GUJARAT ELECTRICITY REGULATORY COMMISSION

Tariff Order

Truing up for FY 2011-12 and

Determination of Tariff for FY 2013-14

For

Gujarat Energy Transmission Corporation Limited (GETCO)

Case No. 1262 of 2012

28th March 2013

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AHMEDABAD

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ABBREVIATIONS

A&G	Administration And General
ARR	Aggregate Revenue Requirement
CAPEX	Capital Expenditure
CERC	Central Electricity Regulatory Commission
Ckt.- Km	Circuit Kilometer
CUF	Capacity Utilization Factor
DGVCL	Dakshin Gujarat Vij Company Limited
Discom	Distribution Company
FY	Financial Year
GERC	Gujarat Electricity Regulatory Commission
GETCO	Gujarat Energy Transmission Corporation Limited
GFA	Gross Fixed Assets
GIPCL	Gujarat Industries Power Company Limited
GoG	Government of Gujarat
GSECL	Gujarat State Electricity Corporation limited
GUVNL	Gujarat Urja Vikas Nigam Limited
HRA	House Rent Allowance
HVDC	High Voltage Direct Current
kV	Kilo Volt
kVA	Kilo Volt Ampere
KVAH	Kilo Volt Ampere Hour
kWH	Kilo Watt Hour
MAT Rate	Minimum Alternate Tax Rate
MGVCL	Madhya Gujarat Vij Company Limited
MU	Million Units
MVA	Mega Volt Ampere
MW	Mega Watt
MYT	Multi Year Tariff
NTPC	National Thermal Power Corporation
O&M	Operations & Maintenance
P.A.	Per Annum
PFC	Power Finance Corporation
PGCIL	Power Grid Corporation of India Limited
PGVCL	Paschim Gujarat Vij Company Limited
PLR	Prime Lending Rate
R&M	Repairs & Maintenance
REC	Rural Electrification Corporation
RoE	Return on Equity
SBAR	State Bank Advance Rate
SLDC	State Load Despatch Centre
T.O.	Tariff Order
UGVCL	Uttar Gujarat Vij Company Limited
UMPP	Ultra Mega Power Project
WT. AV.	Weighted Average
WTG	Wind Turbine Generator

Before the Gujarat Electricity Regulatory Commission at Ahmedabad

Case No. 1262 /2012

Date of the Order: 28/03/2013

CORAM

Dr. P. K. Mishra, Chairman

Shri Pravinbhai Patel, Member

Dr. M. K. Iyer, Member

ORDER

1. Background and Brief History

1.1 Background

The Gujarat Energy Transmission Corporation Limited (hereinafter referred to as "GETCO" or "petitioner") has on 30th November, 2012 filed petition under Section 62 of the Electricity Act, 2003, read with Gujarat Electricity Regulatory Commission MYT Regulations, 2011, for the Truing-up of FY 2011-12 and for determination of transmission fees and charges for the FY 2013-14.

The Commission admitted the petition on 12th December, 2012.

1.2 Gujarat Energy Transmission Corporation Limited (GETCO)

The Government of Gujarat unbundled and restructured the Gujarat Electricity Board with effect from 1st April 2005. The Generation, Transmission and Distribution businesses of the erstwhile Gujarat Electricity Board were transferred to seven successor companies. The seven successor companies are listed below:

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

Four Distribution Companies:

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

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

1.3 Commission's order for the second control period

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

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

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

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

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

1.4 Admission of the current petition and the public hearing process

The Petitioner submitted the current petition for "Truing–up" of FY 2011-12, and determination of tariff for FY 2013-14 on 30th November, 2012. The Commission admitted the above petition (Case No. 1262/2012) on 12th December, 2012.

In accordance with Section 64 of the Electricity Act, 2003, the Commission directed GETCO to publish its application in the abridged form to ensure public participation. The Public Notice was issued in the following newspapers on 20.12.2012 inviting objections / suggestions from its stakeholders on the ARR petition filed by it.

Sr. No.	Name of the Newspaper	Language	Date of publication
1	Indian Express	English	20.12.2012
2	Sandesh	Gujarati	20.12.2012

The petitioner also placed the public notice and the petition on the website (www.getcogujarat.com) for inviting objections and suggestions on its petition. The interested parties/stakeholders were asked to file their objections / suggestions on the petition on or before 19th January, 2013.

The Commission received objections / suggestions from only two Organizations, viz., (i) Surajbari Windfarm Development Pvt. Ltd. and (ii) Utility Users' Welfare Association (UUWA). The Commission examined the objections / suggestions received and fixed the date for public hearing for the petition on 12th February, 2013 at the Commission's Office, Ahmedabad and subsequently a communication was sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission. The public hearing was conducted in Commission's Office in Ahmedabad as scheduled on the above date.

During the course of hearing GUVNL raised some objections and GUVNL has been allowed to submit its written submissions in this regard within seven days. GUVNL has submitted its objections on 19th February, 2013.

A short note on the main issues raised by the objectors in the submissions in respect to the petition, along with the response of GETCO and the Commission's views on the responses, are briefly given in Chapter 3.

1.5 Contents of this order

The order is divided into six chapters, as under:

1. The **First Chapter** provides the background of the petitioner, the petition and details of the public hearing process and the approach adopted for this Order.
2. The **Second Chapter** outlines the summary of GETCO's Truing-up Petition.
3. The **Third Chapter** provides a brief account of the public hearing process, including the objections raised by various stakeholders, GETCO's response and the Commission's views on the response.
4. The **Fourth Chapter** deals with the "Truing up" for FY 2011-12.
5. The **Fifth Chapter** deals with the determination of Transmission charges for FY 2013-14
6. The **Sixth Chapter** deals with the compliance of directives.

1.6 Approach of this order

The MYT Regulations, 2011, provide for "Truing up" of the previous year and determination of tariff for the ensuing year. The Commission has approved ARR for Five years of the control period of FY 2011-12 to FY 2015-16.

The GETCO has approached the Commission with the present petition for "Truing-up" of the FY 2011-12, i.e., first year of the control period FY 2011-12 to FY 2015-16 and determination of the tariff for the FY 2013-14.

In this Order, the Commission has considered the "Truing-up" for the FY 2011-12 and the determination of tariff for the FY 2013-14.

The Commission has undertaken "Truing-up" for the FY 2011-12, based on the submissions of the petitioner. The Commission has undertaken the computation of gains and losses for the FY 2011-12, based on the audited annual accounts.

While truing up of FY 2011-12, the Commission has been primarily guided by the following principles:

1. Controllable parameters have been considered at the level approved as per the MYT order, unless the Commission considers that there are valid reasons for revision of the same.
2. Uncontrollable parameters have been revised, based on the actual performance observed.
3. The Truing up for the FY 2011-12 has been considered, based on the GERC MYT Regulations, 2011. For the determination of the Transmission Tariff for FY 2013-14, the Commission has considered the ARR for FY 2013-14, as approved in the MYT order dated 31st March 2011.

2. A Summary of GETCO's Petition

2.1 Actuals for FY 2011-12 submitted by GETCO

The Gujarat Energy Transmission Corporation Limited (GETCO) submitted the petition seeking approval of Truing Up for Aggregate Revenue Requirement of FY 2011-12 and determination of transmission charges for the FY 2013-14. The transmission charges are to be recovered from the transmission system users, as per the GERC MYT Regulations, 2011.

GETCO submitted the details of expenses under various heads as given in Table 2.1 below:

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

(Rs. crore)

Sl. No	Particulars	Approved for FY 2011-12 in MYT Order	Actuals / Normative for FY 2011-12
1	Operations & Maintenance Expenses *	548.79	785.51
2	Depreciation	469.45	395.55
3	Interest & Finance Charges	294.43	268.03
4	Interest on Working Capital	32.48	48.21
5	Return on Equity	354.69	319.74
6	**Total Fixed Charges**	**1699.84**	**1817.05**
7	Less: Expense Capitalised*	-	-
8	Add: Provision for Tax	15.37	77.47
9	**Total Transmission Charges**	**1715.21**	**1894.52**
10	Less: other income	103.00	109.00
11	**Aggregate Revenue Requirement**	**1612.21**	**1785.52**
12	Add: Incentive for target availability	-	27.32
13	Add: Revenue gap of SLDC Truing-up for FY 2009-10	13.48	-
14	**Total Revenue Requirement**	**1625.69**	**1812.83**

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

2.2 Proposed Transmission Charges for FY 2013-14

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

Table 2.2: Proposed Transmission Tariff/charges for FY 2013-14

Sl. No.	Transmission Tariff	Unit	Amount
1	Estimated ARR for FY 2013-14	Rs. crore	2377.74
2	Add: Revenue gap / (surplus) for FY 2011-12 Computed in this petition	Rs. crore	108.27
3	ARR after considering gaps of previous years (1+2)	Rs. crore	2486.01
4	Total MW allocation as per MYT order dated 31st March 2011	MW	20076
5	**Transmission Tariff**	**Rs/MW/day**	**3393**

2.3 Request of GETCO:

1. To admit the petition for Truing up for FY 2011-12 and approval of revised tariff for FY 2013-14.
2. To approve Truing up for FY 2011-12 and allow sharing of Gains / (Losses) with the Consumers as per sharing mechanism.
3. To approve the methodology for recovery of net annual transmission charges, as given in Chapter - 4 of the petition.
4. To consider review petition filed by the Petitioner against GERC Tariff Order No. 1152/2011 for the gap in Truing up for the year 2008-09.
5. To consider incentive on the basis of target availability of 98%, as mentioned in GERC MYT Regulations, 2011.
6. To grant any other relief as the Commission may consider appropriate.
7. To allow further submissions, additions and alterations to this Petition as may be necessary from time to time.
8. To pass any other order as the Commission may deem fit and appropriate under the circumstances of the case and in the interest of justice.

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

3.1 Public Response to the Petition

In response to the public notice inviting objections/suggestions from stakeholders on the Petition filed by GETCO for Truing Up of FY 2011-12 and determination of Tariff for FY 2013-14 under MYT Regulation, 2011, three Consumers/organizations have filed their objection/suggestions. Details of consumers/organizations who have filed their objections are provided in the table below:

Table 3.1: List of Objectors

S.No	Name
1	SuraJbari Wind farm Development Private Limited.
2	Utility User's Welfare Association, Ahmedabad
3	GUVNL

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

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

3.2 Objector 1: Surajbari Windfarm Development Pvt. Ltd (SWDPL)

Objection 1: Short -Term and Medium - Term Wheeling charges.

As per the GERC's order No. 1 of 2010 and Order No. 2 of 2012 on sale of wind energy, the wind energy generator is required to pay the normal open access charges for using GETCO's transmission system. Further, short-term intra state open access is restricted for six months, as defined in the GERC's Intra-State Open Access Regulations, 2011 under section 3 (s);

"Short-term open access" means, open access for the period up to one month at a time, but not exceeding a period of six months in a calendar year".

Therefore for wheeling the energy for the full calendar year, SWDPL has no choice other than taking Medium-Term Open Access in which they are paying higher transmission charges than those payable under the Short - Term Open Access.

Response by GETCO

The Commission, vide Clause 6.1 Order No. 1 of 2010 dated 30/01/2010 and vide clause 4.1 Order No. 2 of 2012 dated 08/08/2012 decided the applicability of the transmission and wheeling charges to the captive consumers. The Commission, vide Notification No. 3 of 2011 i.e. GERC (Terms and conditions of Intra-State Open Access) Regulations, 2011, clarified the term "Short Term Open Access" and its applicability.

Commission's view:

The Commission agrees with the response of the Petitioner.

Objection 2: Charging of Transmission Tariff on the basis of Paise/Unit

GETCO is seeking for the approval of transmission tariff only on the Rs/MW/day basis, whereas GERC has mentioned the transmission tariff on Paise/Unit basis in its MYT Regulation, 2011.

Further, it is a fact that the Wind Turbine Generator (WTG's) runs on the natural phenomena of wind flow and gives very low CUF (@ 24.5%. In terms of GERC's order dated 07.01.2013) and because of capacity based tariff, the renewable generators are further bound to pay higher per unit transmission charges.

Therefore, it is requested to instruct GETCO to charge transmission tariff for all the renewable generators on the basis of Paise/Unit with immediate effect.

Response by GETCO

Transmission charges as paisa/unit is not relevant since GETCO is billing for the transmission charges as per actual MW to the Open Access beneficiaries.

The Commission vide its MYT Order dated 31/03/2011 and further tariff order dated 07/04/2012 adopted and continued the principle of charging transmission tariff on Rs./MW/Day basis and GETCO is following the principle / guideline / tariff Order of the Commission.

Commission's view:

The Commission does not see any justification to revise the transmission charges to paise/unit.

3.3 Objector 2: Utility Users' Welfare Association

Objection 1: Revenue gap

Energy Transmission Revenue, as per profit and loss account, is Rs. 1777.50 crore. The approved ARR is Rs. 1625.69 crore, as per T.O. No.1062 of 2011 dated 31/03/2011.

There is no gap as such looking at the actual revenue received by GETCO as per balance sheet profit and loss account and earned a huge profit of Rs.151.91 crore even after the tax and also after consideration of regulatory accounting requirement provided in various regulations and E.A.,2003.

The net profit as per balance sheet is Rs. 249.41 crore after paying income tax and other taxes to the tune of Rs. 63.24 crore as per the note no. 30 of the balance sheet and profit and loss account. This is the actual profit GETCO has earned.

Though there is no actual revenue gap; GETCO has arrived of Rs.108.27 crore for which recovery is proposed in the tariff determination in FY 2013-14.

Response by GETCO

The Commission approved ARR for FY 2011-12 as Rs. 1625.69 crore vide MYT T.O. dated 31/03/2011 and GETCO's revenue for the FY 2011-12 is Rs. 1777.50 Crore. The Commission approved tariff based on norms/guidelines/ regulations issued by GERC and GETCO's revenue as per audited accounts include sale of service, other operating revenue and other income. It is not appropriate to compare GETCO's revenue and approved ARR because GETCO's revenue is not only a reflection of ARR but also other revenues which will be deducted from ARR during True up exercise by the Commission.

Revenue Gap in true up of FY 2011-12 is calculated based on controllable and uncontrollable parameters fixed by the Commission. Gap of Rs. 108.27 Crore in true up of FY 2011-12 has been calculated based on gain/loss on account of controllable and uncontrollable parameters. GETCO's profit as approved by the Commission is the 14 % Return on Equity (RoE) on capital employed during the year. Such tariff provisions are made primarily with the objective of earning reasonable profit and ploughing back part of this into the transmission capacity building.

Commission's view:

The truing up is in accordance with Regulation 22 of GERC MYT Regulations 2011 and the sharing of gains/losses is based on the Truing-up as per MYT Regulation. The ROE is to be allowed at 14% on the average equity employed, and interest on working capital on normative basis under the Regulations. The sharing of gains/losses is as per the Regulations.

Objection 2: Existing Capacity of GETCO in FY 2011-12

It is mentioned that the capacity of GETCO as on 31st March 2012 was 56,592 MVA as summarized in Table-5 of the petition. However, there is no comparison given by GETCO as to how much it was in the previous FY 2010-11.

The Petitioner should be directed to provide the same to know how much addition has taken place in the FY 2011-12.

Response by GETCO:

It is submitted that Turing up exercise contains technical and audited financials parameters of the previous year in which petition has been filed. GETCO filed petition for Truing up of FY 2011-12 which contains a comparison of the approved and audited financial parameters and performance of GETCO. During the year, GETCO added 4947 MVA in different class KV levels. Summary of additions is as follows:

Capacity of GETCO (in MVA)

Year (As on 31st March)	400 kV	220 kV	132 kV	66 kV	Total
FY 2010-11	7410	17400	5813	21022	51645
FY 2011-12	8040	18970	5920	23662.5	56592.5
Additions during FY 2011-12	630	1570	107	2640.5	4947.5

Commission's view:

The response of the Petitioner is noted.

Objection 3: Capital Expenditure

The Commission has given the trajectory of capital expenditure of Rs.2480.89 crore whereas GETCO has spent only Rs.2084.12 crore, which is 20 % less than the approved amount.

On perusal of Note. 12 of the Balance Sheet (12. Fixed Assets), the addition of the gross block is Rs.1414.81 crore only and not Rs.2084.12 crore as claimed in truing up in this chapter.

The Commission is requested to consider the capital investment shown and audited in the balance sheet for truing up purpose and also to calculate interest, and the RoE. The Commission is also requested to get the clarification from the GETCO as to how this huge difference has occurred.

Response by GETCO:

The Commission, vide MYT Tariff Order dated 31.03.2011 approved Rs. 2480.89 crore as Capital expenditure during FY 2011-12 against the actual of Rs. 2084.12 Crore. As per the audited accounts, GETCO incurred a capital expenditure of Rs. 2084.84 crore including 0.72 crore of SLDC's capital expenditure in FY 2011-12, which comprises of Rs. 1427.82 crore as addition in gross block (FY 2011-12) and Rs. 657.02 crore as addition in capital works in progress. There is no ambiguity as the Commission considers Interest on finance charges and RoE according to actual addition in the gross block (capitalization), which is Rs. 1427.82 crore.

Reason for the shortfall in Capital expenditure from the Commission's approved trajectory is the same as explained in the petition. They are the follows.

- Availability of land and acquisition problems (legal and public non-cooperation)
- Right of way problems.
- Shortage of contractors.

As regard the efficiency of transmission business, it is reflected in the ARR and incentive has been claimed as per the regulations.

Commission's view:

The difficulties explained by GETCO are noted, at the same time the Commission shares the anxiety of the objector. The actual net capitalization is taken into consideration for normative debt and equity in the truing up exercise.

Objection 4: Funding of Capex

GETCO has not mentioned its source of funds. The petitioner has not provided details in the tariff filing forms (Transmission) namely Form-7/8 and merely entered not available/not applicable.

The auditor's report on this issue is very indicative. The statutory auditor has made specific remarks at Para 16, Page. 4 and Paras 20 and 21, page 5 of Auditor's Report chapter of the Balance Sheet. The Commission is requested to consider this issue as very important.

The Commission is requested to prudently inquire and direct the petitioner to provide full details of the funds as how much have been provided by GUVNL, on what terms, etc., because this is a highly regulated business. It may be the case that GUVNL is using GETCO funds for other purposes and consumers are being burdened by having to pay the interest, repayments, RoE, working capital interest, etc.

Response by GETCO

At the time of unbundling, loans of the erstwhile Gujarat Electricity Board (GEB) were also allotted to GETCO which were (and are being) serviced by GUVNL. These loans are considered as allotted loans of GUVNL. Further, GUVNL also gives fund as per GETCO's requirement as and when required. It is clarified that GETCO disclosed the particulars of loan as per the requirement of Companies Act in its Annual Statement of Accounts for the year 2011-12 in which long term secured borrowings from commercial banks; PFC; REC, etc, sources are mentioned.

As regards various points reported in the auditor's report (Para 16; Para 20; Para 21), it is mentioned that the statutory auditors are required to report as per the Companies (Auditor's Report) order, 2003 issued by Government of India in terms of Section 227 (4(A)) of the Companies Act, 1956. As per this reporting requirement, the Auditors have to report specific items. As GUVNL is a separate entity, the Auditors have reported in Paras 16 and 20 of the report whether the Company is generally regular in repaying the principal amount and interest thereon for loans taken by GUVNL and whether the funds were utilised for the purpose for which these loans were obtained and the nature of funds raised on short term basis and their utilisation for long term investments. However, it is submitted that Auditors have also reported that for term loans sanctioned / obtained directly by the Company, the amount withdrawn was utilised for the purpose for which it was obtained.

Commission's view:

The normative loan and interest thereon are considered in accordance with the provisions of MYT Regulation, 2011.

Objection 5: Addition of Transmission Lines and Substations

The Commission has approved the substations to be added during the FY 2011-12 as 137 in number and network addition (ckt. km) of 4822. Against the approved target, GETCO added only 80 substations, which is only 58 % of the approved target and added only 3251 ckt km, which is only 66 % of the approved target.

GETCO has not given any reasons and details as to why the approved targets were not achieved.

Response by GETCO

It is submitted that GETCO has in its Petition, explained the reasons for shortfall in Capital expenditure in point No. 3.4.2, which highlights the reasons for not achieving the approved targets of FY 2011-12. Para 3.4.2 of petition states:

"3.4.2. The reasons for shortfall in capex are as follows:

- *GETCO was not able to achieve the target of 137 substations and could be able to complete 80 Substations in FY 2011-12 due to non-availability of Gauchar land*
- *Serious Right of Way (ROW) issues in the construction of lines.*
- *Shortage of contractors to complete the assigned work within the stipulated time"*

The reasons for not achieving the approved targets of FY 2011-12 are explained in Point No. 3 of Capital Expenditure. of this reply.

Commission's view:

GETCO has explained the reason for delay in execution of work in the petition and in the response above. As mentioned above, GETCO should address the problems effectively and expedite the works as scheduled.

Objection 6: Transmission Losses

GETCO has achieved 3.94 % transmission loss, against the figure of 4.18 % approved by the Commission.

There are two figures of transmission loss %age, namely, one the actual figure derived from SLDC and another is derived as per methodology approved by the Commission, as mentioned below:

FY	As per Approved Methodology of Commission	As per SLDC energy accounting	As claimed by DISCOMs in Truing Up
2009-10	4.30 %	4.79 %	4.79 %
2010-11	3.85 %	4.12 %	4.12 %
2011-12	3.94 %	Not available	Not available

How Discoms have claimed the transmission loss % as derived by the SLDC and not adopted the methodology approved by the Commission. There should be of uniformity for determining the transmission loss.

The Commission is requested to consider the transmission loss for all Discoms which is claimed by the transmission licensee GETCO, to protect the interest of consumers.

The Commission is also requested to review the ARR for Discoms for the year 2008-09 till date and adjust the amount with interest in the next Tariff Determination Petition.

High Transmission Loss

GETCO has incurred a transmission loss of 2926.84 MUs (4.79 % as per SLDC) and 4.30 % as per the Commission's methodology in FY 2009-10, transmission loss of 2526.58 MUs (4.12 % as per SLDC and 3.85 % as per Commission's methodology in FY 2010-11 and similarly incurred transmission loss of 2680 MUs, which is 3.94 % as per Commission's methodology.

The loss amounts to about Rs. 3387 crore for the three years.

GETCO is having all HVAC transmission lines in which it is not possible to get lower transmission loss. GETCO has self-praised in the Para 3.11.7 of the petition narrating under heading of Adoption of New Technology. But there is no mention of adoption of new technology which can help in reduction of transmission loss. In the Business plan submitted to the Commission by GETCO, there is no mention or planning of GETCO to go for UHVDC/HVDC transmission system for reduction of transmission loss to a considerable degree.

The Commission is requested to direct GETCO to adopt the new transmission system of UHVDC and HVDC (where new transmission lines are to be created). Not only that, long distance transmission lines can also be converted from HVAC to HVDC, where the old lines are required to be replaced.

Response by GETCO

It is submitted that there is no illusion created by utilities regarding transmission losses and its applicability. GETCO's transmission losses are calculated as per the methodology approved by the Commission, vide Tariff Order No. 990 of 2010 dated 31st March 2010. It was represented by GETCO that Inter-State Generating Station's energy coming into the Gujarat periphery should be accounted as per the true input and output formula. In both methodologies (SLDC & GETCO), the quantum of energy lost in transmission is the same and difference is only in terms of % age. It is very important to note that GETCO's declaration of transmission losses are purely from its standalone performance point of view. On the other hand transmission losses, as per SLDC/DISCOMs, are transmission losses based on energy accounting which was also considered by Hon'ble Commission in Clause 77.1 of MYT Regulations, 2011, dated 22.03.2011.

It has been clearly identified that transmission losses borne by Transmission System users are transmission losses as per SLDC. Distribution companies of the State have to consider transmission losses as per SLDC for billing purpose, not as per GETCO's transmission losses.

The suggestion of adopting HVDC transmission system in the State for reducing losses is welcome, but the respondent ought to know that HVDC system is not economical as compared to HVAC system designed for / optimal for transmitting bulk power at long distance, i.e., more than 600 Km particularly within the state.

We do not wish to comment on the statement regarding the system adopted in other countries, as we have entirely different socio-economic, geographical and climatic conditions.

Commission's view:

The Commission notes that in absolute terms, there is no discrepancy in the losses incurred in GETCO network, the only difference being in percentage terms. Percentage loss calculated by GETCO is with reference to total energy handled by its network (including the inter-state flows) and reflects the actual performance of GETCO. The percentage loss worked by SLDC is with reference to the accounting of energy for the purpose of distribution losses among intra-state entities. The Commission has already deliberated this issue in its tariff order no. 990 of 2010 dated 31st March 2010.

Regarding suggestions of objector to adopt HVDC system for intra-state transmission, the Commission agrees with the petitioner's reply that the HVDC transmission is appropriate and economical only for long distance point to point transmission.

Objection 7: O&M Expenditure for FY 2011-12

GETCO has invoked the normative provision of MYT Regulations, 2011 and shown an amount of Rs. 785.51 crore against the approved O&M Expenditure of Rs. 548.79 crore by the Commission. The reasons/details have been submitted by GETCO as to why this has increased by Rs. 236.72 crore which is almost 50% more than the approved amount.

As per the balance sheet, the actual O&M expenditure is Rs. 516.45 crore (Rs. 306.65 crore employee cost, Rs. 164.09 crore on repairing and maintenance, and Rs. 45.71 crore as A&G expenditure). GETCO has spent Rs. 3.38 crore as charity, Rs. 21.48 crore as conveyance and travel and Rs. 2.72 crore as professional fees and expenses over and above Rs. 1.23 crore as consultancy charges and Rs. 13.65 crore as miscellaneous expenses in A&G expenditure.

When GETCO is paying such high salaries Rs. 306.65 crore which is 17% of the total revenue of Rs. 1777.50 crore to its expert personnel, why GETCO should pay such high professional and consultancy fees as stated in the balance sheet.

In view of the above, the Commission is requested not to allow such high O&M expenditure for truing up and also requested to call for the details of charity, consultancy, professional fees and other expenditures and ask for justification as to how such expenditure is beneficial to the consumers.

Response by GETCO

The O&M Expenses approved for FY 2011-12 are normative based on norms specified by Hon'ble Commission in MYT Regulation 2011. Clause 71.5.1 of the MYT Regulation 2011 specifies norms as per Bay and Ckt Km erected by GETCO.

As per norms of the Commission, GETCO requested for Rs. 785.51 crore as O&M expenditure against the approved amount of Rs. 708.79 crore comprising of Rs.

548.79 crore as O&M net expenditure and Rs. 160.00 crore as expenditure capitalised. There is no correlation of figures pointed out by the respondent. Actual O&M expenditure, as per audited annual statement of accounts for FY 2011-12, is Rs. 708.73 crore, excluding Rs. 19.76 crore of SLDC. GETCO's O&M expenditure of Rs. 708.73 Crore of actual O&M expenditure comprises of Rs. 480.55 Crore of Employee Expenses, Rs. 155.01 crore of Repairs and Maintenance Expenses and Rs. 73.16 Crore of A&G Expenses, which are inclusive of capitalised expenditure.

GETCO does not have any control on employee cost, which is the major component of its O&M expenditure. GETCO does not have its own salary structure; the employee cost is guided by the 6th Pay Commission followed by wage settlement. Although it is a major component of its O&M expenditure, it is less as compared to other public limited peer utilities like Power Grid, NTPC, Torrent, etc. Other expenses like conveyance and travel, professional fee, consultancy charges and other miscellaneous charges are integral parts of O&M expenditure.

Respondent may please note that GETCO had exercised its claim on normative basis as per MYT Regulations 2011.

Commission's view:

The O&M expenses are considered on normative basis based on the actual performance achieved in extension of number of Bays and construction of lines and compared with actual O&M expenses as per audited accounts. Variance in the Physical performance is considered uncontrollable and the variance in the O&M expenses as per audited accounts is considered as controllable factor.

Objection 8: Interest on working capital

GETCO has claimed Rs. 48.21 crore as interest on working capital of Rs. 326.88 crore as an actual against Rs. 32.48 crore for Rs. 276.42 crore approved by Commission.

The rate of interest calculated by GETCO is @ 14.75 %. This is too high and should not be allowed because the Commission has approved the interest rate of 11.75 %.

The Commission is requested not to allow any interest on working capital because GETCO has not clarified the source from where it borrowed the amount. It is doubtful and it may be the case that no interest is paid actually for meeting the requirement of working capital.

GETCO has claimed depreciation of Rs.395.55 crore as per Para 3.15.2, Table-17 of the petition. This fund can be utilised as working capital for the business and Commission is requested not to allow interest on loans borrowed from banks and other financial institutions**:**

Response by GETCO

It is submitted that rate of interest on working capital was taken as per Clause 41.2 (b) of MYT Regulations 2011.

Considering MYT Regulations, 2011, GETCO have taken the rate of interest on working capital at SBI Advance Rate (SBAR) as on 1st of April 2012, i.e., 14.75%.

As regard details of interest paid by GETCO, this issue has already been clarified in Pt. No. 4. It is clarified that depreciation allowed is used for repayment of loan according to the cost of a tangible asset over its useful life. This amount cannot be used to pay interest on working capital. GETCO has taken loans to cover its working capital requirements. As per principle/regulations, interest on working capital has to be considered while calculating transmission tariff calculated on normative basis as per MYT Regulations, 2011.

Commission's view:

The Commission has dealt with the issue regarding rate of interest to be applied for working capital in Chapter 4 of this order.

Objection 9: Income Tax

As per balance sheet, GETCO has made a provision of Rs. 63.24 crore towards income tax, and not Rs. 77.47 crore as claimed by GETCO.

The Commission is requested to allow the exact/actual amount paid as income tax by undertaking a prudence check.

Response by GETCO

It is submitted that the Commission, in MYT tariff order dated 31.03 .2011, stipulates as under:

"7.6.6 The Commission accordingly approves the provision for income tax for the control period for FY 2011-12 to FY 2015-16 as per audited accounts for FY 2009-10. Any variation in income tax actually paid and approved shall be reimbursed based on

documentary evidence at the time of truing up for each year of the control period in accordance with Regulation 42.2 of GERC (MYT) Regulations, 2011."

In this regard, it is clarified that Rs. 63.24 crore is a tax provision made in the audited annual statement of account for FY 2011-12 and Rs. 77.47 was the actual tax paid by GETCO.

Commission's view:

The Commission has allowed actual Income Tax paid after verifying the documentary evidence in proof of Tax payment.

Objection 10: Incentive on Transmission Availability

GETCO has achieved 99.53% availability of transmission, against the approved 99.64%. GETCO has failed to achieve the trajectory set by the Commission. The availability of transmission is less by 0.11%, for which GETCO should not be granted any incentive.

The Commission has also made its stand very clear in T.O. 1152/2011 dated 07/04/2012 at Para 4.11, Page. 36 that incentive is based on the approved trajectory and not the normative value prescribed in the MYT Regulations. It is prescribed for recovery of fixed charges.

In this case, there is no question of awarding incentives, but GETCO should be awarded disincentive for not getting the desired approved trajectory as per the principles of MYT framework. In view of this clarification made by Commission, no incentive of Rs.27.32 crore should be allowed.

Response by GETCO

It is submitted that GETCO has computed the incentive on higher availability based on the target availability of 98% as prescribed by the Commission in Clauses 70 and 75 of GERC (Multi Year Tariff) Regulations, 2011.

In this connection, it is clarified that GETCO has achieved an availability of 99.53% for its transmission network during FY 2011-12 and is eligible for getting Rs. 27.32 Crore as incentive for achieving target availability.

Commission's view:

Incentive on availability of transmission system is allowed according to the MYT Regulation 2011.

Objection 11: No Recovery of revenue gap of earlier years

It has been proposed by GETCO to recover the past year's gap of SLDC and its own. It is not permissible to recover the same because there would not be the same consumers who were at the FY of the revenue gap. This has already been stated by Hon. APTEL and Hon. S.C. in many cases.

Response by GETCO

It is submitted that Revenue gap of SLDC truing up, for FY 2009-10 has already been recovered by GETCO through its transmission charges. Past year's gap of FY 2011-12 requested by GETCO to the Commission is as per MYT Regulations, 2011.

Commission's view:

Prior to the January 2010, the SLDC charges were being recovered by GETCO, the gap of Rs. 13.48 crores of SLDC at the time of truing up for FY 2009-10 was considered in the tariff determination of GETCO for FY 2011-12. The gap arrived based on truing-up of earlier year is carried forward which is as per GERC (MYT) Regulations, 2011.

Objection 12: Transmission Tariff for FY 2013-14

It has been proposed by GETCO, at Para. 4.2.2, to have the transmission tariff of Rs.3393 /MW/day after considering the truing up of 2011-12 to compensate the revenue gap of Rs.108.27 crore of FY 2011-12.

The Commission is requested to determine the tariff only after the approval of truing up of FY 2011-12. Tariff proposed by GETCO is high and it will make open access cumbersome which is the key factor to promote competition. The approved tariff for 2011-12 is Rs.2775 per MW per day. The proposed tariff of Rs.3393/MW/day is quite high and is 18% more than the earlier one.

The Commission is requested to reduce the tariff of Rs.2775/MW/day because the quantum of transmission of energy increased in this year and in that case, the cost should come down by implementing the benchmark trajectory of transmission loss, availability of system and other controllable elements.

Response by GETCO

Determination of transmission tariff for FY 2013-14 is done on the basis of revenue gap through truing up for FY 2011-12 and ARR approved in MYT Tariff Order for FY 2013-14. Truing up exercise is based on comparison between audited accounts and approved ARR by the Commission through categorisation and passing through the gains or losses of variation in performance caused by controllable and uncontrollable factors.

Tariff proposed by GETCO for FY 2013-14 is justified by its transmission infrastructure developed by GETCO / audited account / performance, based on trajectories. Considering the above methodology and provisions / regulations, the Commission is requested to allow the tariff as proposed by the petitioner.

Commission's view:

The transmission charges are determined based on net ARR after adjusting truing up value and projected capacity to be transmitted.

3.4 Objector 3: Gujarat Urja Vikas Nigam Limited

Objection 1: Capital Expenditure

The Petitioner has incurred a capital expenditure of Rs. 2084.12 crore, as against the Capital Expenditure of Rs. 2480.89 crore approved by the Hon'ble Commission in MYT Order for FY 2011-12. Thus, the petitioner has recovered the tariff on the over-capitalized amount during FY 2011-12 and put additional financial burden on consumers. Moreover, this also indicates that the petitioner has not completed certain projects during FY 2011-12.

Response of GETCO:

It is submitted that during FY 2011-12, GETCO incurred capital expenditure of Rs. 2084.12 crore (excluding 0.72 crore of SLDC's capital expenditure) against approved capital expenditure of Rs. 2480.89 crore by Hon'ble Commission vide MYT Tariff order dated 31.03.2011.

GETCO capitalized Rs. 1427.82 crore during FY 2011-12 and has claimed Rs. 342.90 Crore as normative equity addition against approved equity addition of Rs. 640.29 Crore in MYT Tariff Order dated 31.03.2011.

Hon'ble Commission considers Interest on finance charges & ROE according to actual addition on gross block (capitalization). Hon'ble Commission subtracts Government grant, subsidies and consumers' contribution towards cost of capital assets from total capitalization and thereafter calculates normative equity @ 30% amount of normative basis. Accordingly, the ROE has been claimed in the petition.

Reasons for shortfall in achieving approved equity addition is limited to the reason specified in Para 3.4.2 of the petition.

Commission's View:

The Commission considers capitalization instead of capex for the purpose of determination of transmission tariff. Accordingly, the actual capitalization achieved after deducting the consumer contribution and grants/subsidies is considered for computation of normative loan and interest thereon and equity and return thereon. The deviation is considered as uncontrollable and the gain is passed on to the consumers as adjustment in the Transmission charges in the Truing-up for FY 2011-12.

Objection 2: O&M Expenses

In the MYT Order dated 31st March 2011, the Commission had approved the normative O&M expenses of Rs. 708.79 crore, out of which O&M expenses of Rs. 160 crore was approved for capitalisation. Thus, the Commission had approved net O&M expenses of Rs. 548.79 crore (net of O&M expenses capitalised) for FY 2011-12. In the truing up petition, GETCO has estimated normative O&M expenses of Rs. 785.51 crore as against the approved net O&M expenses of Rs. 548.79 crore. In the bargain, it has sought an increase in O&M expenses of Rs. 236.72 crore for FY 2011-12. However, GETCO has not netted the O&M expenses of Rs. 211.65 crore (as per audited accounts) already capitalized during FY 2011-12, while viewing it against the approved net O&M expenses of Rs. 548.79 crore.

Response of GETCO:

It is submitted that O&M expenses approved for FY 2011-12 are normative based on norms specified by Hon'ble Commission in MYT Regulation 2011. As per norms of Hon'ble commission, GETCO requested for RS. 785.51 Crore as O&M expenditure against the approved amount of Rs. 708.79 crore comprising of Rs. 548.79 crore as O&M net expenditure and Rs. 160.00 crore as expenses capitalized. Actual O&M expenditure as per audited annual statement of account for FY 2011-12 is Rs. 708.73 Crore excluding Rs. 19.76 Crore of SLDC.

As O&M expenses proposed by GETCO are normative and have been computed based on the norms provided in MYT Regulations, 2011 (and not as per audited actual expenses for FY 2011-12). On other hand the expenses capitalized is expenses capitalized from actual expenses. Therefore, normative O&M expenses and actual O&M expenses having actual expenses capitalized cannot be compared. In line with this principle the net expenses of Rs. 548.79 crore after deducting expense capitalized is to be compared with normative O&M expenditure for FY 2011-12 which is Rs. 785.51 crore.

The above has also been affirmed in GERC Order No. 1034/2010 where in Hon'ble Commission clarified that deducting expenses capitalized from ARR is not appropriate.

"8.4 Capital Expenditure & capitalization (capitalized expenses):
The Commission acknowledges the concern of GETCO, and decides that the principles followed by the Commission of deducting interest capitalized from the ARR is not appropriate, since capitalization expenses had been considered for estimating debt-equity levels."

Commission's View:
The interest capitalisation as mentioned above is different from capitalisation of O&M expenses as shown in the balance sheet and has already been considered in capitalisation of Assets. Hence, the actual O&M expenses and the capitalisation of these expenses are taken into consideration during the truing up for FY 2011-12.

Objection 3: Treatment for Depreciation & Deferred Income booked towards Government Grants and Subsidies
In the petition, (at Page no 28), it has been stated that as per the accounting policy of GETCO, the depreciation on the assets financed by Grants, Subsidies and consumer contribution has been taken into accounting while computing the depreciation in the Annual Accounts for FY 2011-12. However, GETCO has booked income in books, out

of (deferred income) from Government grants/subsidies at the rate of 11.75% of closing balance of grants/subsidies.

The above methodology was also followed by GETCO in its MYT petition for the control period FY 2011-16. Further, by following the same methodology, the Commission has approved the ARR of GETCO for FY 2011-12. However, in the present petition for truing-up for FY 2011-12, GETCO has changed the methodology of booking depreciation on the assets finance by grants/subsidies and also booking of deferred income as income from Government grants/subsidies, as stated above. In the petition, GETCO has not claimed the depreciation of Rs. 59.40 crore on the assets financed by grants/subsidies and also deferred income of Rs. 128.69 crore booked towards grants/subsidies, in this truing-up petition. It is pertinent to mention here that, as per the provision of MYT Regulations, 2011, any change in the estimation/methodology is allowed only at the time of filling of truing-up of 2nd year/ ARR of 4th year of control period and in the intervening period. Therefore, the Commission is requested to consider the depreciation on the entire assets, including the assets financed through grants/subsidies, and also consider the income booked from deferred income from Government grants/subsidies.

Response of GETCO:

With respect to Point No. 3.15 and Point No. 3.22 of the tariff petition No. 1262/2012 regarding Depreciation and Revenue from Other Income, it is to state that GETCO receives Government grants/subsidies and consumer contribution towards cost of capital assets and offer @ 11.75% of year-end balance as deferred income during the year as decided by Board in view of CAG recommendation. Government grants/subsidies and consumer contributions received during the year are subtracted from the capitalization to arrive at normative debt and equity. So actually GETCO doesn't receive ROE as well as interest on normative loan on amount of Government grants/subsidies and consumer contributions towards cost of assets except depreciation.

In the judgement of Appeal No. 134 of 2009 dated 07.04.2011, Hon'ble Appellate Tribunal for Electricity has also recognized the 2nd alternative of claiming the depreciation on assets acquired out of Government grants/subsidies and consumer contribution on one side and offering deferred income to the extent of depreciation on other side.

As per accounting Standard No. 12 issued by Institute of Chartered Accountants of India which was also stated in clause No. 44 of the Hon'ble Appellate Tribunal for Electricity Order dated 07.04.2011. Relevant para stipulated as under.

"Government grants related to specific fixed assets should be presented in the balance sheet by showing the grant as a deduction from the gross value of the assets concerned in arriving at their book value. Where the grant related to a specific fixed asset equals the whole or virtually the whole of the cost of the asset, the asset should be shown in the balance sheet at a normative value. Alternatively Government grants related to depreciable fixed assets may be treated as deferred income which should be recognized in the profit and loss statement on a systematic and rational basis over the useful life of the asset i.e. such grants should be allocated to income over the periods and in the proportions in which depreciation on those assets is charged."

GETCO has adopted the 2nd alternative and accordingly GETCO has transferred 11.75% of yearend balance of Government grants/subsidies and consumer contributions for FY 2011-12 as deferred income amounting Rs. 128.69 crore. It is worthwhile to mention that recognizing the deferred income is on reducing balance method while depreciation is considered on Straight Line method @ 5.16% for the FY 2011-12. Though, after the useful life of the assets both will become same. However ARR is being finalised on year to year basis. Hence in particular year the deferred income should be equal to depreciation charged in that particular year for ARR purpose.

As the amount of deferred revenue (Rs. 128.69 crore) is not same as proportionate depreciation (Rs. 59.40 crore) on assets acquired out of Government grants/subsidies and consumer contributions, GETCO has proposed to eliminate depreciation amount (Rs. 59.40 crore) from expenses side and deferred income (Rs. 128.69 crore) from income side.

However, if Hon'ble Commission insists to consider depreciation, then it is requested to kindly consider the deferred income equal to the amount of depreciation available. By continuing this principle for future years, the amount of depreciation allowed by Hon'ble GERC will be equal to deferred income consider in ARR over a period of time.

With reference to the concern of the respondent regarding methodology adopted by GETCO, it is to submit that the MYT Regulations, 2011 are silent about the treatment of depreciation & different income booked towards Government Grants and Subsidies. As the MYT Regulations, 2011 are silent about the matter, Hon'ble commission is requested to consider the approach of GETCO and not to consider depreciation on the assets acquired from Grants/ Consumer Contribution and also to consider deferred Income on Grants/ Consumer contributions as Other Income.

Further it is to mention that we are enclosing herewith a table specifying the percentage towards impact in case of depreciation being considered as weighted average rate of depreciation vis-à-vis offering deferred income @ 11.75% of year-end balance of Government grants/ subsidies and consumers' contribution towards cost of capital assets as annexure-A.

Hon'ble Commission may kindly note that there is huge difference (more than 100%) in the amount of deferred income offered as against depreciation claim.

Commission's View:

The Commission has taken into consideration the depreciation on the entire assets including the assets financed through grants/subsidies and the deferred income from Government grants/subsidies as other income as is being done consistently all these years.

Objection 4: Other Income

As per the provisions of MYT Regulations, 2011, the entire 'other income' is required to be deducted while working out the net ARR to be recovered from tariff (i.e., Total ARR, less other income), meaning thereby that the other income is uncontrollable and is required to be pass through in its entirely. However, GETCO has treated the other income as controllable and taken only1/3rd of its portion while working out the revised ARR under truing-up exercise for FY 2011-12. The Commission is therefore, requested to treat the other income in line with the provisions of MYT Regulations, 2011.

Response of GETCO:

As it is already explained in Point No.3 of the reply, we would like to re-iterate and emphasize that GETCO has been booking @ 11.75% of the closing balance as income against the amounts received from Government Grants, Consumer

Contribution and Subsidies towards acquisition of Fixed Assets during the year. As Depreciation on the assets acquired from Grants/ Consumer Contribution is not included in Depreciation claimed for the year 2011-12, we request not to consider Deferred Income on Grants/ Consumer Contribution as Other income.

As regard the submission of GUVNL regarding categorization of head of expenses, we again request Hon'ble Commission to considered categorization of head of expenses as per regulations and prevailing practices.

Commission's View:

The Commission has considered the other income, including deferred income towards government grants and subsidies towards cost of capital assets, as uncontrollable and the gains/losses are considered accordingly in the truing-up for FY 2011-12.

4. Truing up for FY 2011-12

4.1 Introduction

This chapter deals with the Truing up of FY 2011-12 of GETCO.

While doing 'Truing up' of various components of ARR for FY 2011-12, the actuals for FY 2011-12 are compared with the approved, as per MYT Order issued on 31st March, 2011.

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

4.2 Operations and Maintenance Expenses for FY 2011-12

GETCO has claimed Rs. 785.51 crore towards O&M expenses in the Truing up for FY 2011-12, as against Rs. 708.79 crore approved in the MYT order dated 31st March 2011. The O&M expenses approved for FY 2011-12 by the Commission in the MYT order for FY 2011-16 and claimed by GETCO as are given in Table 4.1 below.

Table 4.1: O&M Expenses claimed by GETCO

(Rs. crore)

Sl. No.	Particulars	FY 2011-12 (Approved)	FY 2011-12 (Normative / Actuals)	Deviation + / (-)
A	**O & M Expenses Based on Sub–stations**			
1	Average No. of bays (No.)	8342	9952	
2	O&M Expenses per bay (Rs. lakh/bay)	5.76	5.76	
3	O&M Expenses for sub-stations (Rs. Crore)	480.50	573.24	
B	**O&M Expenses based on Transmission Length**			
1	Average Ckt km of lines	46589	43320	
2	O&M Expenses per ckt km (Rs. lakh / ckt km)	0.49	0.49	
3	O&M Expenses for Transmission length (Rs. Crore)	228.29	212.27	
C	**O&M Expenses (Gross) (Rs. Crore)**	**708.79**	**785.57**	
D	**O&M Expenses (net of Expenses Capitalised) (Rs.** Crore**)**	**548.79**	**785.51**	**(236.72)**

Petitioner's submission

GETCO has submitted that, apart from the bays 66KV and above voltages, it also maintains and operates 1358 Nos. of 11 KV, 22 KV and 33 KV outdoor bays for which O&M charges have not been claimed earlier. GETCO claims that these outdoor bays are within the premises of the sub-station, which need significant periodical maintenance and are required to be considered while computing O&M charges on normative basis and requested that the normative O&M expenses including the above 1358 Nos. of bays be considered. GETCO has worked out the O&M expenses at Rs. 785.51 crore. GETCO has further submitted that it has not considered expenses capitalised for FY 2011-12, since O&M expenses have been computed based on the norms provided in MYT Regulations, 2011. GETCO has arrived at a loss of Rs. 236.72 crore, as detailed in Table 4.2 below.

Table 4.2: Gains / (Losses) claimed from O&M Expenses

(Rs. Crore)

Sl. No	Particulars	FY 2011-12 (Approved)	FY 2011-12 (Normative / Actuals)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
1	Operations & Maintenance Expenses	548.79	785.51	(236.72)	-

Commission's Analysis

GETCO has arrived at the O&M expenses for FY 2011-12 by applying the normative expenses over the actual numbers of bays as mentioned above and actual length of lines and compared it with the approved O&M expenses for the computation of gains/losses. Further, GETCO has compared the normative actual O&M expenses that it has computed at Rs. 785.51 crore with net of capitalised expenses at Rs. 548.79 crore, instead of gross O&M expenses of Rs. 708.79 crore approved for FY 2011-12 in the MYT Order dated 31st March 2011. GETCO should have compared the O&M expenses approved in the MYT order with actual O&M expenses on normative basis or comparison should have been on the net of capitalisation on both sides.

The Commission, while approving the O&M expenses on normative basis for FY 2011-12 in the MYT Order, had taken into consideration the lines as on 1st April, 2011 at 44177.7 Ckt. Km and bays at 8097 and addition of 4822 Ckt. Km of lines and 490 nos. of bays during FY 2011-12.

GETCO has submitted with reference to a direction to arrange electrical inspector certificates for commissioning all kinds of Bays and Lines, that it has inadvertently missed bays of augmentation, Link Lines and a few new Substations. GETCO has submitted the electrical inspector certificates for all kinds of Bays and Lines in its letter no. SET(R&C) / GERC / EIC / 353 dated 22.02.2013. taking into consideration actually erected 530 no of bays and 2618 ckt km of lines in FY 2011-12. GETCO has submitted the average number of bays and average ckt km of lines as detailed below:

Average No. Bays and Average Ckt Km of Lines for FY 2011-12

1. Average No. of Bays

- Opening No. of Bays for FY 2011-12	No.	8261
- Addition during the year	No.	530
- Average No. of Bays during the year	No.	8526

2. Average Ckt Km of Transmission Lines

- Opening Balance for FY 2011-12	Ckt. Km	41882
- Addition during the year	Ckt. Km	2618
- Average Lines length during the year	Ckt. Km	43191

Taking cognizance of the actually erected 530 number of bays and 2618 ckt km of lines in FY 2011-12 and the electrical inspector certificates submitted by GETCO the normative O&M expenses are worked out to Rs. 702.74 crore as against Rs. 708.79 crore approved for FY 2011-12 in the MYT order as detailed in Table 4.3 below.

Table 4.3: O&M Expenses Approved in the Truing up for FY 2011-12

(Rs. crore)

Particulars	Lines (Ckt/km)	Bays (Nos)	Total
At the beginning of the year	41882	8261	
Additions during the year	2618	530	
At the end of the year	44500	8791	
Average	43191	8526	
Rate (Rs.lakhs)	0.49	5.76	
O&M expenses (Rs.Crore)	211.64	491.10	702.74

The Commission approves the normative O&M expenses at Rs. 702.74 crore in the Truing up for FY 2011-12 against Rs. 708.79 crore approved in the MYT order.

The O&M expenses as per audited annual accounts are Rs. 728.49 crore for FY 2011-12. These O&M expenses as per accounts are inclusive of SLDC expenses. The O&M expenses of GETCO excluding SLDC expenses are Rs. 708.72 (728.49 – 19.77) crore. The employee cost is Rs. 480.55 crore and the R&M Expenses are Rs. 155.01 crore. The A&G expenses as per annual accounts are Rs. 73.16 crore which include Rs. 3.38 crore towards contributions and charities. The Commission disallows the contributions and charities amounting to Rs. 3.38 crore. The approved actual O&M expenses in truing up are Rs. 705.34 crore as detailed in Table 4.4 below.

Table 4.4: O&M Expenses Approved in Truing up for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	As per audited accounts of GETCO	As per audited accounts of SLDC	Approved in Truing–up for GE`TCO
1	Employee Cost	489.54	8.99	480.55
2	R&M Expenses	164.23	9.22*	155.01
3	A&G Expenses	74.72	1.56**	73.16
4	Total	728.49	19.77	708.72
5	Less: Contribution and charities			3.38
6	Net O&M Expenses			705.34

* It includes ULDC charges of Rs. 8.58 crore as it is part of R&M expenses in Audited Accounts
** It includes RLDC charges of Rs. 9.29 lakhs as it is part of A&G expenses in Audited Accounts

O&M expenses are controllable in nature, under Regulation 23 of MYT Regulations, 2011. However, the Commission is of the view that the variance in the O&M expenses as approved in MYT order and the normative O&M expense as per actual performance during the year is considered as uncontrollable. The O&M expenses and Gains / (Losses) considered in the Truing up for FY 2011-12 are summarised in Table 4.5 below:

Table 4.5: O&M Expenses and gain/(loss) Approved in Truing up for FY 2011-12

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT order	Normative Approved in Truing up	Approved as per audited accounts in Truing-up	Deviation + / (-)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
1	2	3	4	5 = (2-4)	6 = (3-4)	7 = (2-3)
O&M Expenses	708.79	702.74	705.34	3.45	(2.6)	6.05

4.3 Capital Expenditure and Capitalization for FY 2011-12

GETCO has furnished the actual capital expenditure at Rs. 2084.12 crore for FY 2011-12, as against Rs. 2480.89 crore approved for the year in MYT order dated 31st March 2011. GETCO has capitalised Rs. 1427.10 crore during FY 2011-12. The details of the capital expenditure incurred during FY 2011-12 furnished by GETCO are given in Table 4.6 below:

Table 4.6: Capital Expenditure reported for FY 2011-12

(Rs. crore)

Sl. No	Particulars	Expenditure booked during 2011-12
	New Projects	
1	400 KV Sub-stations	203.98
2	400 KV Lines	515.43
3	220 KV Sub-stations	174.92
4	220 KV Lines	104.80
5	132 KV Sub-stations	8.79
6	132 KV Lines	0.88
7	66 KV Sub-stations	380.07
8	66 KV Lines	299.47

Sl. No	Particulars	Expenditure booked during 2011-12
9	Shunt Capacitors	3.72
10	Augmentation of Sub-station / lines	89.70
11	Bus Reactor (80 & 125 MVAr)	0.43
12	Transformer Bays	2.42
	Subtotal of New Projects	**1784.62**
	R&M	
1	Renovation & Modernization	299.50
	Subtotal of R&M	**299.50**
	Total	**2084.12**

Petitioner's submission

The Petitioner has submitted that it has incurred the expenditure in construction of new sub-stations and transmission lines required for strengthening of the transmission network of GETCO. GETCO has further submitted that it was not able to achieve the target of 137 sub-stations and could complete 80 substations only due to:

i) Non availability of Gauchar land

ii) Severe Right of Way (Row) issues in the construction of lines.

iii) Shortage of contractors for the assigned work within the stipulated time.

Commission's Analysis

The Commission has noted the capital expenditure, as given in the Petition by GETCO, and verified the capitalisation from the Audited Annual Accounts for FY 2011-12. The actual capital expenditure, capitalisation and the normative debt and equity for the FY 2011-12 are given in Table 4.7 below:

Table 4.7: Capital Expenditure and Capitalisation approved in Truing up for FY 2011-12

(Rs. crore)

Particulars	FY 2011-12
CAPEX during FY 2011-12	2084.12
Capitalised in FY 2011-12	1427.10
Less: Grants	284.09
Balance Capitalization	1143.01
Debt (70%)	800.11
Equity (30%)	342.90

The addition of loan and equity during FY 2011-12 will be considered for computation of interest and return on equity.

4.4 Depreciation for FY 2011-12

GETCO has claimed Rs. 395.55 Crore towards actual depreciation for FY 2011-12, as against Rs. 469.45 Crore approved for the year in the MYT Order dated 31st March,

2011. The depreciation charges approved FY 2011-12 in the MYT Order and claimed by GETCO in the Truing up are given in Table 4.8 below:

Table 4.8: Depreciation claimed by GETCO

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT order	Claimed in Truing up FOR FY 2011-12
Depreciation	469.45	395.55

Petitioner's submission

GETCO has submitted that the actual depreciation charge for FY 2011-12 was Rs. 454.94 crore, as against Rs. 469.45 crore approved in the MYT Order and worked out the weighted average rate of depreciation as 5.16%. GETCO has explained that it has been booking @ 11.75% of the closing grants, consumer contribution and subsidies towards acquisition of Fixed Assets as income during the year. GETCO has computed depreciation of Rs. 59.49 crore on the asset funded by way of Govt Grant / Consumer Contribution at depreciation rate of 5.16%. It has been further explained that the depreciation on the assets acquired by Govt. Grants / Consumer Contributions, of Rs. 59.40 crore is deducted from depreciation for FY 2011-12, since GETCO proposes not to consider deferred income on Grants / Consumer Contribution as other income. Accordingly GETCO has claimed deprecation of Rs. 395.55 (454.95-59.40) crore and arrived at a gain of Rs. 73.90 crore as detailed in Table 4.9 below:

Table 4.9: Gains/(Losses) claimed on Depreciation in the Truing up for FY 2011-12

(Rs. crore)

Sl. No.	Particulars	FY 2011-12 (Approved)	FY 2011-12 (Normative / Actuals)	Deviation + / (-)	Gains / (Losses) due to controllable factor	Gains / (Losses) due to uncontrollable factor
1	Gross Block at the beginning of the year	8303.11	8107.61			
2	Additions during the year (Net)	2134.29	1427.10			
3	Total Depreciation for the year	469.45	454.94			
4	Average rate of Depreciation	5.01%	5.16%			
5	Less : Depreciation on Assets funded by Govt. Grants / Consumer Contributions / Subsidies not considered	0	59.40			
6	**Total Depreciation claimed for the year 2011-12**	**469.45**	**395.55**	**73.90**	**73.90**	**-**

GETCO has explained in its additional submission made on 6th March 2013 that GETCO receives Government Grants / Consumer Contribution towards cost of capital assets and offers @ 11.75 % of yearend balance as deferred income during the year as decided by board in view of CAG recommendation. Govt Grants / Subsidies and Consumer Contribution received during the year are subtracted from the capitalization to arrive at normative debt and equity and thereby GETCO does not receive RoE as well as interest on normative loan on account of Govt Grants / Subsidies and Consumer Contributions towards cost of assets except depreciation. GETCO has mentioned the Accounting Standard No. 12 issued by Institute of Chartered Accountants of India which was above stated in Clause no 44 of the Hon'ble Appellate Tribunal for Electricity order dated 07.04.2011. The relevant para is extracted below.

"Government grants related to specific fixed assets should be presented in the balance sheet by showing the grant as a deduction from the gross value of the assets concerned in arriving at their book value. Where the grant related to a specific fixed asset equals the whole or virtually the whole of the cost of the asset, the asset should be shown in the balance sheet at a nominal value. Alternatively government grants related to depreciable fixed assets may be treated as deferred income which should be recognized in the profit and loss statement on a systematic and rational basis over the useful life of the asset i.e. such grants should be allocated to income over the periods and in the proportions in which depreciation on those assets is charged."

GETCO has further submitted that it has adopted 2nd alternative and transferred 11.75% of yearend balance of Government grants / subsidies and Consumer Contribution for FY 2011-12 as deferred income amounting Rs. 128.69 crore. Since the amount of deferred revenue (Rs. 128.69 crore is not same as proportionate depreciation (Rs. 59.40 crore) on assets acquired out of Govt Grants / Subsidies and Consumer Contribution GETCO has proposed to eliminate depreciation amount (Rs. 59.40 crore) from expenses side and deferred income (Rs. 128.9 crore) from income sides. GETCO has further submitted that MYT Regulations, 2011 are silent about the treatment of depreciation and deferred income booked towards Government Grant and subsidies and requested to consider the approach of GETCO and not to consider depreciation on the assets acquired from Grants / Consumer Contribution and also not to consider deferred income on Grants / Consumer Contribution as other income.

Commission's Analysis

GETCO has computed the depreciation on the assets funded by Grants / Consumer Contributions and Subsidies towards acquisition of Fixed Assets at Rs. 59.40 crore with the weighted average rate of 5.16% and subtracted this Rs. 59.40 crore from the actual depreciation of Rs. 454.94 crore and claimed the depreciation at Rs. 395.55 crore in the Truing up. The issue of considering a percentage of consumer contribution Govt. Grants and Subsidies as non-tariff income is common to all the licensees and requires to be carefully examined. The Commission does not want to deliberate on the issue now in the truing up for FY 2011-12. The Commission has followed the policy of considering portion of grants as non-tariff income consistently for all the licensees and any change in this behalf affects the parameters considered in the MYT order for FY 2011-12 to FY 2015-16.

The depreciation as verified from the audited annual accounts is Rs. 442.27 crore. This includes depreciation of Rs. 0.66 crore relating to SLDC. The depreciation has been provided on straight line basis as per the rates prescribed by GERC as notified vide note 1 (4) (i) of annual accounts.

The Commission, accordingly, approves the depreciation of Rs. 441.61 (442.27 – 0.66) crore for GETCO in the Truing up, as per the Audited Annual Accounts for FY 2011-12.

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

The Commission, accordingly, approves the Gains / (Losses) on account of depreciation, attributing the same to uncontrollable factors in the Truing up for FY 2011-12, as detailed in Table 4.10 below:

Table 4.10: Gains / (Losses) due to Depreciation in the Truing up for FY 2011-12

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT Order	Approved in Truing up	Deviation + / (-)	Gains / (Losses) due to controllable factors	Gains / (Losses) due to uncontrollable factors
Depreciation	469.45	441.61	27.84	-	27.84

4.5 Interest and Finance Charges for FY 2011-12

GETCO has claimed Rs. 268.03 crore towards interest and finance charges in the Truing up for FY 2011-12, as against Rs. 294.43 crore approved for the year in the MYT order dated 31st March, 2011. The interest and finance charges approved in the MYT order and claimed by GETCO in the Truing up are as given in Table 4.11 below.

Table 4.11: Interest and Finance Charges Claimed by GETCO

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT order	Claimed in Truing up for FY 2011-12
Interest and Finance Charges	294.43	268.03

Petitioner's submission

GETCO has submitted that depreciation for the year has been taken as repayment in line with MYT Regulations, 2011. However, as the normative loan is considerably lower than actual term loans of the company, the repayment was taken proportionally to arrive at average normative loan. GETCO has proposed to consider normative repayments proportionate to the normative loans, as against the actual loans, as detailed in Table 4.12 below:

Table 4.12: Interest and Finance Charges claimed by GETCO

(Rs. crore)

Sl. No.	Particulars	FY 2011-12 (Approved)	FY 2011-12 (Normative / Actuals)	Deviation + / (-)
1	Opening Normative Loan	2618.01	2382.51	235.51
2	Loan Additions during the year	1494.00	800.10	693.90
3	Repayment during the year	469.45	284.65	184.80
4	Closing Normative Loan	3642.57	2897.97	744.60
5	Average Loans	3130.30	2640.24	490.06
6	Interest on Loan	291.43	264.59	26.84

Sl. No.	Particulars	FY 2011-12 (Approved)	FY 2011-12 (Normative / Actuals)	Deviation + / (-)
7	Other Finance Charges	3.00	3.44	(0.44)
8	**Total Interest & Financial Charges**	**294.43**	**268.03**	**26.40**
9	Weighted Average Rate of Loan	9.31%	10.02%	

GETCO has claimed Rs. 26.40 crore as gain from interest and finance charges due to controllable factors, as detailed in table 4.13 below:

Table 4.13: Gains/ (Losses) claimed from Interest and Finance Charges

(Rs. crore)

Particulars	FY 2011-12 (Approved)	FY 2011-12 (Normative / Actuals)	Gains / (Losses) due to controllable factors	Gains / (Losses) due to uncontrollable factors
Interest & Finance Charges	294.43	268.03	26.40	-

Commission's Analysis

The Commission has examined the submission of GETCO. The Closing balance of Rs. 2382.51 crore of the previous year FY 2010-11 is considered as opening loan for FY 2011-12. The Commission has verified the capitalisation of assets during the FY 2011-12 from the Audited Annual Accounts and has approved the asset addition of Rs. 1427.10 crore. The Commission has deducted the Consumer Contribution and Govt. Grant of Rs. 284.09 crore from capitalization and approved the normative debt of Rs. 800.11 Crore for FY 2011-12. GETCO has not taken into consideration the repayment of loan equivalent to the depreciation for the year. With reference to a query from the Commission, GETCO has made a plea to consider normative repayments proportionate to the normative loans, as against the actual loan vide GETCO's letter SE (R&C) Trueup11-12/ Tariff determination 13-14/105, dated 17th January, 2013. This is not in accordance with Regulation 39.3 of MYT Regulations. The other finance charges of Rs. 3.44 Crore claimed as actuals have been verified from the Audited Annual Accounts and found to be Rs. 3.27 crore. It does not include interest on staff welfare funds / schemes. Based on the actual capitalisation achieved by GETCO during FY 2011-12 and approved normative borrowings, the Commission has computed the interest on normal loans, as detailed in Table 4.14 below:

Table 4.14: Approved Interest and Finance Charges in Truing up for FY 2011-12

(Rs. crore)

Particulars	Claimed in Truing-up for FY 2011-12	Approved in Truing Up for FY 2011-12
Opening Normative Loan	2382.51	2382.51
Loan Addition during the year	800.10	800.11
Repayment during the year	284.65	441.61
Closing loan	2897.97	2741.01
Average Loan	2640.24	2561.76
Weighted average rate of interest	10.02%	10.02%
Interest on loan	264.59	256.69
Other finance charges	3.44	3.27
Total Interest and Finance Charges	**268.03**	**259.96**

As noted in para 4.4 above, the Commission is of the view that the parameters which impact interest and finance charges should be treated as uncontrollable. The Commission, accordingly, approves the Gains / (Losses) on account of interest and finance charges in the Truing up for FY 2011-12, as detailed in Table 4.15 below:

Table 4.15: Approved Gains/ (Losses) in Interest and Finance Charges in the Truing up for FY 2011-12

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing up	Deviation + / (-)	Gains/ (Losses) Controllable factor	Gains/ (Losses) Uncontrollable factor
Interest and Finance Charges	294.43	259.96	34.47	-	34.47

4.6 Return on Equity (ROE) for FY 2011-12

GETCO has claimed Rs. 319.74 crore towards return on equity in the Truing up for FY 2011-12, as against Rs. 354.69 crore approved for the year in the MYT Order dated 31st March, 2011. The ROE approved for FY 2011-12 in the MYT Order and claimed by GETCO in the Truing up are given in Table 4.16 below:

Table 4.16: Return on Equity claimed by GETCO

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT order	Claimed in Truing up for FY 2011-12
Return on Equity	354.69	319.74

Petitioner's submission

GETCO has submitted that Return on Equity has been computed at 14%, based on the closing equity for FY 2010-11 and the normative equity addition during FY 2011-

12. GETCO has further submitted that the comparison between the actual value of Return on Equity for FY 2011-12 with the value approved by the Commission has resulted in the controllable gain of Rs. 34.95 crore, as detailed in Table 4.17 below:

Table 4.17: Return on Equity claimed by GETCO

(Rs. crore)

Sl. No.	Particulars	FY 2011-12 (Approved)	FY 2011-12 (Normative / Actuals)	Deviation + / (-)
1	Opening Equity Capital	2213.37	2112.44	100.93
2	Equity Additions during the year	640.29	342.90	297.39
3	Closing Equity	2853.66	2455.34	398.32
4	Average Equity	2533.52	2283.89	249.62
5	Rate of Return on the Equity	14%	14%	-
6	**Return on Equity**	**354.69**	**319.74**	**34.95**

Commission's Analysis

The Commission has examined the submission of GETCO. The Return on Equity is being allowed on a normative basis and the quantum of equity addition in the year depends upon the capitalisation achieved during the year. The closing equity of the previous year, i.e., 2010-11 is considered as opening of equity for FY 2011-12. The Commission has approved the normative equity addition at Rs. 342.90 crore in para 4.3 above. Based on the actual capitalisation achieved by GETCO during FY 2011-12 and the approved normative equity, the Commission has computed the Return on Equity for FY 2011-12, as detailed in Table 4.18 below:

Table 4.18: Approved Return on Equity

(Rs. crore)

Particulars	Claimed in Truing-up for FY 2011-12	Approved in Truing Up
Opening Equity	2112.44	2112.44
Equity addition during the year	342.90	342.90
Closing Equity	2455.34	2455.34
Average Equity	2283.89	2283.89
Rate of Return on Equity	14%	14%
Return of Equity	319.74	319.74

The Commission approves the Return on Equity at Rs. 319.74 crore in the Truing up for FY 2011-12.

The Commission is of the view that the Return on Equity depends on the amount of capitalisation during the financial year and the parameters impacting the capitalisation are uncontrollable in nature. As noted in Para 4.4 above, the factors impacting the

Return on Equity are considered uncontrollable. The Commission, accordingly, approves the gains and losses on account of Return on Equity in the Truing up for FY 2011-12, as detailed in Table 4.19 below:

Table 4.19: Gains / (Losses) in Return on Equity approved in the Truing up

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing up for FY 2011-12	Deviation + / (-)	Gains / (Losses) due to Controllable factor	Gains / (Losses) due to Uncontrollable actor
Return on Equity	354.69	319.74	34.95	-	34.95

4.7 Capitalisation of Expenses for FY 2011-12

GETCO has not shown any capitalisation of expenses in the Truing up for FY 2011-12. The capitalisation of expenses approved for the year in MYT Order is Rs. 160 crore.

Petitioner's submission

GETCO has submitted that it has not considered capitalisation of expenses during FY 2011-12, since the O&M expenses have been taken, based on the norms provided in the MYT Regulations, 2011. GETCO has also mentioned that its appeal against the Order dated 31st March 2010 in the matter of deducting interest capitalised from the ARR was allowed vide the Order dated 3rd February 2011. GETCO has requested that the interest capitalised from the ARR for FY 2011-12 be not deducted.

Commission's Analysis

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

The actual O&M Expenses capitalized as per audited accounts are Rs. 212.02 are as detailed below:

O&M expenses capitalized during FY 2011-12

(Rs. crore)

Employee Cost	182.88
R & M expenses	0.13
A & G expenses	29.01
Total	**212.02**

The Commission accordingly approves the capitalization of other expenses at Rs. 212.02 crore as per the audited annual accounts in the Truing-up for FY 2011-12. The Commission considers the capitalization of other expenses as uncontrollable.

4.8 Income Tax for FY 2011-12

GETCO has furnished the actual tax at Rs. 77.47 crore in the Truing up for FY 2011-12, as against Rs. 15.37 crore approved for the year in MYT Order dated 31st March 2011. The provision for tax approved in the MYT Order and actual claimed by GETCO are as given in detail in Table 4.20 below:

Table 4.20: Income tax claimed by GETCO

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT order	Claimed in Truing up for FY 2011-12	Deviation + / (-)
Income Tax	15.37	77.47	(62.10)

Petitioner's submission

GETCO has submitted that the actual tax paid is Rs. 77.47 crore, as against the approved tax of Rs. 15.37 crore, resulting into uncontrollable loss of Rs. 62.10 crore.

Commission's Analysis

The Commission has on verification from the audited accounts for FY 2011-12 found that the tax Provision is Rs. 63.23 crore. In reply to a query from the Commission, GETCO has submitted in its letter dated 17.01.2013 that the amount of Rs. 63.23 crore is just a provision in the audited annual accounts, while GETCO has actually paid Rs. 77.47 crore towards income tax. GETCO has submitted the copies of challans as documentary evidence in support of the claim.

The Commission, accordingly, approves the income tax at Rs. 77.47 crore in the Truing up for FY 2011-12.

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

The Commission, accordingly, approves the Gains / (Losses) on account of tax on income in the Truing up for FY 2011-12, as detailed in Table 4.21 below:

Table 4.21: Gains / (Losses) approved in the Truing up for FY 2011-12

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT Order	Approved in Truing up for FY 2011-12	Deviation + / (-)	Gains / (Losses) due to Controllable factors	Gains / (Losses) due to Uncontrollable Factors
Income Tax	15.37	77.47	(62.10)	-	(62.10)

4.9 Revenue from other Income for FY 2011-12

GETCO has claimed the actual "other income" at Rs. 109 crore in the Truing up for FY 2011-12, as against Rs. 103 crore approved for the year in MYT order dated 31st March, 2011. The details are given in detail in Table 4.22 below:

Table 4.22: Non-Tariff Income claimed by GETCO

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT order	Claimed in Truing up for FY 2011-12	Deviation + / (-)
Non – Tariff Income	103.00	109.00	(6.00)

Petitioner's submission

GETCO has submitted that the other income of Rs. 109 crore includes interest on investments, income from sale of scrap, parallel operating charges, STOA charges, etc., and it has resulted in a controllable gain of Rs. 6 crore, when compared to Rs. 103 crore approved in the MYT Order.

GETCO has mentioned that interest on staff welfare schemes / funds was not included and other finance charges as such the interest on staff loans and advance was not included in the other income.

GETCO has further submitted that it has not considered Rs. 128.69 crore of the income from government grants / subsidies. It has further stated that depreciation on the assets acquired from Government Grants / Subsidies has also not been considered. GETCO has emphasised that depreciation is a source of funding of the assets which have been financed by Grants and Consumer Contributions which would need to be replaced after their estimated useful life and requested not to treat the above amount of Rs. 128.69 crore as other income, though it is included in the audited accounts.

Commission's Analysis

The Commission has verified and found the actual 'other income' excluding the interest on staff loans and advance of Rs. 2.48 crore is Rs. 236.89 crore. This includes Rs. 3.13 crore claimed by SLDC in the Truing up Petition for FY 2011-12. The balance other income is Rs. 233.76 crore, which includes Rs. 128.69 crore pertaining to the income towards grants / subsidies towards cost of capital assets (Deferred amount). The Commission has allowed depreciation on all the assets, including assets created through grants and consumer contribution. It is, therefore, required that the amount of Rs. 128.69 crore to be considered as part of other income, as per the prevailing practice.

The Commission, accordingly, approves the other income at Rs. 233.76 crore as actual, as per the audited annual accounts in the Truing up for FY 2011-12.

The Commission considers the other income as uncontrollable and accordingly approves the Gains / (Losses) on Non- Tariff income in the Truing up for FY 2011-12 as detailed in the Table 4.23 below:

Table 4.23: Gains / (Losses) on Non – Tariff income approved in the Truing up for FY 2011-12

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT Order	Approved in Truing up for FY 2011-12	Deviation + / (-)	Gains / (Losses) due to Controllable factors	Gains / (Losses) due to Uncontrollable factors
Non – Tariff Income	103.00	233.76	130.76	-	130.76

4.10 Interest on working capital for FY 2011-12

GETCO has claimed Rs. 48.21 core towards interest on working capital in the Truing up for FY 2011-12, as against Rs. 32.48 core approved for the year in the MYT Order for FY 2011-16. The amounts of interest on working capital approved for FY 2011-12 in the MYT Order and claimed by GETCO in the Truing up are given in Table 4.24 below:

Table 4.24: Interest on working capital claimed by GETCO

(Rs. core)

Particulars	Approved for FY 2011-12 in MYT Order	Claimed in Truing up for FY 2011-12
Interest on Working Capital	32.48	48.21

Petitioner's submission

GETCO has submitted that it has considered the State Bank Advance Rate (SBAR) as on 1st of April 2012, i.e., 14.75%. GETCO has further submitted that comparison of actual value of interest on working capital based on the above methodology and the value approved by the Commission for the year in MYT Order resulted in controllable loss of Rs. 15.74 crore, as detailed in Table 4.25 below:

Table 4.25: Interest on Working Capital and Gains / (Losses) claimed in Truing up

(Rs. crore)

Sl. No.	Particulars	FY 2011-12 (Approved)	FY 2011-12 (Actuals)	Deviation + / (-)
1	O&M Expenses (1 Month)	59.07	65.46	(6.39)
2	Maintenance Spares (1% of opening GFA with 6% escalation)	83.03	112.63	(29.60)
3	Receivables (1 Month)	134.32	148.79	(14.47)
4	Rate of Interest on Working Capital	11.75%	14.75%	
5	Interest on Working Capital	32.48	48.21	(15.74)

Commission's Analysis

The Commission has examined the computation of normative working capital and interest thereon under MYT Regulations, 2011. Regulation 41.2 (b) specifies that interest shall be allowed at a rate equal to the State Bank Advance Rate (SBAR) as on 1st April of the Financial year in which the petition is filed. GETCO has submitted with reference to a query from the Commission that the petition for Truing up for FY 2011-12 and tariff determination for FY 2013-14 has been filed on 30th November 2012 and the rate of Interest on Working Capital was taken at State Bank Advance Rate (SBAR) as on 1st April 2012 at 14.75 %. GETCO has also mentioned that it is not worthwhile to consider the rate of Interest on Working Capital as the same for five different years. The Commission had taken into consideration the rate of Interest at 11.75% prevailing at the time the MYT Petition was filed. The Commission decides to consider the rate SBAR prevailing as on 1st April of the financial year for which Truing up is being done, as the current rate is not appropriate for the truing up of previous year. The SBAR as on 1st April 2011 is 13%. The Commission, accordingly, takes into consideration the SBAR of 13% in computation of Interest in Working Capital for FY 2011-12.

The Commission has computed the Working Capital and interest thereon, as detailed in Table 4.26 below:

Table 4.26: Interest on Working Capital approved in Truing up for FY 2011-12

(Rs. crore)

Particulars	Approved in Truing up for FY 2011-12
O&M Expenses (1 Month)	58.78
Maintenance spares (1% of opening GFA)	81.09
Receivable (1 month)	115.97
Total Working Capital	255.84
Rate of Interest	13%
Interest on Working Capital	33.26

The Commission, accordingly, approves the interest on working capital at Rs. 33.26 crore in the Truing up for FY 2011-12.

The Commission considers the Interest on working capital as uncontrollable, since the components forming part of the working capital are mostly uncontrollable. The Commission, accordingly, approves the gains / (losses) on account of interest on Working Capital in the Truing up for FY 2011-12, as detailed in Table 4.27 below:

Table 4.27: Gains/ (Losses) in Interest on Working Capital Approved in the Truing up for FY 2011-12

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT Order	Approved in Truing up for FY 2011-12	Deviation + / (-)	Gains / (Losses) due to Controllable factors	Gains / (Losses) due to Uncontrollable factors
Interest on Working Capital	32.48	33.26	(0.78)	-	(0.78)

4.11 Incentive for Target availability for FY 2011-12

GETCO has claimed incentive for target availability at Rs. 27.32 crore in the Truing up for FY 2011-12. The incentive was not considered for the year 2011-12 in the MYT Order for FY 2011-16. The details are given in Table 4.28 below:

Table 4.28: Incentive for Target Availability claimed by GETCO

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT order	Claimed in Truing up for FY 2011-12
Incentive for Target Availability	-	27.32

Petitioner's submission

The Petitioner has submitted that GETCO had achieved an availability of 99.53% for its transmission network during FY 2011-12. It has further submitted that GETCO has computed the incentive on higher availability based on the target availability of 98%, in accordance with Regulation 75.1 of the MYT Regulations, 2011. The details are given in Table 4.29 below:

Table 4.29: Incentive Claimed for Higher Availability

(Rs. crore)

Sl.No	Particulars	FY 2011-12
1	Target Availability as per MYT Regulations (%)	98.00%
2	Actual Availability (%)	99.53%
3	Aggregate Revenue Requirement	1785.52
4	Incentive for Transmission System Availability	27.32

Commission's Analysis

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

"..

Incentive = ATC x [Annual availability achieved – Target Availability / Target Availability

Where;

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

The Commission has computed the incentive based on the trued up ARR for FY 2011-12, as detailed in Table 4.30 below:

Table 4.30: Incentive approved for higher availability

(Rs. crore)

Sl. No	Particulars	FY 2011-12
1	Target Availability (%)	98.00
2	Actual Availability (%)	99.53
3	Aggregate Revenue Requirement	1391.60
4	Incentive for Transmission system availability	21.73

The Commission, accordingly, approves the incentive for achieving higher availability at Rs. 21.73 crore in the Truing up for FY 2011-12.

The Commission considers the incentive for Target Availability as Uncontrollable and, accordingly, approves the Gains/ (Losses), as detailed in Table 4.31 below:

Table 4.31 Gains / (Losses) approved on the Incentive in the Truing up

(Rs. crore)

Particulars	Approved for FY 2011-12 in MYT order	Approved in Truing up for FY 2011-12	Deviation + / (-)	Gains / (Losses) due to Controllable factor	Gains / (Losses) due to Uncontrollable actor
Incentive for Target Availability	-	21.73	(21.73)	-	(21.73)

4.12 Gains / (Losses) under "Truing up"

The Commission reviewed the performance of GETCO under Regulation 22 of MYT Regulations, 2011, with reference to the Audited Annual Accounts for FY 2011-12.

The Commission has computed the sharing of Gains and (Losses) for FY 2011-12 based on the Truing up for each of the components discussed in the above paragraphs.

The fixed charges approved for FY 2011-12 in the MYT Order dated 31st March 2011, claimed by GETCO in Truing up (Gains / (Losses)), computed in accordance with MYT Regulations are given in Table 4.32 below:

Table 4.32: Approved in Truing up Order for FY 2011-12

(Rs. crore)

Sl. No.	Fixed charges	Approved for FY 2011-12 in MYT order	Actual claimed in Truing up for FY 2011-12	Approved in Truing up for FY 2011-12	Deviation + / (-)	Gains/ (Losses) due to Controllable Factors	Gains/ (Losses) due to Uncontrollable Factors
1	**2**	**3**	**4**	**5**	**3-5=6**	**7**	**8**
1	Operation & Maintenance Expenses	708.79	785.51	705.34	3.45	(2.60)	6.05
2	Depreciation	469.45	395.55	441.61	27.84	-	27.84
3	Interest & Finance Charges	294.43	268.03	259.96	34.47	-	34.47
4	Interest on Working Capital	32.48	48.21	33.26	(0.78)	-	(0.78)
5	Return on Equity	354.69	319.74	319.74	34.95	-	34.95
6	**Total Fixed Costs**	**1859.84**	**1817.04**	**1759.91**	**99.93**	**(2.60)**	**102.53**
7	Less: Capitalization of Expenses	160	-	212.02	(52.02)	-	(52.02)
8	Additional: Provision for Tax	15.37	77.47	77.47	(62.10)	-	(62.10)

Sl. No.	Fixed charges	Approved for FY 2011-12 in MYT order	Actual claimed in Truing up for FY 2011-12	Approved in Truing up for FY 2011-12	Deviation + / (-)	Gains/ (Losses) due to Controllable Factors	Gains/ (Losses) due to Uncontrollable Factors
9	**Total Transmission Charges**	**1715.21**	**1894.51**	**1625.36**	**89.85**	**(2.60)**	**92.45**
10	Less: Other Income	103	109	233.76	(130.76)	-	(130.76)
11	**Aggregate Revenue Requirement**	**1612.21**	**1785.51**	**1391.60**	**220.61**	**(2.60)**	**223.21**
12	Add: Incentive for achieving target availability	0	27.32	21.73	(21.73)		(21.73)
13	Add: Revenue Gap of True up FY 2009-10	0		0	0.00		
14	Add: Revenue Gap of SLDC True up FY 2009-10	13.48		13.48	0.00		
15	**Total Revenue Requirement**	**1625.69**	**1812.83**	**1426.81**	**198.88**	**(2.60)**	**201.48**

Table 4.32 indicates a controllable Loss of Rs 2.60 crore and an uncontrollable gain of Rs. 201.48 crore.

4.13 Sharing of Gains / (Losses) for FY 2011-12

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

The relevant Regulations are extracted below:

Regulation 24. Mechanism for pass-through of gains or losses on account of uncontrollable factors

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

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

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

Regulation 25. Mechanism for sharing of gains or losses on account of controllable factors

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

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

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

- *(a) One-third of the amount of such loss may be passed on as an additional charge in Tariffs over such period as may be specified in the Order of the Commission under Regulation 22.6; and*
- *(b) The balance amount, which will amount to two-thirds of such loss, shall be absorbed by the Generating Company or Transmission Licensee or Distribution Licensee."*

The gain on account of Uncontrollable factors has been computed as Rs. 109.53 crore for FY 2011-12. The entire gain of Rs. 109.53 crore on account of uncontrollable factors shall be passed through as an adjustment in the Tariff. The Loss on account of controllable factors has been worked out as Rs. 36.48 crore for FY 2011-12. Out of the controllable loss, 1/3rd is to be passed on as adjustment in the Tariffs. The revenue (gap) / surplus, as compared to the ARR approved in the MYT Order dated 31st March 2011 for the year 2011-12, is summarised in Table 4.33 below:

Table 4.33: Revenue (Gap) / Surplus for FY 2011-12

(Rs. crore)

Sl. No	Particulars	FY 2011-12
1	ARR approved in the MYT Order on 31.03.2011 for FY 2011-12	1625.69
2	Less: Gain on account of uncontrollable factors to be passed to the consumers	201.48
3	Add: Loss on account of Controllable factors to be passed to the consumers (1/3rd of Rs. 2.60 crore)	0.87
4	Revised ARR for FY 2011-12	1425.08
5	Net Surplus / (Gap)	200.61

The Truing up Exercise carried out indicates a revenue surplus of Rs. 200.61 crore, as against ARR of 1625.69 as approved for FY 2011-12 in the MYT Order dated 31st March, 2011.

4.14 Recoveries for FY 2009-10

GETCO requested the Commission for rectification of discrepancies noticed in Tariff Order of Case No. 1152/2011 dated 07/04/2012, vide its letter dated 14/05/2012. In reply, the Commission informed GETCO that the differential amount of Rs. 1.13 crore as additional income tax will be considered at the time of truing up for FY 2011-12. Accordingly, the Commission approves additional income tax of Rs. 1.13 crore as uncontrollable expenses for FY 2009-10 which is to be passed on while determination of tariff for FY 2013-14.

5. Determination of Transmission Charges for FY 2013-14

5.1 Introduction

This chapter deals with the determination of the transmission charges for the FY 2013-14 for GETCO. The Commission has considered the ARR approved for the FY 2013-14 in the MYT Order dated 31st March, 2011 and the adjustment on account of truing up for FY 2011-12 while determining the transmission Tariff for FY 2013-14.

The detailed approach of the Commission and the computation of the previous year recoveries appear in the respective Sections of this Order.

5.2 Determination of Transmission Tariff for FY 2013-14

The table below summarises the Annual Revenue Requirement as approved by the Commission for the FY 2013-14 in the MYT Order dated 31st March 2011. Detailed analysis of each expense head has already been provided in the MYT Order.

Table 5.1: Approved ARR for 2013-14

(Rs. crore)

Sl. No	Particulars	FY 2013-14
1	Operations & Maintenance Expenses	890.17
2	Depreciation	688.07
3	Interest & Finance Charges	495.38
4	Interest on Working Capital	46.78
5	Return on Equity	537.97
6	Total Fixed Costs	2658.37
7	Less: Expenses Capitalised	193.00
8	Add: Provision for Tax	15.37
9	Total Transmission Charges	2480.74
10	Less: Other Income	103.00
11	Aggregate Revenue Requirement	2377.74
12	Add: Incentive for achieving target availability	0.00
13	Total Revenue Requirement	2377.74

The Petitioner has submitted transmission Tariff for FY 2013-14 based on proposed truing up of FY 2011-12. Accordingly, the Commission has determined the revenue gap/surplus based on the truing up of FY 2011-12. The petitioner's proposal and the

Commission's approved transmission Tariff for FY 2013-14 are given in Table 5.2 below:

Table 5.2: Transmission Tariff for FY 2013-14

(Rs. crore)

Sl. No	Particulars	Unit	FY 2013-14 Proposed	FY 2013-14 approved
1	Approved ARR for FY 2013-14 as per the MYT Order dated 31.03.2011	Rs. crore	2377.74	2377.74
2	Add: Additional Income Tax approved for FY 2009-10	Rs. crore	-	1.13
3	Less: Revenue Surplus/(Gap) for FY 2011-12	Rs. crore	(108.27)	200.61
4	ARR for 2013-14, including adjustment for the Truing up for FY 2011-12	Rs. crore	2486.01	2178.26
5	Total MW Allocation as per MYT Order dated 31.03.2011	MW	20076	20076
6	**Transmission Tariff**	**Rs./MW/Day**	**3393**	**2973**

The Commission, accordingly, approves the annual Tariff for Transmission for FY 2013 -14, as above.

5.3 Reactive Energy Charges

GETCO has submitted that the Commission had approved the reactive energy charges in tariff order of case No. 862/2006 as shown below

"10 paise / KVARH — *For the drawal of reactive energy at 10% or less of the net energy exported.*

25 paise / kVARH — *For the drawal of reactive energy at more than 10% of the net active energy exported.*

The reactive energy charges shall be applicable to wind energy generator and CPPS, who are also consumers and not to IPPs, which are generating companies."

GETCO has further submitted that

1. At the time of the approval of the above reactive charges, the wind energy development and the reactive energy drawl was limited in quantum. Under initial stage, the rates approved were appropriate at that relevant point of time.

2. The above approved rates have not been revised since the first approval i.e. May 2006.

3. GETCO requests the Hon'ble Commission to revise the above approved reactive energy charges in line with the present approved rate for the reactive energy

compensation in the state of Tamil Nadu, as the system and wind power capacity and its potential is similar. GETCO propose to revise as mentioned here under

Table 5.3: Proposed Reactive Energy Charges for FY 2013-14

Sr. No.	Category	Present Rate	Proposed Rate
1	For drawal of reactive energy at 10% or less of the net active energy exported.	10 paise / kVARH	25 paise / kVARH
2	For drawal of reactive energy of more than 10% of the net active energy exported.	25 paise / kVARH	50 paise / kVARH

4. Similarly there is no compensation of reactive energy in solar projects and therefore same charges should be made leviable to them as well.

Commission's view:

The Commission has noted the submission of GETCO to increase reactive energy charges.

As per the details submitted by GETCO the capacity of wind generations is increased from 1185 MW in March 2008 to 2881 MW in March 2012. Simultaneously the drawl of the reactive energy is increased from 66.44 Million KVARh in year FY 2007-08 to 223.61 Million KVARh in FY 2011-12. Further, GETCO submitted that in the last five years following capacitor installation work was taken up to supply VAR to maintain the voltage profile of the grid.

132 KV level ------------- 100 MVAR
11 KV level ------------- 535 MVAR

In Order No. 2 of 2012 regarding the determination of tariff for wind project it is mentioned that Incremental impact of overall prices on reactive energy charges will be discussed in the Commission's transmission tariff order. Any change in the reactive energy charges for wind power projects if addressed in the Commission's transmission tariff order effective from time to time shall be made applicable to wind power projects.

Similarly, in Order No. 1 of 2012 regarding the determination of tariff for solar project it is mentioned that the Reactive Power Charges as approved by the Commission in tariff orders for the Gujarat Energy Transmission Corporation Ltd. (GETCO) from time to time shall be applicable to such projects.

For increase in reactive energy charges, GETCO has not submitted any computation of proposed reactive energy charges. GETCO has also not submitted the planning for capital investment to compensate incremental reactive energy. GETCO has also not indicated the revenue likely to be recovered from the revised reactive energy charges. In view of the above, the Commission decides to continue the existing reactive energy charges as shown below in Table No. 5.4.

Table 5.4: Reactive Energy Charges for FY 2013-14

Sr. No.	Category	Proposed Rate
1	For drawal of reactive energy at 10% or less of the net active energy exported.	10 paise / kVARh
2	For drawal of reactive energy of more than 10% of the net active energy exported.	25 paise / kVARh

6. Compliance of Directives

6.1 Compliance of Directives issued by the Commission

The Commission, in its Tariff order dated 7th April 2012, had issued various directives. GETCO has submitted a report on compliance of the directives issued by the Commission. The Comments of the Commission on the submission / compliance of GETCO are given below:

6.1.1 Directive: Transmission System Availability

(Page 53 of GERC Tariff Order No. 1152 of 2011 dated April 7, 2012)

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

Compliance/Action taken:

The Commission specified the methodology to be adopted for calculating Transmission System Availability (TSA) as per **Annexure-II** of Notification No 1 of 2011, MYT Regulations, 2011, Clause 70: Norms of operation.

As per the provision and procedure for calculation of Transmission System Availability of GERC (Multi Year Tariff) Regulations, 2011 Notification No. 1 of 2011, GETCO furnished Transmission System Availability for FY 2011-12, duly certified by the SLDC as under:

Transmission System Availability for FY 2011-12				
Transmission Lines	**Multiplying Factor**	**NAFY of line (Non available hrs X Mul Factor)/Total time**	**NAFY for Transmission Lines**	**TAFY for Transmission Lines**
	=Length of Ckm X Nos. of Sub cond./ Phase	**=(Non avail hrs X MF)/Total Time(THM)**	**=NAFY of line/Multiplying Factor**	**=100-(100 X NAFY for Transmission Lines)**
Transmission Lines 132 KV and above	24224.44	178.96	0.0074	99.26
66 KV Transmission line	23136.58	58.70	0.0025	99.75
Transformers	**Weightage factor (MVA x No of ICT x MF)**	**NAFY of Transformer**	**NAFY for Transformer**	**TAFY for Transformer**
	=MVA capacity X Multiplying Factor	**= (Non Avail hrs X Weightage factor/Time considering for Availability)**	**=NAFY of Transformer / Weightage factor**	**=100-(100 X NAFY for Transformer)**
Transformers 132 KV and above	80462.50	517.61	0.0064	99.36
66 KV Transformers	54927.50	104.67	0.0019	99.81
Multiplying factor = 2.5				
Reactor	**Weightage Factor (MVAR x MF)**	**NAFM of Reactor**	**NAFY for Reactor**	**TAFY for Reactor**
	= MVAR capacity x Multiplying factor	**= (Non Avail hrs X Weightage factor/Time considering for Availability)**	**=NAFY of Reactor / Weightage factor**	**=100-(100 X NAFY for reactor)**
Reactor	3120.00	16.77	0.0054	99.46
Multiplying factor = 4				

NAFY (Non Availability Factor for the year)

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

$$\textbf{NAFY} = \frac{178.96 + 58.70 + 517.61 + 104.67 + 16.77}{\underbrace{24224.44}_{\sum \text{Tr. Lines} \geq 132\text{ KV}} + \underbrace{23136.58}_{\sum \text{Tr. Lines} = 66\text{ KV}} + \underbrace{80462.50}_{\sum \text{X'mer} \geq 132\text{ KV}} + \underbrace{54927.50}_{\sum \text{X'mer} = 66\text{ KV}} + \underbrace{3120.00}_{\sum \text{Reactor}}}$$

$$\textbf{NAFY} = \frac{876.72}{185871.02}$$

OH=Outage Hours

NAFY = 0.0047

TAFY (Transmission System Availability factor for the FY 2011-12)

TAFY = (100-(100 * NAFY))

= (100- (100 X 0.0047))

TAFY = 99.53 %

Details of each element and complete working has been complied vide letter No. ACE(R&C)/Reg./Dire.Comp./Tariff Order-1152/1454 dated 22.08.2012,

Commission's Comments

Action taken is noted.

6.1.2 Directive: Reactive Compensation

(Page 66 of GERC Tariff Order No. 1152 of 2011 dated April 7, 2012)

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

Compliance/Action taken

The status of work completed as on 07.11.2012 and action plan for completion of balance work of installation of capacitor bank is as under:

Sr. No	Work Planned	Current Status
1	Planning & Progress of installation of 233 Nos. (630 MVAR) of 11KV Capacitor Bank (First project- Awarded on 27th May 2010)	Out of 233 Nos. of Banks (630 MVAR), 224 Nos. (605 MVAR) of Banks have been commissioned till date. Proposed Target for completion of Balance 09 banks (35 MVAr) is as under: Upto December-12 - 09 Banks

2	Installation of 72 Nos. 11KV capacitor Banks (180 MVAR) (Second project- Awarded on 2nd April 2012)	Execution work has started. The current status is as under: Out of total 72 locations, 69 locations civil work has been completed, For 3 locations, foundation work under progress, For 43 Locations, equipment erection work completed, except panel commissioning, The balance work will be completed by end of March-2013

While the installation of above capacitor banks is in progress, there has been good voltage profile in the main transmission system (400 KV) and sub transmission system (220 to 66 KV). Wherever there is a low power factor in the 11 KV network, we are capturing it in the Data Acquisition System (DAS) at our 11 KV switchgear systems and intimating the same to the DISCOMs. This is done with a view to provide required compensation at the load point in order to cut down the distribution losses.

Commission's Comments

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

6.1.3 New Directive 1: Inconsistency in Revised Capex

(Clause 6.2 New Directive of GERC Tariff Order No. 1152 of 2011 dated April 7, 2012)

There seems to be some inconsistency in respect of the details given in Table 5.3, when compared with those given in Table 5.2. For example, in the case of 66 kV lines, the physical target has been reduced from 1487 ckt. Kms to 534 ckt. Kms, whereas the expected capital expenditure has been revised upwards from Rs. 179 crore to Rs.376 crore. There are other such inconsistencies also. GETCO should reconcile the figures and furnish a report to the Commission by 30th June, 2012.

Compliance/Action taken

With respect to inconsistency observed by the Commission in revised CAPEX for FY 2012-13, we clarify the reasons as follows:

66 KV Sub-stations

- Revised Planned CAPEX for FY 2012-13 comprises of partial cost of GIS sub-stations which are to be commissioned in FY 2013-14, i.e., 66 KV Nana Mava, 66 KV Mota

Mava at Rajkot, 66 KV Lalbanglow at Jamngar, and 66 KV Bhavnath at Junagadh. It is important to highlight that the cost of one GIS is around Rs 14 Crore as compared to the cost of one conventional substation, i.e., Rs 3.5 crore. Considering all these GIS planned, CAPEX was increased by Rs. 40 crore as an extra cost (partial cost) as compared to cost required for conventional substations for FY 2012-13.

- Similarly, Feeder Bays for link lines were not considered under the CAPEX head as new substations. The revised CAPEX for 66 KV sub-stations for FY 2012-13 also includes the cost of the feeder bays of link lines. Earlier, at the time of MYT submission, solar link lines and their feeder bays were not covered/planned. These link lines and their feeder bays were incorporated in the revised CAPEX for FY 2012-13 that increase the CAPEX of 66 KV by Rs. 35 crore without increasing the number of 66 KV sub-stations.

As per MYT CAPEX	As per Revised CAPEX for FY 2012-13
66 KV Conventional Sub-stations Number: 60 Per Sub-station Cost: Rs 3 Cr. **Estimated Sub-station cost: Rs 180 Cr.**	**A. 66 KV Conventional Substations** Number: 52 Per Sub-station Cost: Rs 3.5 crore Estimated Sub-station cost: Rs 182 crore **B. Partial Cost of a GIS Sub-station:** Number: 4 Partial Cost Per Sub-station: Rs 10 crore. Estimated Sub-station cost: Rs 40 crore **C. Cost of Feeder Bays for link lines:** Number: 112 Cost per feeder bay: 24 Lakh Feeder bay cost: Rs 27 crore. (Detail attached as Annexure I) **Total Cost (A+B+C) = Rs 249 cr**.

66 KV Transmission Lines

- At the time of MYT submission**,** cost estimation for 66 KV lines was taken for Panther conductor on overhead tower. However, due to the inclusion of GIS sub-stations, Ring main system and considering difficulties in Right of Way in urban and outskirts of city area, and due to polluted industrial and coastal areas, underground cables were required to be laid which increased the per kilometer cost and resulted in a higher cost than the one previously estimated.

- At the time of MYT submission, we have estimated Rs 179 crore @ 12 lakh per ckm for 1487 ckm. of 66 kV line. During revised CAPEX for FY 2012-13, we have estimated Rs 376 crore considering Rs 52 crore for 66 KV overhead lines for new substations, Rs 172 crore against underground cables for GIS, Ring mains system and Charanka Solar park, Rs 74 crore under partial cost of 66 KV interconnecting lines for upcoming EHV substations and network around Morbi area, Rs 71 crore for evacuation of Solar Power and Rs 7 crore for Tatkal scheme. The Item-wise detail of revised CAPEX for FY 2012-13 is annexed in GERC Tariff Order No. 1152 of 2011 dated April 7, 2012 - as Annexure-I.

As per MYT CAPEX	As per Revised CAPEX for FY 2012-13
A. 66 KV S/C Panther Conductor on Tower length: 1487 CKM Per Km Cost: 12 lackh per CKM Estimated line cost: Rs 179 Cr.	**A. 66 KV S/C Panther conductor on Tower:** Length: 402 CKM Per KM Cost: 13 lakh per CKM Line cost: Rs 52 crore **B. Underground Cable:** Length: 132 KM Per KM Cost: Rs 1.3 crore Total Cable Cost: Rs 172 crore
	C. Partial cost 66 KV interconnecting lines for upcoming EHV S/S Total Cost: Rs 74 crore (Detail attached as Annexure II) **D. Solar Line** Solar line length: 546 ckm Per KM Cost: Rs 13 Lakh per km Total Solar line Cost: Rs 71 crore **E. Cost for Line Strengthening:** Rs 7 crore (Detail attached as Annexure III) **Total Cost (A+B+C+D+E) = Rs 376** crore

During reconciliation, it was found that, although we have included the CAPEX of Rs. 71 crore of Solar lines in revised CAPEX for FY 2012-13 as indicated above, the physical value of 546 ckm was not included in the revised target of 534 ckm (in fact revised target comes to 1080 ckm, instead of 534 ckm).

GETCO would also like to inform the Commission that the physical target seems to be low because it has done 1492 CKM of 66 KV line in FY 2011-12 including solar lines. Although it has completed 476 ckm of solar lines in FY 2011-12 on priority basis, which was the target for FY 2012-13, GETCO has planned 349 ckm of solar lines to be laid during 2012-13. Moreover our investment plan has been revised from 60 Nos. of sub-stations to 100 Nos. of sub-stations for the FY 2012-13 looking into the needs of the State. Additional 66 KV transmission lines will be required. Hence, the revised target has become 924 ckm for the value of 376 crore in FY 2012-13.

Commission's comments

Action taken by GETCO is noted.

COMMISSION'S ORDER

The Commission approves the components of transmission charges and the Transmission tariff for FY 2013-14, as shown in the Tables below:

(Rs. crore)

Sl. No	Particulars	Approved for FY 2013-14
1	Operations & Maintenance Expenses	890.17
2	Depreciation	688.07
3	Interest & Finance Charges	495.38
4	Interest on Working Capital	46.78
5	Return on Equity	537.97
6	Total Fixed Costs	2658.37
7	Less: Expenses Capitalized	193.00
8	Add: Provision for Tax	15.37
9	Total Transmission Charges	2480.74
10	Less: Other Income	103.00
11	Aggregate Revenue Requirement	2377.74
12	Add: Incentive for achieving target availability	-
13	Total Revenue Requirement	2377.74
14	Add: Additional Income Tax approved for FY 2008-09	1.13
15	Less: Revenue Surplus/(Gap) for FY 2011-12	200.61
16	**ARR for 2013-14 including adjustment for FY 2011-12**	**2178.26**

Transmission Tariff

Sl. No	Particulars	Unit	FY 2013-14
1	Transmission Tariff	Rs./MW/day	2970*

*Tariff charge has been rounded off to the nearest ten

The order shall come into force with effect from 1st April, 2013.

Sd/-	Sd/-	Sd/-
DR. M.K. IYER	**SHRI PRAVINBHAI PATEL**	**DR. P.K. MISHRA**
Member	Member	Chairman

Place: Ahmedabad
Date: 28/03/2013