PRESS NOTE

10th April 2006

No increase in Transmission Tariff for FY07

1. KPTCL has filed an application with the Commission for approval of ERC & Tariff Revision for FY07 to approve an Annual Revenue Requirement (ARR) of 991.74 crores and a revised transmission tariff of 26.06 paise per unit as against the existing tariff of 19.42 paise per unit. The increase in transmission tariff sought by KPTCL is 40% on net energy.

2. KPTCL sought approval for capital investment of Rs.2700 crores for FY07. The Commission had appointed an expert committee under the Chairmanship of Sri B.G.Rudrappa to examine the capital investment proposal. As recommended by the Committee the Commission has approved an investment programme of Rs.1755 crores for FY07. The Committee has made various recommendations on prioritisation of works. The Commission has accepted all the recommendations and directed KPTCL to implement the recommendations fully.

3. The Commission has implemented the National Tariff Policy of GoI and has allowed Return on Equity at 14% (as against 12% allowed earlier) and has adopted depreciation rates as per the CERC norms.

4. The Commission has approved an ARR of Rs. 681.46 crores as against the proposed ARR of Rs.991.74 crores by KPTCL after validation. The major reduction is in respect of Depreciation by Rs. 140 crores due adoption of CERC rates of depreciation, and Interest on Loans by Rs.40 crores due to reduction in the capital programme and reduction of advance against depreciation by Rs.88 crores.

5. The Commission has approved a transmission loss of 4.06% as against 4.18% proposed by KPTCL.

6. The Commission has approved to retain the existing transmission tariff at 19.42 paise per unit. No increase in transmission tariff has been allowed.

7. Second phase of Open access (5MW and above with voltage of 33 KV and above) has come into force from 1.4.2006. Commission has revised open access charges for transmission payable in cash to Rs.10.5 lakhs/MW/Year from the existing rate of 11 lakhs/MW/year and in kind based on voltage levels of injection and drawal within the overall loss limits of 4.06%.

8. The Commission thanks the Expert Committee for their efforts, all the Objectors for their active participation and appreciates the KPTCL for timely response in completing this exercise.

Secretary KERC