

**Date:** 31.12.2007

To

The Editor,

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## **PRESS NOTE**

### **KERC issues Supplementary Transmission Tariff Order for FY08 to FY10 under MYT Framework pursuant to Hon'ble ATE's Order dated 4.12.2007**

1. KERC, in its MYT order dated 6<sup>th</sup> July 2007, had approved the revenue requirement and the Multi Year Tariffs for the tariff period 2007-08, 2008-09 and 2009-10 on KPTCL's ERC and Transmission Tariff application. KPTCL had challenged the said order before the Hon'ble Appellate Tribunal for Electricity (ATE) in its Appeal No. 100/2007 questioning the legality of the several decisions taken by the Commission, such as, Truing up of Annual Revenue Requirement of the past years (from FY01 to FY06), disallowances of interest and finance charges, directions of the Commission to the Government to remit Rs.620.58 Crores to distribution companies etc.,

2. The Hon'ble ATE, while allowing the Appeal in its Order-dated 4.12.2007, gave its verdict as follows and directed KERC to implement the decisions within six weeks:

- i) **Truing up of Financials:** Truing up of financial per se cannot be faulted though done belatedly, but can be taken up in two stages- once when the provisional financial results are compiled and subsequently after the Audited Accounts are available. Impact of truing up exercise must be reflected in the tariff calculations for the following year.
- ii) **Directions to remit Rs.620 Crs. to ESCOMs:** Since the matter is before the Hon'ble High Court of Karnataka, the Hon'ble ATE has not decided in the matter.
- iii) **Disallowance of Interest & Finance Charges:** To allow the interest & finance charges on the proposed capital expenditure as per the Commission's well-established practice and make required adjustments at the time of capitalisation of assets as approved by the Commission.
- iv) **Tanir Bhavi Claims:** The Hon'ble ATE has observed that the Commission has considered the claim in its ERCs but the same has to be shown succinctly in the revised order.
- v) **Truing up of financial for FY07:** The Hon'ble ATE has directed the Commission to take up truing up of financials for FY07.
- vi) **Interest and Finance charges on belated power purchase payments booked in FY07 accounts:** To allow this amount and give effect to

the adjustments in the distribution tariff for the period FY08 to FY10 along with carrying cost.

- The Commission has now complied with the orders of the Hon'ble ATE, duly following the principles laid down by it and has re-determined the Transmission Tariff in this Supplementary Order dated 31.12.2007.

The details of the Annual Revenue Requirement (ARR)/ Transmission Tariff as approved earlier and revised Revenue Requirement now approved for the control period-FY08 to FY10 is as follows:

Particulars	As proposed by KPTCL			As approved by KERC in Order dated 6 <sup>th</sup> July 2007			As approved by KERC now based on ATE Order		
	FY08	FY09	FY10	FY08	FY09	FY10	FY08	FY09	FY10
ARR (Rs. in Crores)	1352	1511	1980	724	667	696	780	889	1022
Transmission Tariff (Rs. per MW per month)	-	-	-	83199	71939	70391	89699	95869	103402
Transmission Tariff (paise per unit)	32.64	33.54	40.19	17.48	14.80	14.12	18.84	19.73	20.74

It is seen from the above table that transmission tariff per unit for the control period now approved, has increased by 1.36 paise, 4.93 paise and 6.62 paise for FY08, FY09 & FY10 respectively, as compared to the tariff approved earlier in the MYT order.

**Revised Transmission Tariff for FY07:** The ARR of FY07 has been revised based on the provisional accounts for FY07 (pending prudence check on the capital expenditure of FY07) and the revised tariff is 20.05 paise per unit as against existing tariff of 19.42 paise per unit. The Commission had fixed a tariff

of 17.23 paise per unit in its earlier order dated 6.7.2007, which was challenged before the ATE.

Detailed supplementary MYT order is available on the Commission's website [www.kerc.org](http://www.kerc.org)

Sd/-

**Secretary**

KERC