

# **GUJARAT ELECTRICITY REGULATORY COMMISSION**



## **Tariff Order**

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

**For**

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

**Case No. 1375 of 2013**

**29<sup>th</sup> April 2014**

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**GUJARAT ELECTRICITY REGULATORY COMMISSION  
(GERC)**

**GANDHINAGAR**

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## ABBREVIATIONS

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



# Before the Gujarat Electricity Regulatory Commission at Gandhinagar

**Case No. 1375 of 2013**

**Date of the Order: 29/04/2014**

## **CORAM**

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

## **ORDER**

### **1. Background and Brief History**

#### **1.1 Background**

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

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

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



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

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

Four Distribution Companies, namely:

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

The Government of Gujarat, vide notification dated 3<sup>rd</sup> October 2006, notified the final opening balance sheets of the transferee companies as on 1<sup>st</sup> 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 30<sup>th</sup> 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 22<sup>nd</sup> 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 1<sup>st</sup> 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 31<sup>st</sup> March 2011 for the control period comprising FY 2011-12, FY 2012-13, FY 2013-14, FY 2014-15 and FY 2015-16, based on the GERC (MYT) Regulations, 2011.

#### **1.4 Admission of the current petition and the public hearing process**

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

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

| <b>Sl. No.</b> | <b>Name of the Newspaper</b> | <b>Language</b> | <b>Date of publication</b> |
|----------------|------------------------------|-----------------|----------------------------|
| 1              | Indian Express               | English         | 11.12.2013                 |
| 2              | Sandesh                      | Gujarati        | 11.12.2013                 |

The petitioner also placed the public notice and the Petition on the website ([www.getcogujarat.com](http://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 10<sup>th</sup> January, 2014.

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

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

**Gujarat Energy Transmission Corporation Limited**  
**Truing up for FY 2012-13 and**  
**Determination of Tariff for FY 2014-15**

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

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

### 1.5 Contents of this Order

The order is divided into six chapters, as under:

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

### 1.6 Approach of this order

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

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



**Gujarat Energy Transmission Corporation Limited**  
**Truing up for FY 2012-13 and**  
**Determination of Tariff for FY 2014-15**

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

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

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

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



## 2. A Summary of GETCO's Petition

### 2.1 Actuals for FY 2012-13 submitted by GETCO

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

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

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

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

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

### 2.2 Proposed Transmission Charges for FY 2014-15

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

**Gujarat Energy Transmission Corporation Limited**  
**Truing up for FY 2012-13 and**  
**Determination of Tariff for FY 2014-15**

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

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

**2.3 Request of GETCO:**

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



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

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#### 3.1 Public Response to Petition

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

**Table 3.1: List of Objectors**

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

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

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

#### 3.2 Objector 1: Laghu Udhog Bharat Gujarat

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

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

|                                  |             |
|----------------------------------|-------------|
| <b>Daily Revenue Rs. Cr.</b>     | <b>5.45</b> |
| Surplus and Reserve Rs. Cr.      | 2391.121    |
| Accumulated Depreciation Rs. Cr. | 2394        |
| Current Assets Rs. Cr.           | 1193.252    |
| Total Rs. Cr.                    | 5988.15     |

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



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

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

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

### **Response of GETCO**

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

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

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

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

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

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

### **Commission's View**

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

### **3.3 Objector 2: Ultra Tech Cement**

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

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

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

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



**Response of GETCO**

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

**Commission's View**

The response of GETCO is noted.

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

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

**Response of GETCO**

It is submitted that this is a statement of fact.

**Commission's View**

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

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

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

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

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

**Response of GETCO**

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

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

**Commission's View**

The response of the GETCO is noted.

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

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

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

**Response of GETCO**

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

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



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

**Commission's View**

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

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

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

**Response of GETCO**

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

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

**Commission's View**

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



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

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

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

**Response of GETCO**

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

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

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

**Commission's View**

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

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

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

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

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

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

**Transmission Losses**

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

**Table: Transmission Losses of GETCO for FY 2012 -13**

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

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

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

**Response of GETCO**

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



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

***Transmission losses:***

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

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

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

**Commission's View**

The response of GETCO is noted.

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

**Objection 1: Contingency Reserve should not to be allowed**

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

**Response of GETCO**

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

### **Commission's View**

The contingency reserve is allowed, as per GERC Regulations.

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

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

### **Response of GETCO**

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

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

### **Commission's View**

The response of GETCO is noted.

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

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

### **Response of GETCO**

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

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

### **Commission's View**

The response of GETCO is noted.

### **Objection 4: True data of power purchased by OA customers**

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

### **Response of GETCO**

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

### **Commission's View**

The response of GETCO is noted.

## **3.5 Objector 5: Ganapathbai Lalubhai Suthar**

### **Objection 1: Transmission charges from the wind farms**

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

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



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

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

**Response of GETCO**

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

**Commission’s View**

The response of GETCO is noted.

**3.6 Objector 6: OPGS Power Gujarat Private Limited**

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

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

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

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

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



**Gujarat Energy Transmission Corporation Limited**  
**Truing up for FY 2012-13 and**  
**Determination of Tariff for FY 2014-15**

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

**Response of GETCO**

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

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

***“8.4 Capital Expenditure & Capitalization (Capitalized expenses)***

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

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

**Commission's View**

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

**Objection 2: Other Income for FY 2012-13**

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



**Gujarat Energy Transmission Corporation Limited**  
**Truing up for FY 2012-13 and**  
**Determination of Tariff for FY 2014-15**

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

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

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

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

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

#### **Response of GETCO**

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



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

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

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

#### **Commission's View**

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

#### **Objection 3: Availability of Transmission System**

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

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

#### **Response of GETCO**

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

#### **Commission's View**

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

#### **Objection 4: Separate Book of Accounts for SLDC**

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



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

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

#### **Response of GETCO**

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

#### **Commission's View**

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

#### **Objection 5: Tax**

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

#### **Response of GETCO**

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



**Commission's View**

The tax of GETCO is allowed as per GERC Regulations.

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

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

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

**Response of GETCO**

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

**Commission's View**

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

**3.7 Objector 7: Shri Amarsinh Chavda**

**Objection 1: Low quality materials**

Materials being used are of low quality.

**Response of GETCO**

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



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

**Commission's View**

The response of GETCO is noted.

**Objection 2: Closing of Generating Stations**

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

**Response of GETCO**

This issue does not pertain to GETCO.

**Commission's View**

The response of GETCO is noted.

**Objection 3: Inadequate Power to farm sector**

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

**Response of GETCO**

This issue does not pertain to GETCO.

**Commission's View**

The response of GETCO is noted.

## 4. Truing up for FY 2012-13

### 4.1 Introduction

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

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

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

### 4.2 Operations and Maintenance Expenses for FY 2012-13

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

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

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

#### Petitioner's submission

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

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



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

| Sl. No.  | Particulars                 | FY 2012-13<br>(Actual) |
|----------|-----------------------------|------------------------|
| 1        | Employee Costs              | 359                    |
| 2        | R&M Expenses                | 183                    |
| 3        | A&G Expenses                | 53                     |
| <b>4</b> | <b>Net O&amp;M Expenses</b> | <b>595</b>             |

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

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

**(Rs. Crore)**

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

**Commission's Analysis**

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

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



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

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

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

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

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

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

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

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



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

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

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

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

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

### 4.3 Capital Expenditure and Capitalization for FY 2012-13

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

**Table 4.7: Capital Expenditure reported for FY 2012-13**

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



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

### Petitioner's Submission

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

### Funding of CAPEX

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

**Table 4.8: Actual Funding of CAPEX**

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

### Commission's Analysis

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



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

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

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

#### 4.4 Depreciation for FY 2012-13

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

**Table 4.10: Depreciation claimed for FY 2012-13**

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

#### Petitioner's Submission

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



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

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

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

**Commission's Analysis**

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

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

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

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



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

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

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

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

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

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

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

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



#### 4.5 Interest and Finance Charges for FY 2012-13

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

**Table 4.14: Interest and Finance Charges Claimed by GETCO**

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

#### Petitioner's Submission

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

**Table 4.15: Interest and Finance Charges claimed by GETCO**

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

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

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

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



### Commission's Analysis

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

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

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



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

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

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

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

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

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

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

#### Petitioner's submission

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

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

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



### Commission's Analysis

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

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

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

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

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

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

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



#### **4.7 Capitalisation of Expenses for FY 2012-13**

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

##### **Petitioner's submission**

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

##### **Commission's Analysis**

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

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

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

|               |               |
|---------------|---------------|
| Employee Cost | 180.91        |
| R&M expenses  | 0.15          |
| A&G expenses  | 31.07         |
| <b>Total</b>  | <b>212.13</b> |

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

#### 4.8 Income Tax for FY 2012-13

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

**Table 4.24: Income tax claimed by GETCO**

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

#### Petitioner's submission

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

#### Commission's Analysis

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

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

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

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

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

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



#### 4.9 Revenue from other Income for FY 2012-13

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

**Table 4.26: Non-Tariff Income claimed by GETCO**

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

#### **Petitioner’s Submission**

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

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

#### **Commission’s Analysis**

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



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

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

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

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

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

#### **4.10 Interest on working capital for FY 2012-13**

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

**Table 4.28: Interest on working capital claimed by GETCO**

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

#### **Petitioner's submission**

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



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

(Rs. Crore)

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

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

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

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

### Commission's Analysis

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



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

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

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

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

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

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

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

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



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

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

#### 4.11 Incentive for Target availability for FY 2012-13

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

**Table 4.33: Incentive for Target Availability claimed by GETCO**

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

#### Petitioner's Submission

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

**Table 4.34: Incentive Claimed for Higher Availability**

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

#### Commission's Analysis

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

“.....

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



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

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

**Table 4.35: Incentive approved for higher availability**

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

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

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

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

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

#### **4.12 Gains / (Losses) under “Truing up”**

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

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

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



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

(Rs. Crore)

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

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

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

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

The relevant Regulations are extracted below:



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



## 5. Determination of Transmission Charges for FY 2014-15

### 5.1 Introduction

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

### 5.2 Determination of Transmission Tariff for FY 2014-15

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

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

**Table 5.1: Approved ARR for 2014-15**

(Rs. Crore)

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

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



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**Table 5.2: Transmission Tariff for FY 2014-15**

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

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



## 6. Compliance of Directives

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### 6.1. Compliance of Directives issued by the Commission

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

### 6.2. Compliance of Directives

#### Directive 1: Transmission System Availability

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

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

#### Compliance:

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

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

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

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**1. Transmission Line**

**a) NAFY (Non availability factor for the year)**

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

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

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

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

$$\text{NAFY} = 0.0052$$

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

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

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

$$= 99.48 \%$$

**2. Transformer & Reactor**

**a) NAFY (Non availability factor for the year)**

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

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

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

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

$$\text{NAFY} = 0.0054$$

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

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

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

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

$$= 99.46 \%$$

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



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

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

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

|             |                           |
|-------------|---------------------------|
| ↑           | ↑                         |
| ∑ Tr. Lines | ∑ Transformers & Reactors |

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

$$= 0.0054$$

OH=Outage Hours

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

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

**Commission's Comments:**

Action taken is noted.

**Directive 2: Reactive Compensation**

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

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

**Compliance:**

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



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

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

**Commission's Comments:**

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



## COMMISSION'S ORDER

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

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

### Transmission Tariff

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

The order shall come into force with effect from 1<sup>st</sup> May, 2014.

Sd/-

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**DR. M.K. IYER**  
 Member

Sd/-

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**SHRI PRAVINBHAI PATEL**  
 Chairman

Place: Gandhinagar  
 Date: 29/04/2014

