges for FY24 as approved in this Order.**

2. **The tariff determined in this Order shall come into effect from 1st April, 2023.**

3. **This Order is signed dated and issued by the Karnataka Electricity Regulatory Commission at Bengaluru, this day, the 12th of May, 2023.**

Sd/-	**Sd/-**	**Sd/-**
(P. Ravi Kumar) **Chairman**	**(H.M. Manjunatha)** **Member (Legal)**	**(M.D. Ravi)** **Member**

ANNEXURE

Gist of the objections of the stakeholders/public, KPTCL's response and the Commission's views

Objections on Tariff Issues		
	Objections	**Replies by KPTCL's**
1.	KASSIA has stated that the KPTCL has a Revenue Gap of Rs.2803.46 Crores, for FY24 with the additional Employee cost towards pension and Gratuity of Rs.1117.76 Crores for FY22 (Rs.3357.27 Crores / 3 years), Plus Rs.1616.10 Crores towards estimated contribution for FY24. KASSIA also stated that there is a Tripartite Agreement between Government of Karnataka, KPTCL and Employees Association and Union regarding contribution to the P&G Fund. As per this Agreement, contribution to the P & G Fund will be made by GOK. The GOK has been making contribution since so many years. If it is to be recovered from the Consumers, then it will be in violation of the Agreement. Naturally Consumers will have to oppose this. The Government should not shirk its responsibility. Government should continue to pay to the P & G Fund.	As per G.O. Dated 15.11.2022 and 24.11.2022, KPTCL has claimed GoK portion of Pension and Gratuity contribution in KPTCL's Tariff. The Tripartite Agreement has been entered into based on the provisions of KER Act 1999. The Tripartite Agreement does not provide for payment of pension contribution by GoK as claimed by the objector. The KER Act provides for Notification of Transfer Scheme for transfer of personnel and property of erstwhile KEB to KPTCL. The Transfer Scheme Rules 2002 notified by GoK on 31.05.2002 provides that the State Government shall be liable for and shall make appropriate arrangements in regard to the funding of Pension to all the employees and pensioners as on 31.05.2002. The GoK has amended the said rule vide its amendment notification dated 06.01.2023 which provides for claiming of Government portion of pension contribution through tariff.
Commission's Views: The Commission has taken note of the objections and the reply furnished by the KPTCL. The matter has been dealt with appropriately in the relevant chapter of this Tariff Order.		
2.	The Financial Advisor, Regulatory Affairs, KPTCL has not authorized to sign the affidavit in support of the impugned application and filing the same before this Commission, as	The Financial Adviser, Regulatory Affairs, KPTCL is authorised to sign and file the petition for Annual Performance Review of FY 22 before the Commission on behalf of

	averred. It is very strange that none of the Directors of KPTCL were ready and willing to sign the affidavit in support of the impugned application. This itself create doubts in the mind of the public about the veracity of the averments made in the impugned application.	KPTCL, by a resolution passed by the Board of Directors vide Resolution No. 02/2022-23 Dated 28/11/2022.
Commission's Views: The Commission has taken note of the reply furnished by KPTCL.		
3.	KPTCL has not produced its Annual Report containing the audited accounts and Auditors Report for FY 22, in support of its truing up application. In the absence of these materials, the impugned application itself is not complete and it is not possible to comment on the impugned application effectively.	Copy of the Annual Report containing the audited Accounts and Auditors Report for FY 22 has been furnished to the Commission vide PTCL letter No. KPTCL/B36/33995/ 2022-23/1179-1182 dated 02/11/2022. The same has been hosted on the KPTCL official website https:// kptcl.karnataka.gov.in.
Commission's Views: The Commission has taken note of the reply furnished by KPTCL. The objectors are repeatedly raising the above issue. Objectors shall verify the facts before submitting such objections		
4.	Pointing out at the delay in commissioning of stations it was submitted that as per Sections 39 and 40 of the Electricity Act, 2003 KPTCL is responsible for grid operation in Karnataka State. Under Section 39(2)(c) and Section 40(a) of the Electricity Act, 2003, KPTCL is statutorily obliged to ensure development of an efficient, coordinated and economical system of intra-State transmission lines for smooth flow of electricity from a generating station to the load centers;	In reply KPTCL submitted that the Udupi Kasaragod line is being constructed by PGCIL and does not come under the ambit of KPTCL. As this line is being constructed under Southern System Strengthening Scheme, the transmission charges are covered under PoC mechanism. Further, it is to state that the power flows are dynamic in nature and as the networks are being continuously added or strengthened there will always be change in flow of power from one state to another. It is now envisaged that after completing the Udupi-Kasargod line, the power flows from Udupi to
	But KPTCL is supporting a new inter-State transmission line to be built from Udupi to Kasargod in Kerala State, by a SPV	

namely Udupi Kasargod Transmission Line Company Limited, by totally disregarding its mandate under Section 39(2)(c) and Section 40(a) of the Electricity Act, 2003. Initially, KPTCL opposed the construction of the said transmission line vide its letters dated 17.11.2014 and 20.06.2015. In the letter dated 20.06.2015, KPTCL went to the extent of saying that – *"The proposed 400 kV DC line will draw power from UPCL to Kasargod and the existing UPCL to Hassan 400kV Quad DC line will have reduced power flow and this will have cascading effect on Beeranahally (Hiriyur) and Nelamangala line. Since power to Mysore will be drawn from Nelamangala resulting in overloading of this line. Further 90% of UPCL power is contracted to Karnataka and if this power flows to Kerala then Karnataka is compensated by displacement method which results in additional losses to the system. You will appreciate that for improving power Supply to one state, the internal transmission lines of other states should not be overloaded"*	Kasargod and then to Wayanad, From Wayanad to Kozikhode and flows to Basthipura-Mysore. This loop is formed between Karnataka and Kerala network which facilitates drawl of power by Karnataka.
5. In Writ Petition No, 20819 of 2021, now pending before the Hon'ble High Court of Karnataka, a Memo dated 7.04.2022 on behalf of KPTCL was filed by the Financial Advisor of KPTCL and supported the construction of new inter-state transmission line, totally taking 'U' turn of the stand taken by it earlier. Thus, KPTCL has totally abducted its statutory duties and not entitled for any relief in the hands of KERC till it diligently discharges its statutory duties.	

Commission's Views: The Commission has taken note of the reply furnished by KPTCL.

<table>
<tr><td colspan="3"></td></tr>
<tr><td>6.</td><td>The objector submitted that KPTCL has not furnished the figures approved by the Commission in the relevant tariff orders for comparing with the alleged audited figures, for truing up. Thus, the impugned application is incomplete.</td><td>KPTCL is filing the Annual Performance Review as per the requirement of Commission from time to time. However, the approved figures for the FY22 are available in Tariff order dated 09.06.2021 which is available on KPTCL website and also on KERC Website.</td></tr>
<tr><td colspan="3">Commission's Views: The Commission has taken note of the reply furnished by KPTCL. KPTCL may consider providing the approved figures in the filing for ready reference of the objectors.</td></tr>
<tr><td>7.</td><td>A sum of Rs.2734.10 Crores was claimed for pass through as additional employee cost towards GoK portion of pension and gratuity expenditure, consequent to G.0. dated 15.11.2022 and 24.11.2022. According to the Karnataka Electricity Reforms (Transfer of undertaking of KPTCL and its personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002, framed under Section 14 and Section 15 of the KER Act, 1999, all pension and gratuity liability of erstwhile KEB and the KPTCL should be borne by the Karnataka State Government. Under Section 16 of the KER Act, 1999, such Scheme was provisional for the initial 12 months only and the Government had no right to alter the same after the expiry of the said 12 months initial period.</td><td rowspan="2">The Objector has highlighted the sequence of events relating to issue of Government Order directing KPTCL to claim the GoK portion of pension contribution through tariff and the issuance of notification amending the Second Transfer Scheme Rules 2002. This issue is not in the purview of KPTCL. KPTCL being an undertaking of Government of Karnataka is bound to comply with the GoK orders issued from time to time.</td></tr>
<tr><td>8.</td><td>But, in total violation of the said statutory provisions, the GoK amended Rule 4 of the Karnataka Electricity Reforms (Transfer of undertaking of KPTCL and its personnel to Electricity Distribution and Retail Supply</td></tr>
</table>

	Companies) Rules, 2002, by inserting the following words- *"Provided that the Government whenever deems it fit, may by an order direct KPTCL to claim the Government portion of Pension Contribution through tariff by filing an application before the State Regulatory Commission".*	
9.	The Gok published the said insertion namely Karnataka Electricity Reforms (Transfer of undertaking of KPTCL and its personnel to Electricity Distribution and Retail Supply Companies) (Amendment) Rules, 2022 in Part IVA of the Karnataka Gazette dated 06.01.2023. The said amendment was effective from the date of its publication in the Official Gazette of Karnataka i.e. with effect from 06.01.2023. The GoK order dated 15.11.2022 and 24.11.2022 were issued without authority of any law and non- est and not binding on either the KPTCL or KERC.	
10.	The Objector submits that the Rules made by the Gok is not binding on Commission and hence needs to be ignored as per Apex Court in the case of Kerala State Electricity Board V. Thomas Joseph and Ors. decided on MANU/SC/1638/2022 Decided On: 16.12.2022.	
11.	Pension and Gratuity liability is the liability of Gok but the same is proposed to be recovered from the consumers through tariff. This is nothing but a tax imposed on the consumers without authority of law. The Commission is not obliged to pass the said claim to the consumers through tariff and	

	has no jurisdiction to pass such illegal tax to the consumers, as sought be KPTCL and GoK.	
12.	It is a well settled provision that tax can be levied only through Substantive legislative instrument and not by rules or orders as per Shirur Mutt [1954] 1 SCR 1005 .	
13.	Even if it is presumed that the rule framed by the State is to be taken at its face value, the Rule is merely an enabling provision that empowers the Government to permit KPTCL to claim the Government portion of Pension Contribution through tariff by filing an application before the State Regulatory Commission.	
14.	By virtue of this Rule, KPTCL can at best file an Application before the Commission, however, there is no corresponding legal or regulatory obligation cast on the Commission to permit the pass through of the Government liabilities	
Commission's Views: The Commission has taken note of the reply furnished by the KPTCL and the matter has been dealt with appropriately in the relevant chapter of this Tariff Order.		
15.	KPTCL has not furnished the debt equity ratios of the capital employed for claiming RoE.	RoE has been worked out as per the procedure followed by KERC in its tariff orders from time to time. However, Debt-Equity ratio is furnished in the Annual Report for FY22 in page No. 3. (1.15 : 1) .
Commission's Views: The Commission has taken note of the reply furnished by KPTCL.		
16.	In Form T2, transmission charges received from BESCOM is Rs.2032.45 crores. But in the BESCOM filing it is shown as Rs.2200.61 crores. The transmission charges received from MESCOM is Rs.289.79 Crores. But, MESCOM	Transmission Charges for BESCOM as per Approved Tariff Order Dated 09/06/2021, is Rs.2185.129 Crores which includes Rs.152.67 Crores towards amortized amount of regulatory asset recoverable from ESCOMs

	filing it is shown as Rs.320.58 Crores. Similar differences are there in respect of other ESCOMS also. If the amount declared by ESCOMS are taken into account there would be a surplus revenue.	over a period of 5 years. Hence, in Form T-2, Rs.2185.129 Crores – Rs.152.67 Crores = Rs.2032.45 Crores is shown. Whereas, BESCOM has shown Rs.2185.12 Crores plus incentive amount of Rs.15.48 Crores paid to KPTCL. Thus BESCOM has shown Rs.2200.61 Crores (i.e., 2185.13+15.48=2200.61). The same logic applies to MESCOM also.
Commission's Views: The Commission has taken note of the reply furnished by KPTCL.		
17.	CSR liability of KPTCL İs in accordance with the provisions of the Companies Act, 2013. Any liability of KPTCL on CSR account shall be borne by KPTCL out of the RoE allowed by the Commission and cannot be a passed on to the consumers through tariff. The said CSR İs a charge on net distributable profit of KPTCL.	The expenses incurred towards CSR activities are as per the provisions of Section 135 of Companies Act 2013. The expenses are accounted as General expenses in the audited accounts for FY22. The Annual Revenue Requirement for FY22 is filed based on the audited accounts of KPTCL in terms of Multi Year Tariff Regulations issued by KERC.
Commission's Views: The Commission has taken note of the reply furnished by KPTCL.		
18.	Creating ring mains for all KPTCL sub-stations to have at least two sources of supply for each sub-station in order to maintain power supply reliability. KPTCL is operating about 1299 substations of 400 kV, 220 kV, 110kV & 66 kV voltage class in the state for catering the power supply requirement of all the 5 Power Distribution Companies. Most of the 110kV, 66kV, and few of 220kV substations are radially fed from one source of supply causing power supply interruptions & reduced Voltage levels. Hence KPTCL has to bring all the KPTCL Sub-Stations under ring	While planning for EHV substations, various parameters like quantum of load to be catered and permissible capacity and feeders for the said load, voltage profile, effective connectivity and more comprehensive parameters like grid safety, reliability, economics and redundancy are given due consideration. As per the Manual on transmission planning criteria of CEA, critical loads such as - railways, metro rail, airports, refineries, underground mines, steel plants, smelter plants, etc. are required to be planned for their grid interconnection with 100% redundancy and as far as

Mains to have a minimum two sources of Power supply to each & every Sub-Station	possible from two different sources of supply, in coordination with the concerned STU. Further, the system is planned to operate within permissible limits for system parameters like voltage, frequency and loadings both under normal as well as after more probable credible contingency as specified in the Karnataka Electricity Grid Code (KEGC). In the above context, providing dual source is not emphasized, however wherever possible, irrespective of critical loads, KPTCL has substations with alternate source. Most of the 400kV & 220kV substations have a robust plan of alternate source. 110kV & 66kV substations are also prioritized by planning the link lines, tap line conversion to LILO thereby forming ring main to increase the substation reliability. New substations & link lines are taken up to improve the voltage profile. The transmission system availability of KPTCL for the FY 2021-22 as in APR filed before the Hon'ble Commission is 99.19%. To reach the extreme periphery of the Karnataka state for assuring reliable, quality of power supply to the downstream 110kV & 66kV substations, many 220kV substations are planned. The KPTCL's network is growing every year and has reached a remarkable number of 1299 substations with 40304 Ckms of transmission lines.

Commission's Views: The Commission has taken note of the reply furnished by KPTCL.

<table>
<tr><td></td><td></td></tr>
<tr><td>19. The details of Accidents are not furnished by KPTCL in their ARR & APR filings.</td><td>The Details of Accidents and the action taken for preventing the same are provided to Commission on quarterly basis as per the direction of Commission. However, the details of accidents are furnished to the Commission in letter dated 14/11/2022.</td></tr>
<tr><td colspan="2">Commission's Views: The Commission has taken note of the reply furnished by the KPTCL and the matter has been dealt with appropriately in the Commission's Directives and Compliance by the KPTCL, in this Tariff Order.</td></tr>
<tr><td>20. KPTCL should include the details of energy of (in MU) received at all the interface point between KPTCL & Generating Stations & also the Energy delivered to all the ESCOMS at IF points between KPTCL/ESCOMS.</td><td>The input energy to system and the energy at IF points are indicated in the statement enclosed The ESCOM wise break up for energy at IF points are noted below. The quantum of energy purchased for FY 22 can be obtained from ESCOMs only.</td></tr>
<tr><td>Specific details of energy delivered by SLDC to IPPs/backup power (not billed at ESCOMS) should also be clearly indication in Tariff Petition i.e. the end to end data for calculating of transmission losses in transmission system should be a part of the Tariff petition.</td><td>
<table>
<tr><th>Sl.No</th><th>ESCOMs</th><th>Energy drawn at IF point in MUs including energy drawn under Auxiliary, Wheeled energy, Open Access and Railway traction</th></tr>
<tr><td>1</td><td>BESCOM</td><td>34756.176</td></tr>
<tr><td>2</td><td>MESCOM</td><td>6143.097</td></tr>
<tr><td>3</td><td>CESC</td><td>8202.522</td></tr>
<tr><td>4</td><td>HESCOM</td><td>14738.948</td></tr>
<tr><td>5</td><td>GESCOM</td><td>9575.642</td></tr>
<tr><td></td><td>TOTAL</td><td>73416.385</td></tr>
</table>
</td></tr>
<tr><td colspan="2">Commission's Views: The Commission has taken note of the reply furnished by KPTCL and the ESCOMs shall reconcile the IF point energy with KPTCL.</td></tr>
<tr><td>21. The percentage of Transmission System Energy losses across all DISCOMs appears to</td><td>The transmission losses are determined for the entire transmission network of KPTCL on</td></tr>
</table>

	be not uniform, though Uniform Transmission Tariff rates are applicable to all DISCOMS proportional to their power demand & drawls. This requires to be examined and brought down to uniform level, as Quality of Power Supply Power supply in Voltage levels at each of the sub-station BUS is inversely proportional to percentage. Transmission Losses and to some extent Reliability of Power supply is directly proportional to percentage Transmission Losses.	an annual basis. Input energy at the State periphery and energy at interface points of ESCOMs are taken into account the loss is calculated. Hence the transmission losses across the ESCOMs remain uniform.
Commission's Views: The Commission has taken note of the reply furnished by KPTCL.		
22.	Transmission charges on ESCOMs should be directly proportional to the investment and net Asset Value of the transmission infrastructure of the Transmission Company in respective ESCOMs.	At present, Transmission Charges are collected from ESCOMs based on the Capacity of transmission network available in the jurisdiction of that ESCOM and as per the allocation made by KERC in its tariff order issued from time to time.
Commission's Views: The Commission has taken note of the reply furnished by KPTCL.		
23.	The actual Transmission System Availability as per KPTCL filing for FY-22 is 99.19% as against the target availability as per ERC MYT Regulations of 98%. The actual Transmission System Availability as perKPTCLfilingforFY-22 is 99.19% is lower than the FY-21 TSA of 99.53%. KPTCL has been achieving the target Transmission System Availability of 98% for past years and claiming incentive from ESCOMs. Hence, request the Commission to increase their target to 99.25% from FY-24 to improve their performance.	The KERC Regulation provides for sharing the incentive earned for achieving system availability beyond 98%. As per the tariff orders issued from time to time 50% of such an incentive is being shared among the ESCOMs in proportion to the allocation of transmission capacity. Major portion of the incentive is shared to BESCOM. Transmission tariff to that extent gets reduced to the consumers. Therefore, KPTCL is of the view that the existing annual target availability of 98% as stipulated in Regulations need to be retained.

<table>
<tr><td colspan="3">Commission's Views: The Commission has taken note of the objection filed by the objector and reply furnished by KPTCL and the Commission in the due course will look into in the achievement of transmission system availability of KPTCL and appropriately fix the target.</td></tr>
<tr><td>24.</td><td>BESCOM has worked out the Normative O & M Expenses of KPTCL taking into Account inflation at 6.6% and has arrived at the allowable O & M Expenses of Rs.1991.98 Crores. BESCOM has requested KERC to limit the O & M Expenses to Rs.1722.81 Crores as per Audited Accounts.</td><td>KPTCL has requested the Commission to allow O & M expenses as per actuals as depicted in the audited accounts for FY 21-22 i.e., Rs.1722.81 Crores only.</td></tr>
<tr><td colspan="3">Commission's Views: The Commission has taken note of the reply furnished by the KPTCL and the matter has been dealt with appropriately in the relevant chapter of this Tariff Order.</td></tr>
<tr><td>25.</td><td>KPTCL in its application has claimed an amount of Rs.1169.27 Crores towards depreciation as against Rs.895.25 Crores approved in Tariff Order dated 30th May 2019. As per audited accounts and submissions made by KPTCL an amount of Rs.1169.27 Crores for FY-22, which includes Rs.137 Crores towards depreciation on assets created out of consumer contribution/grants and Rs.0.49 Crores being the depreciation capitalized amount. As per the audited accounts for FY-22, depreciation before capitalization is Rs.1169.72 Crores. The capitalized amount is Rs.0.49 Crores. The amount of depreciation withdrawn on assets created out of consumer contribution and grants as accounted under other income head of accounts is Rs.137 Crores. Hence, the net depreciation for FY-22 works out to Rs.1032.23 Crores.</td><td>Rs.137 Crores being the amount of depreciation towards assets created out of consumer contribution is considered as income and shown in other income in the final accounts. This method of Accounting treatment results in creating a charge on depreciation. Hence in the tariff filing total of other income of Rs.272.59 Cr which includes an amount of Rs.137 Cr is reduced from the ARR. Therefore, the actual Depreciation claimed works out to Rs.1032.23 Crores (i.e., 1169.23-137).</td></tr>
</table>

Commission's Views: The Commission has taken note of the reply furnished by the KPTCL and the matter has been dealt with appropriately in the relevant chapter of this Tariff Order.		
26.	KPTCL in its tariff application has claimed Rs.626.44 Crores towards interest and Finance charges, as against an amount of Rs.573 Crores approved in Tariff Order dated 30.05.2019 for FY22. Considering interest capitalization amount of Rs.111.33 Crores, the net interest on capital loan considered for computing ARR is Rs.515.11 Crores. As per the audited accounts of KPTCL, the interest and finance charges for FY22 are Rs.626.44 Crores which includes Rs.51.99 Crores towards interest on Working Capital and Rs.111.33 Crores towards interest capitalization. As per MYT regulations, opening balance of long term capital loans, new loans availed and repayment of loans made during FY22, as per the details furnished under Format T9 and the Audited Accounts for FY22. Based on opening and closing balance of long term loans, the average capital loan for the year FY22 works out to Rs.8006.85 Crores. The actual amount of interest on capital loans incurred is Rs.565.17 Crores for FY22. The weighted average rate of interest of 7.06% is comparable with the prevailing interest rate for long term loans. Considering the actual capitalization of interest of Rs.111.34 Crores as per the audited accounts, the net interest on long term loans works out to Rs.453.83 Crores for FY22. Hence, the gross interest on capital loans can be limited to Rs.565.17	Interest and finance costs are claimed based on actual payment made to the funding agencies as recorded in the Audited Accounts of KPTCL. Hence the actual amount of Interest charges of Rs.515.11 Crores is claimed in the Annual Performance Review which includes interest on working capital of Rs.51.99 Crores. However, it is to be noted that BESCOM is not paying monthly Transmission charges on regular basis and has accumulated arrears of Rs.1310.11 Crores as on 31/03/2022.This results in cash flow problems for KPTCL which in turn necessitates short term borrowings at an average interest rate of 7.35%. Hence, the interest amount of Rs.36.52 Crores incurred by KPTCL on short term borrowings due to short payment of Transmission charges by BESCOM needs to be borne by BESCOM only.

	Crores and interest capitalized is Rs.111.34 Crores.	
Commission's Views: The Commission has taken note of the reply furnished by the KPTCL and the matter has been dealt with appropriately in the relevant chapter of this Tariff Order.		
27.	As per the audited accounts following are the expenses capitalized. The Commission is requested to allow Rs.179.96 Cores towards capitalized expenses for FY22, as against Commission approved amount of Rs.130.65 Crores.	KPTCL has filed Actual amount of Categorization of Rs.179.96 Crores only in APR for FY22.
Commission's Views: The Commission has taken note of the reply furnished by the KPTCL and the matter has been dealt with appropriately in the relevant chapter of this Tariff Order.		
28.	Commission is approving the other debits based on actuals. As per audited accounts, KPTCL has claimed an amount of Rs.34.76 Crores towards other debits. The amount among other items include asset decommissioning cst, provision for bad and doubtful debts, Bank charges, loss relating to fixed assets, small and low value items written off and miscellaneous losses and write off. As per MYT regulations, Commission is not allowing provision for bad and doubtful debts. Hence, excluding an amount of Rs.8.88 Crores relating to provision of bad and doubtful debts the allowable amount of other debits for FY-22 is Rs.25.88 Crores.	Bad and doubtful debts can be removed only to the extent it is written off in the books of accounts. Since the said amount is yet to be written off, the same is included in the ARR.
Commission's Views: The Commission has taken note of the reply furnished by the KPTCL and the matter has been dealt with appropriately in the relevant chapter of this Tariff Order.		

29.	The KPTCL in its application has claimed an amount of Rs.892.64 Crores towards Return on Equity at 15.5% on the Equity and Reserve & Surplus as against the RoE grossed up with MAT of Rs.843.36 Crores approved by the Commission in its Tariff Order dated 30th May 2019 for FY-22. RoE to be considered is Rs.892.64 Crores for FY-22.	Return on Equity of Rs.892.64 Crores is the amount claimed by KPTCL which is conformity with the methodology adopted by KERC in its Tariff Orders issued from time to time. However, the amounts claimed by KPTCL concurs with the calculations shown by BESCOM.
Commission's Views: The Commission has taken note of the reply furnished by the KPTCL and the matter has been dealt with appropriately in the relevant chapter of this Tariff Order.		
30.	As per the Audited Annual Accounts for FY22, KPTCL is claiming Rs.287.33 Crores towards tax expenses which include the deferred tax liability of Rs.88.59 Crores. As stated by Commission in its earlier APR Orders of KPTCL, deferred tax liability is only a charge on profit and loss account and not actual cash out go towards tax. Hence, income tax to be allowed to KPTCL as per MYT regulations for FY22 is Rs.198.73 Crores.	The deferred tax liability is considered in the audited accounts of KPTCL as per the provisions of Income Tax Act 1962. As this is a statutory requirement the same has been factored in the P & L account for FY22 and hence considered in the APR filing.
Commission's Views: The Commission has taken note of the reply furnished by the KPTCL and the matter has been dealt with appropriately in the relevant chapter of this Tariff Order.		
31.	The Other Income indicated in KPTCL's tariff application is Rs.272.59 Crores. This amount also includes the withdrawal of Rs.137 Crores on assets created out of consumer contribution/grants. This amount has already been factored in, while computing the allowable depreciation for FY22. Hence, the balance amount of	The amount of depreciation towards assets created out of consumer contribution is considered as income and shown in other income (Note 26) in the final accounts. Thus this amount becomes a charge on depreciation. Hence, in the tariff filing, total of other income of Rs.272.59 Crores, which includes an amount of Rs.137 Crores is reduced from the ARR. However, as per BESCOM, if Rs.135.59 Crores is considered as

	Rs.135.59 Crores may be allowed as Other Income for FY22.	other income it would increase the KPTCL gap by Rs.137 Crores.
Commission's Views: The Commission has taken note of the reply furnished by the KPTCL and the matter has been dealt with appropriately in the relevant chapter of this Tariff Order.		
32.	KPTCL has claimed Rs.5.33 Crores, the amount disallowed in respect of works which were identified as imprudent for FY20 and FY21, which are now prudent. This amount disallowed is for the respective years. If the said works are prudent during FY22 then the same will be allowed, but the amount disallowed during FY21 cannot be added to the Annual Revenue Requirement for FY22. Hence KPTCL claim of Rs.5.33 Crores in respect of works which were identified as imprudent for FY20 and FY21 may not be considered for Annual Revenue Requirement for FY22. BESCOM, in its tariff filing has also not claimed the amount disallowed for imprudent work during FY21 i.e. an amount of Rs.1.975 Crores.	Since the said works have become prudent in the Financial Year'22, KPTCL has requested the Commission to allow the amount reduced from the ARR of the KPTCL in the previous year. The KERC also conducts a review of the imprudent works of the previous year and if found prudent the disallowed amount will be added in the ensuing year's ARR. Hence the same has been claimed.
Commission's Views: The Commission has taken note of the reply furnished by the KPTCL and the matter has been dealt with appropriately in the relevant chapter of this Tariff Order.		
33.	Considering Aggregate Revenue Requirement and total Revenue, the revised gap works out to surplus of Rs.86.37 Crores as against Rs.64.03 Crores deficit, as per KPTCL tariff application	KPTCL confirms the gap of Rs.64.03 Crores for FY22. Thus, the overall gap for FY22 would be (Rs.64.03 Cr. +Rs.5.33 Crores, + Rs.2734.10 Crores) Rs.2803.46 Crores.
Commission's Views: Commission's Views: The Commission has taken note of the reply furnished by the KPTCL and the matter has been dealt with appropriately in the relevant chapter of this Tariff Order.		

APPENDIX

COMMISSION'S DIRECTIVES AND COMPLIANCE BY THE KPTCL

The Commission, in its Tariff Order dated 4th April 2022, and the earlier Tariff Orders, has issued several Directives. The Commission has been reviewing the compliance thereof, on a regular basis. In the present proceedings also, the Commission has reviewed the compliance to the Directives. The Commission besides reviewing the directives, decides to elaborate and clarify them for continued compliance. The same are discussed below:

1. Issue of Evacuation Clearance by KPTCL:

The Commission was coming across several cases of delay in evacuation clearances being issued by the KPTCL to the generators. As a result, many generators had filed petitions before this Commission for extension of time for commissioning of their generating plants under force majeure conditions. When the Commission did not allow the same, appeals were preferred by them before the Hon'ble ATE and succeeded in getting favorable orders to give extension of time and to allow higher tariff. Thus, due to delay in giving clearances, the generators had to be paid a higher tariff resulting in increase in power purchase cost affecting the consumers in the retail supply tariff.

Hence, the Commission had issued directive to KPTCL to evolve a definite time frame for clearing the evacuation requests by fixing timelines at different stages of giving officers/officials for the delay so as to ensure that the evacuation clearance is given within a reasonable time and avoid delays and consequent litigations in the matter.

Compliance of Directive by the KPTCL:

The detailed flowchart illustrating the definite time frame for clearing the evacuation scheme by fixing time lines to avoid delay so as to ensure that the evacuation approval is accorded within time was submitted to KERC vide Letter No: KPTCL/B36/33973/2022-23/1061 Dated: 12.10.2022 in Annexure-1.

Commission's Views:

The Commission has taken note of action taken by KPTCL for evolving a definite time frame for clearing the evacuation requests by fixing timelines at different stages. KPTCL shall take follow up action to ensure that the timeline is being complied with by the concerned officers. Hence, KPTCL has to confirm whether the timeline for evacuation fixed by KPTCL is being complied within the field, otherwise the very purpose of prescribing the timeline is not served.

The Commission reiterates its directive that the evacuation clearance is given within a reasonable time and avoid delays and consequent litigations in the matter. The Commission desires that, KPTCL has to furnish to the Commission, once in a quarter on a regular basis, the details of applications received and cleared within the time line and cleared after the timeline, duly giving reasons for the delay.

2. Issue of No Objections Certificates (NOC) for Wheeling and Banking facility to Open Access Consumers/ Captive generators:

The Commission had observed that in the matter of issue of No Objections Certificates (NOC) for Wheeling and Banking facility to Open Access Consumers/ Captive generators, the KPTCL/SLDC/ ESCOMs are not adhering to the time frame prescribed by the Commission as per the KERC (Open Access) Regulations, 2004, as amended from time to time. As a result of the delay, substantial quantum of energy is being wheeled / banked to the transmission/ distribution network under the provisions of 'deemed approval for the W & B facility'. The energy so wheeled/ banked remains unpaid and the generators are made to indefinitely wait for payment and ultimately they are filing petitions before this Commission for settlement of their claims.

Since the energy is wheeled/ banked from RE sources which are having must run status, any delay in giving NOC for wheeling / banking facility or nonpayment of the charges for the deemed approved W & B is not justifiable. Whereas, timely action in clearing NOC for W & B facility would avoid all the complications/ litigations in the matter.

The KPTCL, SLDC and ESCOMs are therefore directed to strictly adhere to the timelines fixed by the Commission as per the OA Regulations. For this purpose, KPTCL and ESCOMs are required to define the responsibility centres and fix definite timelines at each of the processing stages and ensure that the W & B applications are disposed of within the prescribed timeframe. It was also directed to fix up personal responsibility on the concerned officials for avoidable delay in giving the NOC.

Compliance of Directive by the KPTCL:

The detailed report on the procedure adopted/to be adopted for issue of No Objection Certificates (NOC) for wheeling and banking facility to open aces consumers/captive generators duly indicating definite timelines was submitted to KREC vide Letter No: KPTCL/B36/33973/2022-23/1061 Dated:12.10.2022, Annexure-2.

Commission's Views:

The Commission would like to draw the attention of KPTCL to third amendment to KERC (Terms and Conditions for Open Access) Regulations, 2015, and KERC (Terms & Conditions for Green Energy Open Access) Regulations, 2022, wherein the regulations prescribed time line for approval of Open Access. The timeline fixed by the KPTCL is not in line with these Regulations. Hence KPTCL is directed to define the responsibility centres and fix definite timelines at each of the processing stages, within the time line as per the Regulations.

Further, the Commission notes that the report does not indicate the details of applications received, disposed of and balance, if any, to confirm that the directives of the Commission have been complied with, in letter and spirit. In the absence of the details, it is not known as to how KPTCL is monitoring the compliance.

Hence, the Commission reiterates its directive that KPTCL shall ensure the issue of No Objection Certificates (NOC) for Wheeling and Banking facility to Open Access Consumers/Captive Generators within prescribed time frame prescribed by the Commission as per relevant Regulations.

The Commission desires that, KPTCL shall furnish the details of applications received, NOC issued within the time frame and details of NOCs issued after the timeline, duly giving reasons for the delay. KPTCL shall also ensure that for any deliberate delay in issue of No Objection Certificates (NOC) by respective officers, suitable action is taken against the concerned.

3) Directive on Manpower Studies conducted

The Commission had directed the KPTCL to have a fresh look into its manpower requirements keeping in view the computerization of its operational and financial activities and also keeping in view the technological advancements and the changed organizational set-up.

The Commission had opined that there is a need to streamline the personnel deployment and career growth to achieve higher employee productivity, accrual of greater benefits to the organisation which would result in reduction of tariff and hence the burden on the consumers. Any delay in implementation of the study report by KPTCL would lead to inefficient utilization of its human resources. Thereby, the Commission in its earlier Tariff Orders also had directed the KPTCL to complete the manpower studies and submit the report to the Commission. Also, KPTCL was directed to ensure implementation of a proper manpower planning strategy with a view to ensure optimum use of human resources and to minimize the operational costs and submit a compliance thereon to the Commission.

Compliance by KPTCL

KPTCL has entrusted Human Resource Study to M/s Institute of Social and Economic change (ISEC), Bengaluru vide work award dated 23.09.2021. The Agency has submitted its interim report on 12.04.2022, which is under verification/validation. The said report furnished by the Agency is limited to activities of KPTCL alone. Hence, the report can only be suitable for implementation in KPTCL.

Commission's views

KPTCL has stated that M/s Institute of Social and Economic change (ISEC), Bengaluru has furnished an interim report on 12.04.2022 and the Report is limited to activities of KPTCL alone, which is under verification/validation.

The Commission notes that KPTCL has been giving vague replies on implementing of study reports on optimising the manpower requirement. The Commission wants to know the interim Report has been submitted on 12.04.2022, what is the status of submission of final report. It is also stated that the report is limited to KPTCL activities. If the staff requirement of KPTCL is determined by the Agency, KPTCL shall identify the surplus staff and make arrangements to transfer the surplus staff to the needy ESCOMs. But, it appears KPTCL is not keen in streamlining the staff requirement and take necessary action in deploying surplus staff with a view to ensure career growth to achieve higher employee productivity, accrual of greater benefits to the organisation which would result in reduction of costs and reduce tariff burden on the consumers.

The Commission reiterates that the KPTCL shall ensure proper implementation of the Man Power planning strategy with a view to ensuring optimum use of human resources to minimize its operational costs.

Since the matter pertains to Personnel Management in KPTCL, the Commission expects that KPTCL would take speedy action to streamline the staff requirement and its deployment in order to achieve better productivity and reduction of costs and hence, the Commission decides to drop this Directive.

4) Directive on prevention of electrical accidents

The Commission had directed the KPTCL to prepare a stringent action plan to effect improvements in transmission network and also implement safety measures to prevent electrical accidents. A detailed Division-wise Sub-Station-wise action plan for improvement in the Transmission Lines and reduction in accidents was required to be submitted to the Commission.

Compliance by KPTCL:

The Chief Engineers of the transmission zones are regularly carrying out / monitoring works related to rectification of hazardous locations. The zone-wise status of accidents occurred in KPTCL along with details of hazardous locations has been furnished to the Commission vide letter No. KPTCL / B36 / 34009 / 2022-23/ 1268 dated 14.11.2022.

Commission's views:

The Commission notes that, KPTCL vide letter No No. KPTCL / B36 / 34009 / 2022-23/ 1268 dated 14.11.2022 has furnished the information on the status of accidents that occurred during the first quarter of FY23 along with the details of hazardous locations identified and rectified during the same period. During this period, the Commission has observed that only 26.32 % of identified hazardous locations have been rectified and work in the remaining locations is under progress respectively. There are more than 62% of the identified hazardous locations which are yet to be rectified.

Further, KPTCL vide letter No KPTCL / B36 / 34009/2022-23/1578 dated 13.01.2023 has furnished the details of the accidents that occurred during the 2nd quarters of FY23, along with the details of hazardous locations identified and rectified during the same period. The Commission has observed that KPTCL, during this period has not identified any hazardous location and only 22% to 24.5% of identified hazardous locations of closing balance of first quarter have been rectified and remaining works are in progress. There are more than 52% of identified hazardous locations which are yet to be rectified by KPTCL.

The Commission notes that, the identified hazardous locations are very few during this period. The Commission notes with concern that, with this data, the performance of KPTCL cannot be judged, with respect to its resolve to prevent electrical accidents and ensure safety of its network.

The Commission expects KPTCL to speed up the process of identifying and provide strategic action plan to rectify all the hazardous locations within a definite timeframe, in order to prevent electrical accidents.

The Commission notes with displeasure, the casual manner in which KPTCL has furnished the reply in respect of identification and rectification of hazardous locations instead of initiating stringent strategic action plan to identify and set right the already identified hazardous locations. If KPTCL doesn't initiate any action plan to set right the already identified hazardous locations in the network and do not take aggressive steps to identify the hazardous locations, electrical accidents are bound to increase, resulting in loss of lives of human beings and livestock besides loss of properties.

Further, KPTCL has not submitted any details of action taken to conduct awareness campaign on electrical safety aspects, including sensitising its field staff so as to sustain its efforts to prevent and minimise accidents.

Therefore, the Commission reiterates the directive to the KPTCL to speed up the work of identification and rectification of hazardous locations and also to submit a stringent, strategic action plan along with the details of number of locations identified, rectified and the balance number of such locations to prevent electrical accidents in transmission lines and substations quarterly, to the Commission.

5) Reactive Power compensation and restoration of failed Capacitors

The Commission had directed KPTCL to restore the failed capacitors timely and submit the status report of capacitor banks to the Commission regularly and also to furnish details of Reactive energy charges paid to Central Transmission Utility (CTU). Further, the Commission had directed KPTCL to maintain minimum spares of 5% for timely replacement of failed capacitors.

Compliance of Directive by the KPTCL:

KPTCL, in its Petition, has submitted that the monthly status report of capacitor banks is being periodically submitted to the Commission. Further, the Chief

Engineers of the Transmission Zone are taking timely action to restore the failed capacitors, as and when they fail. KPTCL has also informed that the corporate office has directed zonal Chief Engineers to maintain sufficient spares of capacitor banks so as to improve the percentage working of capacitor banks both in respect of numbers and capacity and also to reduce the outage period. KPTCL has stated that it has submitted the status of Capacitor Banks as on July, 2022, to the Commission vide its letter dated 29.10.2022. Further, in accordance with the directions of the Commission, KPTCL has also furnished the details of Reactive Energy Charges during the FY22 to the Commission vide its letter dated 09.11.2022.

Commission's Views:

The Commission, while perusing the status of working capacitors as submitted by KPTCL, has observed that number of capacitor banks installed at the end of March, 2022 are 1871 whereas the number of capacitors working at the end of the month are 1776. Further, total installed capacity in MVAr at the end of the month is 8742.45 MVAr, whereas total working capacity in MVAr at the end of March, 2022, is 7605.20 MVAr which works out to 86.99% of the total installed capacity.

Accordingly, KPTCL was directed to submit the following details:

a. The main reasons for failure of capacitors and actions taken to reduce it;
b. Average number of days taken for replacement of faulty capacitors;
c. Average percentage of spare capacitor of each type in terms of physical dimension and rating together with associated equipment/components of capacitor bank available for replacement of failed capacitors.
d. Action plan for restoring the remaining failed capacitors;

KPTCL in its reply to the preliminary observations, had submitted the following:

a. Capacitor Banks are kept out of service due to faulty cells, CTs, Breakers, Neutral Balance Relays (NBR) etc. The main reasons for failure of capacitors are due to over Voltage, Aging factor, insulation failures due to lightning and simultaneous switching surges. Action has been taken by CEE Transmission zones for replacing failed capacitors from available spares/procurement of new capacitors.

b. Depending on the availability of the materials, minimum of 3 days to maximum of 60 days has been taken to restore the faulty capacitor bank. KPTCL has informed that higher numbers of days have been taken in case the materials needed to be procured through tendering.

c. Procurement of Spares is being done in O/o. CEE/SEE/EE within their power of delegation, since capacitor cells of same dimension, rating, make & type are to be procured for matching the existing ones. KPTCL has informed that an average of 1 to 3% of spare Capacitor Cells of particular dimension/ rating is being maintained in all transmission zones. After any replacement of the failed equipment, it is being recouped within maximum of 30 days.

d. Around 154 number of capacitor banks have been restored and about 163 number of capacitor banks have developed problem in past one year from December, 2021 to November, 2022. Restoration process is being done continuously.

e. Month-wise details of capacitor banks failed and restored is enclosed as an Annexure-15(b).

KPTCL has also informed that, the total number of installed Capacitor Banks at the end of November 2022 is 1933, out of which 1839 numbers of capacitor banks are working, (95.14% of installed numbers). During the month of November 2022, 13 numbers of capacitor banks have developed problems whereas 20 numbers have been restored to service. Further, the total installed capacity in MVAr as at the end of November 2022 is 8904.86 MVAR out of which 7826.88 MVAR is in service, (87.89 % of installed capacity).

The Commission notes the reply furnished by KPTCL. Timely maintenance of capacitors helps in effective reactive power management in an electrical system. Thus, to save KPTCL from paying reactive energy charges, it is very important that KPTCL should maintain its capacitor banks in a healthy condition and restore the failed capacitors as and when they fail so as to put them back to service quickly. Keeping the capacitors in working condition results in improvement in bus voltages, reduction of transmission losses and minimize/avoid payment of reactive energy charges to the CTU. Thus, in order to ensure efficient grid management, it is imperative to provide desired reactive power compensation in the transmission network by installing adequate capacitor banks into the system. KPTCL, in accordance with the Commission's earlier Orders, is submitting month-wise details of status of capacitor banks regularly to the Commission. The Commission notes that KPTCL has not paid any amount to PGCIL towards reactive energy charges, instead it has received Rs. 29,46,40,341 towards reactive energy charges from PGCIL for FY22. The Commission also notes that from December, 2021 to November, 2022, number of capacitors gone out of service is more as compared to number of capacitor banks restored during the same period. Although, failing of capacitors and restoration of failed capacitors is a continuous process and KPTCL is taking measures to restore the failed capacitors in its transmission network and is installing additional capacity of capacitor banks into the system to achieve the desired reactive compensation in the transmission network for ensuring efficient grid management, KPTCL is directed to:

a. Restore any failed capacitors within 20 days from the date it is out of service; and
b. Regularly submit the monthly status report of capacitor banks duly furnishing the following details:

i. Reactive energy charges paid to the CTU every month; and
ii. Action plan for restoring the remaining failed capacitors.
iii. Maintain at least 5% of spare capacitor of each type in terms of physical dimension and rating together with associated equipment/components of capacitor bank available for replacement of failed capacitors.

6) Implementation of Intra State ABT:

The Commission vide its Order dated 4th April, 2022, had directed KPTCL, SLDC and ESCOMs to conduct a meeting under the chairmanship of MD KPTCL to try and sort out the issues with regards to billing methodology under Intra-State ABT once KPCL completes installation of ABT meters of its hydel stations so as to find a way out to implement the Intra-State ABT at least by March, 2022.

Compliance of Directive by the KPTCL:

KPTCL vide its Petition, has informed that KPCL is yet to complete the installation of ABT meters of its hydel stations. KPTCL has addressed a letter to KPCL on 22.12.2021 and 30.06.2022 to expedite completion of the installation along with replacement of all interface points energy meters by ABT meters at the Generating Stations for implementation of SAMAST. Hence, a meeting will be conducted to sort the issues with regard to billing methodology under Intra-State ABT once KPCL completes installation of ABT meters.

Commission's Views:

The Commission notes that a meeting under the chairmanship of MD KPTCL to try and sort out the issues with regards to billing methodology under Intra-State ABT is yet to take place as KPCL has not yet completed the installation of ABT meters along with replacement of all interface points energy meters at the Generating Stations for implementation of SAMAST. As such, KPCL is directed to complete the ABT metering by 30th June, 2023 in order to implement intra-state ABT. The KPTCL, SLDC and ESCOMs are once again directed to conduct a meeting under the chairmanship of MD KPTCL to try and sort out the issues and implement billing under Intra-State ABT, once KPCL completes installation of ABT meters of its hydel by June, 2023.