KARNATAKA ELECTRICITY REGULATORY COMMISSION

Order on Annual Performance Review for FY2024-25

in respect of

KPTCL

Signature Not Verified

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17th April, 2026

No. 16 C-1, Miller Tank Bed Area, Vasanthnagar, Bengaluru-560 052
ne: 080-22268677/22268678/22268679
Fax: 080-22268667/22370214
Website: **https://karunadu.karnataka.gov.in/kerc**
E-mail: kerc-ka@nic.in

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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

BEFORE THE KARNATAKA ELECTRICITY REGULATORY COMMISSION

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

Bengaluru - 560 052

Dated 17th April, 2026

OP NO.37/2025 : Filed by KPTCL

In the matter of:

Petition filed by KPTCL in respect of Annual Performance Review for FY2024-25.

Present:

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

O R D E R

The Karnataka Power Transmission Corporation Ltd., (hereinafter referred to as KPTCL) is a Transmission Licensee, under the provisions of the Electricity Act, 2003. KPTCL has filed this petition on 29.11.2025 for Annual Performance Review for FY2024-25;

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 separately in this Order.

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 324.43 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 31.03.2025, has 1437 substations and 44318 Ckt. kms of transmission lines which include 66 kV, 110 kV, 220 kV and 400 kV lines spread over the State.

To enable easier operation of the system, KPTCL has restructured its organizational setup to improve efficiency and leverage its staff more effectively, focusing on distinct areas of operations and projects with two Technical Directors on the Board of KPTCL viz., Director (Projects) - Green Field Projects and Director (Operations) - Brown Field Projects. The existing Chief Engineer Electy. (Transmission Zones) is re-designated as Chief Engineer Electy. (Operations) and Executive Engineer (TL&SS) is re-designated as Executive Engineer (Operations) who reports to Director (Operations). The existing Superintending Engineer (Ele.) (Works and Maintenance) is re-designated as Superintending Engineer (Ele.) (Projects) and the Executive Engineer (Major Works) is re-designated as Executive Engineer (Projects) who reports to Director (Projects).

KPTCL has six Transmission (Operation) Zones; each headed by a Chief Engineer Electy. (Operations), thirteen Transmission (Project) Circles, each headed by a Superintending Engineer (Project), two Transmission (Operation) Circles, each headed by a Superintending Engineer (Operation), fourteen Project Divisions, each headed by an Executive Engineer (Projects). There are thirty-five Operation Divisions each headed by an Executive Engineer (Operations) wherein maintenance of lines and stations and construction of transmission system are being looked after by the above officers.

The Relay Testing, Research & Development along with Hot line wing are headed by Chief Engineer Electy., RT, R&D and Hot line, Bengaluru. There are 16 Relay Testing (RT) Divisions in KPTCL which works under 6 Relay testing Circles. Each Division is responsible for maintenance of protective relays, meters and addressing critical troubleshooting issues in all sub-stations of KPTCL. Also, pre-commissioning tests of all new sub-stations are performed by the RT Divisions besides calibrating all KPTCL interface meters on periodical basis. The R&D Center plays an important role in condition monitoring of Power Transformers and designing of earth mat for proposed sub-stations.

The Hotline wing is established 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.

The Technical Audit & Quality Control (TA&QC) wing is headed by the Chief Engineer Electy., Bengaluru. The main functions of the TA&QC wing are Inspection of materials in on-going Total Turnkey / Partial Turnkey Sub-Station works, line works, augmentation works, IPP works, Self-execution works and Line shifting works etc. Also periodical inspections of stations, lines, MW/TL&SS stores are performed by TA&QC wing. They also perform materials inspections at Factory and sites, auditing of completed works, inspection of factory premises for vendor analysis and miscellaneous works, investigation of Petitions/ Complaints and inspection of civil works pertaining to sub-stations/Lines. The Chief Engineer Electy., TA Q&C is the safety officer of KPTCL in terms of CEA Safety regulations and takes care of all the safety related aspects of transmission network of KPTCL.

The Grid Operation Activity is carried by the State Load Dispatch Center (SLDC) which is headed by the Chief Engineer Electy., and currently functioning under KPTCL. Along with Grid operations, SLDC also takes care of SCADA activities, Renewable Energy Management Center. The commercial and accounting aspects of SLDC are looked after by Financial Advisor (SLDC).

1.1 KPTCL at a glance:

Sl. No.	Particulars	Unit	As on 31.03.2025
1.	**Generation Capacity (connected to Transmission System)**		
	a) KPC Hydro and Thermal	MW	9,188
	b) CGS (Karnataka Share)	MW	4,481
	c) NCE, IPPs and Others	MW	21,504
	d) Damodar Valley Corporation	MW	450
2.	**No. of Receiving Sub-Stations**		
	a) 400 kV	Nos.	9
	b) 220 kV	Nos.	137
	c)110 kV	Nos.	543
	d)66 kV	Nos.	748
3	**Length of Tr. Lines**		
	a) 400 kV	CKms.	3,936
	b) 220 kV	CKms.	13,764
	c)110 kV	CKms.	13,316
	d)66 kV	CKms.	13,303
3.	Gross Assets as at the end of FY2024-25	Rs. in Crores	38,037.69
4.	**Total employees:**		
	a) Sanctioned	Nos.	16,306

	b) Working	Nos.	9,731
5.	Revenue from Transmission charges/Others-FY25	Rs.in Crores	5,813.52
6.	Collection of transmission charges –FY2024-25	Rs. in Crores	5,320.39

1.2 Transmission capacity of KPTCL in FY2024-25:

The total transmission capacity in the State was 29117 MW in FY2024-25. The ESCOM-wise transmission capacity for FY2024-25 is as follows:

ESCOM-WISE TRANSMISSION CAPACITY IN MW – FY2024-25

Company	Capacity in MW
BESCOM	14403
MESCOM	2125
CESC	3102
HESCOM	5747
GESCOM	3740
TOTAL	**29117**

2.0 BACKGROUND:

The Commission has approved the ARR and transmission tariff of KPTCL for FY2024-25 in its Tariff Order dated 28th February, 2024. The KPTCL in this petition dated 29th November, 2025, has sought approval of for Annual Performance Review for FY2024-25.

2.1 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.

2.2 Public Hearing Process:

On receipt of the petition, the Commission has communicated its preliminary observations on the petition on 10th December, 2025. The KPTCL has filed its replies on 19th December, 2025.

The Commission, vide letter dated 29.12.2025, directed KPTCL to publish a summary of the petition, subject to further clarifications / verification, in leading Kannada and English dailies and invite objections / suggestion from the stakeholders giving them Thirty (30) days' 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 02.01.2026 and 03.01.2026.

- Deccan Herald
- The Hindu
- Prajavani
- Udayavani

The KPTCL's petition for APR for FY2024-25 was also made available on the web-sites of the KPTCL and the Commission.

The Commission held a Public Hearing on 20th February, 2026 in the Court Hall of the Commission and the details of public consultations are discussed here below.

2.3 PUBLIC CONSULTATION - SUGGESTIONS / OBJECTIONS & REPLIES

2.3.1 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 FY2024-25. Accordingly, the Commission held a Public Hearing on 20th February, 2026, 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.

2.3.2 Written Objections:

The Commission has received one written objection from BESCOM. The summary of the objection and replies thereof is as below;

1. BESCOM Objection:

KPTCL has underachieved the transmission loss for FY2024-25 viz-z-viz the trajectory approved by the Commission. Thus, penalty of Rs.5.017 Crores is to be levied on KPTCL.

KPTCL Reply:

KPTCL's transmission loss reduced from 2.966% in FY2023-24 to 2.953% in FY2024-25, a decrease of 0.013%. Given the challenge in achieving a 0.1% annual reduction, KPTCL has requested KERC to reconsider the approved trajectory. Hence, the Commission is requested to acknowledge KPTCL's efforts and not to impose penalties.

Commission's view:

The Commission takes note of the reply. The matter has been appropriately dealt with in the Order.

2. BESCOM Objection:

KPTCL has been achieving the target Transmission System Availability of 98% for past years and claiming incentive from ESCOMs. Since, the transmission charges for FY2025-26 are already very high when compared to the previous years. It is requested that no transmission availability incentive for improvement in their performance to be allowed.

KPTCL Reply:

As per KPTCL filing, the actual Transmission System Availability (TSA) for FY25 is 99.84%, which is above the normative target specified under the KERC Multi Year Tariff Regulations.

The incentive for transmission availability is a performance-linked entitlement, and once the target availability is exceeded, the incentive becomes mandatorily admissible, independent of the absolute level of transmission charges or year-on-year increase. The contention of BESCOM that no incentive should be allowed on the ground that transmission charges have increased over the years is not supported by the MYT framework, as TSA incentive is explicitly provided to encourage and to sustain high system reliability.

Further, as per KERC Multi Year Tariff Regulations, 50% of the incentive shall be shared by the long term customers in the ratio of their average allotted Transmission Capacity for the year. Accordingly, BESCOM is also going to be benefited.

The Commission may kindly allow the incentive as requested by KPTCL.

Commission's view:

The Commission takes note of the reply. The matter has been appropriately dealt with in the Order.

3. BESCOM Objection:

KPTCL in its filing has requested the Commission to allow O&M Expenses of Rs.2443.01 (excluding the expenses capitalized of Rs.99.75 Crores) as per filing.

Hence, O&M expenses can be limited to Rs.2443.01 Crores as requested by KPTCL.

KPTCL Reply:

BESCOM has endorsed KPTCL's prayer regarding O&M expenses. Hence the Commission may kindly consider the prayer of KPTCL.

Commission's view:

The matter has been dealt with suitably in this Order, as per the MYT Regulations

4. **BESCOM Objection:**

Depreciation can be limited to Rs.1673.41 Crores.

KPTCL Reply:

BESCOM has endorsed KPTCL's prayer regarding Depreciation.

Commission's view:

The matter has been dealt with suitably in this Order, as per the MYT Regulations

5. **BESCOM Objection:**

KPTCL in its tariff application has claimed Rs.1233.90 Crores towards interest and Finance charges, as against an amount of Rs.611.79 Crores approved in Tariff Order dated 04.04.2022 for FY25. Considering interest capitalization amount of Rs.195.72 Crores, the net interest on capital loan considered for computing ARR is Rs.1038.18 Crores.

As per the audited accounts of KPTCL, the interest and finance charge for FY25 is Rs.1233.90 Crores which includes Rs.137.17 Crores towards interest on Working Capital and Rs.195.72 Crores towards interest capitalization.

As per MYT regulations, opening balance of long term capital loans, new loans availed and repayment of loans made during FY25, as per the details furnished under Format T9 and the Audited Accounts for FY25. Based on opening and closing balance of long term loans, the average capital loan for the year FY25 works out to Rs.12626.4 Crores. The actual amount of interest on capital loans incurred is Rs.1096.73 Crores for FY-25. The weighted average rate of interest of 8.61% is comparable with the prevailing interest rate for long term loans. Considering the actual capitalization of interest of Rs.195.72 Crores as per the audited accounts, the net interest on long term loans works out to Rs.891.72 Crores for FY-25.

Hence, the gross interest on capital loans can be limited to Rs.905.99 Crores and interest capitalized is Rs.195.72 Crores.

KPTCL Reply:

As per the audited accounts for FY25, KPTCL has incurred Rs.1,233.90 Crores towards Interest and Finance Charges, which includes Rs.137.17 Crores towards interest on working capital and Rs.195.72 Crores towards interest capitalized & net effect is Rs.1038.18 Crores. However, as per BESCOM's observation, the interest and finance charges have been restricted to Rs.901.01 Crores by excluding Rs.4.98 Crores, which pertains to interest on short-term loan availed from REC. Since the said REC loan has been availed specifically to meet working capital requirements, the corresponding interest of Rs.4.98 Crore is required to be included under "Interest on Working Capital".

Accordingly, interest on REC short-term loan amounting to Rs.4.98 Crore may be considered as part of interest on working capital instead of interest on long term loans. However, it may be seen that total amount claimed KPTCL including interest on short term borrowing works out to Rs.1038.18 Crores Which is same as indicated by BESCOM (Rs.905.99+132.19=1038.18).

Hence Hon'ble Commission is requested to kindly consider the claim of KPTCL.

Commission's view:

The Commission has considered to allow the interest on capital loan in accordance with KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006.

6. BESCOM Objection:

As per the submission of KPTCL, the interest on working capital loan can be limited to Rs.132.19 Crores as against the normative allowance interest of Rs.159.23 Crores.

KPTCL Reply:

As per KERC norms, the allowable interest on working capital works out to Rs.186.26 Crores. As per KPTCL audited actuals, the interest incurred on short-term loans amounts to Rs.137.17 Crores. However, as per BESCOM's observation, the interest on working capital has been limited to Rs.132.19 Crores, resulting in a difference of Rs.4.98 Crores. The said difference of Rs.4.98 Crores pertains to interest on short-term loan availed from REC. Since this loan has been availed specifically for meeting working capital requirements, the corresponding interest of Rs.4.98 Crores is required to be included under "Interest on Working Capital". Accordingly, interest on REC short-term loan amounting to Rs.4.98 Crores may be duly considered as part of interest on working capital.

Commission's view:

The matter of allowing the interest on working capital has been dealt with suitably in accordance with KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006.

BESCOM Objection:

Excluding an amount of Rs.8.25 Crores relating to provision of bad and doubtful debts the allowable amount of other debits for FY25 is Rs.43.27 Crores as against approved other debits of Rs.38.92 Crores.

KPTCL Reply:

As per audited accounts for FY25, KPTCL has claimed Rs.51.52 Crores towards Other Expenses / Other Debits which comprises asset decommissioning cost, provisions, bank charges, loss on fixed assets, write-off of small and low-value items and miscellaneous losses.

Commission's view:

The Commission shall adhere to the precedent established in previous tariff orders and approve expenses under the head "Other Debits" in accordance with such established practice.

7. BESCOM Objection:

The KPTCL in its application has claimed an amount of Rs.1045.18 Crores towards Return on Equity at 14% on the Equity and Reserve & Surplus as against the RoE grossed up with MAT of Rs.1027.69 Crores approved by the Commission in its Tariff Order dated 04.04.2022 for FY-25.

KPTCL Reply:

As per MYT Regulations Clause 27 (d), RoE is allowable at 14% and is required to be grossed up with applicable MAT. Accordingly, RoE including MAT works out to 17.472%, resulting in an admissible RoE of Rs.1,266.46 Crores. The RoE without MAT @ 14% works out to Rs.1,045.18 Crore, and the MAT component amounting to Rs.221.28 Crores (Rs.1,266.46 Crores – Rs.1,045.18 Crores) has not been considered in BESCOM's computation. Hence, the MAT amount of Rs.221.28 Crores claimed is in line with MYT Regulations cited above.

Commission's view:

The matter of allowing the Return on Equity has been dealt with in this Order, in accordance with KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006.

8. BESCOM Objection:

As per the Audited Annual Accounts for FY25, KPTCL is claiming Rs.380.44 Crores towards tax expenses. As stated by Commission in its earlier APR Orders of KPTCL, deferred tax liability is only a charge on profit and loss account and not actual out go of tax. Out of the total tax of Rs.380.44 Crores, deferred tax is Rs.74.69 Crores. Hence, income tax to be allowed to KPTCL as per MYT regulations for FY25 is Rs.305.75 Crores excluding deferred tax of Rs.74.69 Crores.

KPTCL Reply:

As per the Audited Annual Accounts for FY-25, total tax expenses are Rs.380.44 Crores. Hence the same is claimed.

Commission's view:

The Commission has dealt with this matter appropriately in accordance with KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006.

9. BESCOM Objection:

It is observed that KPTCL is levying interest at the rate of 2% per month on the arrears pertaining to the period prior to July 2024. The said levy of interest at 2% per month is excessive with the applicable Multi Year Tariff. 24.06.2024 provisions governing transmission charges. In this context, it is submitted that the applicable rate of interest for delayed payment of transmission charges for the period prior to July 2024 may be stipulated at 1.25% per month.

It is further submitted that BESCOM is levying interest at the rate of 1% per month on the amounts due from its consumers towards arrears. Since BESCOM itself is collecting interest at the rate of only 1% per month on outstanding dues, the levy of a higher rate of interest on transmission charges by KPTCL is unjustified and inequitable.

In view of the above, it is submitted that the interest rate applicable on arrears of KPTCL transmission charges should be aligned with the interest rate levied by BESCOM on its consumers. Accordingly, it is requested that KPTCL be directed to levy interest on transmission charges at the same rate of 1% per month, instead of the higher rate presently being charged.

KPTCL Reply:

KPTCL is bound to take action as per the regulations of KERC. KERC MYT Regulations provides for levying interest @1.25% per month on LPS.

Commission's view:

This matter does not pertain to the transmission tariff, and the same relates to commercial conditions stipulated in the transmission agreement. Hence the same needs to resolved in terms of the Transmission Agreement.

2.3.3 Public Hearing:

a. During the Public Hearing held on 20th February, 2026, the Managing Director, KPTCL, made a brief presentation on the profile, performance and achievements of KPTCL for the Financial year 2024-25.
b. Following the presentation, MD-KPTCL prayed the Commission to approve the revised Annual Revenue Requirement (ARR) for FY2024-25 as proposed under Annual Performance Review.

c. On behalf of BESCOM, the Director (Finance) made oral submissions, submitting that detailed written objections to KPTCL's petition have already been filed and requesting the Commission to take those objections into consideration.

2.4 Consultation with Advisory Committee of the Commission:

The meeting of the Advisory Committee of the Commission was held on 09.03.2025. 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 finalizing this Order.

3.0 KPTCL's petition for APR for FY2024-25:

The KPTCL, in its petition dated 29th November, 2025, has requested the Commission to undertake Annual Performance Review (APR), based on the audited accounts.

The Commission, in its Tariff Order-2024 dated 28th February, 2024 had approved Annual Revenue Requirement (ARR) of Rs.6148.26 Crores for FY2024-25.

The Commission has now undertaken Review of KPTCL's annual performance for FY2024-25, 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 FY2024-25, 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.

3.1 KPTCL's Submission:

The KPTCL has submitted the details of revenue earned and item-wise expenditure incurred during FY2024-25 for the purpose of carrying out APR as indicated below:

TABLE - 1

	Revenue, Expenditure and Revenue Deficit for FY2024-25: As filed			
	Particulars	FY2024-25 (Rs.in Crores)		
		As Approved in TO-2022 & TO-2024	As per Accounts	As Proposed for APR
1	Energy available for transmission in MU	75,961.32	97,462.55	97,462.55
2	Energy sold at IF Points	73,937.71	94,584.51	94,584.51
3	Transmission Losses in MU	2,023.61	2,878.04	2,878.04
4	Transmission Loss in %	2.664%	2.953%	2.953%
5	Installed Capacity in MW	28,501.00	28,501.00	28,352.25
	Income:			
6	Revenue from Transmission	6,148.26	6,575.83	6,575.83
7	Miscelaneous Revenue		348.96	
	Total Income:	6,148.26	6,924.79	6,575.83
	Expenditure:			
8	Employee Cost	2,716.34	1,836.69	1,836.69
9	Repairs & Maintenance			477.73
10	Admin & General Expenses			228.33
11	Sub-Total (8+9+10):	2,716.34	2,542.75	2,542.75
12	Depreciation	1,361.00	1,674.09	1,674.09
13	Interest on Capital Loan	721.25	1,233.90	1,096.73
14	Interest on working capital	128.32	-	137.17
15	Sub-Total (13+14):	849.57	1,233.90	1,233.90
16	Less: Capitalized O&M Expenses	(71.81)	(100.43)	(100.43)
17	Less: Capitalized Depreciation	-	-	-
18	Less: Capitalized Interest Charges	(109.46)	(195.72)	(195.72)
19	Other Debits	-	51.53	51.52
20	Extrordinary items/ Exceptional Items	-	-	-
21	Net Prior Period Income /Charges	-	-	-
22	Income Tax	-	380.44	380.44
23	Less: Other Income	(85.49)	-	(348.96)
	Total Expenditure:	4,660.15	5,586.56	5,237.59
24	Return on Equity	1,027.69	-	1,266.46
25	Carry forward of (Deficit) / Surplus of FY23 as per APR	129.01	-	-
26	Additional Employee Cost on account of pay revision	-	-	-
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	-	-	-
30	Less:Disallowance of imprudent capex	-	-	-
31	Sub-Total (24+25+26+27+28):	1,488.11	-	1,266.46
	Aggregate Revenue Requirement	6,148.26	5,586.56	6,504.05
	Revenue SURPLUS / (GAP)	-	1,338.23	71.78

As per the KPTCL's petition for APR, it has reported a revenue surplus of Rs.71.78 Crores for FY2024-25, as indicated above and has requested the Commission to approve the revised ARR of Rs.6504.05 Crores for FY2024-25.

3.2 Financial Performance of KPTCL as per Audited Accounts for FY2024-25:

The following table provides KPTCL's financial performance for FY2024-25, based on its audited financial statements.

TABLE - 2

Financial Performance for FY2024-25: As per Audited Accounts (Rs.in Crores)	
Particulars	
1. Total Income	6,924.79
2. Total Expense	5,206.12
3. Profit / (Loss) before Tax	1,718.67
4. Income Tax / Deferred Tax	(380.44)
5. Comprehensive Income / (Loss) for the year	1,338.23
6.Accumulated Profit / (Loss) at the end of the year	6,525.44

As per the Audited Accounts, KPTCL has reported a profit of Rs.1338.23 Crores for FY2024-25. As at the end of FY2024-25, the company's cumulative surplus stood at Rs.6525.44 Crores, which includes the profit earned during the financial year.

3.3 Annual Performance Review for FY2024-25:

In the Tariff Order-2024 dated 28.02.2024, the Commission had conducted a review of KPTCL's performance for FY2022-23. This review had resulted in a surplus of Rs.129.01 Crores. Considering this surplus and the impact of pay scale revisions (Rs.215.46 Crores), the Commission had revised the Annual Revenue Requirement (ARR) for FY2024-25, which was initially approved in the Tariff Order-2024 dated 28.02.2024. The revised ARR for FY2024-25 stood at Rs.6148.26 Crores.

In this Chapter, the Commission has evaluated KPTCL's actual revenue and expenses for FY2024-25, 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 28th February, 2024, 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:

3.4 Transmission Losses for FY2024-25:

The Commission, in its Tariff Order 2022 had fixed the average transmission loss target at 2.664% with upper and lower range of 2.714% and 2.614% respectively for FY25.

The KPTCL, in its filing, has reported transmission loss of 2.953%, as against the Commission approved annual average transmission loss of 2.664% for the FY25.

Commission's preliminary observations and KPTCL's reply:

The Commission in its preliminary observations has pointed out the difference in the quantum of energy at IF points shown in format A1(T) i.e., 94584.51 MU and in form T-1 as below:

Energy input at Interface Points in MU					
BESCOM	**MESCOM**	**CESC**	**HESCOM**	**GESCOM**	**Total**
40574.80	7299.85	9208.71	16567.82	10132.03	83783.21

Further, the difference in energy at IF points as filed by the ESCOMs in their APR FY25 petitions, as detailed below, was pointed out and directed KPTCL to examine the differences in the total energy arrived at IF points:

Energy Consumption (after deducting the transmission losses) by ESCOMs inclusive of Deemed Distribution Licensee for FY2024-25 (in MU) at IF points					
BESCOM	**MESCOM**	**CESC**	**HESCOM**	**GESCOM**	**Total**
40574.80	7259.96	9258.23	16425.29	10031.92	83550.20

KPTCL, in its replies has submitted that, the energy is reconciled with ESCOMs in the month of June-2025 and the total energy is 94584.509 MUs, which includes ESCOMs' IF points energy of 83783.214 MU, import energy under open access of 191.888 MU, Railway traction drawl of 899.118 MU and Wheeled Energy of 9710.289 MU.

Commission's Analysis and Decision:

The Commission has taken note of the details/explanation furnished by KPTCL and proceeds to approve the transmission loss for FY25 as follows;

TABLE - 3	
Transmission Loss – Approved for FY2024-25 as per APR	
Particulars	**In MUs**
Energy Input to Transmission System of KPTCL	97462.55
Total Energy at Interface points of ESCOMs/Deemed Distribution Licensee	94584.51
Transmission Loss	2878.04
Transmission Loss (%)	**2.953%**

The Commission has noted that, the actual transmission loss of 2.953% achieved by the KPTCL is higher by 0.239% compared to the upper limit of approved targeted transmission loss of 2.714% for FY2024-25. 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	
Penalty for under achievement of Transmission Loss for FY2024-25	
Particulars	**FY25**
1% of RoE (Rupees in Crores)	11.5717
Actual Transmission Loss in %	2.953%
Upper Limit of targeted Transmission Loss in %	2.714%
Under achievement of transmission loss by (%)	0.239%
Penalty imposed Rs. In Crores	**5.53**

Thus, the Commission levies penalty of Rs.5.53 Crores to KPTCL for under achievement of Transmission Loss in FY2024-25.

3.5 Transmission System Availability (TSA) for FY2024-25:

KPTCL, in its Petition has submitted that it has achieved Transmission System Availability (TSA) of 99.84% and has requested an incentive for achieving system availability above the target availability of 98.00 % as specified under the KERC MYT Regulations.

KPTCL vide its letter dated 11.11.2025 has submitted the details of Transmission System Availability (TSA) of the transmission lines, transformers and the reactors in the transmission system for FY2024-25, as under:

TABLE - 5
Transmission System Availability FY2024-25

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	631	99.77%	783	99.93%	1	100.00%	99.86%
Bengaluru Zone	631	99.63%	805	99.88%	6	100.00%	99.77%
Kalaburagi Zone	420	99.91%	503	99.97%	3	100.00%	99.94%
Hassan Zone	283	99.68%	428	99.90%	5	99.97%	99.81%
Mysuru Zone	291	99.95%	394	99.73%	0	0.00%	99.82%
Tumakuru Zone	212	99.65%	473	99.96%	7	100.00%	99.86%
Total	**2468**	**99.75%**	**3386**	**99.90%**	**22**	**99.99%**	**99.84 %**

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

Commission's Analysis and Decision:

The Commission, after duly validating the submissions made by the KPTCL, has considered the TSA at 99.84%, 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 taken note of the details of Transmission System Availability furnished by KPTCL and has determined the incentive for achievement of better transmission availability of 99.84% for FY25, 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:

TABLE - 6	
Incentive on Transmission Availability for FY2024-25	
System Target Availability (%)	98.00%
Actual System Availability (%)	99.84%
No incentive allowed beyond 99.75% as per MYT Regulations	99.75%
Availability beyond target level	1.75%
Incentive linked to approved ARR	Rs.111.58 Cr.
50% to be shared with the ESCOMs and balance to be retained by KPTCL	Rs.55.79 Cr.

The Commission, therefore directs the KPTCL to share the above incentive of Rs.55.79 Crores from the ESCOMs in proportion to their actual transmission capacity for FY2024-25. 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.

3.6 Operation and Maintenance Expenses:

KPTCL has submitted its claims towards Operation and Maintenance (O&M) expenditure for FY2024-25, seeking the Commission's approval. The details of these claims along with the approved amount in the Tariff Order 2022 and Tariff Order 2024. are given below:

TABLE - 7

	O and M Expenses for FY2024-25: As approved in the Tariff Order-2022 / 2024 v/s As filed		
	Particulars	As Approved (Rs.in Crores)	As Filed on 29.11.2025 (Rs.in Crores)
1	Employee Expenses	2,716.34	1,836.69
2	Repairs & Maintenance		477.73
3	Admin & General Expenses		228.33
4	Sub-Total:	2,716.34	2,542.75

Commission's Analysis and Decision:

The Commission has reviewed the details provided by KPTCL and has revised the Operation and Maintenance expenses for FY2024-25, duly considering the inflation factor (as indicated in the Table-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 - 8

WII FOR APR							
Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1)* (LnRt)]
2013	111.10	80.60	86.70				
2014	114.80	85.70	91.52	1.06	0.05	1.00	0.05
2015	110.30	90.80	94.70	1.09	0.09	2.00	0.18
2016	110.30	95.30	98.30	1.13	0.13	3.00	0.38
2017	114.10	97.60	100.90	1.16	0.15	4.00	0.61
2018	118.90	102.40	105.70	1.22	0.20	5.00	0.99
2019	121.20	110.20	112.40	1.30	0.26	6.00	1.56
2020	121.80	116.30	117.40	1.35	0.30	7.00	2.12
2021	135.00	122.00	124.60	1.44	0.36	8.00	2.90
2022	151.30	129.20	133.62	1.54	0.43	9.00	3.89
2023	151.30	136.40	139.38	1.61	0.47	10.00	4.75
2024	154.00	141.60	144.08	1.66	0.51	11.00	5.59
A= Sum of the product column							23.01
B= 6 Times of A							138.08
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							4.6531

TABLE - 9

	O and M Expenses for FY2024-25: As allowed by the Commission as per APR (Rs.in Crores)				
		FY2021-22	FY2022-23	FY2023-24	FY2024-25
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	29,218
6	Lengh of line in KMs	40,304		42,991	44,318
	Inflation Index(%)		5.69733%	5.22371%	4.6531%
7	O&M Expenses per bay (Rs.in Thousands) w.r.t. 70% of Sl.No.4	365.10	385.91	406.06	424.96
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	117.53
9	Normative O&M Expenses (excluding Terminal Benefits & pay revision impact)			1,631.60	1,762.51
10	Add: Terminal Benefits (FY2024-25)			590.98	569.03
11	Add: Pay Revision Component with inflation factor (FY2024-25)		192.86	202.93	212.37
12	Normative O&M Expenses allowed for FY2024-25 (9+10+11)			2,425.51	2,543.91

Accordingly, the Commission has decided to approve the normative Operation and Maintenance (O&M) expenses (including the P & G contribution) of Rs.2543.91 Crores for FY2024-25.

3.7 Depreciation:

KPTCL has furnished the depreciation claims for FY2024-25, 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 - 10

Depreciation for FY2024-25: As approved in TO-2022 v/s As filed			
	As Claimed		
As Approved in TO-2022 Dt.04.04.2022 (Rs.in Crores)	Total Depreciation (Rs.in Crores)	Depreciation on Assets created out of consumer contribution / grants (Rs.in Crores)	Net Depreciation (Rs.in Crores)
1,361.00	1,674.09	-	1,674.09

Commission's Analysis and Decision:

The Commission has reviewed the details provided by KPTCL for FY2024-25 and observed that the KPTCL has included the depreciation on assets created out of consumer contribution and grants. As such, as per Clause 3.9 of the KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006, the Commission has allowed the deprecation excluding depreciation on assets created out of consumer contribution and grants (which has been considered under other income). **Based on this review, the Commission has approved the actual net depreciation for FY2024-25, as follows:**

TABLE - 11

Depreciation allowed for FY2024-25 as per APR		
Total Depreciation (#) (Rs.in Crores)	Depreciation on Assets created out of consumer contribution / grants (Rs.in Crores)	Net Depreciation allowed (Rs.in Crores)
1,673.87	203.98	1,469.89

(#) excluding Depreciation of Rs.0.22 Crores relating to SLDC

Thus, the Commission has approved the revised depreciation amount of Rs.1469.89 Crores for FY2024-25.

3.8 Capital Expenditure for FY2024-25:

3.8.1 KPTCL's Submission:

KPTCL's achievements against major capital works for FY2024-25, for having incurred capex of Rs.4296.23 Crores are as under:

TABLE - 12

Particulars	New sub stations		Augmentation of sub stations		Addition of new lines
	Nos.	MVA Added	Nos.	MVA Added	CKMs
220 kV	4	800.00	1	100.00	517.12
110 KV	26	440.00	47	470.00	405.02
66 kV	23	324.50	43	368.20	404.64
Total:	**53**	**1564.50**	**91**	**938.20**	**1326.78**

3.8.2 Commission's preliminary observations and KPTCL's reply:

(a) The Commission, in its MYT Order 2022, had recognized capex of Rs.2500 Crores for FY25, subject to prudence check. However, considering the internal resources and equity to finance the capex, the Commission decided to consider a reasonable amount of Rs.2000 Crores for the ARR and tariff computation. Further, the Commission had directed the 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 and that KPTCL shall not approach the Commission in the middle of the year for any additional capex requirement.

KPTCL, in its APR filing for FY25, has submitted that it has incurred a capex of Rs.4296.23 Crores, which is more than the approved capex for FY25. In this regard KPTCL was directed to furnish the reasons for the same.

In reply KPTCL has submitted that Karnataka is a RE rich state and several big projects are coming up in the areas like Koppal, Gadag Tumkur, Vijayapura, Chitradurga etc., of the state. **To evacuate this large scale RE Generation, KPTCL is bound to build transmission infrastructure even though the capex is exceeding the limit fixed by KERC**. As this needs to be considered during the

Annual Performance Review based on actuals, KPTCL has filed the information on actual Capex for FY 25 in its APR for FY25.

Further, it has stated that KPTCL is trying to achieve N-1 and N-1-1 criteria in transmission network. Hence, system strengthening works are taken up across the State.

Further, the Grid Controller of India, in its letter dated 20.03.2025 has also highlighted and emphasized on KPTCL to take up works relating to removal of transmission constraints in the system so as to ensure smooth flow of power and reliability across the region considering significant growth in demand and renewable energy capacity addition. Such situations may not be known at the time of filing MYT application. It may be noted that in MYT filing for the control period FY 23-25, KPTCL had sought a capex of Rs.3523 Crores for FY25. Incurred capex in the previous three years, i.e. during FY 22, FY 23 & FY 24 is more than Rs.3000 Crores.

(b) In preliminary observations, KPTCL was directed to furnish the details of capex incurred in respect of additional load, improvement in voltage profile, Green Energy Corridor Projects, strengthening of the Bengaluru city transmission network, facilitating 24/7 power supply by ESCOMs - as indicated in the MYT Order 2022.

The reply furnished by KPTCL is as under**:**

Sl. No	**Particulars**	**Amt. Rs.in Crs.**
a	To meet additional load	1026.06
b	To improve voltage profile	
c	To take up Green Energy Corridor Projects;	2431.03
d	To facilitate 24/7 power supply by ESCOMs.	489.39
e	T& P materials, SCADA, Civil	53.60
f	Interest During Construction	195.72
	Other expenses capitalized	100.43

(c) In respect of "Green Energy Corridor Projects Phase-I & Phase-II", KPTCL has submitted that it has received an amount of Rs.24.65 Crores towards Central Finance Assistance (CFA) - GEC Phase -II projects only for FY25. However, no grants are received during FY26 till date for both GEC Phase-I and Phase-II projects.

(d) KPTCL was directed to furnish year-wise/work-wise breakup for this along with reasons for not regularizing the huge amount of Rs.2069.60 Crores amounts of Advance payment to turnkey contractors, resulting in accumulation of huge amounts year on year. In reply KPTCL has submitted that the amount not regularized pertains to Short closed works, FQV not approved, Erection bill not received and erection work pending.

In this Regard, the Commission directs the KPTCL to take necessary action to regularize the amounts in respect of the above works and submit the compliance within three months from the date of this order.

3.8.3 Commission's Analysis and Decision:

The Commission has examined the replies furnished by KPTCL, to the preliminary observations. KPTCL is supposed 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 states 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 along with its Petition for Annual Performance Review (True-up)'.*** However, in the APR filing the direction in the said Clause is not complied with by the KPTCL.

In view of the above, The Commission reiterates its direction to comply with the said Regulations in future filings without fail, so as to maintain the financial austerity and foresee the impact of expenditure on the consumers' tariff also.

To ensure Transmission Adequacy and Reliable operation of the KPTCL network, the Commission held a meeting on 20.06.2024, based on the letter dated 20.02.2024 from Grid Controller of India limited. During the meeting KPTCL informed the Commission that the required CAPEX for FY25, FY26, and FY27 is around Rs.15,000 Crores, with an annual requirement of Rs.5,000 Crores. The Commission deliberated on the capital investment necessary for strengthening the system to achieve N-1 compliance and directed KPTCL to submit a detailed proposal of the CAPEX for each individual work to the Commission for examining the same. However, KPTCL is yet to submit the same till date.

The Commission has taken note of details furnished in the annexure (8) of the replies furnished by the KPTCL in response to the preliminary observations, wherein, it is observed that some of the stations and lines commissioned were under loaded. The same will be verified during the prudence check of capital expenditure of FY25 to be taken up by the Commission. The disallowances on such imprudent works, if any, found during the course of prudence check will be given effect in the APR of the subsequent years.

The KPTCL has submitted a list of 704 works pertaining to capex of Rs.2069.60 Crores incurred towards turnkey contractors control account. However, KPTCL has not furnished the year-wise breakup for the amount incurred to distinguish the works between current and spill over works. In this regard, KPTCL is directed to prepare a list showing the year-wise break up works executed through turn-key contracts besides regularizing these works through monitoring the physical progress of the projects with respect to their original schedule, as cited in Clause 23.3 (b) of MYT Regulations 2024.

In view of the above, the Commission hereby recognizes the capital expenditure of Rs.4296.23 Crores for FY2024-25, subject to prudence Check and decides to allow the consequential costs on capital loans as per norms under MYT Regulations, 2024.

Prudence Check of Capital Expenditure incurred by KPTCL during FY23 and FY24:

The Commission, in its Tariff Orders dated: 28.02.2024 and 27.03.2025, had allowed Capital expenditure incurred by the KPTCL for the period FY23 and FY24 respectively, subject to carrying out the prudence check of the various works undertaken by KPTCL. Accordingly, the Commission had entrusted conducting prudence check of capital expenditure of KPTCL to M/s TERI, Bengaluru.

Sl. No.	Name of the work	Actual Cost (Rs. In Crores)	Status	Period for which amount to be disallowed	Disallowance is attributable to KPTCL Rs. Crores
	Imprudent works of FY20				
1	Badanakuppe: Establishing 2x31.5 MVA, 66/11 kV Badanaguppe S/s with associated line for FY20.	33.34	Imprudent	01.04.2023 to 31.03.2025	**6.65**
	Imprudent works of FY21				
2	Providing additional 1 x 20MVA ,110/11 kV transformer at 110/33/11 kV Manipal sub-station in Udupi taluk and district for FY21	3.16	Imprudent	01.04.2023 to 24.04.2023	**0.020**
	Imprudent works of BESCOM attributable to KPTCL				
3	Providing Express feeder from EDC Station to an extent of 1.72 KM using 3x 400 Sq mm XLPE cable to bifurcate overloaded F12 B Station at Magrath road Police Mess RMU in Someshwara O&M Unit of E3 Sub Division, Indiranagar Division under Rate Contract Basis. Under SIW RC-468 for FY22.	**1.26**	Prudent from 11.11.2025 onwards	31.03.2025 to 10.11.2025	**0.222**
4	Evacuation of New 11Kv Link line from Ungra Muss To Ydavanahalli limits to Gaddehalli limits to reduce over load of F10 Gaddehalli feeder in C S Pura Section Gubbi Subdivision for FY22.	**0.17**	Prudent from 31.03.2025 onwards	10.10.2021 to 17.01.2025	0.053
5	Evacuation of New 11KV Link line from Nittur Muss To kodihalli & Bandihalli Nittur Section Nittur Subdivision for FY22.	**0.25**	Imprudent	10.11.2021 to 31.03.2025	0.091
	Imprudent works of CESC attributable to KPTCL				
6	11KV Link line (A-C & B-D) from Javanikuppe Gate to Javanikuppe Village limits due to bifurcating Existing F1- Javanikuppe IP & F7- Doddabellalu NJY Feeders in Kamplapura Section, Periyapatna Sub-Division for FY24.	0.2	Prudent from 23.09.2024 onwards	21.08.2022 to 22.09.2024	0.071
7	11 kv linkline F1 Doddamalthe feeder from proposed/newly constructed 66/11kv Muss hangalbane village shanthalli section somwarpet sub division for FY24.	0.25	Prudent from 14.02.2025 onwards	20.04.2023 to 30.01.2025	0.072

8	11 kv linkline F2 Shanthalli feeder from proposed hangalbane somwarpet section somwarpet sub division for FY24.	0.19	Prudent from 14.02.2025 onwards	30.03.2023 to 30.01.2025	0.071
	Imprudent works of HESCOM attributable to KPTCL				
9	Construction of 11KV Link line on 11 KV FNO-12 New Betageri EIP feeder from 110/11 KV MUSS Gosabal to 25KVA Siddanaik TC to Gas Office DP at Betageri village for FY23.	0.14	Imprudent	26.12.2022 to 31.03.2025	0.038
	Total amount to be disallowed in APR of FY25 of KPTCL				**7.288**
Imprudent works of KPTCL attributable to GESCOM to be disallowed in APR of FY25 of GESCOM – amount in Rs.Crores)					
2	**Creating 33kV reference by providing an additional 1X20 MVA, 110/33kV transformer along with constructing of 33kV terminal bay at 110/11kV Kalaburgi (south) sub-station in Kalaburagi Taluk and District for FY24.**	**5.4**	Imprudent	05.03.2024 to 31.03.2025	0.57

M/s TERI, Bengaluru, have submitted the report in the matter. As per their report, the following is the summary of findings in respect of work of Prudence Check for FY23 and FY24:

Financial year	**FY23**		**FY24**	
Particulars of works executed and selected for prudence check	**Nos**	**Amount in Rs. Crores**	**Nos**	**Amount in Rs. Crores**
Works selected for carrying out prudence check (above Rs.5 Cr.)	40	1586.35	26	1332.57
Abstract of Prudent/ Non-prudent works	**Nos**	**Rs in Crores**	**Nos**	**in Rs. Crores**
No. of non-prudent works	**-**	**-**	**1**	**5.40**
No. of conditionally prudent works	**-**	**-**	**-**	**-**
Abstract of cost overrun works	**Nos**	**Rs in Cr**	**Nos**	**in Rs. Crores**
No. of works with no cost overrun	15	404.43	8	123.62
No. of works with cost overrun upto 10%	19	660.893	13	1106.64
No. of works with cost overrun upto 10% to 25%	3	218.7909	4	63.53
No. of works with cost overrun exceeding 25%	3	302.2383	1	38.78
Abstract of time overrun works	**Nos**	**Rs in Cr**	Nos	Rs in Crs.
No. of works with no time overrun	9	485.1538	4	102.77
No. of works with no time upto 1 year	24	889.6824	14	204.47
No. of works with no time between 1 year to 2 years	5	75.9055	6	991.80
No. of works with time over run more than 2 years	2	135.61	2	33.53

The Commission after analyzing the replies of KPTCL, BESCOM, CESC and HESCOM has decided to disallow the corresponding depreciation and interest on loans pertaining to the imprudent works of FY23 and FY24 along with previous years' imprudent works for the period indicated are as under:

While arriving at the above amounts for disallowance, **the weighted average rate of interest on loans and depreciation has been** considered as shown below:

Name of the licensee	FY23		FY24		FY25	
	Wt. Avg. Depreciation rate	Wt. Avg. Interest	Wt. Avg. Depreciation rate	Wt. Avg. Interest	Wt. Avg. Depreciation rate	Wt. Avg. Interest
KPTCL	5.28%	7.87%	4.70%	8.27%	4.32%	8.61%
BESCOM	5.28%	7.85%	5.29%	8.92%	5.23%	8.61%
HESCOM	5.28%	10.47%	5.03%	9.86%	3.95%	10.41%
CESC	5.28%	9.92%	5.06%	9.61%	4.96%	9.09%

The depreciation and interest pertaining to Seven (7) works which are imprudent in ESCOMs attributable to KPTCL are disallowed and KPTCL is directed to complete these works as early as possible so as to derive the benefits envisaged in the DPR. The status of these works will be reviewed in next Tariff Order along with the works which are being treated as imprudent.
The depreciation and interest pertaining to one imprudent work of KPTCL attributable to GESCOM namely Creating 33kV reference by providing an additional 1X20 MVA, 110/33kV transformer along with constructing of 33kV terminal bay at 110/11kV Kalaburgi (south) sub-station in Kalaburagi Taluk and District for FY24 amounting Rs.0.57 Crores disallowed in the APR of FY25 of GESCOM.

In view of the above, the Commission hereby disallows Rs.7.288 Crores for FY25 towards depreciation and interest on loans allowed in respect of imprudent works. Accordingly, the same is ordered to be deducted in KPTCL APR of FY25.

KPTCL is directed to take note of the following suggestions made in the Report of Prudence Check and take suitable actions/measures in future while implementing a scheme / project in order to avoid disallowance of amounts towards imprudent works and also to realize the benefits as envisaged in the DPR:

1. The Energy flows from various generating stations to various receiving sub stations via transmission and distribution networks. For maintaining system security, reliability, quality, stability and ensuring economic operation, on line monitoring, operation and control of the modern-day power systems is required. Though the operational parameters are monitored in the integrated SCADA system, still there is scope for improvement that can be effectively implemented and monitored for enhanced benefits realization. Few of them are listed below.

2. The DPR that is prepared for each project is generic in addressing the loss reduction and in improvement of Voltage regulation. The loss reduction should be estimated accurately so that the energy savings that are realized are quantified.

3. The DPR should correctly envisage the projected load growth year on year. If the load growth does not happen as in anticipated rate, it results in non-utilization of assets in efficient manner. Software should be used for calculating the techno economic benefits and the results should be included in the DPR.

4. For the proposals which do not have alternatives should be clearly mentioned in the DPR or addressed in the TCCM to avoid the reduction of marks for evaluation of project.

5. Post commissioning, voltage regulation should be periodically monitored with instrument and records should be documented with RR No. at measured site premises.

6. In many stations the 11kV power evacuation has not happened concurrently with the completion of sub stations. This result in the non-

realization of financial benefits after the assets categorization. KPTCL and ESCOM should ensure effective co-ordination to ensure there is no delay in the power evacuation from the downstream end.

7. As the prudence exercise identifies major works project which are not realizing the financial benefits and significantly impacts the tariff analysis, the prudence audit should be covered for all the projects. Preparation of formats to monitor the post commissioning and compare the benefits as intended in the DPR with actuals realized.

8. Given the competitive market cost and vast experience of KPTCL in the transmission sector projects, actual cost for completion of project should be close to true cost of DPR.

9. Marks for the cost of implementation should be increased to 25 or 30, in order to check on the financial expenditure as per DPR and after post commissioning with comparison of components / parameters that are influencing the same.

10. Creation of 33 kV reference should be meticulously planned considering the asset life utilization period and intended benefits.

11. Asset shall be monitored for the revenue realization after the commissioning of projects by respective accounts division.

12. Projects established with dedicated load such as anticipation of industrial area growth and residential layouts, should be justified appropriately in the DPR with specification of alternative arrangement, when there is substantial delay more than year.

13. Since most of the project's primary objectives are mainly to cater load growth and solutions for associated problems. KERC can also provide additional guidelines for consultants in grading of marks *(similar to time and cost overruns specifications)*, based on the loading (power in MW) or energy handled by the particular project.

Material procurement for FY23 & FY24:

During the FY23 & FY24 the total amount of material procurement is Rs.424.04 Crores and Rs.179.32 Crores respectively.

a. KPTCL is following the procedure of procurement of major materials according to the specified norms. Bulk of the procurement cost is accounted for procurement of augmentation and replacement of faulty transformer.

b. For the augmentation and replacement of transformers actual planned works (along with their estimated cost) are given in the KPTCL annual progress works and utilized transformers are reported in the Annual reports.

c. Apart from its significant portion of investment has been incurred towards the procurement of circuit breakers, CT', PT's and other auxiliary protection equipment for maintenance.

d. To ensure the quality and longer life for materials, Majority of 11 kV switch gears are procured by the corporate office from Mysore electricals (4G exemption – Government Entity) on rate contract basis for the execution of all the planned works.

e. After verification of few tendering & procurement procedures

- When there is more than one bidder, techno-economic analysis will be carried out by KPTCL for selecting the best available contractor for the execution of works.
- Sometimes there will be only two contractors, out of which one will not be technically qualified as per the requirements will be rejected, even though the bidder price is comparatively less than the other.
- Some cases are observed that there will be only one bidder for particular tender, if the bidder is qualified both on techno-commercial terms then the

work award will be issued for the same. If he is not qualified either in any one of the terms, then the bidder will be rejected and re-tendering process will be followed for the execution of works.

- Some cases are observed that there will be no bidder for the particular tender depending on the location and volatility of the project, then the KPTCL will extend their support and approach from their known sources of the contractors for the bidding and execution of works.
- In some cases, the price may be revised by the committee depending on the contingency of work for the timely execution and upkeep of the transmission systems.

Further, KPTCL shall take note that the interest and depreciation will be disallowed in respect of imprudent works for the respective years since they are not yielding the anticipated benefits. Hence, the amounts once deducted in respect of such of works will not be allowed subsequently in the ensuing tariff orders.

The Commission has further observed that in respect of some of the works which were treated as imprudent, are continued to be imprudent from more than 2 years. Hence, in this regard Commission directs KPTCL that in future if works are not made prudent and utilized by KPTCL / ESCOMs within 2 years from the date of completion of the works. then, the Commission would disallow the interest and depreciation for the entire life of the asset in the relevant tariff orders.

3.9 Interest on Capital Loan:

KPTCL has sought approval for Interest on Capital Loan for FY2024-25. The claimed amount is compared below with the Interest on Capital Loan approved in the Tariff Order 2022, dated 4th April 2022.

TABLE - 13

Interest on Capital Loan for FY2024-25 As Approved in Tariff Order-2022 v/s As 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	721.25	2,455.70	1,096.73

Commission's Analysis and Decision:

The Commission has taken note of the details furnished by the KPTCL and has proceeded to consider the Interest on Capital Loan for FY2024-25, 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 15.03.2024, the SBI MCLR rate for a three-year term is 8.85%. Adding 200 base points as per regulatory requirements, the permissible interest rate on capital loans is 10.85%. The Commission has noted that the interest incurred by KPTCL is within the allowable rate.

Further, the Commission has noted that as per the accounts for FY2024-25, KPTCL has incurred an amount of Rs.14.24 Crores as ***"Interest on delayed payment of Income Tax"***. Since timely payment of claims is the licensee's primary responsibility, consumers should not bear the interest burden caused by their delayed actions. Hence, the same is disallowed.

Accordingly, the Commission has approved the Interest on Capital Loan of Rs.1082.46 Crores for FY2024-25, as under:

TABLE - 14

Interest on Capital Loan allowed for FY2024-25						
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 (%)
11,831.44	2,455.70	1,175.78	13,111.36	12,471.40	1,082.46	8.68%

3.10 Interest on Working Capital:

KPTCL has sought approval for Interest on Working Capital for FY2024-25. The claimed amount is detailed below in comparison to the Interest on Working Capital approved in the Tariff Order 2022, dated 4th April 2022.

TABLE - 15

Interest on Working Capital for FY2024-25: As approved in TO-2022 v/s As filed	
As Approved in TO-2022 (Rs.in Crores)	As Claimed (Rs.in Crores)
128.32	137.17

Commission's Analysis and Decision:

After examining the details provided by KPTCL, the Commission has considered the Interest on Working Capital for FY2024-25, 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 - 16

Interest on Working Capital Allowed for FY2024-25 as per APR	
Particulars	Rs.in Crores
1/6th of Revenue	1,095.97
1/12th O&M Expenses	211.99
1% of OB of GFA	347.70
Working Capital Requiremet	1,655.66
1 Year SBI MCLR + 250 points	11.15%
Normative IWC	184.61
WC Interest as per Accounts	137.17
Working Capital Interest Allowed	160.89

Thus, the Commission has approved the revised Interest on Working Capital of Rs.160.89 Crores for FY2024-25.

3.11 Charges Capitalized:

KPTCL has sought approval for various charges capitalized for FY2024-25. A comparison with the charges approved in the Tariff Order 2022, dated 4th April, 2022 and the Charges allowed for FY2024-25 based on the Audited Accounts, is given below:

TABLE - 17

Capitalization of Charges for FY2024-25: As Approved in Tariff Order-2022			
O&M Charges (Rs.in Crores)	Depreciation (Rs.in Crores)	Interest Charges (Rs.in Crores)	Total (Rs.in Crores)
71.81		109.46	181.27

Capitalization of Charges for FY2024-25: As Filed			
O&M Charges (Rs.in Crores)	Depreciation (Rs.in Crores)	Interest Charges (Rs.in Crores)	Total (Rs.in Crores)
100.43		195.72	296.15

Capitalization of Charges for FY2024-25: As Allowed			
O&M Charges (Rs.in Crores)	Depreciation (Rs.in Crores)	Interest Charges (Rs.in Crores)	Total (Rs.in Crores)
100.43	-	195.72	296.15

3.12 Other Debits:

The Commission had not approved any amount under this head for FY2024-25 in the Tariff Order 2022, as it required scrutiny against the actuals with reference to the audited accounts.

The Commission has taken note that KPTCL has accounted for Rs.8.25 Crores as provisions for various expenses. Consistent with previous tariff orders, the Commission has not allowed this amount.

After reviewing the audited accounts, the Commission has now approved the amount under "Other Debits" for FY2024-25, as below.

TABLE - 18

Other Debits for FY2024-25	
As filed (Rs.in Crores)	As allowed (Rs.in Crores)
51.52	43.27

3.13 Return on Equity:

The Commission, in the Tariff Order 2022, has approved the Return on Equity (RoE) of Rs.1027.69 Crores for FY2024-25. In its filing, KPTCL has claimed Rs.1266.46 Crores of Return on Equity for FY2024-25.

Commission's Analysis and Decision:

The Commission has taken note of the equity / net worth for FY2024-25, as per the Audited Accounts, as tabulated below:

TABLE - 19

Equity / Networth for FY2024-25: As per Audited Accounts	
Particulars	Rs.in Crores
OB: Paid Up Share Capital	2,265.22
OB: Share Deposit	13.16
OB: Accumulated Profit/Loss	5,187.21
Total Equity / Networth	7,465.59

TABLE - 20

Debt-Equity Ratio with reference to Gross Fixed Assets:

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)	32,616.66	35,402.93
Debt (actuals)	11,831.44	13,111.36
Equity (net worth) (actuals)	7,465.59	8,852.00
Normative Debt @ 70% GFA	22,831.66	24,782.05
Normative Equity @ 30% GFA	9,785.00	10,620.88
% of actual Debt: Equity to GFA	36.27 : 22.890	37.03 : 25

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 FY2024-25, 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 - 21

ROE allowed for FY2024-25 as per APR	
Particulars	**Rs.in Crores**
OB: Paid Up Share Capital	2,265.22
OB: Share Deposit	13.16
OB: Accumulated Profit/Loss	5,187.21
Total Equity	7,465.59
ROE Rate	15.50%
Allowable Return on Equity	1,157.17

Thus, the Commission has approved and allowed the Return on Equity of Rs.1157.17 Crores for FY2024-25.

3.14 Provision for Taxation:

In the Tariff Order 2022, the Commission had not provided "Income Tax" separately for FY2024-25. 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.380.44 Crores as Income Tax for FY2024-25.

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 - 22

Income Tax Allowed for FY2024-25	
Particulars	**Rs.in Crores**
1. ROE at base Rate	1,157.17
2. ROE with effective MAT	1,402.15
3. Income Tax	244.98
4. Actual Income Tax as per Audited Accounts	305.76
Allowable Income Tax (lower of 3 & 4 above)	244.98

Thus, the Commission has approved the Income Tax of Rs.244.98 Crores for FY2024-25.

3.15 Other Income:

In the Tariff Order 2022, the Commission has provided Rs.85.49 Crores as "Other Income" for FY2024-25. In the filing, KPTCL has claimed Rs.348.44 Crores as "Other Income" for FY2024-25. KPTCL has included the amount of Rs.203.98 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 FY2024-25, as follows;

TABLE - 23

Other Income for FY2024-25: As Allowed by Commission	
Particulars	**Rs.in Crores**
As per Note-26 of the Audited Accounts	348.96
Less: Revenue recognized on Assets created out of Consumer contribution / grants (#)	(203.98)
Total:	144.98

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

Thus, the Commission has allowed "Other Income" of Rs.144.98 Crores for FY25.

3.16 SLDC Charges:

KPTCL has sought approval of Rs.45.42 Crores as SLDC Charges for FY2024-25. A comparison with the charges approved in the Tariff Order 2024 and the allowed Charges for FY2024-25 based on the Audited Accounts, is given below.

TABLE - 24

SLDC Charges for FY2024-25 – As Approved in TO-2024 v/s As filed				
Particulars	As Approved in TO-2024 Rs.in Crores	As Claimed Rs.in Crores	As Allowed Rs.in Crores	Deficit for FY2024-25 Rs.in Crores
1. Employee cost	39.60	32.02	32.02	5.59
2. A & G Expenses		6.71	6.71	
3. Repairs & Maintenance Expenses		6.46	6.46	
4. Depreciation		0.22	-	
5. Interest & Finance Charges		0.01	0.01	
Total:	39.60	45.42	45.19	5.59

Thus, the Commission decides to allow the SLDC charges of Rs.45.19 Crores for FY2024-25 and recognized the revenue deficit of Rs.5.59 Crores for FY2024-25.

3.17 Revenue:

The Commission has considered the revenue for FY2024-25 with reference to the Audited Accounts, as follows.

TABLE - 25

Revenue from Transmission Charges for FY2024-25	
Particulars	Rs.in Crores
From BESCOM	2,984.25
From MESCOM	408.84
From CESC	578.26
From HESCOM	1,209.75
From GESCOM	632.42
From other Open Access Customers	316.14
Total Revenue from Transmission activity	6,129.66
Add: Miscellaneous Revenue	446.17
Total:	6,575.83

3.18 Abstract of Approved ARR for FY2024-25 as per APR:

Based on the above decisions the consolidated Statement of approved ARR as per APR for FY2024-25 is indicated in the below table;

TABLE - 26

	Revenue, Expenditure and Revenue Deficit for FY2024-25: As Approved after APR				
	Particulars	FY2023-24 (Rs.in Crores)			
		As Approved in TO-2022 & TO-2024	As per Accounts	As Proposed for APR	As Approved in APR
1	Energy available for transmission in MU	75,961.32	97,462.55	97,462.55	97,462.55
2	Energy sold at IF Points	73,937.71	94,584.51	94,584.51	94,584.51
3	Transmission Losses in MU	2,023.61	2,878.04	2,878.04	2,878.04
4	Transmission Loss in %	2.664%	2.953%	2.953%	2.953%
5	Installed Capacity in MW	28,501.00	28,501.00	28,352.25	28,352.25
	Income:				
6	Revenue from Transmission	6,148.26	6,575.83	6,575.83	6,129.66
7	Miscelaneous Revenue		348.96	-	446.17
	Total Income:	6,148.26	6,924.79	6,575.83	6,575.83
	Expenditure:				
8	Employee Cost	2,716.34	1,836.69	1,836.69	2,543.91
9	Repairs & Maintenance			477.73	
10	Admin & General Expenses			228.33	
11	Sub-Total (8+9+10):	2,716.34	2,542.75	2,542.75	2,543.91
12	Depreciation	1,361.00	1,674.09	1,674.09	1,469.89
13	Interest on Capital Loan	721.25	1,233.90	1,096.73	1,082.46
14	Interest on working capital	128.32	-	137.17	160.89
15	Sub-Total (13+14):	849.57	1,233.90	1,233.90	1,243.35
16	Less: Capitalized O&M Expenses	(71.81)	(100.43)	(100.43)	(100.43)
17	Less: Capitalized Depreciation	-	-	-	-
18	Less: Capitalized Interest Charges	(109.46)	(195.72)	(195.72)	(195.72)
19	Other Debits	-	51.53	51.52	43.27
20	Extrordinary items/ Exceptional Items	-	-	-	-
21	Net Prior Period Income /Charges	-	-	-	-
22	Income Tax	-	380.44	380.44	244.98
23	Less: Other Income	(85.49)	-	(348.96)	(144.98)
	Total Expenditure:	4,660.15	5,586.56	5,237.59	5,104.27
24	Return on Equity	1,027.69	-	1,266.46	1,157.17
25	Carry forward of (Deficit) / Surplus of previous year as per APR	129.01	-	-	-
26	Additional Employee Cost on account of pay revision	-	-	-	-
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	-	-	-	(5.53)
30	Less:Disallowance of imprudent capex	-	-	-	(7.29)
31	Sub-Total (24+25+26+27+28):	1,488.11	-	1,266.46	1,144.35
	Aggregate Revenue Requirement	6,148.26	5,586.56	6,504.05	6,248.62
	Revenue SURPLUS / (GAP)	-	1,338.23	71.78	327.21

The Commission, as decided in the foregoing discussions, hereby approves the revised net ARR of Rs.6248.62 Crores for FY2024-25. On account of the revised ARR, the net revenue surplus of KPTCL for FY2024-25 is Rs.327.21 Crores.

3.19 Treatment of revenue surplus of FY2024-25 in respect of KPTCL:

As shown in Table-26, the Commission has considered the difference between the approved net ARR and revenue realized and recognized a surplus revenue of Rs.327.21 Crores for FY2024-25. The Commission decides that the KPTCL shall refund the surplus of Rs.327.21 Crores to ESCOMs who are the long term customers considered for FY2024-25 in the Tariff Order-2024 dated 28.02.2024, as follows:

TABLE – 27
Revenue Surplus to be refunded to the ESCOMs in FY2026-27

Revenue Surplus recognized in APR for FY2024-25		Rs.327.21 Crores
ESCOMs	**Transmission Capacity Allocation considered in TO-2024 (in MW)**	**Proportionate Revenue Surplus to be refunded to ESCOMs in FY2026-27 (Rs.in Crores)**
BESCOM	15963	166.95
MESCOM	2225	23.27
CESC	3102	32.44
HESCOM	6517	68.15
GESCOM	3480	36.40
Total	**31287**	**327.21**

3.20 Treatment of revenue deficit of FY2024-25 in respect of SLDC:

As shown in Table-24, the Commission has considered the difference between the approved net ARR and revenue realized and recognized a surplus deficit of Rs.5.59 Crores for FY2024-25. The Commission decides to carry forward this amount to FY2026-27 and to allow SLDC to recover it from ESCOMs who are the long term customers considered in the Tariff Order-2024 dated 28.02.2024, as follows:

TABLE – 28
Revenue deficit of SLDC to be recovered from the ESCOMs in FY2026-27

Revenue Deficit recognized in APR for FY2024-25		Rs.5.59 Crores
ESCOMs	**Transmission Capacity Allocation considered in TO-2024 (in MW)**	**Proportionate Revenue Deficit to be recovered from ESCOMs in FY2026-27 (Rs.in Crores)**
BESCOM	15963	2.85
MESCOM	2225	0.40
CESC	3102	0.56
HESCOM	6517	1.16
GESCOM	3480	0.62
Total	**31287**	**5.59**

4.0 Commission's Order:

In exercise of the powers conferred on the Commission under Sections 62, 64 and other provisions of the Electricity Act, 2003, the Commission hereby approves the APR, with net ARR of Rs.6248.62 Crores for FY2024-25. Further, as recognized in the Table-26, the Commission approves the net surplus of Rs.327.21 Crores in respect of KPTCL for FY2024-25.

It is hereby ordered that the Revenue Surplus of Rs.327.21 Crores, as arrived at and set out in Table-27 above, shall be refunded to the ESCOMs, to be called as "FY25 True-up Charges". KPTCL shall effect the refund in April 2026, by adjusting against the transmission charges arrears due to KPTCL as at the end of March-2025. In case, even after such adjustment the surplus still exists to be refunded to any of the ESCOMs, the KPTCL shall refund the balance amount by giving adjustment in the transmission bills for April-2026.

It is further ordered that the Revenue Deficit of SLDC of Rs.5.59 Crores, as arrived and set out in Table-28 above, shall be recovered from the ESCOMs, to be called as "FY25 True-up Charges" in one lump sum in April 2026.

It is further ordered that KPTCL and SLDC shall maintain a separate head of account, allocated for the purpose, to record the adjustment of the said amount to ensure full refund / recover of the surplus / deficit.

This Order is signed, and issued by the Karnataka Electricity Regulatory Commission, at Bengaluru this day, the 17th April, 2026.

Sd/-	Sd/-	Sd/-
(P. Ravi Kumar)	(H.K.Jagadeesh)	(Jawaid Akhtar)
Chairman	Member (Legal)	Member

APPENDIX

COMMISSION'S DIRECTIVES AND COMPLIANCE BY THE KPTCL

In the Tariff Order dated 27th March, 2025, and previous Tariff Orders, the Commission 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 actions taken by KPTCL, the number of accidents have 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 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/B36/56218/2024-25/116 dated 07.05.2025.

Commission's Views:

The Commission notes that while KPTCL has furnished details regarding accident status and the hazardous locations identified and rectified during the period, the increasing number of electrical fatal accidents in the State remains a matter of grave concern. Despite the remedial measures reportedly undertaken to strengthen the transmission network, the continued loss of precious human lives is deeply distressing. The Commission has consistently advised KPTCL to intensify safety initiatives and enhance awareness among field staff and the public; however, the results achieved thus far are not commensurate with the seriousness of the issue.

The Commission further observes that, vide its letter dated 09.09.2024, KPTCL and the ESCOMs were directed to implement structured training programmes for field-level personnel under a time-bound action plan, with the objective of sensitising staff towards electrical safety and accident prevention. It is unfortunate that this directive has not yet been complied with. KPTCL is hereby directed to immediately initiate and complete comprehensive training programmes and to ensure strict adherence to safety protocols across the transmission network.

The Commission further notes that, the relatively low number of hazardous locations identified during the period raises concerns regarding the adequacy of inspection and preventive mechanisms. KPTCL shall adopt a more rigorous and proactive approach to the identification and rectification of hazardous locations, presence of them in the network are the real contributors to electrical accidents. The Commission reiterates its directive to expedite these measures, so as to effectively minimise accidents in transmission lines and substations and safeguard human life, livestock, and property.

2. Reactive Power compensation and restoration of failed Capacitors

The Commission, in its Order dated 27th March, 2025 and in the previous orders had directed KPTCL to restore any failed capacitors within three weeks from the date it is out of service and 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.

Compliance of Directive by the KPTCL:

KPTCL, in its Petition, has submitted that the monthly status report of capacitor banks is being periodically submitted to KERC. Transmission Operation divisions are procuring necessary components to restore capacitor banks to service and also making efforts to maintain 5% spare numbers of capacitor cells for early restoration. Attempt is made to cannibalise the capacitor units of same voltage class & rating within the Operation zones to maintain outage at the minimum level, so as to improve the percentage working of capacitor banks both in respect of numbers and capacity. Complete Capacitor bank outage due to reasons like issues in Circuit breaker, CT, NCT & relays are being addressed by procuring the same to restore the capacitor banks. The Status of Capacitor Banks as at the end of FY25 along with the details of reactive energy charges received from CTU for FY25 is submitted to KERC vide letter No. KPTCL/B36/56205/2024-25/196 dated 28.05.2025

Commission's Views:

The Commission, while perusing the status of working capacitors as submitted by KPTCL, has observed that number of capacitor banks installed as at the end of March 2025 is 2276, whereas the number of capacitors working at the end of month as 2227. Further, the total installed capacity in MVAr at the end of the month is 9895.10, whereas total working capacity in MVAr at the end of the month is 9370.20, which amounts to 94.69% of the total installed capacity.

The timely replacement of failed capacitors helps in proper reactive power management in the electrical system. Therefore, KPTCL should maintain its capacitor banks in a healthy condition and restore the failed capacitors as and when found faulty so as to put them back to service quickly. Therefore, it is imperative to provide the desired reactive power compensation in the transmission network by installing adequate capacitor banks into the system.

The KPTCL in accordance with the Commission's earlier Orders, has been submitting month-wise details of status of capacitor banks regularly to the Commission. Although, failing of capacitors and restoration of failed capacitors is a continuous process and KPTCL is taking measures to restore the failed capacitors in its transmission network and is also installing additional capacity of capacitor banks into the system to achieve the desired reactive compensation in the transmission network, the KPTCL is once again directed to:

a) Restore failed capacitors within three weeks from the date they are 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, in its Order dated 27th March, 2025, had directed all stakeholders to comply with the KERC (Intra-State Deviation Settlement Mechanism and Related Matters) Regulations soon after the Regulations are notified.

Compliance of Directive by the KPTCL:

KPTCL, in its petition, has submitted that the KERC vide Notification No KERC/S/F-61/Vol-29(1)/503 dated: 15.07.2025 has issued the Karnataka Electricity Regulatory Commission (Intra-State Deviation Settlement Mechanism and Related Matters) Regulations, 2025. SLDC/KPTCL has been consistently undertaking comprehensive measures to ensure the effective implementation of the Regulations.

In alignment with the regulatory mandate to operationalise Intra-State ABT, KPTCL has identified and established the required interface metering points across the State and has been strengthening communication infrastructure and SCADA visibility for all Distribution Licensees to enable real-time monitoring. In respect of generators, SLDC has already commenced issuance of DSM accounts for those with established metering and communication readiness, and DSM billing is fully operational for all the open access consumers in accordance with the Regulations.

Further, to enhance billing accuracy and ensure 100% data reliability, the installation and integration of AMR systems is presently under active progress. KPTCL remains fully committed to completing all required activities for state-wide implementation of Intra-State DSM/ABT, thereby promoting grid discipline, operational stability, and economic efficiency in power system management.

The ongoing efforts are aimed to achieve full compliance with the Commission's Regulations while ensuring transparent, reliable, and efficient DSM operations across Karnataka.

Commission's Views:

The Commission notes that though the Regulations are issued in July, 2025, the Regulations have not been implemented fully thus defeating the very purpose for which these Regulations are issued. Now that all the KPCL generating Stations and RE generating stations are metered besides the Area Load Despatch centres of ESCMs are fully functional, there should not be any difficulty in implementing the Regulations. The Commission therefore directs KPTCL/SLDC to take immediate measures for implementing the DSM Regulations irrespective of the issues posed by the participating stake holders.

The Commission also notes that, in order to the enhance billing accuracy and ensure 100% data reliability, the installation and integration of AMR systems are in progress. The KPTCL and SLDC are directed to ensure 100% billing accuracy and data reliability by taking necessary action, and all the stakeholders to comply with the KERC (Intra-State Deviation Settlement Mechanism and Related Matters) Regulations, 2025.

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