

**Preliminary Observations on ERC and Transmission Tariff Application  
of KPTCL for FY11-FY13**

**1. Audited / Provisional Accounts:**

KPTCL has filed ERC and Tariff application for FY11-13. The audited/provisional accounts for FY10 have not been filed with the tariff application. The same shall be furnished.

**2. Annual Review of Performance:**

In terms of Clause 2.7 of the KERC (Terms and Conditions for Determination of Tariff for Transmission of Electricity) Regulations, 2006 (MYT Regulations), KPTCL shall make an application for Annual Review of performance for FY10. KPTCL has requested the Commission to approve revised ARR for FY10 without furnishing the required details. KPTCL shall submit proposals for Annual Review Performance for FY10 as per the provisions of the MYT Regulations. This is to ensure that any deficit or surplus for FY10 is carried forward to the ERC of the next control period.

**3. Capital Investment / Interest and Finance Charges:**

KPTCL has proposed capex for the control period as follows:

FY11	Rs.1692.38 Crores
FY12	Rs.2300.00 Crores
FY13	Rs.2500.00 Crores

The Commission had allowed an amount of Rs.2380.36 Crores for FY10. For the purpose of taking up prudence check of capex (as per orders of the Hon'ble ATE) for FY10 KPTCL shall furnish details of the works for FY10, in the formats prescribed by the Commission.

b) 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 FY11 to FY13. KPTCL has furnished only source-wise details of loans. Individual loan-wise details shall be furnished for the control period. Moratorium of repayment of loans shall be indicated for all existing/ new loans.

#### **4. Transmission losses:**

The Commission had fixed transmission loss of 4% for FY10. KPTCL has indicated actual transmission loss of 4.20% for FY10. Further, KPTCL has shown the following loss levels for FY11 – FY13:

**Proposed Percentage of Loss Levels**

<b>Control Period</b>	<b>FY11</b>	<b>FY12</b>	<b>FY13</b>
Upper Range	4.50	4.48	4.46
Average	4.20	4.18	4.16
Lower Range	3.90	3.88	3.86

It is observed that KPTCL has proposed CAPEX of Rs.1692 Crores in FY11, Rs.2300 Crores in FY12 and Rs.2500 Crores in FY13 besides substantial investments in the past three years. The reduction in loss levels is not commensurate with the investments already made and proposed to be made. Hence considering these investments, KPTCL shall propose reduction of loss levels on a more realistic basis.

Further, as per the filing (page No.18) the voltage wise losses indicate higher losses at 220 KV level compared to 110 KV and 66 KV. KPTCL shall clarify how losses are higher at higher voltage compared to that at lower voltages.

As regards calculation of system availability of transmission network for FY10, KPTCL shall furnish zone wise calculation sheet as per Appendix-1 to the MYT Regulations.

Further, as per the Energy Flow Diagram, the energy at interface points of ESCOMs is indicated as 49512 MU (as per KPTCL), whereas, the aggregate of the IF energy as furnished by ESCOMs in their filing works out to 45118 MU for FY11. Similarly, the figures for FY12 and FY13 do not match. KPTCL shall furnish the correct figures of interface energy to be delivered to the ESCOMs duly reconciling the same with ESCOM figures.

## **5. O & M Expenses:**

As per clause 3.11 of the MYT Regulations, the consolidated O & M expenses for the base year of the control period and for the two years preceding the base year have to be submitted. The O & M expenses for base year shall be determined based on the latest audited accounts, best estimates for the relevant years and other factors considered relevant. KPTCL, in its filing, has only estimated the R & M expenses, employee cost and A&G expenses separately without considering the provisions of the MYT Regulations. KPTCL shall estimate the O & M expenses (total of R&M, A&G and employee cost) as per the MYT Regulations duly applying the inflation factors giving weightage towards WPI and CPI. KPTCL shall also propose a mechanism to share gains and losses on the actual performance as required under Clause 2.4.1 of the MYT Regulations. Further, the details of additional employee cost due to revision of pay may be separately indicated for the relevant years providing detailed working for arriving at the additional cost.

It is observed that, the contribution towards pension and gratuity trust for FY10 is Rs.6.72 Crores whereas the same is indicated as Rs.73.97 Crores for FY11 i.e. an increase of about 12 times over FY10. Reasons for abnormal increase during FY11 needs to be explained.

## **6. Manpower studies:**

It is indicated in the filing that M/s ASCI, Hyderabad has since completed the Manpower Studies. KPTCL shall furnish the details of the recommendations made therein and the action taken by KPTCL thereon. A copy of the report

submitted by ASCI may please be submitted to the Commission, as the same has not been received so far.

## **7. Interest & finance Charges:**

a) KPTCL has proposed capex for the control period as under:

FY11 Rs. 1692 Crores

FY12 Rs. 2300 Cores

FY13 Rs. 2500 Crores

KPTCL has not indicated the sources of funding for the above capex for FY12 & FY13 i.e. through equity, borrowing and internal resources. KPTCL shall furnish the same.

b) 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 FY11 to FY13. KPTCL has furnished only source-wise details of loans. Individual loan-wise details such as lending agency, amount, rate of interest etc., shall be furnished for the control period. Moratorium of loan repayment, if any, shall also be indicated for all existing/ new loans.

## **8. Return on Equity:**

KPTCL has proposed RoE as per the revised rates of CERC. However, KPTCL has not submitted its provisional/Audited accounts for FY10. In order to determine the reserves and surplus from FY11 onwards, KPTCL is requested to furnish its provisional/Audited accounts for FY10. Further, it is observed from A2 format that, there is substantial addition to reserves and surplus from FY11 to FY13 despite indicating deficit in the A1 statement for these years. KPTCL shall clarify the same.

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