

CHAPTER – 4

ANNUAL PERFORMANCE REVIEW FOR FY21

4.0 KPTCL's Application for APR for FY21:

The KPTCL, in its application dated 30th November, 2021 has prayed the Commission to approve the Annual Performance Review (APR) for the FY21, and the revised ARR, as per the Audited Accounts and MYT norms for FY21.

The Commission, in its Tariff Order dated 30th May, 2019 had approved the Annual Revenue Requirement (ARR) and had determined the ARR of Rs.3,645.17 Crores for FY21. Further, the Commission, vide its Order dated 4th November, 2020, had approved the revised Annual Revenue Requirement (ARR) of Rs.4292.87 Crores for FY21 by considering the carried forward revenue deficit of Rs.436.71 Crores as per APR for FY19, amortized regulatory asset (for five months i.e., from November, 2020 to March, 2021) of Rs.138.09 Crores and revenue deficit of Rs.72.90 Crores for FY06-07 as per truing up of ARR for FY06-07, as per KERC Order No.N/33/2020 dated 19.10.2020 issued in implementing the order of Hon'ble ATE Order dated 05.10.2020 in Appeal No.97/2020.

In this Chapter, the Commission has reviewed the Annual Performance of KPTCL for FY21, in accordance with the provisions of the MYT Regulations, on the basis of the application filed by the KPTCL, Audited Accounts for FY21 and KPTCL's replies to the Commission's preliminary observations. The item-wise analysis of expenditure and revenue and the decisions of the Commission thereon, are as following paras:

4.1 KPTCL's Submission:

The KPTCL has submitted the details of revenue earned and item-wise expenditure incurred for consideration during APR for FY21 as follows:

TABLE – 4.1
KPTCL's filing – APR FY21

Amount in Rs. Crores			
Sl. No.	Particulars	As approved (Tariff Order dated 30 th May, 2019 & Tariff Order dtd.4.11.2020)	As filed
1	Energy available for transmission in MU	74340.70	71271.69
2	Energy sold at IF Points in MU	71984.1	69105.43
3	Transmission Losses in MU	2356.60	2166.26
4	Transmission Loss in %	3.039%	3.039%
5	Installed Capacity in MW	23063	24438
6	Revenue from Transmission of power	4292.87	3898.52
7	Expenditure :		
i	Employee Cost		1218.41
ii	Repairs & Maintenance		327.86
iii	Admin, & General Expenses		133.58
	Total O&M Expenses	1,661.30	1679.85
8	Depreciation	839.59	960.59
9	Interest & Finance Charges	541.51	544.54
10	Interest on working capital	97.56	51.17
11	Return on Equity	843.36	758.50
12	Income Tax	0.00	285.48
13	Other Debits	0.00	34.58
14	Extraordinary items	0.00	0.00
15	Less:		
16	Interest & Finance Charges capitalized	-77.41	-97.25
17	Other Expenses capitalized	-46.42	-63.80
18	Other Income	-214.33	-75.95
19	Net Prior Period Income /Charges	0.00	0.00
20	ARR	3,645.17	4077.71
21	Add Deficit as per approved ARR for FY19 after APR for FY19	436.71	0.00
22	Amortized Regulatory Asset (for five months)	138.09	0.00
23	Revenue Deficit for FY06-07 found out during truing up	72.90	0.00
24	Revenue approved by KERC but not demanded from 01.04.2020 to 31.10.2020.	-	377.82
25	Total ARR for FY21	4292.87	4455.53
26	Deficit for FY21	0.00	557.01

As per the Tariff application, KPTCL has submitted that it has earned a Revenue of Rs.3898.52 Crores from Transmission of power as against a net ARR of Rs.4455.53 Crores for FY21. KPTCL has reported a total deficit of Rs.557.01 Crores in Revenue

for the FY21 which includes revenue gap of Rs.377.82 Crores which was not demanded as per Tariff Order dated 04.11.2020 for the period 01.04.2020 to 31.10.2020. As regards the revenue gap of Rs.377.82 Crores for the period 01.04.2020 to 31.10.2020, KPTCL has informed that the ARR for FY21 allowed by the Commission vide its Tariff Order dated 04.11.2020 was given to effect from 01.11.2020. Hence, the effect of revised Transmission charges from 01.04.2020 to 31.10.2020 amounting to Rs.377.82 Crore could not be demanded from ESCOMs. Accordingly, KPTCL has requested the Commission to include the uncovered amount of Rs.377.82 Crore in the APR of FY21 and carry forward the net deficit of APR for FY21 of Rs.577.01 Crores to the ARR for FY23 and to allow to recovery of the same from ESCOMs.

The Commission has noted that, as per Format-A1 and the audited accounts, KPTCL had earned a surplus of Rs.579.31 Crores without considering the uncovered transmission charges of Rs.377.82 Crores for FY21.

4.2 Financial Performance of KPTCL as per Audited Accounts for FY21:

The overview of the financial performance of KPTCL for the FY21, as per its Audited Accounts, is as follows:

TABLE – 4.2

Financial Performance of the KPTCL – FY21

Amount in Rs. Crores

Sl. No	Particulars	FY21
	Revenue	3898.52
	Expenditure	
1	O&M Expenses	1679.98
2	Depreciation	1054.86
3	Interest & Finance Charges	595.71
4	Income Tax	247.71
5	Other Expenses	34.73
6	Extraordinary items	0.00
7	Net Prior Period Charges	0.00
	Less:	
8	Interest and Finance charges capitalized	-97.25
9	Other expenses capitalized	-64.28
10	Other income	-169.57
	Total Expenditure	3281.91
	Profit for the Year	661.61

As per the Audited Accounts, the KPTCL has earned a profit of Rs.616.61 Crores in FY21. Considering the surplus earned by the Company in the previous years, the cumulative surplus as per the audited accounts, at the end of FY21 is Rs.3289.48 Crores, which is inclusive of profit earned during FY21.

4.3 Annual Performance Review for FY21:

The Commission has considered the actual revenue and expenses reported by KPTCL as per the Audited Accounts, as against the expenses approved by the Commission, in its Tariff Orders dated 4th November 2020 and the revised ARR as per Tariff Order 04.11.2020, for the purpose of Annual Performance Review for the FY21.

The Annual Performance Review (APR) of the KPTCL for the FY21, has been taken up by the Commission, in accordance with the provisions of the KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006, as amended from time to time. The analysis of item-wise expenditure and the decisions of the Commission thereon, are discussed in the following paragraphs:

i) Transmission Losses for FY21:

The Commission in its Tariff Order 2020, had fixed the revised transmission loss target at 3.039% with upper and lower range of 3.089% and 2.989% respectively for the FY21 on the basis of the methodology suggested by the KPTCL, wherein the total energy at interface points of the ESCOMs is deducted from the energy input from generation bus to the KPTCL grid, to arrive at the transmission loss in KPTCL system.

The KPTCL, in its filings, has reported transmission loss of 3.039%, as against the Commission approved annual average transmission loss of 3.039% for FY21.

Preliminary Commission's observations and KPTCL reply:

Commission's Observations:

The Commission had made the following observations:

1. KPTCL has submitted the actual voltage-wise losses, for FY19 to FY21 as detailed below:

Voltage (in kV)	Losses(in %)		
	FY 19	FY20	FY21
400kV	0.325	0.288	0.292
220kV	1.506	1.507	1.440
110kV	0.381	0.393	0.339
66kV	0.949	0.941	0.968

It is seen from the above Table that during FY21, there is an increase in loss levels in respect of 400kV and 66kV transmission system.

Hence, Commission directed the KPTCL to furnish the reason for increase in the transmission losses under 66kV voltage class for FY21 over FY20 and FY19. The Commission also directed the KPTCL to furnish the reason for increase in the transmission losses under 400kV and 66kV voltage class for FY21 over FY20.

Reply by KPTCL:

The KPTCL, in its reply to the preliminary observations, has submitted that Transmission losses of any transmission network are dynamic in nature. Transmission loss variations depend on the quantum of energy flow and the direction in which the flow takes place. It is for this reason the Commission has indicated the range of losses within which the transmission network has to operate. The transmission losses for the entire network of KPTCL is well within the range prescribed by the Commission for FY21 and the losses are in reducing trend from FY19 onwards as under:

FY 19 – 3.161%

FY 20 – 3.129%

FY 21 – 3.039%

In the current financial year upto August 2021, the actual Transmission loss of KPTCL is 2.975%.

The Commission, has noted the reply of the KPTCL. KPTCL was earlier directed to make a detailed study in the matter of higher transmission losses at 220 kV level and submit a report to the Commission. Since the same is not compiled

with the Commission directs KPTCL the above report within three months from the date of this Order,

- In the tariff application filed by the KPTCL, the energy handled in the KPTCL's Transmission network has been clubbed into one figure as 71271.690 MU and the energy transmitted at IF points with ESCOMs is indicated as 69105.430 MU which includes EHT, IPP and ESCOM energy consumptions as under:

Energy Consumptions(in MU)		
EHT	IPP	ESCOMs IF points
5517.762	1807.439	61780.229
Total:		69105.43

The ESCOMs, in their tariff applications have filed the energy received at IF points after deducting the transmission losses as 62331.04 MU as detailed below:

Energy Consumption by ESCOMs at IF Point for FY21 (in MU)(excluding energy from HERCS and AEQUS)					
BESCOM	MESCOM	CESC	HESCOM	GESCOM	Total
28586.62	5611.33	7223.77	12650.23	7931.86	62003.81

As per KPTCL filing the ESCOM's energy at Interface point is 61780.229 MUs, including energy drawn by ESCOM at 11kV and 33kV IF points, which also includes wheeled energy, auxiliary energy and energy drawn under STOA.

KPTCL was directed to submit details segregating the energy requirement data.

Reply by KPTCL:

KPTCL, in its reply has submitted the details of actual energy drawn by ESCOMs at interface point for FY21 which includes wheeled energy, auxiliary energy and energy drawn by Railway and under STOA as detailed below:

Sl. No	FY21	Energy in MU
1	Energy drawn by ESCOM at 11KV IF Points	55892.235
	Energy drawn by ESCOM at 33KV IF Points	7686.639
	Energy drawn by ESCOM from EHTs/IPP Import Energy 66KV and above/PPA	5536.866
	Total Energy drawn by ESCOMs at IF Points	69115.738
2	Wheeled Energy	5773.176
3	Auxiliary Energy	40.362
4	Railways Energy	215.746
5	Energy drawn under STOA	785.059
	Total	6814.342

KPTCL has further submitted that, after reconciliation with the ESCOMs, the overall requirement of Energy at IF points has increased to 69115.738 instead of 69105.430 MU and has indicated the revised transmission loss at 3.025%, for FY21.

Commission Analysis & decision:

After considering the replies furnished by KPTCL, the Commission has considered the actual transmission loss of 3.025% as reported by the KPTCL, based on the input energy and energy supplied exclusively at the interface points of the KPTCL transmission system. The Commission therefore, decides to approve the KPTCL's transmission loss of 3.025% for FY21. Since, the actual transmission loss of 3.025% as reported by KPTCL for FY21 is well within the approved upper and lower range of 3.089% and 2.989% respectively. KPTCL is not entitled for any incentive/penalty for achieving the transmission losses for FY 21.

Hence, the Commission decides not to allow any incentive or levy penalty, as the actual transmission loss of 3.025% is within the approved lower and upper limits of losses.

ii) Transmission System Availability (TSA):

The Commission in its Order dated 4th November, 2020, had directed the KPTCL to:

- a) Take necessary action to maintain the elements of transmission system in a healthy condition by carrying out maintenance work as per schedule and conduct Condition Monitoring of substation equipment and Residual Life Assessment (RLA) tests for the old equipment to ensure proper reliability in

supply. Further, KPTCL should expedite the ongoing project execution work to reduce system constraints, for evacuation of RE generation and to avoid time and cost overrun.

- b) Submit the monthly report of transmission system availability duly certified by SLDC regularly to the Commission.

KPTCL in its Petition, has submitted that in order to maintain the elements of the transmission system in healthy condition the respective TL&SS divisions of KPTCL are taking periodical maintenance activities of all the sub-stations and lines coming under their jurisdiction. Further, KPTCL has submitted the Transmission System Availability for FY21 certified by SLDC to the Commission, vide their letter dated 18.11.2021. Further, the details of transmission system availability upto the month of September 2021 has been submitted to KERC on a monthly basis. The Transmission System Availability (TSA) of the transmission lines, transformers and reactors in the KPTCL system, for the FY21, are as follows:

TABLE – 4.3

Transmission System Availability – FY21

Name of the Transmission Zone	Total no. of AC Tr. Lines	% Availability	Total No of ICT's	% Availability	Total No of switched BUS Reactors	% Availability	% Availability for the system
Bagalkote Zone	461	99.196	602	99.763	1	100	99.5175
Bengaluru Zone	450	99.942	689	99.936	6	61.82	99.7385
Kalaburagi Zone	319	99.941	418	99.921	0	0	99.9298
Hassan Zone	240	98.37	346	99.509	3	100	99.0477
Mysuru Zone	215	99.916	324	99.971	0	0	99.9491
Tumakuru Zone	141	99.11	411	99.827	6	86.585	99.5036
Total	1826	99.335	2790	99.845	16	79.921	99.5747

Commission's Analysis:

During the preliminary observation, the Commission has observed that while computing the Transmission System Availability (TSA) of transmission lines and ICTs, KPTCL had not considered all the values with regards to availability and weightage factor. Hence, KPTCL was directed to re-examine the computations and resubmit it to the Commission. Accordingly, KPTCL in its reply to the preliminary observations, has re-examined and revised the TSA from 99.57% to 99.53% for FY21.

TABLE – 4.4
Modified Transmission System Availability
as submitted by KPTCL – FY21

Name of the Transmission Zone	Total no. of AC Tr. Lines	% Availability	Total No of ICT's	% Availability	Total No of switched BUS Reactors	% Availability	% Availability for the system
Bagalkote Zone	461	99.196	602	99.763	1	100.000	99.5175
Bengaluru Zone	450	99.942	689	99.936	6	61.820	99.7385
Kalaburagi Zone	318	99.603	418	99.921	0	0.000	99.7836
Hassan Zone	243	98.387	360	99.521	3	100.000	99.0683
Mysuru Zone	215	99.916	324	99.971	0	0.000	99.9491
Tumakuru Zone	141	99.110	411	99.827	6	86.585	99.5036
Total	1828	99.231	2804	99.845	16	79.921	99.5347

The Commission also directed KPTCL to submit the details of all the forced outages in respect of RE generators for want of transmission network and submit necessary action plan to address the outages. KPTCL, in its reply to the preliminary observation, has submitted that the SLDC issues back down instructions to RE generators as part of grid operations to ensure grid security and maintain the frequency in the permissible limits in terms of IEGC/ KEGC. Thus, other than the above events and outages during scheduled maintenance, no forced outages are imposed on RE generators.

During the 64th Advisory Committee Meeting held on 25th June, 2021, the KPTCL submitted the technical performance of KPTCL for FY21 with regards to increase in transmission system network availability, decrease in losses, etc. KPTCL informed that seven projects are proposed under Green Energy Corridor Phase-I at an estimated cost of Rs.906 Crores for reducing system interruptions for evacuation of RE Generation in the State. Five projects are completed and balance two projects are targeted for completion by December 2021. These projects would help in evacuation of existing 2500 MW RE capacity and reduces interruptions. KPTCL also informed that under Green Energy Corridor Phase-II, thirteen projects are proposed at an estimated cost of Rs.2700 Crores. These projects would help in evacuation of 4500 MW from existing RE capacity and would reduce interruption.

KPTCL stated that transmission system strengthening works are taken up every year and included in the Annual Program of Works. Further, to reduce constraints in RE evacuation in 220KV B. Bagewadi Receiving Station (R/s) GM Navara & Vijayapura R/s Lingasuguru Line-1, KPTCL has submitted that it has approved 400/200kV R/s with installed capacity 2*500 MVA at Yelwar Vijayapura taluk. KPTCL submitted that as part of network strengthening, it has commissioned 400kV Devanahalli Hardware Park GIS station and 400kV Mylasandra GIS station to meet the demand of industrial layouts.

During 65th Advisory Committee Meeting held on 27.10.2021, KPTCL has submitted the details of overloaded Transmission lines and Inter-connecting Transformers along with status of the remedial measures taken up by it. The Commission directed KPTCL to review the projects regularly in order to ensure that the projects are completed within the time frame. KPTCL has submitted the details of action taken in this regard and also has informed the Commission that works are delayed due to litigations cropping up during the implementation of the project. The Commission advised that the pendency of works need to be individually monitored at the Managing Director's Level and to resolve the issues by taking up the matter at appropriate levels, in order to avoid time and cost over-run. KPTCL submitted that it will come up with tentative dates for completion of the projects undertaken to mitigate the overloading in transmission lines and ICTs.

The Commission noted that KPTCL has initiated necessary remedial action to improve availability of the system, and has confirmed that the transmission availability remains at 99.53%.

The Commission, vide letter dated 26.11.2021 had requested the ESCOMs to furnish their views on the transmission availability as submitted by KPTCL. In response of the said letter BESCO, MESCOM, CESC, HESCO and GESCOM have confirmed the transmission system availability as claimed by KPTCL, for their respective zones.

The Commission, after duly validating the submissions made by the KPTCL, has considered the TSA at 99.53%. The Commission directs KPTCL to consistently improve and maintain its TSA, by monitoring and taking remedial measures in respect of the transmission elements which are prone to show lower availability. KPTCL shall also ensure that no RE Generation is affected by transmission system constraints.

iii) Incentive for Transmission System Availability:

As per the provisions of Regulation 3.17(1) of the KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006, the Transmission Licensee is allowed an incentive for achieving system availability above the target availability of 98%. Hence, considering the availability and the net ARR for FY21 as approved by the Commission in this order, the allowable incentive for the FY21 is calculated as follows:

TABLE – 4.5

Incentive for better Transmission System Availability

Incentive for better Transmission System Availability	
Particulars	FY21
System Target Availability	98%
Actual System Availability for FY21	99.53%
No incentive allowed beyond 99.75% as per MYT Regulations	99.75%
Availability beyond target levels	1.53%
Incentives for Availability beyond target levels linked to approved ARR in Rs. Crs	61.83
50% to be shared with the ESCOMs and balance to be retained by KPTCL Rs. Crs	30.91

The total incentive earned by the KPTCL on account of improved system availability for the FY21 is Rs.61.83 Crores. The Commission hereby approves sharing of the gains with ESCOMs in the ratio of 50:50. Thus, the incentive on account of system availability achieved by KPTCL beyond the target set by the Commission for FY21 is Rs.30.91 Crores.

The Commission, therefore, directs KPTCL to recover the above incentive amount of Rs.30.91 Crores from the ESCOMs, in proportion to their actual transmission capacity for the FY21 and utilize the same to adopt technological advancements in tools & machinery and to initiate advanced training to its officers and employees, to improve their efficiency in performance and report compliance thereof to the Commission.

iv) Operation and Maintenance Expenses:

KPTCL's Submission:

KPTCL in its application, has claimed the actual O&M expenses as per audited accounts of Rs.1679.85 Crores (excluding SLDC Charges & Other expenses shared by the ESCOMs) as against Rs.1,661.30 Crores approved by the Commission for FY21. This includes Employee costs of Rs.1218.41 Crores, Administration and General Expenses of Rs.133.58 Crores and Repairs & Maintenance expenses of Rs.327.86 Crores.

The Commission, in its Tariff Orders dated 30th May, 2019, had approved O&M Expenses of Rs.1,661.30 Crores, inclusive of contributions of terminal benefits to P&G Trust and the leave contribution for FY21. Thus, the actual O&M Expenses reported by KPTCL is higher than the approved expenses by Rs.18.55 Crores.

KPTCL in its application, has submitted that as per provisional Annual Accounts, it has incurred Rs.1164.32 Crore towards employee costs after deducting the expenses shared by ESCOMs, employee cost capitalized and KPTCL portion of P&G Trust for FY21. The employee cost includes the contribution to P&G Trust of Rs.341.90 Crores and Rs.55.12 Crores towards earned leave encashment. KPTCL has submitted that the net R&M expenses incurred for the year is Rs.327.84 Crore.

KPTCL has submitted that there has been an increase to an extent of Rs.22.96 Crore in R&M expenses over the previous year due to increase in cost of repairs in respect of plant and machinery, maintenance of Lines, cables and buildings in the KPTCL network. R&M expenses claimed in APR is Rs.327.84 Crore after deducting the capitalized R & M expenses of Rs 0.02 Crore.

Further, KPTCL has claimed Rs.123.88 Crore as per Provisional Annual Accounts towards net A&G expenses for FY21 which excludes Rs.9.70 Crore towards capitalized costs.

KPTCL has computed the O&M Expenses at Rs.1672.95 Crores as per the norms as specified by the Commission towards maintenance of lines and Bays for FY21. Thus, the total allowable O&M Expenses works out to be Rs.1974.87 Crores by considering the uncontrollable O&M expenses of Rs.301.92 Crores. However, the actual O & M Expenses as per Provisional Accounts works out to Rs.1679.85 Crores (1218.41 + 327.86 + 133.58) for FY21. KPTCL in its filing has requested the Commission to allow O&M expenses of Rs.1679.85 Crores as per actual as per provisional annual accounts for FY21.

Commission's Analysis and decisions:

The Commission notes that, KPTCL has submitted the latest audited accounts for FY21 on 2nd February, 2022.

In accordance with Clause 2.5.1 of the MYT Regulations, the values of the base year of the Control period are being determined on the basis of the latest audited accounts, best estimates for the relevant years and other factors considered appropriate by the Commission, after applying the tests for determining the controllable and uncontrollable nature of various items.

As per the MYT Regulations, the O&M expenses of the transmission licensee are treated as controllable expenses. The major components of the O&M expenses are Employees Cost, Administration and General Expenses and Repairs and Maintenance expenses. The audited accounts for FY21 indicate the actual expenses incurred under these heads of expenditure. These expenses, incurred by KPTCL also includes the contributions of terminal benefits to the Pension and

Gratuity Trust towards regular employees and the employees covered under NDCPS and making the provision for Earned Leave encashment. The Commission considers the contribution made to P&G Trust, expenses on the Earned Leave encashment as uncontrollable expenses.

The normative O & M expenses are being determined, considering the actual O & M expenses incurred by the KPTCL during the base year in 2019 and the O & M expenses approved by the Commission for FY20, the actual number of bays and length of transmission lines in circuit kilometers and the actual inflation factor for the year. The Commission has been consistently adopting this approach to compute the O & M expenses, as provided for in the MYT Regulations, besides allowing additional employee cost treated as uncontrollable O & M cost, as per the provisions of MYT Regulations.

The Commission in its Tariff Order dated 30th May, 2019, while approving the O&M expenses for FY21 had considered 24,698 No. of Bays and 39,145 Ckt. Kms of transmission Lines. The actual number of Terminal Bays and the length of Ckt. Kms. of transmission lines erected by the KPTCL for FY21, are shown below:

TABLE - 4.6
Length of Transmission Lines and No. Bays

Transmission Lines-Voltage class:	Transmission lines (in Circuit kms) as on 31.03.2021)
400 KV	3701
220 KV	12188
110 KV	11176
66 KV	11776
TOTAL	38841
Type of Bay	
Line Bay	5836
Transformer bay	2805
PT Bay	1758
Capacitor Bank Bay	1154
11 KV Bay	13440
Total	24993

From the above details, the Commission notes that, KPTCL has over-achieved its target of installations of terminal bays and under achieved the length of Ckt Kms. of transmission lines for FY21.

In line with the earlier Tariff Orders, the Commission decides to continue the computation of composite inflation index based on 80% weightage to CPI and 20% weightage to WPI. Based on this composite inflation index, the Commission has computed the inflation factor, based on similar methodology adopted by the CERC, in its orders on escalation rates, issued from time to time, shown follows:

TABLE - 4.7
Computation of Inflation Rate

Year	WPI	CPI	Composite Series	Yt/Y1=Rt	Ln Rt	Year (t-1)	Product [(t-1)* (LnRt)]
2009	81.9	54.5	59.98				
2010	89.7	61.1	66.82	1.11	0.11	1	0.11
2011	98.2	66.5	72.84	1.21	0.19	2	0.39
2012	105.7	72.7	79.30	1.32	0.28	3	0.84
2013	111.1	80.6	86.70	1.45	0.37	4	1.47
2014	114.8	85.7	91.52	1.53	0.42	5	2.11
2015	110.3	90.8	94.70	1.58	0.46	6	2.74
2016	110.3	95.3	98.30	1.64	0.49	7	3.46
2017	114.1	97.6	100.90	1.68	0.52	8	4.16
2018	118.9	102.4	105.70	1.76	0.57	9	5.10
2019	121.2	110.2	112.40	1.87	0.63	10	6.28
2020	121.8	116.3	117.40	1.96	0.67	11	7.39
A= Sum of the product column							34.05
B= 6 Times of A							204.28
C= (n-1)*n*(2n-1) where n= No of years of data=12							3036.00
D=B/C							0.07
g(Exponential factor)= Exponential (D)-1							0.0696
e=Annual Escalation Rate (%)=g*100							6.9602
As per CERC Notification No. Eco T I / 2021-CERC dated 23.04.2021 with weightage of 80% on CPI and 20% on WPI							

Considering the inflation rate of 6.9602%, the normative O&M expenses for the FY21 will be as follows:

TABLE – 4.8
Approved Normative O & M Expenses for FY21

Particulars	Amount in Rs. Crores	
		Amount
O&M cost in terms Rs. Thousand/bay		398.97
O&M cost in terms Rs. Thousand/Km of Line		106.47
Inflation rate*		6.9602
No. of Bays		24993
Length of Line in Kms		38841
O&M Expenses for Bays Rs. Crores		997.15
O&M Expenses for Lines Rs. Crores		413.54
TOTAL O&M Expenses as per Norms Rs. Crores		1410.70

As stated in pre-para, as per the audited accounts for the FY21, the KPTCL has incurred Rs.397.01 Crores towards additional O&M Expenses on account of Contribution of terminal benefits to P&G Trust of Rs.341.90 Crores and Earned Leave Encashment of Rs.55.12 Crores for FY21. The Commission decides to allow the same as additional employee cost for FY21.

Based on the above discussions, the allowable O & M expenses for the FY21 are as follows:

TABLE – 4.9
Allowable O & M expenses for FY21

Particulars	Amount in Rs. Crores	
	FY21	
O&M Expense as per Norms Rs Crores	1410.70	
Additional O&M Expenses on account of P&G Contribution and Earned Leave Encashment for FY21	397.01	
Total Allowable O&M Expenses	1807.71	
Claimed by KPTCL as per audited accounts	1679.85	
Actuals as per provisional audited account	1679.98	
Allowable O&M expenses limited to actual as claimed by KPTCL	1679.98	

The Commission notes that, the allowable O&M expenses of Rs.1807.71 Crores is higher than the actual O&M expenses of Rs.1679.98 Crores by Rs.127.73 Crores for FY21. The Commission notes the claims made by the KPTCL is restricting its claims to the extent of actual amount of O&M expenses incurred as per audited accounts. As the O&M expenses are controllable expenses as per the provisions of MYT Regulation, the Commission by considering the claim of KPTCL and to minimize the burden on the consumers particularly during the economic slowdown period on account of Pandemic COVID-19 decides to allow the actual O&M expenses of Rs.1679.98 Crores incurred by KPTCL as per the audited accounts for FY21.

Thus, the Commission decides to approve the total O & M expenses of Rs.1679.98 Crores for FY21.

v) Depreciation:

KPTCL, in its application, has claimed an amount of Rs.960.59 Crores towards depreciation as against an amount of Rs.839.59 Crores approved in the Tariff

Order dated 30th May, 2019. As per the audited accounts and submission made KPTCL claimed an amount of Rs.1054.37 Crores for FY21, which includes Rs.93.78 Crores towards depreciation on assets created out of consumers' contribution/grants and Rs.0.48 Crores being the depreciation capitalized amount.

Commission's Analysis & Decision:

The Commission, as per the provisions of the KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2006, has determined the allowable depreciation duly considering the actual average gross block of fixed assets for FY21.

It is noted that as per the audited accounts for FY21, the depreciation before capitalization is Rs.1054.86 Crores. The capitalized amount of is Rs.0.48 Crores. The amount of depreciation withdrawn on assets created out of consumer contribution and grants as accounted under other income head of account is Rs.93.15 Crores. Thus, after excluding the withdrawal of depreciation of Rs.93.15 Crores, towards assets created out of consumer contribution and grants, Rs.0.48 Crores towards capitalised depreciation and Rs.0.22 Crores towards depreciation on SLDC assets, the net depreciation for FY21 works out to Rs.961.01 Crores. The asset-wise break-up of depreciation is shown as under:

TABLE - 4.10
Allowable Depreciation for FY21

Particulars of assets	Net Depreciation for the Year FY21
Land and Rights	
Amortisation of Lease hold assets	0.628
Building and structures	24.608
Plant and Machinery Substation Transformers, Circuit breakers, other fixed apparatus of rating 100 MVA and above.	503.142
Substation Transformers, Circuit breakers, other fixed apparatus of rating below 100 MVA .	503.652
Hydraulic Works	6.432
Other Civil Works	9.919
Vehicles	2.277
Furniture Fixtures	1.473
Office Equipment	0.216
Intangible Assets	0.249

Depreciation on released assets and released assets issued to repairs.	2.262
Gross Depreciation (Before Capitalisation)	1054.86
Less: Depreciation withdrawn on assets created out of consumer contribution and grants	(-)93.15
Grand Total	961.71
Less: Depreciation on SLDC assets	(-)0.220
Less: Capitalised Amount of Depreciation	(-)0.483
Allowable Net Depreciation	961.007

Thus, the Commission decides to allow the net depreciation of Rs.961.01 Crores for the FY21.

vi) Capital Expenditure

a. Capital Expenditure for FY21:

KPTCL's submission:

KPTCL in its Tariff application has indicated that it has incurred capex of Rs.2,211.32 Crores for FY21, as against the Commission approved capex of Rs.2,000.00 Crores for FY21, duly indicating the achievements made in FY21 as follows:

TABLE – 4.11
Details of physical achievements in Capital works for FY21

Particulars	Stations Commissioned (in No's)	Capacity Added in MVA	Line Commission in Ckt. Kms	Augmentation Works (in No's)
400 kV	2	2500	2.62	-
220 kV	6	1200	579.17	05
110 kV	12	290	260.96	38
66 kV	16	237	345.67	76
Total	36	4227	1188.42	119

The KPTCL, in reply to the preliminary observations, has furnished the breakup of capital expenditure in respect of following works achieved during FY21:

TABLE – 4.12
Break up of Financial Outlay on Capital expenditure for FY21
(Amount in Rs. Crores)

Particulars	Actual capital expenditure
Station works	815.15
Line Works	955.42
Augmentation Works – Stations & Lines	335.03
Other works	105.72
Total	2,211.32

Commission's Analysis and Decisions:

The Commission, in its MYT Order 2019, had recognized Rs.2,000.00 Crores towards capex for FY21 and had considered Rs.1,500.00 Crores for determination of ARR and for computation of transmission tariff for FY21, subject to prudence check and had directed KPTCL that, if it requires any additional capex, the same may be incurred through re- appropriation of the amounts saved in other heads of expenditure, with proper justification.

KPTCL in its filing of APR for FY21, has submitted that it has incurred a capex of Rs.2,211.32 Crores. The Commission, in its preliminary observations on Tariff filing had directed KPTCL to furnish the reasons for exceeding the Capex of Rs.2,000.00 Crores for FY21, without Commission's approval.

In reply, KPTCL has submitted that the actual Capex incurred of Rs.2,211.32 Crores includes an amount of Rs.97.25 Crores towards capitalization of interest charges and Rs.64.28 Crores towards capitalization of other expenses and it also includes expenditure towards spill over works of previous years, amounting to Rs.153.87 Crores. Hence, the capital expenditure incurred for the year FY21 is less than Rs.2,000.00 Crores. Further, KPTCL has submitted that it has adopted Debt-Equity ratio of 70:30 for sources of funding as per the norms prescribed by the KERC in its MYT regulations. KPTCL has further submitted that the actual capital expenditure of Rs.2211.32 Crores incurred during FY21 includes expenditure against 125 nos. of completed works pertaining to construction of New Stations with associated lines, exclusive transmission lines and augmentation works.

The Commission notes that KPTCL has not furnished the breakup of works of stations and lines completed during FY21. The details of no. of works furnished does not match with the details furnished in the filing. This indicates that KPTCL is not properly monitoring the major capital works despite directions by the Commission. Hence, KPTCL is once again directed to submit the breakup of completed works duly segregating them into station, lines and augmentation works against the no. of completed works as per the filing to avoid inconsistencies in the data.

The Commission had also directed KPTCL to furnish the details of loading of station / line with reference to the projected loads as per the DPR. However, KPTCL has furnished the loading details of the completed stations and lines during FY21 without any analysis as to remedies considered for number of substations in which simultaneous peak load cannot be met and number of stations having under voltage problems. It is stated that the details are being collected and would be submitted in due course. The Commission notes that in the absence of such details in the corporate office, how the monitoring of effectiveness/ prudence of the capex incurred is being done by KPTCL, needs to be explained. In view of this KPTCL is directed to submit the required details within 2 months from the date of this order.

Considering the replies furnished and subject to the directions issued in the matter of incurring the capex, the Commission recognizes the capex of Rs.2211.32 Crores for the purpose of APR for FY21, subject to undertaking prudence check by the Commission during FY2022-23.

b. Review of Dis-allowance towards imprudent works / conditionally prudent works pertaining to FY20 as per Tariff Order dated 09th June 2021.

The Commission, in its letter dated 28.06.2021, had directed KPTCL to furnish comments / opinions on the findings of the final report submitted by M/s TERI, Bengaluru in respect of Prudence check of Capital Expenditure pertaining to completed / capitalized works categorized for FY19 and FY20 and also to submit its comments on the imprudent works indicated in the report. Accordingly, KPTCL, vide its letter dated 31st July 2021, had submitted its comments and compliances on the observations made in the final report along with current status of imprudent works.

The current status of Imprudent/ conditionally prudent works as furnished by KPTCL/BESCOM/HESCOM and Commission decisions thereon is as under:

Sl. No.	Commission's Observations	Status as furnished by KPTCL/BESCOM/HESCOM	Commission's Decision
1	Evacuation of new 11kV feeders from 66/11kV c station to reduce overload of F14 and F9 feeders of LR Bande MUSS in O & M -14 of C5 sub-division, BESCOM for the categorized amounting to Rs. 3.176597 Crores.	11kV Switchgear was commissioned on 20.04.2020 by KPTCL. The BESCOM in its letter dated 09.09.2021 submitted that the said work was taken under self-execution by BESCOM and same has commissioned on 14.12.2021 by clearing faults at multiple locations.	In view of reply furnished by BESCOM, Commission decides the said work is attributable to BESCOM and same will be reviewed in the APR of FY21 of BESCOM.
2	Badanakuppe: Establishing 2x31.5 MVA, 66/11 kV Badanaguppe S/s with associated line.	As per the details furnished by KPTCL vide letter No KPTCL/B36/2021-22/22454/625 dated 31.07.2021., 4.67 MW load has been taken on the subject work in the month of April 2021.	Since the load has been taken on the station in the month of April 2021 and during FY21 also the station was not utilized and remained idle. In view of this, Commission decides to continue the disallowance for FY21 also and same will reviewed during next tariff based on utilization / loading of the station.
3	Establishing 2x8MVA, 66/11 kV S/S at Malladihalli (Hosadurga Taluk) with associated 66 kV line from proposed 220 KV Station, Benkikere. Tumakuru Zone	As per the details furnished by KPTCL vide letter No KPTCL/B36/2021-22/22454/625 dated 31.07.2021., due to incoming load constraints and severe ROW issues Benkikere Station is yet to be commissioned.	In view of the explanation furnished by KPTCL, subject work is not functional. Hence, Commission decides to continue disallowance for FY21 also and same will reviewed during next tariff .
4	Construction of 2x8 MVA, 33/11kV Sub-Station at saptasagar.	HESCOM has submitted that 33/11kV saptasagar Sub-Station load is taken by tapping to the existing 33kV Yelparatti feeder emanating from 110/33/11 KV sub-station Kuduchi. Due to overload at 33 KV reference subject project is yet to achieve full loading. To overcome this 20MVA at 110KV MUSS, Yelparatti has been proposed. Further, HESCOM has stated that full load will be taken after completion of 20MVA work.	In view of the reply furnish by the HESCOM Commission considers the subject project as conditionally prudent. Hence, Commission directs KPTCL to complete the proposed 20 MVA, 33 KV reference Power Transformer work at 110 KV Yelparatti as early as possible and submit the compliance to the Commission to take further action in the subject matter and same will reviewed during next tariff.

Accordingly, the disallowance towards two imprudent capital works of FY20, are ordered to be disallowed in revised ARR for FY21. The disallowances are worked

out by considering the weighted average rates of depreciation at 4.76% and interest on loans at 7.61% as under:

(Amount in Rs. Crores)

1	Name of the imprudent Work : Badanakuppe: Establishing 2x31.5 MVA, 66/11 kV Badanaguppe S/s with associated line.	33.34
a	Target date of completion	10.01.2019
b	Year of completion	27.11.2019
c	Year of categorization	31.03.2020
d	Period for which amount to be disallowed	1 st April 2020 to 31 st March 2021
e	Amount to be disallowed	3.20
2	Name of the imprudent Work: Establishing 2x8MVA, 66/11 kV S/S at Malladihalli (Hosadurga Taluk) with associated 66 kV line from proposed 220 KV Station, Benkikere. Tumakuru Zone.	6.40
a	Target date of completion	05.02.2014
b	Year of completion	16.09.2019
c	Year of categorization	31.03.2020
d	Period for which amount to be disallowed	1 st April 2020 to 31 st March 2021
e	Amount to be disallowed	0.62
3	Total amount to be disallowed in ARR-APR for FY21 (1e+2e)	3.82

As per the above computations, the Commission hereby disallows Rs.3.82 Crore for FY21 towards depreciation and interest on loans towards the imprudent works. Accordingly, the same is ordered to be deducted in KPTCL's revised ARR consequent on APR for FY21.

vii) Interest and Finance Charges:

The KPTCL, in its tariff application has claimed an amount of Rs.544.54 Crores towards Interest & Finance charges, as against an amount of Rs.541.51 Crores approved in the Tariff Order dated 30th May, 2019 for FY21. KPTCL also submitted that considering interest capitalization amount of Rs.97.25 Crores, the net interest on capital loan considered for computing ARR is Rs.447.29 Crores.

Commission's Analysis & Decision:

The Commission notes that as per the audited accounts, KPTCL has incurred Rs.498.46 Crores towards the net interest and finance charges for FY21 which includes Rs.51.17 Crores towards Interest on Working Capital and Rs.97.25 Crores towards interest capitalization for FY21. The Commission has considered the opening balance of long term capital loans, new loans availed and repayment of loans made during FY21, as per the details furnished under Format-T9 and the Audited Accounts for FY21. Based on the opening and closing balances of long-term loans, the average capital loan for the year FY21 works out to Rs.7146.77

Crores. The actual amount of interest on capital loans incurred is Rs.544.54 Crores for FY21. The weighted average rate of interest works out to 7.62%. The details of the allowable interest on capital loans are as follows:

TABLE – 4.13
Allowable Interest and Finance Charges for FY21

Amount in Rs. Crores	
Particulars	FY21
Opening balance of Secured Loans	6698.99
Opening balance of Unsecured Loans	1.78
Total	6700.77
Add: New Loans	1582.00
Less Repayments	690.01
Total loan at the end of the year	7592.76
Average Loan	7146.77
Interest on long term loans (as filed as per audited accounts)	544.54
Weighted average rate of interest based on the actual interest provided on long term loans in FY21 as per audited accounts in %	7.62%
Allowable interest on long term loans	544.54

Since the actual weighted average rate of interest of 7.62% is comparable with the prevailing interest rates for long term capital loans, the Commission decides to allow the actual interest on long term capital loans and finance charges of Rs.544.54 Crores for FY21. Further, considering the actual capitalization of interest of Rs.97.25 Crores as per the annual audited accounts, the net interest on long term loans works out to Rs.447.29 Crores for FY21.

Thus, the Commission decides to allow gross interest on capital loans of Rs.544.54 Crores and Rs.97.25 Crores towards capitalization of interest on capital loan for FY21.

viii) Interest on Working Capital:

KPTCL has claimed Rs.51.17 Crores as against Rs.97.56 Crores as approved by the Commission towards Interest on Working Capital for FY21.

Commission's Analysis & Decision:

The Commission, in its Tariff Order dated 30th May, 2019, had approved an amount of Rs.97.56 Crores towards interest on working capital for FY21 as per the provisions of the MYT Regulations. The Commission notes that as per the audited

accounts, it has incurred Rs.51.17 Crores towards interest on short term / working capital loans for FY21. Though the KPTCL has claimed this amount under interest on long term loans, the same has been excluded from interest on long term loans and allowed under the head- Interest on Working Capital. The Commission notes that in accordance with norms under MYT Regulations, the KPTCL is entitled to interest on working capital for FY21 as follows:

TABLE – 4.14
Allowable Interest on Working Capital for FY21

Particulars	Amount in Rs. Crores FY 21
O&M expenses	1679.98
One-twelfth of the amount of O&M Exp.	140.00
Opening GFA as per Audited Accts	22138.53
Stores, materials and supplies 1% of Opening balance of GFA	221.39
One-sixth of the revenue from Transmission user at the prevailing tariffs	649.75
Total Working Capital	1011.14
Allowable Rate of Interest (% p.a.)	9.50%
Interest on Working Capital	96.06
Actual Interest on WC as per provisional audited accounts	51.17
As per regulations actual plus 50% of difference between actual and normative	73.61

Thus, the Commission decides to allow Rs.73.61 Crores towards interest on working capital for FY21.

ix) Other Expenses/ Debits:

KPTCL in its filing, has claimed an amount of Rs.34.58 Crores towards other debits for FY21.

Commission's Analysis & Decision:

The Commission notes that as per the audited accounts for FY21, the KPTCL has claimed an amount of Rs.34.58 Crores towards other debits. This amount among other items includes asset decommissioning cost, provision for bad and doubtful debts, Bank charges, loss relating to fixed assets, small and low value items written off and miscellaneous losses and write off.

As per the provision of MYT Regulations, the Commission is not allowing the provision for bad & Doubtful Debts. Thus, the Commission, by excluding an amount of Rs.11.07 Crores relating to provision for bad and doubtful debts, decides to allow an amount of Rs.23.66 Crores towards other debits for FY21.

x) Return on Equity:

The KPTCL in its application, has claimed an amount of Rs.758.50 Crores towards Return on Equity at 15.5% on the Equity and Reserves & Surplus, as against the RoE grossed up with MAT of Rs.843.36 Crores approved by the Commission in its Tariff Order dated 30th May, 2019 for FY21. The details of the KPTCL's submission on RoE are as follows:

TABLE – 4.15

Return on Equity - KPTCL's Submission

Calculation of RoE	Amount in Rs. Crores
	FY21
Paid-up share capital and share deposits	2182.32
Share Deposit	0.00
Reserves and Surplus	2794.36
Total Equity	4976.68
RoE @ 15.50%	758.50

Commissions Analysis and Decisions:

In accordance with the provisions of the MYT Regulations, the Commission, has considered the opening balance of equity, based on the amount of paid-up share capital, share deposits and accumulated balance of surplus in profit and loss account under 'Reserves and Surplus' as per the audited accounts for FY21.

Further, in compliance of the Orders of the Hon'ble ATE in Appeal No.46/2014, wherein it was directed to indicate the opening and closing balances of gross fixed assets without considering the gross fixed assets created out of consumer contribution / grants along with break-up of equity and loan component in the Tariff Order henceforth, the details of GFA, debt and equity (net-worth) for FY21 are indicated as follows:

TABLE – 4.16
Status of Debt Equity Ratio for FY21

Particulars	GFA	Actual Debt	Actual Equity (Net-worth)	Normative Debt @ 70% of GFA	Normative Equity @ 30% of GFA	Amount in Rs. Crores	
						%age of actual debt on GFA	%age of actual equity on GFA
Opening Balance	20828.09	6700.77	4893.32	14579.66	6248.43	32.17	23.49
Closing Balance	22680.34	7592.76	5472.83	15876.24	6804.10	33.48	24.13

From the above table it is seen that the actual debt equity ratio is within the normative debt equity ratio of 70: 30 on the opening and closing balances of GFA for FY21.

The Commission notes that, KPTCL in computation of RoE has considered the opening balances of accumulated surplus as per provisional audited accounts for FY21. The Commission by considering the opening balance of equity and accumulated surplus as per provisional audited accounts has decided to allow RoE at 15.5% of equity, besides allowing the taxes separately. Accordingly, the allowable RoE for FY21 is computed as follows:

TABLE – 4.17
Allowable RoE for FY21

Particulars	Amount in Rs. Crores	
	FY21	
OB: Paid Up Share Capital	2182.32	
OB: Share Deposit	0.00	
OB: Reserves & Surplus	2672.87	
Total Equity	4885.19	
Allowable RoE @ 15.5% on equity	752.55	

Thus, the Commission approves an amount of Rs.752.55 Crores as the RoE for FY21.

xi) Provision for Taxation:

KPTCL Submission:

KPTCL in its application, as per the provisional accounts by including the Deferred tax liability of Rs.93.51 Crores has claimed an amount of Rs.285.48 Crores towards the Income Tax for FY21 and requested the Commission to allow the same.

Commissions Analysis and Decisions:

The Commission notes that as per the audited accounts KPTCL has booked Rs.154.00 Crores as current income taxes and Rs.93.7147 Crores towards deferred tax liability for FY21. The Commission has approved RoE of Rs.752.55 Crores for FY21. For computing the tax liability of KPTCL for FY21, the Commission as per the provision of MYT Regulations has considered the allowable RoE at 15.5% grossed up with 15% MAT, 12% surcharge and 4% cess which works out to Rs.159.32 Crores. As the actual current year income tax as per audited account is Rs.154.00 Crores, the Commission as per the provisions of MYT Regulation decides to allow the actual income tax of Rs.154 Crores for FY21. As the deferred tax liability is only a charge on Profit and Loss account and not actual out go of tax, the Commission decides not to allow the same in approval of APR for FY21.

The Commission as per the provisions of Regulation 3.13.6 as amended by KERC (Terms and Conditions for Determination of Transmission Tariff) (Second Amendment) Regulations, 2015 decides to allow Rs.154.00 Crores, being the allowable income tax for FY21.

Therefore, the Commission decides allows an amount of Rs.154.00 Crores, towards Income Tax for FY21.

xii) Other Expenses Capitalized:

The KPTCL in its application has claimed Rs.63.80 Crores towards capitalization of employee cost, R&M expenses and A&G expenses for FY21.

Commissions Analysis and Decisions:

The Commission notes as per the audited accounts the actual amount of expenses capitalized towards Employees cost, R&M, A&G charges for Rs.63.79 Crores for FY21.

Thus, the Commission decides to allow Rs.63.79 Crores towards capitalization of other expenses for FY21.

xiii) Other Income:

The KPTCL in its application has claimed an amount of Rs.75.95 Crores towards Other Income for FY21.

Commissions Analysis and Decisions:

The Commission notes that, as per audited account, the Other Income is indicated as Rs.169.57 Crores for FY21. This amount also includes the withdrawal of depreciation of Rs.93.15 Crores on assets created out of consumer contribution / grants. This amount has already been factored in, while computing the allowable depreciation for FY21. The balance amount of Rs.76.42 Crores which mainly pertains to rent from staff quarters, rent from others, interest on investments / bank deposits and gain on sale of stores/assets, miscellaneous recoveries, etc. is treated as other income.

Therefore, the Commission decides to allow an amount of Rs.76.42 Crores as other income for FY21.

xiv) SLDC Charges:

The KPTCL, in its application has indicated the SLDC charges separately for FY21 as detailed below:

TABLE – 4.18
SLDC Charges for FY21-KPTCL's Submission
Amount in Rs. Crores

Sl. No.	Particulars	FY 21
1	Employee cost	0.76
2	A & G Expenses	18.17
3	Repairs & Maintenance Expenses	8.99
4	Depreciation	0.22
	Total	28.14

Commissions Analysis and Decisions:

The Commission notes that as per the audited accounts, KPTCL has incurred SLDC charges of Rs.28.14 Crores as against Rs.25.431 Crores approved by the Commission for FY21. Thus, the Commission decides to allow the recovery of the SLDC charges of Rs.28.14 Crores to be shared by the ESCOMs, are as follows:

TABLE – 4.19
Allowable SLDC Charges for FY21

Particulars	Amount in Rs. Crores			
	Capacity Allocation in MW for FY21	Approved SLDC Charges for FY21 as per APR	Approved SLDC Charges for FY21	Difference of FY21 to be carried forward to FY23
BESCOM	11556	14.091	11.923	2.17
MESCOM	1785	2.177	1.996	0.18
CESC	2592	3.161	2.815	0.35
HESCOM	4425	5.396	5.032	0.36
GESCOM	2720	3.317	3.665	(-)0.35
TOTAL	23078	28.140	25.431	2.709

Thus, the Commission decides to consider the actual SLDC charges of Rs.28.14 Crores and the difference of Rs.2.71 Crores in SLDC charges allowed to be recovered from the ESCOMs along with the SLDC charges payable by ESCOMs to KPTCL for FY23 as discussed in the subsequent chapter of this Order.

xv) Revenue:

KPTCL in its application, has considered an amount of Rs.3898.52 Crores as the Revenue from Transmission Charges and miscellaneous charges as per the audited accounts for FY21. The Commission has considered the same for the purpose of APR for FY21.

xvi) Treatment of Revenue approved by KERC but not demanded from 01.04.2020 to 31.10.2020:

KPTCL has claimed an amount of Rs.377.82 Crores as the revenue not demanded from 01.04.2020 to 31.10.2020 for FY21, as the Tariff Order 2020 was issued on 4th November 2020 and therefore has requested to consider the same while truing up the ARR for FY21.

The Commission notes that, as per the audited accounts for FY21, even with amount of revenue earned, KPTCL by meeting all the revenue expenditure has earned the net surplus of Rs.616.61 Crores. Thus it is evident that even with the effect of imposition of various restriction and other measure during the lockdown period declared by the Gol / GoK due to COVID-19 Pandemic, KPTCL has run

the transmission business with the net surplus during FY21. Allowing any additional amount of Rs.377.82 Crore in the ARR as per APR for FY21, will result in additional deficit to the approved net revenue gap of Rs.49.55 Crores and ultimately burden the consumers in the retail supply tariff to be determined for FY23, which is unwarranted.

The Commission while carrying out the APR of FY21 has trued up the various expenses and revenue in terms of MYT Regulation considering the audited accounts for FY21. While arriving at the gap for FY21 as per APR, the Commission has considered the actual revenue earned by KPTCL as per the audited accounts and arrived the net gap of Rs.49.55 Crores for FY21 duly allowing the revenue expenditure as per the provisions of MYT Regulation. As such the Commission decides not to factor Rs.377.82 Crores as claimed by KPTCL.

xvii) Abstract of Approved ARR for FY21 as per APR:

Based on the above decisions the consolidated Statement of approved ARR as per APR for FY21 is as follows:

TABLE – 4.20
Abstract of approved ARR for FY21 as per APR

Sl. No.	Particulars	Amount in Rs. Crores		
		FY21		
		As approved (T.O dated 30.05.2019) & 04.11.2020	As filed (27.11.2020)	As per APR
1	Energy available for transmission in MU	74340.70	71271.69	71271.69
2	Energy sold at IF Points	71984.10	69105.43	69115.74
3	Transmission Losses in MU	2356.60	2166.26	2155.95
4	Transmission Loss in %	3.039%	3.039%	3.025%
5	Installed Capacity in MW	23063	24438	23063
6	Revenue from Transmission of power and Misc. Revenue in Rs.Crores	4292.87	3898.52	3898.52
7	Expenditure in Rs. Crs.			
i	Employee Cost		1218.41	
ii	Repairs & Maintenance		327.86	
iii	Admin & General Expenses		133.58	
	Total O&M Expenses	1661.30	1679.85	1679.98
8	Depreciation	839.59	960.59	961.01

9	Interest & Finance Charges	541.51	544.54	544.54
10	Interest on working capital	97.56	51.17	73.61
11	Return on Equity	843.36	758.50	752.55
12	Income Tax	0.00	285.48	154.00
13	Other Debits	0.00	34.58	23.66
14	Extraordinary items	0.00	0.00	0.00
15	Less: Interest & Finance Charges capitalised	-77.41	-97.25	-97.25
16	Less: Other Expenses capitalised	-46.42	-63.80	-63.79
17	Less: Other Income	-214.33	-75.95	-76.42
18	Net Prior Period Income /Charges	0.00	0.00	0.00
19	Carry forward of Deficit as per APR of FY19	436.71	0.00	0.00
20	Amortised Regulatory Assets (for five months)	138.09	0.00	0.00
21	Revenue approved by KERC but not demanded from 01.04.2020 to 31.10.2020	0.00	377.82	0.00
22	Revenue Deficit for FY2006-07 found out during truing up	72.90	0.00	0.00
23	ARR	4292.87	4455.53	3951.89
24	Less: Disallowance of imprudent capex for FY19 and FY20	0.00	0.00	-3.82
25	Net ARR	4292.87	4455.53	3948.07
26	Deficit for FY21	0.00	-557.01	-49.55
27	Transmission Charges per unit in Paise	57.55	62.51	55.39
28	Transmission Charges in Rs per MW/Month	155114	151933	142655

4.4 Treatment of Gap in Revenue for FY21:

As against the approved ARR of Rs.4292.87 Crores and KPTCL's proposed revised ARR of Rs.4455.53 Crores, as per APR, the Commission, after the Annual Performance Review, decides to allow an ARR of Rs.3948.07 Crores for FY21. **Considering the actual revenue of Rs.3898.52 Crores, there is a deficit in Revenue of Rs.49.55 Crores for FY21.**

The Commission decides to carry forward an amount of Rs.49.55 Crores being the deficit for FY21, to the ARR for FY23, as discussed in the subsequent Chapter of this Order.