

Date: 5th December, 2016

KPTCL

PRELIMINARY OBSERVATIONS ON APPLICATION FOR APR FOR FY16

1. COMPLIANCE TO DIRECTIVES:

a. Reactive Power Compensation and restoration of failed Capacitors.

The Commission in its order dated 30th March, 2016 had directed KPTCL to restore all the failed capacitor Banks before July 2016 and submit compliance. KPTCL has not complied with this directives submission of the monthly zone wise status report to the Commission. The reasons for the same shall be submitted. Further, KPTCL shall furnish the realistic target date for completion of the replacement of failed capacitor banks in the substation.

KPTCL has stated that, it has achieved 81% progress for the 1st Quarter (April-16 to June-16) only. The latest progress up to 31st October, 2016 shall be submitted. KPTCL shall also submit the voltage wise breakup of 754 MVAR capacitor banks proposed to be added during FY16.

KPTCL shall also inform the reactive power charges paid to the CTU during the financial year 2016.

b. Transmission System Availability (TSA):

KPTCL is not submitting the Zone wise monthly TSA reports regularly. Further, KPTCL has not submitted the clarifications sought by the Commission vide its letter No. KERC/M/15/2016-17/1468, dated 01-09-2016 regarding the observations made on the TSA submitted for FY16. KPTCL shall furnish the monthly report till 31st October, 2016 along with the revised TSA for FY16 incorporating the rectifications suggested.

c. Implementation of Intra state ABT:

The Commission in its Tariff Order dated 30th March, 2016 had directed KPTCL to implement the Intra-State ABT and submit compliance report within one month of the date of Tariff Order. But, KPTCL has failed to either implement or to represent to the Commission on its difficulties in implementation of the same. Further, the Commission in its Review meeting with KPTCL and ESCOMs held on 5th October, 2016 had directed KPTCL and ESCOMs to speed up the implementation of ABT duly bringing in the State owned Generators in the Intra-State ABT ambit. The Managing Directors of ESCOMs / Officers present during the Review meeting had agreed in principle for implementation of the SCADA data based Intra-State ABT. Accordingly, KPTCL should have started the full implementation of Intra-State ABT. KPTCL shall furnish mock bills every month to the Commission, instead of sending a bunch of bills once in 6-8 months. KPTCL shall furnish the realistic target date of implementation of Intra-State ABT bringing in all players into the ambit.

d. Energy Audit:

KPTCL shall furnish the month wise voltage wise transmission loss figures for FY17 as at the end of October, 2016.

e. Quality of Service:

It is observed that, KPTCL has not displayed the details of interruptions and bus voltage details on its website for all the substations, whereas it is displaying the details of major substations

only. KPTCL is required to display for all the substations and submit the compliance to the Commission.

f. Man Power Study:

KPTCL in its application is submitting the same reply of finalizing the man power study report through an internal Committee. KPTCL shall furnish a definite time line by which it will finalize the man power study report with compliance report thereon.

g. Prevention of electrical accidents:

KPTCL has submitted a detailed Action plan for implementing safety measures to prevent Electrical accidents as on 30.06.2016, stating that, total no. of Works identified are 602, in which only 154 Works are completed and 70 works are in progress and 378 works are yet to be taken up. KPTCL shall furnish the actual status of implementation of the proposed action plan works including number of hazardous locations/ installations rectified till the end of October, 2016, besides furnishing the realistic target date of rectification of all identified hazardous locations/ installations.

2. CAPITAL EXPENDITURE FOR FY16:

KPTCL has submitted the progress details of 30 new sub-stations, 1033.70 Ckt kms of transmission lines and 80 Numbers of augmentation of the sub-station works during FY16. KPTCL is required to furnish the voltage wise details of achievements in the following format:

New substation:

Sl No	Name of the Station &	Voltage class	Date of commencement of work	DP R cost	DW A cost	Date of completion	Time over run if any	Cost incurred on completion	Date of categorization	Reason for non-categorization	Remarks
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KPTCL in the para on 'Rationale for Capital investment Programme' has stated that, the various voltage class substations and lines are being added to the system along with augmentation of substation capacity. KPTCL shall furnish the following:

- a) Whether all the substations of KPTCL are capable of catering 24X7 Hrs power to downstream system
- b) List out the congested line and substations along with remedies proposed and time line for completion.
- c) List of works prioritised to relieve congestion if any.
- d) Whether, SLDC is conducting operational load flow studies to find out the congestion and reporting it to KPTCL regularly for removing congestion. A sample report may be submitted.
- e) Readiness to receive the increased ISGS allocations as well as LTA and short term power it is buying from outside the State.

3. O & M Expenses:

I) As per the audited accounts, KPTCL has claimed an amount of Rs.134.40 Crores towards P&G contribution for FY16 including contribution made on employees covered under NDCPS on account of pension and gratuity. In this regard, KPTCL is required to furnish the calculation sheet for these claims and also furnish a copy of the actuarial valuation report in support of the claims made towards P&G contribution.

II) KPTCL shall furnish the cadre wise number of newly recruited Employees and the cost incurred thereon, if any, during FY16.

III) Further, it is observed that, in Form T-4 an amount of Rs.53.17 Crores has been claimed under "other income" for the excess provision in the earlier years no longer required. As per note 24.2 of audited accounts for FY16, it is noted that, this amount is recognised as per the actuarial valuation report as on 31.3.2016. KPTCL shall furnish the detailed calculation sheet in support of recognising this amount and submit the actuarial valuation report as on 31.3.2016.

Number of bays added during FY16:

It is observed that the data furnished by KPTCL in respect of the following does not tally/justified with the opening balances as made out in the remarks column:

Type	Data furnished by KPTCL for FY15	Data furnished by KPTCL for FY16	Additions during FY16	Remarks
Line Bay	5136	5136	0	The reason for line bays at same level inspite of commissioning new substations and lines shall be furnished
Transformer bay	2290	2361	71	Transformer bay for new substations and augmentation shall be furnished
PT Bay	1474	1572	98	Breakup of the voltage class wise additional PT bay provided during the year shall be furnished
Capacitor Bank Bay	823	947	124	Breakup of the voltage class wise capacitor bank bay during the year shall be furnished
11 kV Bay	10524	12877	2353	Breakup of 11kV bay for new station, augmentation and any other shall be furnished.
Total	20247	22893	2646	

Transmission lines (in Ckms)

Voltage Class	Data furnished by KPTCL for FY15	Additions reported during FY16	Data furnished by KPTCL for FY16	Remarks
400 kV	2650	33.30	2683.30	-
220 kV	10298	651.14	10948.13	The figures reported for FY16 does not arithmetically tally with the figures filed for FY15
110 kV	10021	172.49	10180.55	
66 kV	10235	176.77	10425.56	
TOTAL	33204	1033.70	34237.54	-

4. Depreciation:

KPTCL in its application for APR for FY16 as per Note 20 of the audited accounts has recognised an amount of Rs.37.58 Crores as depreciation withdrawn on assets created out of consumer contribution /grants under Form T6 - Other income. In support of these claims, KPTCL is required to furnish

the category wise assets created out of consumer contribution /grants and depreciation thereon.

5. Interest on loans:

KPTCL in its application for APR for FY16 under format T-9 has indicated short term loans of Rs.200 which includes opening balance of Rs. 100 Crores and an amount of Rs.3.22 Crores is claimed as interest thereon. However, in the audited accounts for FY16, the short term loan details is not shown under Note 8 – Short term Borrowings and provided Rs.3.22 Crores as interest on short term loans under Note 27- Finance Cost. KPTCL is required to furnish the details for the short term loans for FY16.

6. Exceptional items:

KPTCL in its application for APR for FY16, under format T-12 has indicated an amount of Rs.527.79 Crores as extraordinary debit/ exceptional item of expenditure. The same has been factored in the P & L account while deriving the profit for FY16. KPTCL, in its audited accounts for FY16 under note 31 has explained the reasons for including this amount as an item of expenditure.

The Commission notes that, the above issue has already been decided in its Tariff Order dated 30th March,2016 wherein, it was decided that, as per GO dated 31.05.2002 and 19.12.2002, GoK is liable to meet the P&G requirement of existing pensioners and such liability cannot be passed on to the consumers. However, it is now reported by KPTCL that, as per the present directions of the Government of Karnataka, it has included an amount of Rs.527.79 Crores as extraordinary debit/ exceptional item of expenditure in the audited account for FY16 and accordingly included the same in the APR for FY16.

KPTCL shall furnish the detailed calculation sheet in support of the claims of this amount of expenditure. Further, KPTCL shall furnishing the reasons /justifications for inclusion of this amount in the audited accounts for FY16 and claiming the same as an item of expenditure in APR of FY16 to be recovered

from consumers as part of the transmission charges during FY18 in contravention to the Commission's decision in Tariff Order 2016.

7. Return on Equity:

KPTCL has indicated an amount of Rs.107 Crores under Form A2 as equity infusion (Share Pending Allotment) during FY16. KPTCL is required to furnish the copy of the relevant Government Orders and actual date of receipt of the equity amount from the Government of Karnataka during FY16.

8. Other Issues :

- i. **Transmission capacity:** Considering the actual transmission capacity addition during FY16 and the proposed capacity addition in FY17, the ESCOM wise revised Transmission capacity to be considered for FY18 for the purpose of apportioning the transmission charges and other costs shall be furnished.

ii. Transmission System Availability (TSA) for FY16:

KPTCL has furnished TSA for FY16 at 99.43%. KPTCL has not furnished the replies to the observations made by the Commission vide its letter No. KERC/M/15/2016-17/1468 dated 1st September, 2016. Hence, KPTCL is required to furnish the revised Transmission system availability for FY16 along with justification for the same.

iii. SLDC charges:

KPTCL in its application for APR for FY16 has indicated SLDC charges at Rs.19.94 Crores in table no. 21 for FY16. However, the same does not tally with the expenses indicated in the Audited Accounts. The figures indicated in the application and as per Audited Accounts are as follows:

Particulars	Figures in Rs.Crs	
	As Per Audited Accounts 2015-16	As per Application for APR 16
Repair & Maintenance	4.37	0.61
Employee Cost	15.31	11.19
A & G Expenses	8.31	7.92
Depreciation	-	0.22
Total	27.99	19.94

KPTCL shall furnish the details/documents in support of its claims of SLDC Charges for Rs. 19.94 Crores.