

Preliminary Observations on KPTCL Revised ERC & ARR for FY08-FY10
and revised Transmission Tariff for FY10 under MYT Framework

1. KPTCL has filed the revised ERC and Tariff application for FY10 by indicating the actuals for FY08 and provisional actuals for FY09. While KPTCL has furnished audited accounts for FY08, the provisional accounts for FY09 have not been filed with the tariff application. **The same may be furnished.**
2. KPTCL has proposed transmission charges on per unit basis whereas, as per MYT Regulations, the Commission has fixed the transmission tariff on per MW basis (based on NCP of ESCOMs- page No. 183 of the MYT order dated 6th July 2007). **KPTCL shall accordingly modify the tariff computation on MW basis to be in line with clause 3.15 of MYT Regulations.**

3. Capital Investment / Interest & Finance Charges:

- a) For the purpose of taking up prudence check of capex(as per orders of the Hon'ble ATE) for FY07 & FY08 KPTCL was directed to furnish necessary information/clarification. The same is yet to be furnished. Clause 3.5.1 of the MYT Regulations also specify that actual expenditure incurred towards capital investment shall be subject to prudence checks. Similar details for FY09 shall also be furnished in the prescribed form for taking up prudence check. This information is very much essential for carrying out the prudence check on the investments made and to true up the interest & finance charges.
- b) KPTCL has indicated that for FY08, capex of Rs.2093 crores has been incurred. In this regard KPTCL shall furnish the break up of details such as loan amount availed, interest paid in respect of completed as well as on going works. The total capex incurred for FY08 shall be tallied with the audited accounts.

- c) The loan-wise details, as required under clause 3.8.1 of the MYT Regulations, are not furnished for calculation of interest in respect of FY08 to FY10. KPTCL has furnished only source-wise details of loans. Individual loan-wise details shall be furnished for the control period. Moratorium of loans repayment shall be indicated for all existing/ new loans.
- d) The details of interest on working capital incurred with reference to the approved figures shall be furnished for FY08 & FY09.

4. Transmission losses:

- a) The Commission in its MYT Order dated 6th July 2007 had approved the following loss levels for the first control period FY08-10:

Percentage Loss Levels approved:

Control Period	FY08	FY09	FY10
Upper Range	4.16	4.13	4.10
Average	4.06	4.03	4.00
Lower Range	3.96	3.93	3.90

The Commission notes that, as per the present filing the following are loss levels achieved for FY08 & FY09 and projections for FY10:

Percentage Loss Levels achieved/Projected

Control Period	FY08	FY09	FY10
Upper Range	4.37	4.30	4.56
Average			4.26
Lower Range			3.96

As per the earlier ERC filing for FY08-10 dated 29.11.2006, the following were the loss levels proposed by KPTCL.

Percentage Loss Levels Proposed in MYT filing in November 2006

Control Period	FY08	FY09	FY10
Upper Range	4.48	4.36	4.30
Average	4.18	4.06	4.00
Lower Range	3.88	3.76	3.70

The Quantum of energy handled by KPTCL as per earlier filing, as per actuals and the present filing are as follows:

Energy in MU

Control Period	FY08	FY09	FY10
As per earlier filing	43238	46985	51331
As per Actuals for FY08 & FY09/Projections for FY10	42934	44122	44599
As per PRDC Report dated March 2007 on Long Term Business Plan	43386	46852	51019
Projected Losses as per PRDC Report (%)	4.09	4.04	4.00

The Commission notes from the above that KPTCL has not achieved the targeted losses approved by the Commission despite substantial investments on capital works. The Capex allowed by the Commission and the actual/projections for the control period is as follows:

Particulars	FY08	FY09	FY10
Allowed*	2400	2100	1600
Actuals as per filing	2093	1701	2380

*Capex as proposed by KPTCL was allowed as per ATE's Order

Despite having allowed the proposed capex, loss reduction has not been achieved as targeted. Even the loss reduction has not matched with the projected loss levels proposed by KPTCL.

Further it is observed that the energy handled is also lesser than the projected figures. Considering KPTCL's earlier contentions that higher the energy handled, higher would be the losses, the loss levels in the control period have not comedown. When the energy handled has reduced, the actual loss projection for FY10 should have been less than what was projected earlier. The projected loss for FY10 was 4% with projected energy to be handled at 51331 MU. Whereas, in the present filing the projected loss is 4.26% against a projected energy of 44599 MU. KPTCL shall explain this anomaly and furnish reasons for exceeding the target loss levels.

b) Further as per the Energy Flow Diagram, the energy to be handled is indicated as 44599 MU whereas the same is shown as 44549.46 MU as per statement A-1. Also on page 41 of the filing, the energy to be handled is indicated as 44595.07 MU. KPTCL shall clarify as to the correct figure to be considered by the Commission.

c) The percentage transmission loss for FY10 is shown as 4.26% at Page 22 of the filing. Whereas the same is indicated as 4.31% on page 41, page 46 and Energy Flow Diagram on page 73. The Correct figure may be confirmed.

d) A copy of the PRDC Report on Perspective Plan 1999-2012, referred to in the filing may please be submitted for Commission's reference.

5. O & M Expenses:

a) It is observed that as per the norms indicated in MYT order dated 6th July 2007 (page 158), the following rates have to be applied for arriving at O & M Expenses:

O & M Cost per Bay Rs. 1.44 lakhs

O & M Cost per Ckt KM Rs. 0.62 lakhs

This has been escalated by 5.37% p.a for the control period based on CPI & WPI for FY07.

However KPTCL has stated that the bay cost alone works out to 5542 crores based on following norms:

(Rs. In Lakhs)

Particulars	FY08	FY09	FY10
O & M Cost per Bay	0.255	0.266	0.277
O & M Cost per Ckt KM	31.63	32.90	34.22

As per clause 3.11.3 of the MYT Regulations, the above norms are applicable to new Transmission licensees only. Since KPTCL is an existing licensee, the norms specified in MYT order dated 6th July 2007 are applicable.

b) In the MYT order, while arriving at the norms the Commission had considered only the no. of terminal bays pertaining to 400 Kv, 220 Kv, 110 Kv and 66 Kv (total bays considered for FY07 was 5238 no.s) It had not considered PT bays and 11 Kv bays. **Thus while computing the O & M expenses only the terminal bays pertaining to 400 Kv, 220 Kv, 110 Kv and 66 Kv may be considered by excluding the PT bays and 11 Kv bays.**

- c) As regards the length of the transmission line, the Commission has considered the circuit kilometers for 400 Kv, 220 Kv, 110 Kv and 66 Kv only. Whereas, KPTCL has considered 33 Kv also (Page 37). **Hence while computing the O & M expenses 33Kv lines have to be excluded.**
- d) **KPTCL may furnish the details of terminal bays and length of transmission in Ckt KMs for FY08, FY09 & projections for FY10.**
- e) KPTCL shall work out the O & M expenses as per the norms with reference to bays and length of lines as indicated above.
- f) Since the O & M expenses are computed on normative basis as per MYT Regulations (which is performance-based regulation), the Commission will approve O & M expenses based on norms without looking into individual components like R & M, employee cost & A & G Expenses. As stated above, any gain or loss with reference to actuals have to be shared through an appropriate mechanism. Thus O & M expenditure is a controllable expenditure under the MYT Regulations, **KPTCL shall propose a mechanism to share any gain or loss on the actual performance as required under clause 2.4.1(i) of the MYT Regulations.**
6. **SLDC Charges:** It is indicated that 50% of the SLDC charges are included in the ERC and the remaining 50% is proposed to be recovered from the generators. Break up of expenses of SLDC shall be furnished separately.
7. **Auxiliary Consumption:** As per Para 3.3 of MYT Regulations, the Auxiliary consumption shall be borne by the Transmission licensee as part of its normative O&M expenses. However, in para no. 4.1.2 of KPTCL's filing, it is stated that auxiliary consumption is proportionally distributed among the ESCOMs (page 21 of the filing), which is not in accordance with the

provisions of the regulations. **Auxiliary consumption of all substations coming under KPTCL, shall be to the account of KPTCL.** The transmission loss shall be computed as under:

Particulars	FY.....
Energy Available for Transmission	A
Auxillary Consumption (KPTCL Stations)	B
Wheeling & Banking & Others	C
Energy Sold at Interface Points	D
Transmission Loss	(A-B-C-D)

8. **Manpower studies:** The Commission has been insisting on completing the studies on manpower. KPTCL had already conducted a study in the matter through M/s TECSOK in September 2006 and has now engaged ASCI Hyderabad. The Commission notes that KPTCL has been changing the consultants without any result. The Commission takes note of this lapse seriously. As indicated in the ERC filing an interim report has been furnished by ASCI and the final report is expected in November 2009. A copy of the interim Report may be furnished to the Commission.

KPTCL may clarify what happened to TECSOK report and why it became necessary for taking up new studies through M/s ASCI, may be informed.

9. **System Availability:** As per Para 2.2 of the MYT Regulations KPTCL is required to furnish target Availability for recovery of full transmission charges. KPTCL, in its tariff Filing has stated that the Availability of Transmission system is 98.9 % in FY09 and 99% in FY10. The details may be furnished as per Appendix-1 of MYT Regulations.

10. Interest on Power Purchase:

It is observed in Form T-9 (page 60) interest on power purchase is indicated as Rs. 208.57 Crs, Rs.108.21 Crs and Rs.113.35 Crs. For FY07, FY08 & FY09

respectively. Please inform whether this amount pertains to the previous years, if yes the actual amount as booked in the accounts for respective years may please be furnished. If no please give further details of the claims.

11. R OE & Depreciation

KPTCL has proposed RoE and Depreciation for Fy09 & Fy10 as per the revised rates of CERC. Since the ERC is based on MYT Regulations, the Depreciation and RoE should be as per KERC MYT Regulations as in force now.

12. Other observations:

Employee cost for FY07 is indicated as Rs.165.96 Crs in form T6 whereas the same is indicated as Rs.168.81 Crs in Table 6 at Page 23. Similarly for FY09 it is indicated as Rs.250.27 Crs in form T6 whereas the same is indicated as Rs.248.60 Crs in Table 8 at page 25.

A&G Expenses for FY09 is indicated as Rs.56.56 Crs in form T7 whereas the same is indicated as Rs.55.22 Crs in Table 8 page 25.

Other Debits for FY07 is indicated as Rs.85.79 Crs in form T11 whereas the same is indicated as Rs.8.04 Crs in Table 6 at page 23. Similarly for FY08 it is indicated as Rs.140.09 Crs in form T11 whereas the same is indicated as Rs.117.20 Crs in Table 7at page 24.

In Form T-9 the current loans for Fy10 are indicated as 1602 Crores whereas in page 39 the same is indicated as Rs.1530 Crores.

Correct figures in respect of the above may be intimated.

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