



KARNATAKA ELECTRICITY REGULATORY COMMISSION

TARIFF ORDER 2025

OF

KPTCL

ANNUAL PERFORMANCE REVIEW FOR FY24,

APPROVAL OF ANNUAL REVENUE REQUIREMENT

&

**TRANSMISSION TARIFF FOR THE CONTROL PERIOD
FY2025-26 TO FY2027-28**

27th MARCH, 2025

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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 27th March, 2025

OP NO.41/2024 : Filed by KPTCL

Present:

**Shri P. Ravi Kumar : Chairman
Shri H.K.Jagadeesh : Member
Shri Jawaid Akhtar : Member**

In the matter of:

Petition for Annual Performance Review for FY2023-24, Approval of Annual Revenue Requirement and Transmission Tariff for the Control period for FY2025-26 to FY2027-28.

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 has filed its petition on 30.11.2024 for consideration and approval of the Commission, on the following:

- a) Annual Performance Review (Truing up) of FY2023-24.
- b) Approval of Annual Revenue Requirement and Transmission Tariff for the Control period for FY2025-26 to FY2027-28;
- c) To allow the following unmet revenue deficit and allow them the proposed hike in transmission tariff.

In exercise of the powers conferred under Sections 62 and 64 and other provisions of the Electricity Act, 2003, the KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006, the KERC (Tariff) Regulations, 2000, KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024 and other enabling Regulations, the Commission has

considered the said petition, besides considering the views and objections submitted by the consumers and other stakeholders, while passing this Order.

The Commission's decisions on various aspects, 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 311.92 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 31.03.2024, has 1384 substations and 42991 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 fourteen 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 has been 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		31.03.2024
1.	Generation Capacity (connected to Transmission System)	MW	
	a) KPC Hydro and Thermal	MW	8852
	b) CGS (Karnataka Share)	MW	4833
	c) NCE, IPPs and Others	MW	18857
	d) Damodar Valley Corporation	MW	450
2.	No. of Receiving Sub-Stations		
	a) 400 kV	Nos.	9
	b) 220 kV	Nos.	133
	c) 110 kV	Nos.	517
	d) 66 kV	Nos.	725
3	Length of Tr. Lines		
	a) 400 kV	CKms.	3936
	b) 220 kV	CKms.	13259
	c) 110 kV	CKms.	12868
	d) 66 kV	CKms.	12943
3.	Gross Assets as at the end of FY24	Rs. in lakhs	34,11,719
4.	Total employees:		
	a) Sanctioned	Nos.	16,296
	b) Working	Nos.	9,499
5.	Demand for Transmission charges of Power to ESCOMs (FY24), wheeling and Miscellaneous Charges	Rs. in Lakhs	5,905.77
6.	Collection of transmission charges	Rs. in Crores	4886.73
<small>Source: KPTCL –SLDC load curve, KPTCL Website, APR Filing and Annual Accounts</small>			

1.2 Transmission capacity of KPTCL in FY2023-24:

The total transmission capacity in the State was 28352 MW during FY2023-24.

The ESCOM-wise transmission capacity for FY2023-24 is as follows:

ESCOM-WISE TRANSMISSION CAPACITY IN MW – FY23

Company	Capacity in MW
BESCOM	14063
MESCOM	2125
CESC	3102
HESCOM	5662
GESCOM	3400
TOTAL	28352

CHAPTER – 2

TARIFF APPLICATION PROCESS

2.1 BACKGROUND:

The Commission has approved the ARR and transmission tariff of KPTCL for FY2023-24 in its Tariff Order dated 12th May, 2023. The KPTCL in its application dated 30th November, 2024, has sought approval of the revised ARR under APR for FY2023-24 and ARR / Transmission Tariff of KPTCL for the Control Period FY2025-26 to FY2027-28 under MYT framework.

2.2 Commission's Directives and Compliance by KPTCL:

The Commission, in its Tariff Order dated 28th February, 2024, 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, 2024 filed for APR for FY24 and ARR / transmission tariff for the Control Period FY2025-26 to FY2027-28, under the MYT framework, the Commission has communicated its preliminary observations on its application on 10th December, 2024. The KPTCL has filed its replies on 20th December, 2024.

The Commission, after receipt of replies from KPTCL on 20.12.2024, subject to further clarifications/verification, directed KPTCL to publish a summary of tariff applications/ proposals, in leading Kannada and English dailies and invite objections/ suggestion from the stakeholders giving them one month's time to submit the objections. The KPTCL was also directed to host the soft copies of

tariff applications on their websites for information of consumers and other stakeholders.

The KPTCL was also directed to furnish written replies to the objectors who file objections on the tariff applications.

In compliance of the above directions of the Commission, the KPTCL has published the summary of its application in the following newspapers on 28.12.2024 and 29.12.2024.

- Deccan Herald
- The Hindu
- Prajavani
- Udayavani

The KPTCL's petition for APR for FY2023-24 and approval of ARR / Transmission tariff for the Control Period FY2025-26 to FY2027-28 under MYT framework, was also made available on the web-sites of the KPTCL and the Commission.

The Commission held a Public Hearing on **17th February, 2025** in the Court Hall of the Commission and the details of public consultations are discussed in Chapter - 3 of this Order.

2.4 Consultation with Advisory Committee of the Commission:

The meeting of the Advisory Committee of the Commission was held on 05.03.2025. 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 In terms of 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 petition filed by the KPTCL for taking up Annual Performance Review (APR) for FY2023-24 and approval of ARR and Transmission Tariff for the Control Period FY2025-26 to FY2027-28. Accordingly, the Commission held a Public Hearing on 17th February, 2025, 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 Commission has not received any written objections from the stakeholders.

3.3 Public Hearing:

- a. During the Public Hearing held on 17th February, 2025, the Managing Director, KPTCL, made a brief presentation on the profile, performance and achievements of KPTCL for the Financial year 2023-24. He informed the Commission that during FY2023-24, the transmission loss of KPTCL is second lowest in the country.
- b. KPTCL submitted that the evacuation scheme of 2000 MW solar part at Ryapte Village (Tumkur Dist.), 400 KV substation at Mekhali (Belagavi Dist.), 400 KV substation at Hampapura (Mandya Dist.) and evacuation of scheme for the proposed 2000 MW PSP at Sharavathi will be taken up under TBCB mode.
- c. The MD-KPTCL presented the company's future plans to enhance its transmission system, as well as its asset monetization strategy aimed at generating non-tariff income. This move is part of KPTCL's efforts to modernize its power transmission network, which includes setting up new transmission

lines and upgrading existing infrastructure. The asset monetization plan involves unlocking the value of KPTCL's existing assets to generate additional revenue streams.

- d. Following the presentation, MD-KPTCL prayed the Commission to approve the revised Annual Revenue Requirement (ARR) for FY2023-24 as proposed under Annual Performance Review. Additionally, KPTCL sought approval for the ARR and transmission charges for the control period spanning FY2025-26 to FY2027-28, as outlined in their petitions.
- e. Name of the persons, who have made oral submissions during the public hearing held on 17.02.2025.

Sl. No	Name & Address of objectors
1	Sri Ashu Gupta, Cleanmax Enviro. Energy
2	Krishnappa, Electrical Contractor,
3	Sri Yash Tandon, resonia, Sterlite Power.
4	Sri Hussain, KASSIA

- f. The summary of points raised during public hearing is as follows:
1. Sri Ashu Gupta of Cleanmax Enviro Energy highlighted a significant surge in the Transmission Annual Revenue Requirement (ARR) from ₹5,800 crores in FY 2023-24 to ₹10,500 crores for FY 2025-26, primarily driven by the inclusion of P&G contributions. Gupta emphasized that these additional charges should ideally be factored into the distribution or retail tariff, rather than being passed on to Open Access Customers.
 2. Sri Krishnappa pointed out that the lack of coordination between ESCOMs and KPTCL has led to unnecessary delays in determining the feasibility of substations for power supply connections. This inefficiency has resulted in increased costs for the ESCOMs, ultimately burdening the general consumers.
 3. Sri Yash Tandon from Resonia suggested that KPTCL should adopt the TBCB route for all projects valued at ₹250 crore or more. In response, the MD of KPTCL clarified that the Commission has notified the

threshold limit of ₹250 Crores for transmission projects, beyond which all projects will be undertaken through the TBCB route exclusively.

4. Sri Hussain from KASSIA highlighted a disparity between the total installed substation capacity (88,935 MVA) and the peak demand (18,075 MW), as presented by the MD-KPTCL. The Chairman clarified that the substation capacity figure represents the cumulative total across all voltage levels (66 KV to 400 KV), and therefore, direct comparison with peak demand is misleading.

A concern was raised that a simultaneous upgrade of existing 66 KV stations to 132 KV stations, as planned by KPTCL, would impose a significant financial burden on consumers. The MD of KPTCL alleviated this concern by clarifying that the upgrade will be carried out in a phased manner.

CHAPTER – 4

ANNUAL PERFORMANCE REVIEW FOR FY2023-24

4.0 KPTCL's Application for APR for FY2023-24:

The KPTCL, in its petition dated 30th November, 2024, has requested the Commission to undertake Annual Performance Review (APR) and approve revised ARR thereon for FY2023-24, based on the audited accounts.

The Commission, in its Tariff Order-2022 dated 4th April, 2022 had approved Annual Revenue Requirement (ARR) of Rs.5415.75 Crores for FY2023-24 and amortized regulatory asset of Rs.331.41 Crores as per the Hon'ble ATE order dated 05.10.2020.

The Commission has now undertaken Review of KPTCL's annual performance for FY2023-24, as per the provisions of KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006. This review is based on examination of KPTCL's petition, audited accounts for FY2023-24, the Commission's observations, and KPTCL's responses thereto. The review includes a detailed item-wise analysis of expenditure and revenue, which are discussed in the subsequent paragraphs.

4.1 KPTCL's Submission:

The KPTCL has submitted the details of revenue earned and item-wise expenditure incurred during FY2023-24 for the purpose of carrying out APR as indicated below:

TABLE- 4.1			
Revenue, Expenditure and Revenue Deficit for FY2023-24: As filed			
	Particulars	FY2023-24 (Rs.in Crores)	
		As Approved in TO-2022 & TO-2023	As Filed on 30.11.2023
1	Energy available for transmission in MU	73,740.45	98,877.85
2	Energy sold at IF Points	71,702.26	95,944.94
3	Transmission Losses in MU	2,038.19	2,932.91
4	Transmission Loss in %	2.764%	2.966%
5	Installed Capacity in MW	28,501.00	28,352.25
Income:			
6	Revenue from Transmission	5,575.85	5,594.60
7	Miscellaneous Revenue		
	Total Income:	5,575.85	5,594.60

Expenditure:		
8	Employee Cost	1,777.65
9	Repairs & Maintenance	431.76
10	Admin & General Expenses	228.24
11	Sub-Total (8+9+10):	2,437.65
12	Depreciation	1,526.01
13	Interest & Finance Charges	983.50
14	Interest on working capital	116.69
15	Sub-Total (13+14):	1,100.19
16	Less: Capitalized O&M Expenses	(99.29)
17	Less: Capitalized Depreciation	-
18	Less: Capitalized Interest Charges	(142.03)
19	Other Debits	84.13
20	Extraordinary items/ Exceptional Items	-
21	Net Prior Period Income /Charges	-
22	Income Tax	189.11
23	Less: Other Income	(312.04)
	Total Expenditure:	4,783.73
24	Return on Equity	1,065.72
25	Carry forward of (Deficit) / Surplus of previous year as per APR	(34.90)
26	Additional Employee Cost on account of pay revision	-
27	Amortised Reg. Assets -As per ATE dated 05.10.2020-5 years	-
28	P&G Trust Contribution - Government portion	331.41
29	Less: Penalty for exceeding target Tr. Loss	-
30	Less: Disallowance of imprudent capex	-
31	Sub-Total (24+25+26+27+28):	1,065.72
	Aggregate Revenue Requirement	5,849.45
	Revenue SURPLUS / (GAP)	(254.85)

As per the KPTCL's application for APR, it has reported a revenue gap of Rs.254.85 Crores for FY2023-24, as indicated above and has requested the Commission to approve the revised ARR of Rs.5849.45 Crores for FY2023-24.

4.2 Financial Performance of KPTCL as per Audited Accounts for FY2023-24:

The following table provides KPTCL's financial performance for FY2023-24, based on its audited financial statements.

TABLE-4.2	
Financial Performance for FY2023-24: As per Audited Accounts (Rs.in Crores)	
Particulars	
1. Total Income	5,905.76
2. Total Expense	4,906.71
3. Profit / (Loss) before Tax	999.05
4. Income Tax / Deferred Tax	(204.35)
5. Comprehensive Income / (Loss) for the year	794.70
6. Accumulated Profit / (Loss) at the end of the year	5,427.66

As per the Audited Accounts, KPTCL has reported a profit of Rs.794.70 crores for FY2023-24. As at the end of FY2023-24, the company's cumulative surplus stood at Rs.5427.66 crores, which includes the profit earned during the financial year.

4.3 Annual Performance Review for FY2023-24:

In the Tariff Order-2023 dated 12.05.2023, the Commission had conducted a review of KPTCL's performance for FY2021-22. This review had resulted in a surplus of Rs.34.90 Crores. Considering this surplus and the impact of pay scale revisions (Rs.195.00 Crores), the Commission had revised the Annual Revenue Requirement (ARR) for FY2023-24, which was initially approved in the Tariff Order-2022 dated April 4, 2022. The revised ARR for FY2023-24 stood at Rs.5575.85 Crores.

In this Chapter, the Commission has evaluated KPTCL's actual revenue and expenses for FY2023-24, as reported in their Audited Accounts, duly comparing the approved expenses and targets fixed in the Tariff Order dated April 4, 2022, as well as the additional expenses approved in the Tariff Order dated May 12, 2023, 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 FY2023-24:

The Commission in its Tariff Order 2023, had fixed the average transmission loss target at 2.764% with upper and lower range of 2.814% and 2.714% respectively for FY2023-24.

The KPTCL, in its filings, has reported transmission loss of 2.966%, as against the Commission approved annual average transmission loss of 2.764% for the FY2023-24.

Commission's preliminary observations and KPTCL's reply:

The Commission, in its preliminary observations has pointed out the difference in energy account at IF point by KPTCL and ESCOMs as detailed below and directed KPTCL to examine the same.

TABLE-4.3A			
Comparison of Energy at IF points for FY2023-24 as per KPTCL Vs ESCOMs			
As per KPTCL		As per ESCOMs	
EHT	8722.09	BESCOM	40315.7
IPP	1860.99	MESCOM	7527.3
ESCOM IF Point	85361.859	CESC	9571.72
		HESCOM	18307.54
		GESCOM	10589.85
Total	95944.94	Total	86312.11

KPTCL in its reply has submitted that, the energy is reconciled with ESCOMs in the month of June-2024 and the total energy, 95944.94 MU included ESCOMs IF point energy of 86561.416MU, import energy under open access of 135.342 MU, Railways energy of 754.914 MU and Wheeled energy of 8493.267 MU.

Commission's Analysis and Decision:

The Commission has noted the replies furnished by KPTCL regarding the energy at IF points.

Transmission loss trajectory approved by the Commission for FY2023-24 in the Tariff Order-2022 dated 04.04.2022 is as below:

TABLE – 4.3B	
Transmission Loss Trajectory allowed by the Commission for FY2023-24 in Tariff Order-2022	
Upper Limit	2.814%
Average	2.764%
Lower Limit	2.714%

The Commission has taken note of the details / explanation furnished by KPTCL and proceeded to approve the transmission loss for FY2023-24 as follows;

TABLE – 4.3C	
Transmission Loss for FY2023-24– As filed	
Particulars	In MUs
Energy Input to Transmission System of KPTCL	98877.85
Total Energy at Interface points of ESCOMs	95944.94
Transmission Loss	2932.91
Transmission Loss (%)	2.966%

The Commission has taken note that the actual transmission loss of 2.966% achieved by the KPTCL is higher by 0.152% compared to the upper limit of approved targeted transmission loss of 2.814%. Hence, the Commission, in accordance with the provisions of Clause 3.4 of KERC (Terms and Conditions for Determination of Transmission) Regulations, 2006, as amended from time to time, has proceeded to determine Penalty for under achievement of transmission loss, as follows;

TABLE – 4.3D	
Penalty for under achievement of Transmission Loss for FY2023-24	
Particulars	FY2023-24
1% of RoE (Rupees in Crores)	10.6572
Actual Transmission Loss in %	2.966%
Upper Limit of targeted Transmission Loss in %	2.814%
Under achievement of transmission loss by (%)	0.152%
Penalty imposed Rs. In Crores	3.24

Thus the Commission levies penalty of Rs.3.24 Crores to KPTCL for under achievement of Transmission Loss in FY2023-24.

ii) Transmission System Availability (TSA) for FY2023-24:

KPTCL, in its Petition has submitted that it has achieved Transmission System Availability (TSA) of 99.7201% and has requested an incentive for achieving system availability above the target availability of 98% as specified under the KERC MYT Regulations.

KPTCL, vide its letter dated 15.07.2024 has submitted the details of Transmission System Availability (TSA) of the transmission lines, transformers and the reactors in the transmission system for FY24, as under:

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	598	99.830%	732	99.892%	1	100.00%	99.8639%
Bengaluru Zone	604	99.864%	785	99.912%	7	80.20%	99.7922%
Kalaburagi Zone	393	99.860%	471	99.979%	2	100.00%	99.9246%
Hassan Zone	278	98.590%	422	99.808%	5	100.00%	99.3291%
Mysuru Zone	293	99.947%	370	99.987%	0	0.00%	99.9693%
Tumakuru Zone	208	99.558%	442	99.953%	7	100.00%	99.8287%
Total	2374	99.508%	3222	99.915%	22	94.048%	99.7201%

KPTCL has requested the Commission to allow incentive for achieving better transmission availability, as per MYT Regulations.

Commission's preliminary observations and KPTCL's reply:

The Commission in its preliminary observations has directed KPTCL to explain the difference in transmission line CKms., Transformer MVA capacity in TSA calculations compared to the details furnished in its APR FY2023-24 petition. KPTCL has submitted that the TSA statement also included the dedicated lines constructed by IPPs and provided explanation for transformer MVA capacity.

Commission's Analysis and Decision:

The Commission has taken note of the details / explanation furnished by KPTCL and has considered the TSA at 99.7201% for FY2023-24, 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. The Commission would like to reiterate that KPTCL shall ensure that no RE Generation is affected by transmission system constraints.

The Commission has considered the details of Transmission System Availability furnished by KPTCL and has determined the incentive for achievement of better transmission availability for FY2023-24, in accordance with the provisions of

Clause 3.17 of KERC (Terms and Conditions for Determination of Transmission) Regulations, 2006, as amended from time to time as follows. Since the target for System availability for FY2023-24 was 98.00% as per then prevailing KERC (Terms and Conditions for Determination of Transmission) Regulations, 2006 and amendments, the incentive calculation are considered accordingly.

Incentive on Transmission Availability for FY2023-24	
Particulars	FY2023-24
System Target Availability (%)	98.00%
Actual System Availability (%)	99.7201%
No incentive allowed beyond 99.75% as per MYT Regulations	99.750%
Availability beyond target level	1.7201%
Incentive linked to approved ARR	Rs.101.35 Cr.
50% to be shared with the ESCOMs and balance to be retained by KPTCL	Rs. 50.68 Cr.

The Commission, therefore directs the KPTCL to recover the above incentive of Rs.50.68 Crores from the ESCOMs in proportion to their actual transmission capacity for FY2023-24. 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.

iii) Operation and Maintenance Expenses:

KPTCL has submitted its Operation and Maintenance (O&M) expenditure claims for FY2023-24, seeking the Commission's approval. These claims are presented in the below table, comparing them with the O&M expenditures approved in the Tariff Order 2022.

TABLE-4.4		
O and M Expenses for FY2023-24: As approved in the Tariff Order-2022 v/s As filed		
Particulars	As Approved in TO-2023 (Rs.in Crores)	As Filed on 30.11.2024 (Rs.in Crores)
1 Employee Expenses	2,263.89	1,777.65
2 Repairs & Maintenance		431.76
3 Admin & General Expenses		228.24
4 Sub-Total:	2,263.89	2,437.65

Commission's Analysis and Decision:

The Commission has reviewed the details provided by KPTCL and has revised the Operation and Maintenance expenses for FY2023-24, duly considering the inflation factor (as indicated in the Table-4.8), in line with Clause 3.11 of the KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006. Additionally, the Commission has taken into account the increased employee expenses on account of revision of pay scale effective April 1, 2022.

TABLE-4.5							
WII FOR APR / ARR							
Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1)* (LnRt)]
2012	105.70	72.70	79.30				
2013	111.10	80.60	86.70	1.09	0.09	1.00	0.09
2014	114.80	85.70	91.52	1.15	0.14	2.00	0.29
2015	110.30	90.80	94.70	1.19	0.18	3.00	0.53
2016	110.30	95.30	98.30	1.24	0.21	4.00	0.86
2017	114.10	97.60	100.90	1.27	0.24	5.00	1.20
2018	118.90	102.40	105.70	1.33	0.29	6.00	1.72
2019	121.20	110.20	112.40	1.42	0.35	7.00	2.44
2020	121.80	116.30	117.40	1.48	0.39	8.00	3.14
2021	135.00	122.00	124.60	1.57	0.45	9.00	4.07
2022	151.30	129.20	133.62	1.68	0.52	10.00	5.22
2022	151.30	136.40	139.38	1.76	0.56	11.00	6.20
A= Sum of the product column							25.76
B= 6 Times of A							154.59
C= (n-1)*n*(2n-1) where n= No of years of data=12							3036.00
D=B/C							0.05
g(Exponential factor)= Exponential (D)-1							0.05
e=Annual Escalation Rate (%)=g*100							5.22371
As per CERC Notification No.Eco T 1 (Old SBD) / 2024-CERC dated 02.04.2024 with weightage of 80% on CPI and 20% on WPI							

TABLE-4.6			
O and M Expenses for FY2023-24: As allowed by the Commission as per APR (Rs.in Crores)			
	FY2021-22	FY2022-23	FY2023-24
1 Base Year (FY2021-22) O&M Expenses as per Audited Accounts	1,791.40		
2 Less: Terminal Benefits (FY2021-22)	427.35		
3 Less: Half Pay Leave Provision	7.48		
4 Base Year O&M Expenses excluding Terminal Benefits	1,356.57		
5 No. of Bays	26,009		28,291
6 Length of line in KMs	40,304		42,991
Inflation Index(%)		5.69733%	5.22371%
7 O&M Expenses per bay (Rs.in Thousands) w.r.t. 70% of Sl.No.4	365.10	385.91	406.06
8 O&M Expenses per KM of line (Rs.in Thousands) w.r.t. 30% of Sl.No.4	100.98	106.73	112.30
9 Normative O&M Expenses (excluding Terminal Benefits & pay revision impact)			1,631.60
10 Add: Terminal Benefits (FY2023-24)			590.98
11 Add: Pay Revision Component with inflation factor (FY2023-24)		192.86	202.93
12 Normative O&M Expenses allowed for FY2023-24 (9+10+11)			2,425.51

Accordingly, the Commission has decided to approve the normative Operation and Maintenance (O&M) expenses (including the P & G contribution) of Rs.2425.51 Crores for FY2023-24.

iv) Depreciation:

KPTCL has furnished the depreciation claims for FY2023-24, requesting Commission's approval. The claims are summarized in the table below, which also provides a comparison with the depreciation approved in the Tariff Order, 2022.

TABLE-4.7			
Depreciation for FY2023-24: As approved in TO-2023 v/s As filed			
As Approved in TO-2022 Dt.04.04.2022	As Claimed		
	Total Depreciation	Depreciation on Assets created out of consumer contribution / grants	Net Depreciation
(Rs.in Crores)	(Rs.in Crores)	(Rs.in Crores)	(Rs.in Crores)
1,250.20	1,526.01	-	1,526.01

Commission's Analysis and Decision:

The Commission has reviewed the details provided by KPTCL and revised the depreciation for FY2023-24, as per Clause 3.9 of the KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006. **Based on this review,**

the Commission has approved the actual net depreciation for FY2023-24, as follows:

TABLE-4.8		
Depreciation allowed for FY2023-24 as per APR		
Total Depreciation (#)	Depreciation on Assets created out of consumer contribution / grants	Net Depreciation allowed
(Rs.in Crores)	(Rs.in Crores)	(Rs.in Crores)
1,526.36	171.92	1,354.44

(#) excluding Depreciation of Rs.0.21 Crores relating to SLDC

Thus the Commission has approved the revised depreciation amount of Rs.1354.44 Crores for FY2023-24.

v) Capital Expenditure for FY2023-24:

KPTCL's capital works achievements for FY2023-24 for having incurred a capex of Rs.3618.54 Crores, are as under:

TABLE – 4.9					
Particulars	Commissioning of new sub stations		Augmentation of sub stations		Addition of new lines
	Nos.	MVA Added	Nos.	MVA Added	CKMs
400 kV	0	500.00	0	0	000.000
220 kV	2	500.00	5	450	261.771
110 KV	32	498.00	69	720	520.461
66 kV	11	245.50	73	535.9	295.973
Total:	45	1743.50	147	1705.9	1078.205

Note: 500 MVA, 2nd Power transformer at 400 KV Kalburagi (Firozabad) Station Commissioned during FY24.

Commission's preliminary observations and KPTCL's reply:

The Commission had observed that in FY24, KPTCL has incurred capex of Rs.3618.54 Crores, which is abnormally high as compared to the amount approved by the Commission and without prior approval for exceeding the approved capex. KPTCL, vide letters dated 03.02.2024 and 06.04.2024 had requested the Commission to consider the capex of Rs.4000 Crores for FY24, as

against the Commission approved capex of Rs.2000 Crores for the purpose of ARR and Tariff computation.

In response to these letters, the Commission vide letters/email dated 29.02.2024 and 02.07.2024 had directed KPTCL to furnish the additional information along with justification for the additional capex. However, the Commission did not receive any response in this regard.

In the replies furnished to the preliminary observations, 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. Further, there is increase in costs of material and labour for construction of stations and lines as per revised IEEMA rates and CPI. Further, it has stated that all the works taken up by KPTCL to meet additional loads would also simultaneously result in improved voltage profile.

Commission's Analysis and Decision:

The Commission has examined the replies of KPTCL on the preliminary observations. The Commission notes that KPTCL is expected to plan the capital works in accordance with the approved capital expenditure, to the extent possible.

Clause 23.3(d) of the MYT Regulations, 2024 specifies that '***In case the actual capital expenditure or in case the actual capital expenditure or capitalization exceeds 10% of the amount approved by the Commission, the Licensee shall submit detailed justification for such excess expenditure, in its Petition for Annual Performance Review (True-up)***'. However, in the APR filing the said Clause is not complied with by the KPTCL.

In view of the above, KPTCL is directed to comply with the said Regulations in future, so as to ensure financial sustainability and also to foresee the impact of capital expenditure on the consumers' tariff.

The Commission has taken note of details furnished in the Annexure-12 of the replies furnished by the KPTCL in response to the preliminary observations. It is observed that some of the stations and lines commissioned were under loaded. Further, to assess the financial prudence with respect to capital expenditure incurred, the Commission has entrusted the work of carrying out prudence check of capital expenditure of FY2022-23 and FY2023-24 to the third parties/consultants.

The third-party consultants have initiated the prudence check process, which is currently in its initial stage. The results and impact of this exercise will be reviewed and shared in the next Annual Performance Review.

The KPTCL has submitted a list of 617 works amounting to Rs.1929.88 Crores executed through turnkey contractors control account in respect of capital works. However, KPTCL has not furnished the year-wise breakup for the amounts incurred. In this regard, KPTCL is directed to regularize the amount incurred by monitoring the physical progress of the projects with respect their original schedule as cited in Clause 23.3 (b) of MYT Regulations 2024.

In view of the above, the Commission has considered the capital expenditure incurred by KPTCL for FY24, subject to prudence check, and has allowed the interest on capital loans as per norms of MYT Regulations, 2024.

vi) Interest on Capital Loan:

KPTCL has sought approval for Interest on Capital Loan for FY2023-24. The claimed amount is compared below with the Interest on Capital Loan approved in the Tariff Order 2022, dated 04th April 2022.

TABLE-4.10			
Interest on Capital Loan for FY2023-24 As Approved in Tariff Order-2022 v/s filed			
As Approved in Tariff Order-2022		As Claimed	
New Loan (Rs.in Crores)	Interest on Loan (Rs.in Crores)	New Loan (Rs.in Crores)	Interest on Loan (Rs.in Crores)
1,225.00	680.88	2,602.00	983.50

Commission's Analysis and Decision:

The Commission has taken note of the details furnished by the KPTCL and has proceeded to revise the Interest on Capital Loan for FY2023-24, in accordance with the provisions of Clause 3.8 of the KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006, as amended from time to time.

As of 15.03.2023, the SBI MCLR rate for a three-year term is 8.70%. Adding 200 base points as per regulatory requirements, the permissible interest rate on capital loans is 10.70%. The Commission has noted that the interest incurred by KPTCL is within the allowable rate.

Accordingly, the Commission has approved the Interest on Capital Loan of Rs.907.50 Crores for FY2023-24, as under:

TABLE-4.11						
Interest on Capital Loan allowed for FY2023-24						
Opening Balance (Rs.in Crores)	New Loan (Rs.in Crores)	Repayment (Rs.in Crores)	Closing Balance (Rs.in Crores)	Average Loan (Rs.in Crores)	Interest on loan (Rs.in Crores)	Weighted Avg.Int.Rate (%)
10,117.97	2,602.00	888.55	11,831.42	10,974.70	907.50	8.27%

vii) Interest on Working Capital:

KPTCL has sought approval for Interest on Working Capital for FY2023-24. The claimed amount is detailed below in comparison to the Interest on Working Capital approved in the Tariff Order 2022, dated 04th April 2022.

TABLE-4.12		
Interest on Working Capital for FY2023-24: As approved in TO-2023 v/s As filed		
As Approved in TO-2023 (Rs.in Crores)	As per Accounts (Rs.in Crores)	As Claimed (Rs.in Crores)
120.67	116.69	116.69

Commission's Analysis and Decision:

After examining the details provided by KPTCL, the Commission has revised the Interest on Working Capital for FY2023-24, as per the provisions Clause 3.12 of the KERC (Terms and Conditions for Transmission Tariff) Regulations, 2006, as amended from time to time, as under:

TABLE-4.13	
Interest on Working Capital Allowed for FY2023-24 as per APR	
Particulars	Rs.in Crores
1/6th of Revenue	932.29
1/12th O&M Expenses	202.13
1% of OB of GFA	314.22
Working Capital Requirement	1,448.63
1 Year SBI MCLR + 250 points	11.00%
Normative IWC	159.35
WC Interest as per Accounts	116.69
Working Capital Interest Allowed	138.02

Thus, the Commission has approved the revised Interest on Working Capital of Rs.138.02 Crores for FY2023-24.

viii) Charges Capitalized:

KPTCL has sought approval for various charges capitalized for FY2023-24. A comparison with the charges approved in the Tariff Order 2022, dated 4th April, 2022 and the Charges allowed for FY2023-24 based on the Audited Accounts, is given below:

TABLE-4.14A			
Capitalization of Charges for FY2023-24: As Approved in Tariff Order-2023			
O&M Charges (Rs.in Crores)	Depreciation (Rs.in Crores)	Interest Charges (Rs.in Crores)	Total (Rs.in Crores)
69.72		106.28	176.00

TABLE-4.14B			
Capitalization of Charges for FY2023-24: As Filed			
O&M Charges (Rs.in Crores)	Depreciation (Rs.in Crores)	Interest Charges (Rs.in Crores)	Total (Rs.in Crores)
99.29		142.03	241.32

TABLE-4.14C			
Capitalization of Charges for FY2023-24: As Allowed			
O&M Charges (Rs.in Crores)	Depreciation (Rs.in Crores)	Interest Charges (Rs.in Crores)	Total (Rs.in Crores)
99.29	0.56	142.03	241.88

ix) Other Debits:

The Commission did not approve any amount under this head for FY2023-24 in the Tariff Order 2022, as it required scrutiny against the actuals with reference to the audited accounts.

After reviewing the audited accounts, the Commission has now approved the amount under "Other Debits" for FY2023-24, as below.

TABLE-4.15	
Other Debits for FY2023-24	
As filed (Rs.in Crores)	As allowed (#) (Rs.in Crores)
84.13	78.53

(#) Provision of Rs.1.66 Crores and Rs.3.94 Crores excluded.

x) Return on Equity:

The Commission, in the Tariff Order 2022, has approved the Return on Equity (RoE) of Rs.1027.69 Crores for FY2023-24. In its filing, KPTCL has claimed Rs.1065.72 Crores of Return on Equity for FY2023-24.

Commission's Analysis and Decision:

The Commission has taken note of the equity / net worth for FY2023-24, as per the Audited Accounts, as tabulated below:

TABLE-4.16	
Equity / Networth for FY2023-24: As per Audited Accounts	
Particulars	Rs.in Crores
OB: Paid Up Share Capital	2,242.68
OB: Share Deposit	-
OB: Accumulated Profit/Loss	4,632.96
Total Equity / Networth	6,875.64

Debt-Equity Ratio with reference to Gross Fixed Assets:

TABLE-4.17		
Debt-Equity Ratio with reference to Gross Fixed Assets		
Particulars	Opening Balance Rs.in Crores	Closing Balance Rs.in Crores
GFA (excluding Consumer Cont/Grants)	28,482.14	30,676.17
Debt (actuals)	10,117.97	11,831.42
Equity (net worth) (actuals)	6,295.84	6,875.64
Normative Debt @ 70% GFA	19,937.50	21,473.32
Normative Equity @ 30% GFA	8,544.64	9,202.85
% of actual Debt: Equity to GFA	35.52 : 22.10	38.57 : 22.41

As can be observed from the above, the equity of KPTCL is within the normative level, the Commission has proceeded to determine the Return on Equity for KPTCL for FY2023-24, in accordance with the provisions of Clause 3.10 of the KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006, as amended from time to time, as follows.

TABLE-4.18	
ROE allowed for FY2023-24 as per APR	
Particulars	Rs.in Crores
OB: Paid Up Share Capital	2,242.68
OB: Share Deposit	-
OB: Accumulated Profit/Loss	4,632.96
Total Equity	6,875.64
ROE Rate	15.50%
Allowable Return on Equity	1,065.72

Thus, the Commission has approved the Return on Equity of Rs.1065.72 Crores for FY2023-24.

xi) Provision for Taxation:

In the Tariff Order 2022, the Commission did not provide "Income Tax" separately for FY2023-24. This is due to the fact that the allowed Return on Equity (ROE) already incorporates income tax, calculated at the Minimum Alternate Tax (MAT) rate. In the filing, KPTCL has claimed Rs.189.11 Crores as Income Tax for FY2023-24.

Commission's Analysis and Decision:

The Commission has taken note of KPTCL's computation of income tax on the profits earned. Whereas, the provisions of KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006 provides to allow actual income tax accounted as per the audited accounts subject to a maximum income tax payable on the allowable Return on equity (RoE) grossed up with MAT rates.

Therefore, in accordance with the provisions of Clause 3.13 of the KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006, as amended from time to time, the Commission hereby decides to allow the tax on income as follows;

TABLE - 4.19	
Income Tax Allowed for FY2023-24	
Particulars	Rs.in Crores
1. ROE at base Rate	1,065.72
2. ROE with effective MAT	1,291.35
3. Income Tax	225.63
4. Actual Income Tax as per Audited Accounts	189.11
Allowable Income Tax (lower of 3 & 4 above)	189.11

Thus, the Commission has approved the Income Tax of Rs.189.11 Crores for FY2023-24.

xii) Other Income:

In the Tariff Order 2022, the Commission has provided Rs.82.99 Crores as "Other Income" for FY2023-24. In the filing, KPTCL has claimed Rs.312.04 Crores as "Other Income" for FY2023-24. KPTCL has included the amount of Rs.171.92 Crores relating to depreciation on the assets created out of consumer contribution / grants.

Commission's Analysis and Decision:

The Commission has considered the Other Income as per the Audited Accounts for FY2023-24, as follows;

TABLE - 4.20	
Other Income for FY2023-24: As Allowed by Commission	
Particulars	Rs.in Crores
As per Note-26 of the Audited Accounts	311.17
Less: Revenue recognized on Assets created out of Consumer contribution / grants (#)	(171.92)
Total:	139.25

(#) The Commission has treated this amount as a reduction in the overall depreciation.

Thus, the Commission has allowed "Other Income" of Rs.139.25 Crores for FY2023-24.

xiii) SLDC Charges:

KPTCL has sought approval of Rs.47.70 Crores as SLDC Charges for FY2023-24. A comparison with the charges approved in the Tariff Order 2023, dated 12th May, 2023 and the allowed Charges for FY2023-24 based on the Audited Accounts, is given below.

TABLE - 4.21				
SLDC Charges for FY2023-24 – As Approved in TO-2023 v/s As filed				
Particulars	As Approved in TO-2023 Rs.in Crores	As Claimed Rs.in Crores	As Allowed Rs.in Crores	Deficit for FY2023-24 Rs.in Crores
1. Employee cost	27.74	6.53	6.53	19.75
2. A & G Expenses		34.55	34.55	
3. Repairs & Maintenance Expenses		6.41	6.41	
4. Depreciation		0.21	-	
Total:	27.74	47.70	47.49	19.75

Thus, the Commission decides to allow the additional SLDC charges of Rs.19.75 Crores for FY2023-24 to be collected by ESCOMs in FY2025-26. The ESCOMs-wise allocation of additional SLDC charges is dealt with in the subsequent chapter of this Order.

xiv) Revenue:

The Commission has considered the revenue for FY2023-24 with reference to the Audited Accounts, as follows.

TABLE - 4.22	
Revenue from Transmission Charges for FY2023-24	
Particulars	Rs.in Crores
From BESCOM	2,712.24
From MESCOM	396.13
From CESC	584.35
From HESCOM	998.64
From GESCOM	553.07
From other Open Access Customers	127.00
Total Revenue from Transmission activity	5,371.43
Add: Miscellaneous Revenue	223.17
Less: Income from ISTS Lines	0.88
Total:	5,593.72

xv) Abstract of Approved ARR for FY2023-24 as per APR:

Based on the above decisions the consolidated Statement of approved revised ARR as per APR for FY23 is indicated in the below table;

TABLE- 4.23			
Annual Revenue Requirement for FY2023-24: As approved by the Commission after APR			
Particulars	FY2023-24 (Rs.in Crores)		
	As Approved in TO-2022 & TO-2023	As Filed on 29.11.2023	As Approved in APR
1 Energy available for transmission in MU	73,740.45	98,877.85	98,877.85
2 Energy sold at IF Points	71,702.26	95,944.94	95,944.94
3 Transmission Losses in MU	2,038.19	2,932.91	2,932.91
4 Transmission Loss in %	2.764%	2.966%	2.966%
5 Installed Capacity in MW	28,501.00	28,352.25	28,352.25
Income:			
6 Revenue from Transmission			5,244.44
7 Miscellaneous Revenue	5,575.85	5,594.60	349.28
Total Income:	5,575.85	5,594.60	5,593.72
Expenditure:			
8 Employee Cost		1,777.65	
9 Repairs & Maintenance	2,263.89	431.76	2,425.51
10 Admin & General Expenses		228.24	
11 Sub-Total (8+9+10):	2,263.89	2,437.65	2,425.51
12 Depreciation	1,250.20	1,526.01	1,354.44
13 Interest on Capital Loan	680.88	983.50	907.50
14 Interest on working capital	120.67	116.69	138.02
15 Sub-Total (13+14):	801.55	1,100.19	1,045.52
16 Less: Capitalized O&M Expenses	(69.72)	(99.29)	(99.29)
17 Less: Capitalized Depreciation	-	-	(0.56)
18 Less: Capitalized Interest Charges	(106.28)	(142.03)	(142.03)
19 Other Debits	-	84.13	78.53
20 Extrordinary items/ Exceptional Items	-	-	-
21 Net Prior Period Income /Charges	-	-	-
22 Income Tax	-	189.11	189.11
23 Less: Other Income	(82.99)	(312.04)	(139.25)
Total Expenditure:	4,056.65	4,783.73	4,711.98
24 Return on Equity	1,027.69	1,065.72	1,065.72
25 Carry forward of (Deficit) / Surplus of previous year as per APR	(34.90)	-	-
26 Additional Employee Cost on account of pay revision	195.00	-	-
27 Amortised Reg. Assets -As per ATE dated 05.10.2020-5 years	331.41	-	-
28 P&G Trust Contribution - Government portion	-	-	-
29 Less: Penalty for exceeding target Tr. Loss	-	-	(3.24)
30 Less: Disallowance of imprudent capex	-	-	-
31 Sub-Total (24+25+26+27+28):	1,519.20	1,065.72	1,062.48
Aggregate Revenue Requirement	5,575.85	5,849.45	5,774.46
Revenue SURPLUS / (GAP)	-	(254.85)	(180.74)

The Commission, as decided in the foregoing discussions, hereby approves the revised net ARR of Rs.5774.46 Crores for FY2023-24. On account of the revised ARR, the net revenue deficit of KPTCL for FY2023-24 is Rs.180.74 Crores.

4.4 Treatment of revenue deficit of FY2023-24:

The Commission decides to carry forward the revenue deficit of Rs.180.74 Crores for FY2023-24 to the ARR for FY2025-26, as discussed in the subsequent Chapter of this Order.

CHAPTER – 5

ANNUAL REVENUE REQUIREMENT (ARR) FOR FY2025-26 to FY2027-28

5.1 KPTCL Petition for approval of ARR for the Control Period FY2025-26 to FY2027-28:

The KPTCL, in its petition dated 30th November, 2024, has requested the Commission to approve ARR for the Control Period FY2025-26 to FY2027-28, as follows.

TABLE-5.1				
Annual Revenue Requirement for the Control Period: As filed				
Particulars	As Filed			
	FY2025-26 Rs.in Crores	FY2026-27 Rs.in Crores	FY2027-28 Rs.in Crores	
1 Energy available for transmission in MU	1,07,868.00	1,16,189.00	1,26,781.00	
2 Energy sold at IF Points	1,04,685.89	1,12,773.04	1,23,066.32	
3 Transmission Losses in MU	3,182.11	3,415.96	3,714.68	
4 Transmission Loss in %	0.03	0.03	0.03	
5 Installed Capacity in MW	33,437.38	35,902.37	37,347.38	
INCOME:				
6 Revenue from Transmission	6,570.85	7,055.25	7,339.21	
7 Miscellaneous Revenue	-	-	-	
8 Total Income:	6,570.85	7,055.25	7,339.21	
EXPENDITURE:				
O&M Charges:				
9 Employee Cost	1,904.62	2,018.90	2,422.68	
10 Repairs & Maintenance	522.42	574.66	632.12	
11 Admin & General Expenses	270.08	305.19	344.87	
12 Sub-Total:	2,697.12	2,898.75	3,399.67	
13 Depreciation	1,914.23	2,143.93	2,401.21	
Interest and Finance Charges:				
14 Interest on Capital Loan	1,372.41	1,606.44	1,794.00	
15 Interest on working capital	52.38	21.79	14.03	
16 Sub-Total:	1,424.79	1,628.23	1,808.03	
Less: Capitalization of Charges				
17 Capitalized O&M Expenses	(120.14)	(132.15)	(145.37)	
18 Capitalized Depreciation	-	-	-	
19 Capitalized Interest Charges	(187.82)	(215.99)	(248.39)	
20 Sub-Total:	(307.96)	(348.14)	(393.76)	
21 Other Debits	87.53	89.28	91.06	
22 Extrordinary items/ Exceptional Items	-	-	-	
23 Net Prior Period Income /Charges	-	-	-	
24 Income Tax	-	-	-	
25 Less: Other Income	(180.97)	(206.30)	(235.19)	
26 Total Expenditure:	5,634.74	6,205.75	7,071.02	

27	Return on Equity	1,627.17	1,903.21	2,226.06
28	P&G Trust Contribution - Government portion	2,812.83	2,845.75	2,860.97
29	Amortised Reg. Assets -As per ATE dated 05.10.2020-5 years	193.32	-	-
30	Less: Penalty for exceeding target Tr. Loss	-	-	-
31	Less:Disallowance of imprudent capex for FY22	-	-	-
32	Sub-Total:	4,633.32	4,748.96	5,087.03
33	Aggregate Revenue Requirement for the year	10,268.06	10,954.71	12,158.05
34	APR Surplus / (Deficit) of previous year	(254.85)	-	-
35	Net Aggregate Revenue Requirement for the year	10,522.91	10,954.71	12,158.05
36	Revenue SURPLUS / (GAP)	(3,952.06)	(3,899.46)	(4,818.84)

KPTCL has also prayed for revision of short-term open access charges and SLDC charges for the Control Period FY2025-26 to FY2027-28.

Commission's Decision:

Pursuant to the Karnataka Electricity Regulatory Commission's (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024, the Commission has initiated examination of KPTCL's proposal. The following paragraphs outline the Commission's item-wise analysis and decisions.

5.2 Capital Investment Plan (CAPEX) for FY2025-26 to FY2027-28:

The KPTCL's proposed Capital Investment Plan for the Control Period are as under:

TABLE – 5.2A
Summary of proposed Capital Investment Plan

(Amount in Rs. Crores)

Financial Year	FY2025-26	FY2026-27	FY2027-28
Stations	4804.98	4738.01	4832.63
Lines	1630.75	2156.36	2290.63
Augmentation	451.01	546.52	610.22
Civil Works	100.00	100.00	100.00
Others	50.88	70.69	86.04
GCB	250.00	250.00	250.00
SCADA	50.00	50.00	50.00
Misc.	0.00	0.00	0.00
Total	7337.62	7911.58	8219.52

The proposed capex requirement includes completed works, ongoing works, new works and GCB & Civil / Misc., works to achieve the following objectives:

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

KPTCL has further stated that, it is ensuring the development of efficient, coordinated and economical system of intra-state transmission lines for smooth flow of electricity from generating stations to the load centres through systematic planning and implementation of the transmission capacity building programmes in the State. The breakup of proposed Capital Investment Plan is as under:

TABLE -5.2B
Breakup of proposed Capital Investment Plan
(Amount in Rs. Crores)

Particulars	FY2025-26		FY2026-27		FY2027-28	
	No's	Amount	No's	Amount	No's	Amount
Completed works	104	557.00	535	1658.35	1039	2944.25
Ongoing works	435	3061.48	506	1353.94	210	1525.09
New Works	1052	3319.14	546	4499.29	336	3350.18
GCB & Civil /Misc. works	-	400.00	-	400.00	-	400.00
Total	1591	7337.62	1587	7911.58	1585	8219.52

KPTCL, in its filing has stated that the proposed capex is planned to fulfil the objectives and responsibilities as envisaged in the Electricity Act, 2003 and the National Electricity Policy, through systematic planning and implementation of the transmission capacity building programme in the State to achieve ultimate objective of cost effective delivery of power.

Commission's Analysis and Decisions:

The major observations of the Commission on the replies furnished by KPTCL and the decision of the Commission on the major observations thereon are as under:

1. The Commission, in its preliminary observations had directed KPTCL to provide the details of its planning and implementation of the **Green Energy Corridor Projects** in the State vis-à-vis the existing/ envisaged RE generation projects and likely growth in RE capacity. Further, to justify the capital investment towards green corridor, KPTCL was directed to provide complete details of works being carried out and works to be carried out, to facilitate timely evacuation of green power along with area - wise details of upcoming/ planned RE generation projects in the State.

Status of RE connected/ to be connected through transmission system commissioned under GEC scheme as furnished by KPTCL, is as under:

GEC Phase	No of works	Total Capacity (MW)	Inter connected Capacity (MW)	Yet to be interconnected (MW)
Phase-1	7	6877.88	4329.20	2548.68
Phase-2:	10	3699.00	2617.00	1082.00
Phase-3:	16	18964.26	Estimated RE evacuation for proposed GEC Phase-3	

From the reply, the Commission notes that, some of the works are yet to be completed which are taken under GEC Phase-I and II. Hence, Commission directs KPTCL to complete the remaining works and submit the progress thereon.

2. Regulation 32.7 of KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024 in respect of approval of capital investment plan specifies that the capex for the control period for determination of ARR/Tariff shall be on the basis of the actual expenditure incurred on capital investment during the previous control period, duly considering the additional capex programme of the licensee and the inflation factors, subject to prudence check of the actual investment, by the Commission. The ARR / tariff shall be determined based on the admitted capital expenditure and shall include capitalized initial spares subject to a ceiling norm as 1.5% of original project cost.

The status of capex proposed, approved, incurred and percentage achievement of capex incurred for the period from FY23 to FY25 is as under:

TABLE – 5.2C
KPTCL CAPEX Approved v/s Actuals

(Amount in Rs. Crores)

Particulars	FY2022-23	FY2023-24	FY2024-25
Capital investment proposed	3521.83	3562.75	3523.94
Capital investment approved by the Commission	2500.00	2500.00	2500.00
Actual capital investment incurred as per audited accounts	3624.08	3618.54	2500.00
Percentage achievement	144.96%	144.74%	100.00%*

* Incurred capex for FY25, is considered as 100% of approved capex.

It is seen from the above that the actual average capex for the last three years is around Rs.**3247.54** Crores annually.

- From the list of works provided by KPTCL, the Commission notes that bifurcation of works to be taken up under capex programme and TBCB route is not furnished by the KPTCL.

However, KPTCL has submitted that in the present proposals it has considered Rs.5000.00 Crores as capex through Debt and equity as per KERC norms i.e. Rs.3500.00 Crores through debt and Rs.1500.00 Crores through internal resources. **Capex over and above Rs.5000.00 Crores is considered for TBCB route.** Hence, interest charges on a loan of Rs.3500.00 Crores considered by KPTCL is reasonable and does not amount to front loading of charges on all the capex amount proposed.

- In exercise of powers conferred under Section 181 read with Sections, 61, 66 and 86 of the Electricity Act, 2003 (No.36 of 2003), and in pursuance to Clause 5.3 of the Tariff Policy, 2016 and Clause 31.6 of KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) (First amendment) Regulations, 2024, the Commission vide its notification No: DD(Tariff)/2023-24/FTS-1345/1216, dated 24.12.2024 has prescribed the threshold limit of Rs.250 Crores for the

implementation of new development and augmentation schemes of Intra State Transmission Projects, in the state of Karnataka.

KPTCL is directed that above this threshold limit, all the new and augmentation works of Intra State Transmission Projects shall be entrusted through Tariff Based Competitive Bidding (TBCB), duly complying with the guidelines issued by the MoP/Gol from time to time.

Considering the above, the Commission hereby approves capex of Rs.5,000.00 Crores for each of the years of the Control Period FY26-28, subject to prudence check. Further, KPTCL is directed to prioritise the works from the list furnished to the Commission and shall not exceed the approved capex. And further directed to take up works under TBCB route above the threshold limit of Rs.250 Crores pertaining to new development and augmentation schemes of Intra State Transmission Projects and directs 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.

The KPTCL's approved capex for control period is as under:

Year	FY26	FY27	FY28
Stations	3200.00	2950.00	2900.00
Lines	1130.00	1350.00	1350.00
Augmentation	300.00	320.00	370.00
Civil Works	70.00	80.00	60.00
Others	50.00	50.00	70.00
GCB	200.00	200.00	200.00
SCADA	50.00	50.00	50.00
Misc.	0.00	0.00	0.00
Total	5000.00	5000.00	5000.00

The Commission hereby directs KPTCL to monitor the physical and financial progress of capital works taken up under its capex programme and TBCB route separately, so as to ensure that all the planned works are completed in a time bound manner and categorize them in the immediate next year in order to create assets and to pass on the real benefits to the consumers.

The Commission reiterates the provisions Regulation 9.6 and 9.7 of the MYT regulations, 2024 for strict compliance. The extract of the Regulations is as under:

Regulation-9.6: *The Licensees shall adhere to the capital investment plan as per the Tariff Orders and shall not modify or propose any ad-hoc investment plans in the middle of the financial year of the control period.*

Regulation-9.7: *Since the approved capex will have tariff implications, the Licensees shall incur the capex with reference to the approved capex only.*

5.3 Transmission Loss for FY2025-26 to FY2027-28:

KPTCL, in its filing, has projected the transmission losses for the Control Period FY26-28 based on the energy input into the KPTCL grid and energy output as measured at interface points with ESCOMs. The transmission losses projected for the Control Period FY26-28 are as follows:

Particulars	As per KPTCL filing		
	2025-26	2026-27	2027-28
Input Energy in KPTCL Grid (MU) as estimated by ESCOMs	107868	116189	126781
Energy at interface point (MU)	104685.89	112773.04	123066.32
Transmission loss in MU	3182.11	3415.96	3714.68
Transmission loss in %	2.95%	2.94%	2.93%

KPTCL has proposed the transmission loss (%) trajectory for the control period as follows:

Range	FY2025-26	FY2026-27	FY2027-28
Upper Limit	3.05	3.04	3.03
Average	2.95	2.94	2.93
Lower Limit	2.85	2.84	2.83

KPTCL has submitted that, it has taken up system improvement works like adding new/link lines, augmentation of existing transformer capacities and establishment of new sub-stations closer to the load centers. KPTCL has stated

that, the proposed works would enable to meet the additional load, improve voltage profile, strengthen the transmission network, facilitate reliable power supply and reduce transmission losses.

Commission's Analysis & Decision:

The Commission notes that the actual transmission losses achieved by KPTCL from FY 19 to FY 24 is as indicated below:

Financial Year	FY19	FY20	FY21	FY22	FY23	FY24
Actual Transmission Loss (%)	3.161	3.129	3.025	2.977	2.977	2.966

The Commission notes that KPTCL in its petition has projected the transmission losses of 2.95%, 2.94% and 2.93% respectively for FY26-28 with a meager reduction of 0.01% every year in the control period FY26-28. The Commission notes that the proposed 0.01% reduction, based on transmission loss reduction from FY23 to FY24 is not acceptable and that KPTCL has to put forth more efforts to reduce the transmission losses by carrying out necessary transmission system maintenance activities and keeping in view substantial amount of capital expenditure approved for the control period. By considering the transmission loss reduction of 0.05% in FY22 and actual loss level achieved during FY24 and the capex proposals for the control period FY26-28, the Commission approves the following trajectory of transmission loss (%) levels:

TABLE-5.3			
Transmission Loss Trajectory approved for the Control Period			
Range	FY2025-26	FY2026-27	FY2027-28
Upper Limit	2.916	2.866	2.816
Target (Average)	2.866	2.816	2.766
Lower Limit	2.816	2.766	2.716

5.4 O&M Charges for FY2025-26 to FY2027-28:

KPTCL has claimed O&M expenditure for the Control Period FY2025-26 to FY2027-28 and sought approval of the Commission. The same is tabulated below.

O and M Expenses for the Control Period: As filed				
	Particulars	FY2025-26	FY2026-27	FY2027-28
1	Employee Cost	1,904.62	2,018.90	2,422.68
2	Repairs & Maintenance	522.42	574.66	632.12
3	Admin & General Expenses	270.08	305.19	344.87
4	Sub-Total:	2,697.12	2,898.75	3,399.67

Employees' Cost: KPTCL has estimated employee costs considering annual increments, dearness allowance with a 6% growth rate, and an additional 20% increase in FY2027-28 due to the scheduled pay revision.

Repairs and Maintenance Expenses: KPTCL has projected a 10% annual increase in R&M Expenses, aligned with the previous five years' growth trend, to support maintenance and upgrades of existing and new transmission infrastructure, including SCADA, TCD and RT equipment.

Administration & General Expenses: KPTCL has projected Administration & General Expenses to grow at an average rate of 13% for the Control Period.

Further, KPTCL has also estimated the Operation and Maintenance Expenses, stated to be as per the norms provided under Regulation 36.2, on per ckt-km and per bay basis (Rs.2803.93 Crores for FY2025-26, Rs.3035.96 Crores for FY2026-27 and Rs.3214.62 Crores for FY2027-28) and compared it with the projections as proposed by it in the filing and states that the expenses proposed by it in the filing is much lower than the normative and hence, requested the Commission to approve the O&M expenses as proposed by it.

Commission's Analysis and Decision:

While reviewing the KPTCL's proposal, the Commission has found discrepancies in the computation of the Operation and Maintenance expenses. Especially, the proposal doesn't align with Clause 36.2 of the KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024. Furthermore, KPTCL has

used data from the Tariff Order-2022 for normative calculations instead of the required base data as per the Regulations.

Hence, the Commission has taken up the task of estimating the normative Operation and Maintenance (O&M) expenses in accordance with Clause 36.2 of the KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024, as follows.

Number of Bays and Transmission Lines:

KPTCL has projected the number of bays and transmission lines for FY2025-26, FY2026-27 and FY2027-28, as below.

TABLE-5.5			
No. of Bays and Transmission Lines for the Control Period: As filed			
Particulars	FY2025-26	FY2026-27	FY2027-28
No. of Bays	32,242	35,323	37,153
Transmission Lines (in CKMs)	48,107	50,592	54,470

Upon reviewing the growth in previous years, the Commission notes that these estimates appear very optimistic and excessive. As such, the Commission has estimated the number of bays based on the growth recorded in FY2023-24 with reference to FY2022-23, as under:

TABLE-5.6			
No. of Bays and Transmission Lines: As Approved for the Control Period			
Particulars	FY2022-23	FY2023-24	FY2024-25
No. of Bays	27,209	28,291	29,373
	FY2025-26	FY2026-27	FY2027-28
	30,541	31,756	33,019
Particulars	FY2022-23	FY2023-24	FY2024-25
Transmission Lines (in CKMs)	41,913	42,991	44,069
	FY2025-26	FY2026-27	FY2027-28
	45,202	46,365	47,558

Base Year O&M Expenses:

As per the Clause 36.3 of KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024, the base year 'Operation and Maintenance'

expenses shall be based on the latest audited accounts. Accordingly, the O&M expenses of FY2023-24, considered as base data is as below.

TABLE-5.7	
Base O&M Expenses for the Control Period: As Approved	
Particulars	FY2023-24 As per Audited Accounts (Rs.in Crores)
1. Employees' Cost	1777.65
2. Repairs and Maintenance Expenses	431.76
3. Administrative & General Expenses	228.24
4. Less: Terminal Benefits	627.04
Net O&M Expenses for Normative calculations	1810.61
1. Contribution to P&G Trust	333.56
2. Contribution to NDCPS	127.54
3. EL Encashment & Half Pay Leave Provision	165.94
4. Less: Half Pay Leave Provision	36.06
Net Terminal Benefits & Provisions for Normative calculations	590.98

Inflation Rate:

As per Clause 36.3 of the KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024, the "Inflation Rate" is calculated using Wholesale Price Index (WPI) data from the Ministry of Commerce and Industry, Government of India and Consumer Price Index (CPI) data from the Labour Bureau, Government of India. The computation follows the CERC methodology, combining CPI and WPI in an 80:20 ratios, based on the past 10 financial years. This approach determines the Inflation Rate for normative O&M expenses as follows.

TABLE-5.8							
WII FOR APR / ARR							
Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1)* (LnRt)]
2012	105.70	72.70	79.30				
2013	111.10	80.60	86.70	1.09	0.09	1.00	0.09
2014	114.80	85.70	91.52	1.15	0.14	2.00	0.29
2015	110.30	90.80	94.70	1.19	0.18	3.00	0.53
2016	110.30	95.30	98.30	1.24	0.21	4.00	0.86
2017	114.10	97.60	100.90	1.27	0.24	5.00	1.20
2018	118.90	102.40	105.70	1.33	0.29	6.00	1.72
2019	121.20	110.20	112.40	1.42	0.35	7.00	2.44
2020	121.80	116.30	117.40	1.48	0.39	8.00	3.14
2021	135.00	122.00	124.60	1.57	0.45	9.00	4.07
2022	151.30	129.20	133.62	1.68	0.52	10.00	5.22
2022	151.30	136.40	139.38	1.76	0.56	11.00	6.20
A= Sum of the product column							25.76
B= 6 Times of A							154.59
C= (n-1)*n*(2n-1) where n= No of years of data=12							3036.00
D=B/C							0.05
g(Exponential factor)= Exponential (D)-1							0.05
e=Annual Escalation Rate (%)=g*100							5.22371
As per CERC Notification No.Eco T 1 (Old SBD) / 2024-CERC dated 02.04.2024 with weightage of 80% on CPI and 20% on WPI							

Accordingly, as per Clause 36 of the KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024, the Commission has determined the normative O&M expenses, as tabulated below.

TABLE-5.9					
O and M Expenses approved by the Commission for the Control Period					
Particulars	FY2023-24	FY2024-25	FY2025-26	FY2026-27	FY2027-28
1 Inflation Rate (%)	5.22371				
2 Base O&M Expenses (excluding Terminal Benefits) (Rs.in Crores)	1,810.61				
3 Base Terminal Benefits (Rs.in Crores)	590.98				
4 No. of Bays as on 31.03.2024	28,291		30,541	31,756	33,019
5 Length of Transmission Lines as on 31.03.2024 (in CKMs)	42,991		45,202	46,365	47,558
6 70% of Base (1) allocated to Bays (Rs.in Crores)	1,267.43				
7 30% of Base (1) allocated to Tr. Lines (Rs.in Crores)	543.18				
8 Base O&M Expenses per bay (Rs.in Thousands) [6/4]	448.00				
9 Base O&M Expenses per KM of line (Rs.in Thousands) [7/5]	126.35				
10 O&M Expenses per bay (Rs.in Thousands) with inflation [8x1]		471.40	496.02	521.93	549.20
11 O&M Expenses per KM of line (Rs.in Thousands) with inflation [9x1]		132.95	139.89	147.20	154.89
12 O&M Expenses for bay for the year (Rs.in Crores) [10x4]			1,514.90	1,657.45	1,813.40
13 O&M Expenses for Tr. Lines for the year (Rs.in Crores) [11x5]			632.34	682.50	736.63
14 Terminal Benefits with inflation (Rs.in Crores) [3x1]		621.85	654.33	688.52	724.48
15 Total O&M Expenses allowed (Rs.in Crores) [12+13+14]			2,801.58	3,028.46	3,274.50

Further, the impact of additional employees' cost that may be arising from the scheduled pay scale revision, the Commission will address this matter during KPTCL's Annual Performance Review of the respective years.

Thus, the Commission decides to approve the normative Operation and Maintenance (O&M) expenses for the Control Period as below.

TABLE-5.10		
Approved O&M Expenses for the Control Period		
FY2025-26	FY2026-27	FY2027-28
Rs.in Crores	Rs.in Crores	Rs.in Crores
2,801.58	3,028.46	3,274.50

5.5 Depreciation for FY2025-26 to FY2027-28:

KPTCL has claimed depreciation for the Control Period FY2025-26 to FY2027-28 and sought approval of the Commission. The same is tabulated below.

TABLE-5.11		
Depreciation for the Control Period: As filed		
FY2025-26	FY2026-27	FY2027-28
1,914.23	2,143.93	2,401.21

Commission's Analysis and Decision:

The Commission's review of KPTCL's proposal uncovered inconsistencies in depreciation claims. KPTCL claimed depreciation rates of 4.96% (FY2025-26), 5.17% (FY2026-27), and 5.41% (FY2027-28), which deviate from the actual weighted average depreciation of 4.66% recorded in 2023-24. Besides, contrary to Clause 26.2 of the KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024, KPTCL has also not deducted depreciation relating to assets created out of consumer contributions / government grants,

The Commission has also scrutinized the details underlying KPTCL's depreciation estimates, which are summarized below.

Particulars	FY2023-24 (Actuals)	FY2024-25 (Estimations)	FY2025-26 (Estimations)	FY2026-27 (Estimations)	FY2027-28 (Estimations)
Opening Balance	31,421.51	34,049.39	37,110.12	40,013.76	42,877.84
Addition of Assets		3,060.73	2,903.64	2,864.08	2,942.82
Closing Balance	34,049.39	37,110.12	40,013.76	42,877.84	45,820.66
Average	32,735.45	35,579.76	38,561.94	41,445.80	44,349.25
Depreciation provided	1,525.10		1,914.23	2,143.93	2,401.21
Weighted Average of Depreciation	4.66%		4.96%	5.17%	5.41%

As such, to estimate normative depreciation, the Commission has followed Clause 26 of the KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024, as detailed below.

Particulars	FY2023-24 (Actuals)	FY2024-25 (Estimations)	FY2025-26 (Estimations)	FY2026-27 (Estimations)	FY2027-28 (Estimations)
Opening Balance	31,421.51	34,049.39	36,922.83	39,946.37	43,127.85
Addition of Assets (#)		2,873.44	3,023.54	3,181.48	3,347.67
Closing Balance	34,049.39	36,922.83	39,946.37	43,127.85	46,475.52
Average	32,735.45	35,486.11	38,434.60	41,537.11	44,801.69
Depreciation provided	1,526.36 (*)		1,791.88	1,936.42	2,088.51
Weighted Average of Depreciation	4.66%		4.66%	4.66%	4.66%
Less: Dep. Relating to the assets created out of consumer contribution / grants (##)	171.92	-	197.97	212.03	226.82
Net Depreciation considered	1,354.44		1,593.91	1,724.39	1,861.69

(*) excludes depreciation of Rs.0.21 Crores relating to SLDC.

(#) Addition of assets considered with reference to the assets added in the previous 3 years plus inflation.

(##) Estimations are based on the addition of consumer contribution / grants as proposed by KPTCL.

And rate of depreciation of 5.28%, applicable to Plant & Machinery, considered for projections.

Thus, the Commission hereby decides to approve the normative depreciation for the Control Period as below.

FY2025-26	FY2026-27	FY2027-28
1,593.91	1,724.39	1,861.69

5.6 Interest on Capital Loan for FY2025-26 to FY2027-28:

KPTCL has claimed Interest on Capital Loan for the Control Period FY2025-26 to FY2027-28, as below, and sought approval of the Commission.

TABLE-5.15		
Interest on Capital Loan for the Control Period: As filed		
FY2025-26	FY2026-27	FY2027-28
1,372.41	1,606.44	1,794.00

Commission's Analysis and Decision:

During the review of KPTCL's proposal the Commission has observed that KPTCL has not taken into consideration the assets that would be created out of consumers' contribution and grants while arriving the net capex.

The Commission has also scrutinized the details underlying KPTCL's Interest on Capital Loan estimates, which are summarized below.

TABLE-5.16					
Estimations considered by KPTCL for Interest on Capital Loan Calculations for the Control Period (Rs.in Crores)					
Particulars	FY2023-24 (Actuals)	FY2024-25 (Estimations)	FY2025-26 (Estimations)	FY2026-27 (Estimations)	FY2027-28 (Estimations)
CAPEX Proposed			5,000.00	5,000.00	5,000.00
Less: Consumer Contribution / Grants			-	-	-
Net CAPEX			5,000.00	5,000.00	5,000.00
Capital Loan Proposed			3,500.00	3,500.00	3,500.00
Loan Opening Balance	10,117.99	11,986.44	13,894.08	16,337.90	18,558.48
New Loan	2,932.00		3,500.00	3,500.00	3,500.00
Repayment	1,063.55		1,056.18	1,279.42	1,580.94
Loan Closing Balance	11,986.44	13,894.08	16,337.90	18,558.48	20,477.54
Interest on Capital Loan Claimed	921.30	1,048.06	1,054.86	1,279.42	1,794.00

The Commission has proceeded to estimate the Interest on Capital Loan as per the Clause 28 of the KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024, as detailed below:

Particulars	FY2023-24 (Actuals)	FY2024-25 (Estimations)	FY2025-26 (Estimations)	FY2026-27 (Estimations)	FY2027-28 (Estimations)
CAPEX Proposed			5,000.00	5,000.00	5,000.00
CAPEX Allowed			5,000.00	5,000.00	5,000.00
Less: Consumer Contribution / Grants			246.57	259.45	273.00
Net CAPEX Allowed			4,753.43	4,740.55	4,727.00
Admissible Capital Loan (70% of above)			3,300.00	3,300.00	3,300.00
Loan Opening Balance	10,117.95	11,831.40	12,246.45	13,952.54	15,528.15
New Loan	2,602.00	1,225.00	3,300.00	3,300.00	3,300.00
Repayment	888.55	809.95	1,593.91	1,724.39	1,861.69
Loan Closing Balance	11,831.40	12,246.45	13,952.54	15,528.15	16,966.46
Average Loan	10,974.68	12,038.93	13,099.50	14,740.35	16,247.31
Weighted Average of Interest	8.27%	8.41%	8.75%	9.01%	9.23%
SBIMCLR Rate as on 15.01.2025 + 200 points		11.10%	11.10%	11.10%	11.10%
Interest on Capital Loan Allowed	On Old Loan	907.50	944.86	963.25	1,145.60
	On New Loan		67.99	183.15	183.15
	Total	907.50	1,012.84	1,146.40	1,328.75

Thus, the Commission decides to approve the normative Interest on Capital Loan for the Control Period as below.

FY2025-26	FY2026-27	FY2027-28
1,146.40	1,328.75	1,499.01

5.7 Interest on Working Capital for FY2025-26 to FY2027-28:

KPTCL has claimed Interest on Capital Loan for the Control Period FY2025-26 to FY2027-28, as below, and sought approval of the Commission.

FY2025-26	FY2026-27	FY2027-28
52.38	21.79	14.03

Commission's Analysis and Decision:

KPTCL has not shown the calculations for the Interest on Working Capital proposed by them. However, they have requested the Commission to allow the interest on working capital for the control period as per the norms under MYT Regulations.

The Commission has proceeded to estimate the Interest on Working Capital as per the Clause 29 of the KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024, as detailed below.

Particulars	FY2025-26	FY2026-27	FY2027-28
1/6th of Revenue	1,177.91	1,226.71	1,345.92
1/12th O&M Expenses	233.47	252.37	272.88
1% of OB of GFA	369.23	399.46	431.28
Working Capital Requirement	1,780.60	1,878.54	2,050.07
1 Year SBI MCLR + 250 points	11.50%	11.50%	11.50%
Allowable Normative Interest	204.77	216.03	235.76

Thus, the Commission has decided to approve the normative Interest on Working Capital Loan for the Control Period as below.

FY2025-26	FY2026-27	FY2027-28
204.77	216.03	235.76

5.8 Charges Capitalized for FY2025-26 to FY2027-28:

KPTCL has sought approval for capitalization of various charges for the Control Period, as below.

Financial Year	O&M Charges (Rs.in Crores)	Depreciation (Rs.in Crores)	Interest Charges (Rs.in Crores)	Total (Rs.in Crores)
FY2025-26	120.14	-	187.82	307.96
FY2026-27	132.15	-	215.99	348.14
FY2027-28	145.37	-	248.39	393.76

Commission's Analysis and Decision:

The Commission has evaluated KPTCL's proposal and permitted the capitalization of various charges for the Control Period, based on the capitalization amounts from previous years' data, as below.

TABLE-5.23				
Capitalization of Charges allowed for the Control Period (Rs.in Crores)				
Financial Year	O&M Charges (Rs.in Crores)	Depreciation (Rs.in Crores)	Interest Charges (Rs.in Crores)	Total (Rs.in Crores)
FY2025-26	153.15	0.56	228.47	382.18
FY2026-27	180.08	0.56	271.69	452.33
FY2027-28	207.01	0.56	314.91	522.48

5.9 Other Income for FY2025-26 to FY2027-28:

The Commission has allowed the Other Income for the Control Period as proposed by KPTCL, which is as below.

TABLE-5.24		
Other Income allowed for the Control Period		
FY2025-26 Rs.in Crores	FY2026-27 Rs.in Crores	FY2027-28 Rs.in Crores
180.97	206.30	235.19

5.10 Return on Equity for FY2025-26 to FY2027-28:

KPTCL has proposed the Return on Equity for the Control Period, as below.

TABLE-5.25		
Return on Equity for the Control Period: As filed		
FY2025-26 Rs.in Crores	FY2026-27 Rs.in Crores	FY2027-28 Rs.in Crores
1,627.17	1,903.21	2,226.06

Commission's Analysis and Decision:

The Commission has proceeded to estimate the Return on Equity as per the Clause 27 of the KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024, as detailed below.

Normative ROE allowed for the Control Period (Rs.in Crores)			
Particulars	FY2025-26	FY2026-27	FY2027-28
OB: Paid Up Share Capital	2,278.38	2,278.38	2,278.38
OB: Share Deposit	-	-	-
OB: Accumulated Profit/Loss	6,622.10	7,868.17	9,288.69
Total Equity	8,900.48	10,146.55	11,567.07
ROE Base Rate	14.00%	14.00%	14.00%
MAT Rate	15.00%	15.00%	15.00%
Surcharge on MAT	12.00%	12.00%	12.00%
CESS on MAT+Surcharge	4.00%	4.00%	4.00%
Effective MAT Rate	17.47200%	17.47200%	17.47200%
ROE with effective MAT Rate	16.96394%	16.96394%	16.96394%
ROE at base Rate	1,246.07	1,420.52	1,619.39
ROE with effective MAT	1,509.87	1,721.25	1,962.23

Thus, the Commission has decided to approve the normative Return on Equity for the Control Period as below.

Return on Equity allowed for the Control Period		
FY2025-26	FY2026-27	FY2027-28
Rs.in Crores	Rs.in Crores	Rs.in Crores
1,509.87	1,721.25	1,962.23

5.11 Other Debits:

KPTCL submitted claims of Rs.87.53 Crores for FY2025-26, Rs.89.28 Crores for FY2026-27, and Rs.91.06 Crores for FY2027-28 under the head "Other Debits". However, the Commission decides not to allow these claims, as the same cannot be estimated in advance.

5.12 Provision for Income Tax:

The Commission is allowing the normative Return on Equity grossed up with the applicable MAT. Hence, not separate provision provided.

5.13 Amortisation of Regulatory Assets as per ATE order dated 05.10.2020:

The Commission implemented the Hon'ble ATE's order dated 05.10.2020, in Appeal No. 97/2020, through its Order No. N/33/2020 dated 19.10.2020. This order allowed for recovery of total amount of Rs.1657.07 Crores (Power Purchase Claims: Rs.545.87 Crores for Tanir Bhavi Power Company PLUS Carrying Cost: Rs.1111.20 Crores for the period from FY02 to FY20)

As per the ATE order, the Commission recognized regulatory asset of Rs.1657.07 Crores to be amortized over 5 years and recovered through consumer tariff.

By FY2024-25, a total of Rs.1463.73 Crores was amortized and included in KPTCL's transmission tariff (FY2020-21: Rs.138.08 Crores, FY2021-22 to FY2024-25: Rs.331.41 Crores per year)

This leaves a balance of Rs.193.32 Crores to be amortized and included in the transmission tariff for FY2025-26.

Thus, pursuant to the Hon'ble ATE order dated 05.10.2020, the Commission has allowed the final instalment of Rs.193.32 Crores towards the amortization of Regulatory Assets for FY2025-26, thereby fulfilling the stipulated requirements as outlined in the aforementioned order.

5.14 Pension and Gratuity Contribution- Government Portion for the Control Period FY2025-26 to FY2027-28:

The Commission has issued separate order in the matter.

5.15 SLDC Charges:

The State Grid Operation activity is being carried out by the State Load Dispatch Centre (SLDC) which is currently functioning under KPTCL. Hence, KPTCL has proposed to allow SLDC expenses, as below, for the Control Period.

TABLE-5.28			
SLDC Charges for the Control Period: As filed			
Particulars	FY2025-26 Rs.in Crores	FY2026-27 Rs.in Crores	FY2027-28 Rs.in Crores
Repairs and Maintenance Expenses	7.90	8.69	9.56
Employee Cost	41.81	45.99	50.59
A & G Expenses	7.75	8.53	9.38
Depreciation	0.25	0.28	0.31
Total	57.71	63.49	69.84

The Commission has noted that KPTCL has not included the expenses of SLDC in the ARR of KPTCL.

Commission's Analysis and Decision:

The Commission has proceeded to estimate SLDC Charges for the Control Period as follows;

The net growth rate for O&M Expenses in respect of KPTCL is 7.94% for FY2024-25, 8.07% for FY2025-26, 8.10% for FY2026-27 and 8.12% for FY2027-28. As the nature of expenses of SLDC are similar to KPTCL, the Commission has considered the same growth rate for projecting the expenses of SLDC also. The calculations are as below.

Expenses for SLDC allowed for the Control Period (Rs.in Crores)					
Particulars	FY2023-24 (Actual)	FY2024-25 (Projection)	FY2025-26 (Projection)	FY2026-27 (Projection)	FY2027-28 (Projection)
Growth Rate		7.94%	8.07%	8.10%	8.12%
Expenses	47.49	51.26	55.40	59.89	64.76
Add: Deficit of FY2023-24	-	-	19.75	-	-
Allowable SLDC Expenses (As per APR)	47.49	51.26	75.15	59.89	64.76

5.16 Revenue from existing tariff charges:

KPTCL has projected the revenue from the existing transmission / miscellaneous charges of Rs.6570.85 Crores for FY2025-26, Rs.7055.25 Crores for FY2026-27 and Rs.7339.21 Crores for FY2027-28.

Commission's Analysis and Decision:

KPTCL has proposed transmission capacities of 33,438 MW, 35,903 MW, and 37,348 MW for the financial years 2025-26, 2026-27, and 2027-28, respectively. Based on these projections, it has estimated revenue from existing charges to determine the revenue deficit for the control period.

However, the Commission is required to compute the transmission tariff for the control period (FY2025-26 to FY2027-28) using the formula as per Clause 39.1 of the KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024. This formula relies on the total contracted capacity of transmission system users, differing from earlier tariff orders that used KPTCL's transformation capacity.

In view of the above, the Commission has not considered the contacted capacity for estimating revenue based on existing transmission tariffs to calculate the revenue deficit, and instead has directly computed the transmission tariff using the prescribed formula as per the Regulations.

Clause 39.1 of the KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024, provides as below.

The transmission tariff payable by the Long Term Open Access (LTOA) customers, including the Distribution Licensees, for usage of Transmission system shall be determined in accordance with the following formula;

$$TR^{LT} = \frac{\text{Net ARR} \times 10^7}{TCC \times 12}$$

Where:

- TR^{LT} = Transmission Rate per MW per Month for a LTOA Customer (In Rupees, rounded off to nearest rupee);
- Net ARR = Net Aggregate Revenue Requirement for a financial year determined by the Commission (Rupees in Crores);
- TCC = Total Contracted Capacity of the transmission system by all long term open access customers (in MW);

The contracted capacity of ESCOMs as furnished by PCKL, the contacted capacity of W & Agreements as furnished by the SLDC, and the data in respect of SWR and AEQUS as furnished by KPTCL has been considered for arriving at the total contracted transmission capacity. The same works out to 25,708 MW, comprising of 23,964 MW allocated to ESCOMs, and 1,744 MW allocated to other open access customers.

The Commission has considered the above-mentioned contracted transmission capacity of 25,708 MW to determine the transmission tariff for all three years of the Control period. Since the Annual Revenue Requirement for the upcoming years in the Control period is based on the estimates, any deviations in the transmission tariff will be reconciled and adjusted during the Annual Performance Review at the end of each financial year.

5.17 Abstract of Approved Annual Revenue Requirement for the Control Period:

As discussed in the preceding paras, the approved Annual Revenue Requirement for the Control Period from FY2025-26 to FY2027-28 is tabulated below.

TABLE-5.30				
Approved Annual Revenue Requirement for the Control Period				
	Particulars	As Approved		
		FY2025-26 Rs.in Crores	FY2026-27 Rs.in Crores	FY2027-28 Rs.in Crores
1	Energy available for transmission in MU	1,07,868.00	1,16,189.00	1,26,781.00
2	Energy sold at IF Points	1,04,685.89	1,12,773.04	1,23,066.32
3	Transmission Losses in MU	3,182.11	3,415.96	3,714.68
4	Transmission Loss in %	2.950%	2.940%	2.930%
5	Contracted Transmission Capacity with ESCOMs (in MU)	23,964	23,964	23,964
6	Contracted Transmission Capacity with other Open Access Customers	1,744	1,744	1,744
7	Total Contracted Transmission Capacity (in MW)	25,708	25,708	25,708
EXPENDITURE:				
O&M Charges:				
8	Employee Cost			
9	Repairs & Maintenance	2,801.58	3,028.46	3,274.50
10	Admin & General Expenses			
11	Sub-Total:	2,801.58	3,028.46	3,274.50
12	Depreciation	1,593.91	1,724.39	1,861.69
Interest and Finance Charges:				
13	Interest on Capital Loan	1,146.40	1,328.75	1,499.01
14	Interest on working capital	204.77	216.03	235.76
15	Sub-Total:	1,351.17	1,544.78	1,734.77
Less: Capitalization of Charges				
16	Capitalized O&M Expenses	(153.15)	(180.08)	(207.01)
17	Capitalized Depreciation	(0.56)	(0.56)	(0.56)
18	Capitalized Interest Charges	(228.47)	(271.69)	(314.91)
19	Sub-Total:	(382.18)	(452.33)	(522.48)
20	Other Debits	-	-	-
21	Extraordinary items/ Exceptional Items	-	-	-
22	Net Prior Period Income /Charges	-	-	-
23	Income Tax	-	-	-
24	Less: Other Income	(180.97)	(206.30)	(235.19)
25	Total Expenditure:	5,183.51	5,639.00	6,113.29
26	Return on Equity	1,509.87	1,721.25	1,962.23
27	P&G Trust Contribution - Government portion	-	-	-
28	Amortised Reg. Assets -As per ATE dated 05.10.2020-5 years	193.32	-	-
29	Less: Penalty for exceeding target Tr. Loss	-	-	-
30	Less:Disallowance of imprudent capex for FY22	-	-	-
31	Sub-Total:	1,703.19	1,721.25	1,962.23
32	Aggregate Revenue Requirement for the year	6,886.70	7,360.25	8,075.52
33	APR Surplus / (Deficit) of FY2023-24	(180.74)	-	-
34	Net Aggregate Revenue Requirement for the year	7,067.44	7,360.25	8,075.52

Based on the above approved ARR, the transmission charges for the Control Period are determined in the subsequent chapter of this order.

CHAPTER – 6

TRANSMISSION TARIFF and SLDC CHARGES FOR FY2025-26 to FY2027-28

6.1 KPTCL Petition for approval of Transmission Tariff for the Control Period FY2025-26 to FY2027-28:

The KPTCL, in its petition dated 30th November, 2024, has requested the Commission to approve the Transmission Tariff for the Control Period FY2025-26 to FY2027-28, as follows.

Projected Transmission Capacity for the Control Period:

ESCOMs	2025-26 (MW)	2026-27 (MW)	2027-28 (MW)
BESCOM	16,853.63	18,893.63	19,998.63
MESCOM	2,465.00	2,465.00	2,465.00
CESC	3,357.00	3,612.00	3,952.00
HESCOM	6,851.75	7,021.75	7,021.75
GESCOM	3,910.00	3,910.00	3,910.00
Total	33,437.38	35,902.38	37,347.38

Computation of Transmission Charges for the Control Period:

Particulars	2025-26	2026-27	2027-28
	Rs.in Crores	Rs.in Crores	Rs.in Crores
Transmission Capacity in MW	33,437.38	35,902.38	37,347.38
Net ARR - (A)	7,261.91	8,108.96	9,297.08
Add: Gap of 2023-24 - (B)	254.85	-	-
Add: Amortized Regulatory Assets as per KERC Order Dated:19.10.2020 - (C)	193.32	-	-
Total Revenue Requirement (A+B+C)	7,710.08	8,108.96	9,297.08
Transmission Tariff without P&G Trust Amount (in Rs/MW/Month)	1,92,152.14	1,88,217.42	2,07,446.14
As per G.O dtd. 29.11.2024, Govt. portion of contribution towards P&G Trust from 2025-26 onwards (D)	2,036.27	2,069.19	2,084.41
Govt. Portion of contribution towards P&G Trust balance up to 31.03.2025 amounting to Rs.4659.34/6 installments=776.56 Cr. - (E)	776.56	776.56	776.56
Total Revenue Requirement (A+B+C+D+E)	10,522.91	10,954.71	12,158.05
Transmission Tariff including P&G Trust Amount (in Rs/MW/Month)	2,62,254	2,54,270	2,71,283

ESCOM wise proposed Transmission Charges for the Control Period:

KPTCL proposes the following transmission charges, to be levied on ESCOMs, based on the per MW computed transmission charges, as computed above.

ESCOMs	2025-26		2026-27		2027-28	
	(MW)	Per Month Rs.in Crores	(MW)	Per Month Rs.in Crores	(MW)	Per Month Rs.in Crores
BESCOM	16,853.63	441.99	18,893.63	480.41	19,998.63	542.53
MESCOM	2,465.00	64.65	2,465.00	62.68	2,465.00	66.87
CESC	3,357.00	88.04	3,612.00	91.84	3,952.00	107.21
HESCOM	6,851.75	179.69	7,021.75	178.54	7,021.75	190.49
GESCOM	3,910.00	102.54	3,910.00	99.42	3,910.00	106.07
Total	33,437.38	876.91	35,902.38	912.89	37,347.38	1,013.17

6.2 Commission's Analysis and Decision:

As detailed in Chapter-5, the Commission has considered a total contracted transmission capacity of 25,708 MW, allocating 23,964 MW to ESCOMs based on proportionate estimated energy requirements at generation-point and 1,744 MW relating to other open access customers.

The allocation of transmission capacity to ESCOMs is as follows.

Particulars	FY2025-26		FY2026-27		FY2027-28	
	Allocation %	MW	Allocation %	MW	Allocation %	MW
1 Total Contracted capacity	100.00%	23,964	100.00%	23,964	100.00%	23,964
2 BESCOM	48.91%	11,722	49.39%	11,835	49.82%	11,940
3 MESCOM	8.59%	2,059	8.63%	2,067	8.65%	2,073
4 CESC	11.31%	2,709	11.30%	2,708	11.28%	2,704
5 HESCOM	19.36%	4,639	18.97%	4,545	18.59%	4,454
6 GESCOM	11.83%	2,835	11.72%	2,809	11.65%	2,793

6.2.1 Determination of Transmission Tariff for the Control Period as per the formula prescribed in Clause 39.1 of the KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024.

Net ARR (Annual Revenue Requirement): Rs.7,067.44 Crores for FY2025-26
 Rs.7,360.25 Crores for FY2026-27
 Rs.8,075.52 Crores for FY2027-28

TCC (Total Contracted Capacity of Transmission System): 25,708 MW

$$\begin{aligned} \text{TR}^{\text{LT}} \text{ (Transmission Tariff Rate) for FY2025-26} &= \frac{7067.44 \times 10^7}{(23964+1744) \times 12} \\ &= \text{Rs.2,29,093 per MW per Month} \end{aligned}$$

$$\begin{aligned} \text{TR}^{\text{LT}} \text{ (Transmission Tariff Rate) for FY2026-27} &= \frac{7360.25 \times 10^7}{(23964+1744) \times 12} \\ &= \text{Rs.2,38,585 per MW per Month} \end{aligned}$$

$$\begin{aligned} \text{TR}^{\text{LT}} \text{ (Transmission Tariff Rate) for FY2027-28} &= \frac{8075.52 \times 10^7}{(23964+1744) \times 12} \\ &= \text{Rs.2,61,771 per MW per Month} \end{aligned}$$

6.2.2 Approved Transmission Charges payable by ESCOMs to KPTCL for the Control Period:

TABLE-6.5A				
Transmission Charges approved by the Commission for the Control Period				
FY2025-26				
ESCOMs	Transmission Capacity Allocation (MW)	Transmission Charges per MW / Month (in Rupees)	Transmission Charges for the year (Rs.in Crores)	Transmission Charges per Month (Rs.in Crores)
BESCOM	11,722	2,29,093	3,222.51	268.53
MESCOM	2,059		566.04	47.17
CESC	2,709		744.74	62.06
HESCOM	4,639		1,275.31	106.28
GESCOM	2,835		779.37	64.95
ESCOMs-Total	23,964			6,587.97
Open Access-Total	1,744	2,29,093	479.47	
Grand Total	25,708	2,29,093	7,067.44	

TABLE-6.5B				
Transmission Charges approved by the Commission for the Control Period				
FY2026-27				
ESCOMs	Transmission Capacity Allocation (MW)	Transmission Charges per MW / Month (in Rupees)	Transmission Charges for the year (Rs.in Crores)	Transmission Charges per Month (Rs.in Crores)
BESCOM	11,835	2,38,585	3,388.38	282.37
MESCOM	2,067		591.79	49.32
CESC	2,708		775.31	64.61
HESCOM	4,545		1,301.24	108.44
GESCOM	2,809		804.22	67.02
ESCOMs-Total	23,964			6,860.94
Open Access-Total	1,744	2,38,585	499.31	
Grand Total	25,708	2,38,585	7,360.25	

TABLE-6.5C				
Transmission Charges approved by the Commission for the Control Period				
FY2027-28				
ESCOMs	Transmission Capacity Allocation (MW)	Transmission Charges per MW / Month (in Rupees)	Transmission Charges for the year (Rs.in Crores)	Transmission Charges per Month (Rs.in Crores)
BESCOM	11,940	2,61,771	3,750.65	312.55
MESCOM	2,073		651.18	54.27
CESC	2,704		849.39	70.78
HESCOM	4,454		1,399.11	116.59
GESCOM	2,793		877.35	73.11
ESCOMs-Total	23,964			7,527.68
Open Access-Total	1,744	2,61,771	547.84	
Grand Total	25,708	2,61,771	8,075.52	

6.2.3 Approved Transmission Charges payable by other Long Term / Medium Term Open Access Customers to KPTCL for the Control Period:

KPTCL shall charge and collect transmission charges from other long-term open-access customers at the following rates, with respect to the transmission capacity contracted by each of the Open Access customer.

Rs.2,29,093 per MW/month for FY2025-26

Rs.2,38,585 per MW/month for FY2026-27

Rs.2,61,771 per MW/month for FY2027-28

6.2.4 Approved Transmission Charges payable by Short Term Open Access Customers to KPTCL for the Control Period as per Clause 39.2 of the KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024:

Year	Estimated Transmission of Energy MU	Total ARR Rs.in Cr.	Rupees per 1000 kWh
FY2025-26	1,07,868	7,067.44	655.19
FY2026-27	1,16,189	7,360.25	633.47
FY2027-28	1,26,781	8,075.52	636.97

The transmission charges determined above, are applicable for use of the Transmission System only. In case the open access customers use the networks of ESCOMs in addition to the transmission system, the wheeling charges payable would be as determined by the Commission in the respective Tariff Orders of the ESCOMs or any separate / special orders of the Commission.

Further, the Commission has not considered the 11 kV and 33 kV system connected generators /customers for calculation of transmission charges for the present. However, this decision is subject to review, and the Commission may revisit and adjust transmission charges at any point of time, even during the control period, to potentially include these generators.

6.2.5 Determination of SLDC charges for the Control Period:

Annual Revenue Requirement for SLDC, as approved in Chapter-5, for the Control period is as below.

For FY2025-26: Rs.75.15 Crores

For FY2026-27: Rs.59.89 Crores

For FY2027-28: Rs.64.76 Crores

Considering the total contracted transmission capacity of 25708, MW, SLDC charges per MW per Month would be as follows.

$$\begin{aligned} \text{For FY2025-26} &= \frac{\text{Net ARR approved for SLDC}}{\text{Total contracted transmission capacity}} \\ &= \frac{75.15}{(23964+1744) \times 12} = \text{Rs.2436/- per MW per Month} \\ \text{For FY2026-27} &= \frac{\text{Net ARR approved for SLDC}}{\text{Total contracted transmission capacity}} \\ &= \frac{59.89}{(23964+1744) \times 12} = \text{Rs.1941/- per MW per Month} \\ \text{For FY2027-28} &= \frac{\text{Net ARR approved for SLDC}}{\text{Total contracted transmission capacity}} \\ &= \frac{64.76}{(23964+1744) \times 12} = \text{Rs.2099/- per MW per Month} \end{aligned}$$

6.2.6 Approved SLDC Charges payable by ESCOMs to KPTCL for the Control Period:

TABLE-6.7A				
SLDC Charges approved by the Commission for the Control Period				
FY2025-26				
ESCOMs	Transmission Capacity Allocation (MW)	SLDC Charges per MW / Month (in Rupees)	SLDC Charges for the year (Rs.in Crores)	SLDC Charges per Month (Rs.in Crores)
BESCOM	11,722	2,436	34.27	2.86
MESCOM	2,059		6.02	0.50
CESC	2,709		7.92	0.66
HESCOM	4,639		13.56	1.13
GESCOM	2,835		8.29	0.69
Total	23,964			70.06

TABLE-6.7B				
SLDC Charges approved by the Commission for the Control Period				
FY2026-27				
ESCOMs	Transmission Capacity Allocation (MW)	SLDC Charges per MW / Month (in Rupees)	SLDC Charges for the year (Rs.in Crores)	SLDC Charges per Month (Rs.in Crores)
BESCOM	11,835	1,941	27.57	2.30
MESCOM	2,067		4.81	0.40
CESC	2,708		6.31	0.53
HESCOM	4,545		10.59	0.88
GESCOM	2,809		6.54	0.55
Total	23,964			55.82

TABLE-6.7C				
SLDC Charges approved by the Commission for the Control Period				
FY2027-28				
ESCOMs	Transmission Capacity Allocation (MW)	SLDC Charges per MW / Month (in Rupees)	SLDC Charges for the year (Rs.in Crores)	SLDC Charges per Month (Rs.in Crores)
BESCOM	11,940	2,099	30.07	2.51
MESCOM	2,073		5.22	0.44
CESC	2,704		6.81	0.57
HESCOM	4,454		11.22	0.94
GESCOM	2,793		7.04	0.59
Total	23,964			60.36

6.2.7 Approved SLDC Charges payable by other Long Term / Medium Term Open Access Customers to KPTCL for the Control Period:

SLDC shall collect the charges from other long-term open-access customers at the following rates, with respect to the transmission capacity contracted by each such customer.

Rs.2436 per MW/ Month for FY2025-26

Rs.1941 per MW/ Month for FY2026-27

Rs.2099 per MW/ Month for FY2027-28

6.2.8 Approved SLDC Charges payable by Short Term Open Access Customers to KPTCL for the Control Period:

SLDC shall collect the charges from other long-term open-access customers at the following rates, with respect to the transmission capacity contracted by each such customer.

Rs.80.09 per MW/ Day for FY2025-26

Rs.63.83 per MW/ Day for FY2026-27

Rs.69.02 per MW/ Day for FY2027-28

6.3 Transmission Charges and SLDC Charges to be paid by AEQUS SEZ located in the jurisdiction of HESCOM:

AEQUS SEZ shall pay the transmission charges and SLDC charges directly to KPTCL at the rate approved for Long-term Open Access customers, by the Commission. The KPTCL shall issue Transmission Charges Bill to HESCOM duly deducting the Transmission Charges being paid by the AEQUS SEZ.

ORDER

- 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 Annual Revenue Requirement as per Annual Performance Review for FY2023-24, Annual Revenue Requirement for the Control Period FY2025-26 to FY2027-28 and determines and hereby notifies the Transmission Tariff of KPTCL and SLDC charges for the Control Period FY2025-26 to FY2027-28 as approved in this Order.**
- 2. The Multi-Year Transmission Tariff determined in this Order shall come into effect from 1st April-2025 for FY2025-26, 1st April-2026 for FY2026-27 and 1st April-2027 for FY2027-28 respectively and would remain in force until further orders.**
- 3. This Order is signed and issued by the Karnataka Electricity Regulatory Commission at Bengaluru on this day, the 27th day of March, 2025.**

(P. Ravi Kumar)
Chairman

(H.K. Jagadeesh)
Member (Legal)

(Jawaid Akhtar)
Member

APPENDIX

COMMISSION'S DIRECTIVES AND COMPLIANCE BY THE KPTCL

In the Tariff Order dated 28th February, 2024, and previous Tariff Orders, the Commission had issued several Directives and has been regularly reviewing their compliance. In the present proceedings, the Commission has reviewed the compliance of these Directives. Although KPTCL has made efforts to comply with the Commission's Directives, the progress has been insufficient. KPTCL must intensify its efforts to fully implement these Directives.

1. Directive on prevention of electrical accidents

In the previous Orders, the Commission issued directives aimed at identifying hazardous locations to minimize electrical accidents. Upon reviewing compliance with these directives, the Commission has noted with displeasure that despite action being taken by KPTCL, the number of accidents has not decreased. This has resulted in an increased incidence of fatal accidents and a tragic loss of life. The Commission urges KPTCL to initiate aggressive steps to address these hazardous areas comprehensively. These measures are essential to prevent fatal accidents and the resultant loss of human lives and livestock. KPTCL must prioritize this implementation of this directive to ensure the safety and well-being of all affected parties.

Compliance of Directive by the KPTCL:

The KPTCL, in its petition and replies, submitted that the Chief Engineers of the transmission zones are regularly carrying out and monitoring works related to the rectification of hazardous locations. The zone-wise status of accidents that occurred in KPTCL, along with details, was submitted vide letter No: KPTCL/B36/45571/2023-24/433 dated 08.07.2024. Further, the zone-wise status of accidents for the second quarter of FY25 was furnished to the Commission vide letter No: KPTCL/B36/56218/2024-25/1055 dated 20.11.2024.

The action taken to reduce electrical accidents include:

- Regularly serving notices to residents/owners of houses illegally encroaching the transmission line corridor.
- Issuing regular instructions to all station staff to follow safety measures and use safety equipment without fail while working on station equipment.
- Training all station staff to properly handle fire extinguishers during emergency situations. Quarterly safety awareness programs are being conducted in station premises for both regular and contract employees.
- Implementing a safety handbook at all nodal centres and ensuring adherence to its procedures through periodic inspections.
- Creating safety awareness programs by respective zones in areas where houses are constructed below transmission lines/towers and government schools.
- Conducting coordination meetings with local authorities/BBMP by the concerned zone/circle/division.
- Issuing paper notifications to create public awareness.
- Distributing pamphlets in hazardous-prone areas to raise public awareness.
- Periodically reviewing the rectification of hazardous works identified by zones.
- Planning to conduct safety training for nodal officers, employees, and employees of outsourced agencies on a contract basis, as per the CEA regulations – 2010, Schedule II, by the HRD centre, KPTCL, Bengaluru.

Commission's Views:

The Commission notes that KPTCL has provided information on the status of accidents, along with details of hazardous locations identified and rectified during the same period. Despite several remedial measures reportedly implemented by KPTCL to improve the transmission network, the increased occurrence of electrical fatal accidents in the state is alarming. It is deeply

concerning to witness the loss of precious lives due to these electrical accidents. The Commission has consistently urged KPTCL to reduce or minimize electrical accidents. However, the reported efforts to create awareness and educate field staff and the public about electrical safety measures have not yielded satisfactory results.

Further, the Commission in its letter dated 09.09.2024 had directed KPTCL and ESCOMs to conduct training programmes for field level staff by utilising the services of experts, under an action plan to sensitise the staff regarding electrical accidents and to ensure that they perform the duties with a view to reduce/avoid electrical accidents. It is unfortunate that KPTCL has not complied to this Directive so far. KPTCL is directed to take up the training programme to educate the field level staff.

The Commission also observes that the number of hazardous locations identified during the period is very few. This raises concerns about KPTCL's performance and its commitment to preventing electrical accidents and ensuring network safety. KPTCL must take stringent measures to identify and rectify hazardous locations, which are the primary causes of electrical fatal accidents, to prevent further loss of human and livestock lives. If KPTCL fails to implement an action plan to address the identified hazardous locations and does not take aggressive steps to rectify these areas, electrical accidents are bound to increase, resulting in the loss of human lives, livestock, and property.

Therefore, the Commission reiterates its directive to KPTCL to expedite the identification and rectification of hazardous locations. KPTCL is required to submit a strategic action plan, along with details of the number of locations identified, rectified, and the remaining locations, to the Commission on a quarterly basis to prevent electrical accidents in transmission lines and substations.

2) Reactive Power compensation and restoration of failed Capacitors

The Commission, in its Order dated 28th February, 2024, had directed KPTCL to restore failed capacitors timely and to 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.

Compliance of Directive by the KPTCL:

KPTCL, in its Petition and in the response to preliminary observations, 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 its 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. An average of 1% to 3% of spare capacitor cells of particular ratings/dimensions is being maintained in all the transmission zones. KPTCL has stated that it has submitted the status of Capacitor Banks, along with details of reactive energy charges received from CTU for FY24, to the Commission vide its letter dated 10.07.2024. Further, in accordance with the directions of the Commission, KPTCL has also furnished the details of Reactive Energy Charges received from CTU up to the month of August 2024 to the Commission vide its letter dated 01.10.2024.

Commission's Views:

KPTCL in its reply to the preliminary observations, had informed the Commission that, as of the end of October 2024, 2,142 capacitor banks are operational out of the 2,207 installed, which is approximately 97.05%. Additionally, 8,909.28 MVAR is currently in service out of the 9,671.46 MVAR installed, which equates to around 92.12%. KPTCL has further indicated that, provided materials are available, faulty capacitor banks will be restored within 7 days of failure. However, in situations where spare parts are unavailable, a procurement process through tender will

be initiated, which could take approximately 60 to 90 days for the restoration of the faulty capacitor banks.

KPTCL has reported that, during the period from January to October 2024, 112 capacitor banks failed out of the 2,207 installed. Of these, 108 capacitor banks have been successfully restored. The restoration process is ongoing, with cells and associated equipment kept as spares being utilized to repair the faulty capacitor banks.

The Commission notes that, the KPTCL in accordance with the Commission's earlier Orders, is submitting month-wise details of status of capacitor banks regularly to the Commission. The failure 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. With the above compliance, the KPTCL is once again directed to:

- a. Restore any failed capacitors within three weeks 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/ received 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.

3) Implementation of Intra State ABT:

The Commission directed KPCL to complete the ABT metering by 30th June, 2024 in order to implement intra-state ABT. The KPTCL, SLDC and ESCOMs are directed to conduct a meeting under the chairmanship of Managing Director, KPTCL to try and sort out the issues and implement billing under Intra-State ABT, once KPCL

completes installation of ABT meters and ABT integration of its hydel by June, 2024.

Compliance of Directive by the KPTCL:

KPTCL, in its petition, has submitted that the KPTCL has apprised the Commission during the review meeting convened on 11th September 2024, an extensive discussion took place concerning adherence to the intra-State Deviation Settlement Mechanism, KPTCL and ESCOMs conveyed that the metering of feeders and inter-ESCOM boundary points has been successfully completed. KPCL also informed that the metering of its interface points with KPTCL's transmission system has also been completed and is now prepared for operation. Furthermore, the Commission mandated KPTCL to resolve any outstanding issues and to initiate billing under the Intra-State ABT Mechanism once it becomes operational.

The Hon'ble Commission vide Notification No: KERC/S/2024-693, dated 24.09.2024 has issued the Draft Karnataka Electricity Regulatory Commission (Intra-State Deviation Settlement Mechanism and Related Matters) Regulations, 2024 and sought objections/suggestions/views on the proposed draft from the Stakeholders.

KPTCL through its letter No. KPTCL/B26/56223/2024-25/986 dated 4th November, 2024, has submitted its comments and feedback on the Draft Karnataka Electricity Regulatory Commission (Intra-State Deviation Settlement Mechanism and Related Matters) Regulations, 2024.

Commission's Views:

The Commission notes that KPTCL, KPCL and ESCOMs have completed the metering of interface points between generation – transmission and transmission – distribution and inter-ESCOM boundary points, and are now fully prepared for operationalising the intra-state ABT. The Commission is in the process of finalising the Karnataka Electricity Regulatory Commission (Intra-State Deviation Settlement Mechanism and Related Matters) Regulations. Once the Regulations

are notified, the DSM regime shall come into effect in the state and all the stakeholders have to implement the same.

After notification of the above Regulations the stakeholders are hereby directed to comply with the Regulations in letter and spirit and report compliance once in a quarter to the Commission.