

KARNATAKA POWER TRANSMISSION CORPORATION LIMITED



ANNUAL PERFORMANCE REVIEW 2016-17

NOVEMBER-2017

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ABBREVIATIONS

A&G	Administrative & General Expenses
ASCI	Administrative Staff College of India
C&AG	Comptroller & Auditor General
CEA	Central Electricity Authority
CEE	Chief Engineer Electricity
CERC	Central Electricity Regulatory Commission
CGS	Central Generating Station
Commission	Karnataka Electricity Regulatory Commission
CPP	Captive Power Plant
Cr	Crore
CT	Current Transformer
ERC	Expected Revenue from Charges
ESCOM	Electricity Supply Company
FY	Financial Year
GFA	Gross Fixed Assets
GoK	Government of Karnataka
Gol	Government of India
Hrs	Hours
HT	High Tension
HVDC	High Voltage Direct Current
IEGC	Indian Electricity Grid Code
IT	Income Tax
KERC	Karnataka Electricity Regulatory Commission
KPCL	Karnataka Power Corporation Limited
KPTCL	Karnataka Power Transmission Corporation Limited
KV	Kilo Volt
KVA	Kilo Volt Ampere
KW	Kilo Watt
KWh	Kilo watt Hour
MoP	Ministry of Power

MU	Million Units
MUSS	Master Unit Sub Station
MW	Mega Watt
NFA	Net Fixed Assets
OCC	Operational Coordination Committee
O & M	Operation and Maintenance
PGCIL	Power Grid Corporation of India Limited
PF	Provident Fund
PFC	Power Finance Corporation
PPA	Power Purchase Agreement
PRDCL	Power Research & Development Corporation Limited
R&M	Repair & Maintenance
PT	Power Transformer
REC	Rural Electrification Corporation
RoE	Return on Equity
SLDC	State Load Dispatch Centre
SRPC	Southern Region Power Committee
TA & QC	Technical Audit and Quality Control
TCC	Technical Coordination Committee
T&D	Transmission & Distribution
TL & SS	Transmission lines and Sub Stations

“ A ”

BEFORE THE HON'BLE KARNATAKA ELECTRICITY REGULATORY COMMISSION
AT BENGALURU

IN THE MATTER OF:

Application under Section 61, 62 and 64 of Electricity Act 2003 read with relevant KERC (Tariff) Regulations-2000 and amendments, KERC (Terms and conditions for determination of transmission Tariff) Regulations-2006 and amendments, for the purpose of Annual Performance Review of Transmission Licensee-KPTCL, based on Audited Accounts of KPTCL for FY-17.

**Karnataka Power Transmission Corporation Ltd. (KPTCL),
Kaveri Bhavan,
Bangalore – 560 009**

..... Applicant

KPTCL Most Respectfully Submits the Statement of Annual Revenue Requirement for FY 2016-17 based on the Audited Annual Accounts for the purpose of Annual Performance Review, under Multi Year Tariff (MYT) Regulations, for approval by the Hon'ble Commission:

1. KPTCL is a deemed Transmission Licensee under the Electricity Act 2003, carrying out the business of transmission of electrical energy in the State of Karnataka.
2. This is an application, under Section 61, 62 and 64 of Electricity Act 2003, read with KERC (Terms and conditions for determination of Transmission Tariff) Regulations-2006 and other relevant Regulations and its subsequent amendments.

CHAPTER 1

1.0. ANNUAL PERFORMANCE REVIEW (APR) FOR FY17

1.1 APR FILING REQUIREMENT

In terms of Section 61, 62 and 64 of the Electricity Act 2003 read with KERC (Terms and conditions for determination of transmission Tariff) Regulations 2006, the Annual Revenue Requirement for FY17 is being submitted under Multi Year Tariff Principles for the purpose of Annual Performance Review (APR) by the Hon'ble Commission.

1.2 The formats prescribed in KERC (Tariff) Regulations-2000 (and its subsequent amendments) as applicable for ERC and ARR filing are enclosed along with this application duly furnishing the details for the financial year 2016-17. Audited Accounts of KPTCL for FY-17 furnished to KERC vide letter No. KPTCL/B36/70691/2016-17/474 dated 29.11.2017. The details of income from transmission charges and the expenditure as per the Audited Accounts of KPTCL for FY-17 are detailed in the following paragraphs.

1.3 The Licensee confirms that the Annual Revenue Requirement and the revenue gap are based on the Audited Accounts for FY17.

1.4 The Financial Advisor, Regulatory Affairs, KPTCL is authorized to sign and file the petition for Annual Performance Review of FY17 before the Hon'ble Commission.

1.5 KPTCL Profile:

- i) Karnataka Power Transmission Corporation Limited is a registered company under the Companies Act, 1956, incorporated on 28th July 1999. KPTCL commenced its operations on 1st August 1999 by continuing the Transmission and Distribution functions of the erstwhile Karnataka Electricity Board. On unbundling, w.e.f 1st June 2002 KPTCL became a Transmission company but continued to be involved in Bulk Power Purchase Activity. After enactment of Electricity Act 2003 and w.e.f 10th June 2005, KPTCL is not involved in the trading activity since the Act bars the transmission licensee from trading of electricity. Since then, KPTCL is only a transmission entity wholly owned by the Government of Karnataka, operating now with an authorized share capital of ₹. 3000 Crore.

- ii) Karnataka Power Transmission Corporation Limited is discharging its functions as envisaged in Section 39 and 40 of Electricity Act-2003 and also responsible for grid operation in the entire State of Karnataka.

- iii) KPTCL enables the ESCOMs to serve nearly 231 lakhs consumers of different categories spread all over the State covering an area of 1.92 lakh square kilometers. To transmit power in the State, KPTCL operates 1116 sub-stations with Transmission network of 35117 CKms with voltages of 66 kV and above. To enable easier operation of the system, KPTCL has six Transmission Zones; each headed by a Chief Engineer, sixteen

Circles, each headed by a Superintending Engineer, forty seven Divisions, each headed by an Executive Engineer. Maintenance of lines, stations and construction of transmission system are being looked after by the above officers.

- iv) There are 32 Transmission line and Sub-Station maintenance Divisions (TL&SS) in KPTCL which are involved in the operation and maintenance of the transmission system in Karnataka. Besides, there are 15 Transmission Works Division which takes care of construction activities related to intra-state Transmission system across the State of Karnataka.
- v) There are 14 Relay Testing (RT) Divisions in KPTCL which works under 4 Relay testing Circles. Each Division is responsible for maintenance of protective relays, meters and addressing critical troubleshooting issues in all sub stations of KPTCL. Also pre-commissioning tests of all new sub stations are performed by the RT Divisions besides calibrating all interface meters on periodical basis.
- vi) Separate Hotline Circles are established with Hotline Divisions/Subdivisions to facilitate live line work (without taking LC) using hot stick method for replacing punctured/ broken insulator / deteriorated jumps and establish connectivity of receiving station / substation . Hotline also identifies the hot spots (cause of interruptions) and rectifies the same at the earliest.

- vii) KPTCL's Finance and Accounts are managed by the Finance/Accounts and Resources wing. There are 79 accounting units. The wing organizes in-time funding for various projects of KPTCL, accounting of all transactions and timely preparation of Annual Accounts of the KPTCL.
- viii) Financial transactions in the zones are monitored by the controllers of Accounts in the respective zones.
- ix) All activities are audited by an Internal audit group headed by Financial Advisor, Internal Audit.
- x) All activities pertaining to regulations by KERC and all correspondence to KERC are monitored by Financial Advisor, Regulatory Affairs.
- xi) The main source of revenue of KPTCL is transmission charge. The annual income of the company through transmission tariff was ` 3086.33 Crore , during 2016-17 as per Audited Accounts.
- xii) The total installed substation capacity of the State as on 31.3.2017 was 56462 MVA (2464 Transformers). The peak load met was 10242 MW on 24.02.2017 during the year 2016-17.

MISSION STATEMENT

The mission of Karnataka Power Transmission Corporation Limited (KPTCL) is to ensure reliable quality power to its customers at competitive prices. The KPTCL is committed to achieve this mission through:

- Encouraging Best practices in transmission & distribution.
- Ensuring high order maintenance of all its technical facilities.
- Emphasizing the best standards in customer service.

To be the best electricity utility in the country, the KPTCL pledges to optimize its human and technical resources for the benefit of all its customers.

CHAPTER – 2

2.0. COMMISSION's DIRECTIVES :

KPTCL has been making sincere efforts to comply with the Directives issued by the Commission. There has been substantial improvement in processes like Grid Operations, Capital works and Financial Management. KPTCL submits the details of the Directives applicable to it duly explaining the latest progress in the implementation of the same in the following paragraphs. Hon'ble Commission observed in its orders that the implementation of most of the Directives is a continuous process.

The Commission, in the Tariff Order dated 11.04.2017 issued the following directives for compliance by KPTCL.

2.1 Directive : Reactive Power Compensation and restoration of failed Capacitors :

- a) Restoration of failed capacitors of 772.85 MVAR within March 2017.
- b) To expedite the work of installation of 11 kV class capacitor banks to ease the transmission constraints in Bengaluru transmission network.
- c) Restore all failed capacitors in a definite time frame and submit monthly status report.

Compliance :

- a) 738.101 MVAR failed capacitors have been restored by the end of March 2017.

- b) Action has been taken to install 11 kV class capacitors banks of about 351 MVAR in Bengaluru transmission network during 2016-17.
- c) The transmission zone chief engineers are taking timely action to restore the failed capacitors, as and when they are failed.

2.2 Transmission System Availability – Monthly Report: The Commission directed KPTCL.

- a) To take necessary action to maintain elements of transmission system in a healthy condition by carrying out maintenance work as per schedule and conduct Condition Monitoring of sub station equipment and Residual Life Assessment (RLA) tests for old equipment to ensure proper reliability in supply.
- b) to submit the monthly report of transmission system availability duly certified by SLDC regularly to the Commission.

Compliance :

- a) Regular maintenance of elements of transmission system is being carried out regularly by the respective TL & SS divisions. Also replacement / augmentation of old / obsolete equipment is being taken up on regular basis.
- b) System availability for the financial year ending 31.03.2017 certified by SLDC has been submitted to KERC vide letter No. KPTCL/B36/21474/2016-17/239-43 dated 31.07.2017. Further,

System availability for the months of April 2017, May 2017 and June 2017 duly certified by SLDC submitted to KERC vide letter No. KPTCL/B36/70603/2017-18 / 305 dated 20.09.2017.

2.3 Implementation of Intra state ABT :

KPTCL and ESCOMs to take suitable measures to achieve full implementation of the Intra-State ABT and report compliance thereon to the Commission within one month from the date of its Order and thereafter report the status regularly.

Compliance :

As directed, KPTCL reported compliance on implementation of Intra-State ABT during first and second quarter review meeting held by KERC on 25.10.2017. The Hon'ble Commission was apprised of the progress made and difficulties faced by KPTCL.

2.4 Directive: Energy Audit

KPTCL is directed to continue to analyze the losses occurring in the transmission system and take suitable measures to ensure bringing down the losses and reiterated its directive to furnish voltage wise losses on a monthly basis.

Compliance:

Month wise voltage wise transmission losses for the year 2016-17 has already been furnished to KERC vide letter No. KPTCL / B36/21458/2015-16/93-98 dated 30.05.2017 and details up to September-17 were submitted vide Ltr No. KPTCL/B36/ 70608/2017-18/465 dated 27.11.2017.

2.5 Directive: Quality of Service

KPTCL to display on its website, on a daily basis the details of daily load curve (Maximum and Minimum demand) generation of power source wise and the details of source wise outages with a view to make the general public aware of the power situation in the State.

Compliance:

SLDC is updating the details of generation of power source wise and outages source wise and also interruption occurring in each major sub-station and lines in the daily load curve which is uploaded in the KPTCL website on a daily basis.

2.6 Capital Works Programme

The Commission reiterates its directive

- i. To submit the details of CAPEX actually incurred and capitalization of assets to undertake necessary prudence check during the annual performance review.
- ii. Maintain separate accounts with respect to the costs incurred in respect to the costs incurred in respect of lines and bays

Compliance:

- (i) The KERC vide letter No. KERC /M/02/ 2017-18/1092 dated 4.10.17 directed KPTCL to conduct post commissioning analysis of capital works categorized during FY 17 as per the guidelines prescribed thereon. KPTCL has conducted the analysis and has submitted the report to KERC vide letter No.KPTCL/B36/2017-18/41635/469-72 dated 27.11.2017.
- (ii) Costs incurred in respect of lines and bays are furnished based on the Audited Accounts for FY-17 and enclosed as **Annexure 1**

2.7 Directive on study conducted (Man Power Study) :

KPTCL to expedite action to final its views on the manpower study recommendations and implement the same also to ensure a proper manpower planning strategy to achieve optimum use of human resource and to minimize operational costs.

Compliance :

The recommendations of the internal committee is being reviewed by the functional directors for taking a decision on the possibilities of the implementation.

2.8 Directive to prevent electrical accidents:

KPTCL to ensure that the hazardous locations are identified and rectification of hazardous locations needs to be expedited.

- a) KPTCL shall take necessary measures aimed at prevention of electrical accidents in its transmission system by conducting regular review of such works.
- b) KPTCL to regularly submit its action plan for prevention of electrical accidents in the transmission line and substations.

Compliance :

The Zonal Chief engineers are regularly monitoring works and Zone wise Annual Action Plan for prevention of Electrical Accidents was furnished to the Hon'ble commission vide letter No. KPTCL/B36/2017-18/70599/372-74 dated 30.10.2017.

CHAPTER – 3

3.0 Energy Transmission and Losses in FY17 :

Total Energy input to KPTCL's transmission system during the period was 69656.938 MU and the energy transmitted was 67370.17 MU resulting in a transmission loss of 3.283 %.

Table- 1

Voltage Class Wise Transmission Losses (%) FY17

400 KV	0.347
220 KV	1.741
110 KV	0.331
66 KV	0.865

Table- 2

Trajectory of transmission losses (%) – FY17

	Approved in T.O 30.03.2016	As per Actuals
Upper Limit	3.67	3.283
Average	3.47	
Lower limit	3.27	

Table- 3

System Availability for FY-17

System Availability	Target Availability as per MYT Regulations	Actual
Percentage	98%	99.60

Transmission system availability details furnished to KERC vide letter No. KPTCL/B36/21474/ 2016-17/239-43 dated 31.07.2017. The system availability achieved for the year is better than the targeted norms. The Commission in its letter dated 30.08.2017 had cited certain observations and in reply KPTCL vide letters KPTCL / B36 / 21474 / 2016-17 / 449-51 dated 15.11.2017 and KPTCL / B36 / 21474 / 2016-17 / 463 dated 21.11.2017 has clarified the issues. KPTCL requests the Hon'ble Commission to allow incentive in terms of MYT Regulations.

CHAPTER – 4

4.0 PERFORMANCE OF KPTCL FOR 2016-17

4.1 Financial Performance of KPTCL for FY17

Table- 4
Financials of FY17

Amount in ` Crore			
Sl No	Particulars	Approved by KERC in TO 30.03.2016	Actual as per audited Accounts for FY17
1	Operation and Maintenance Cost:		
a)	Employee cost		720.18
b)	Repairs and Maintenance cost		191.90
c)	Administration and General expenses		91.19
	Total O & M Expenses	1117.21	1003.27
2	Depreciation	683.69	663.77
3	Finance costs	574.30	450.87
4	Interest on working capital	83.23	----
5	Return on equity	572.71	428.92
6	Other debits , if any	0.00	15.62
7	# Exceptional items	0.00	-467.52
8	Prior Period Charges	0.00	-98.57
9	Income Tax	0.00	618.44
	TOTAL Expenditure	3031.14	3082.33
	Less		
10	Interest and finance charges capitalized	45.36	68.61
11	Other expenses capitalized	47.09	33.63
12	Other Income	48.44	231.55
13	Carry forward deficit of FY15	202.52	0.00
14	Net ARR	3092.77	2748.54
15	Revenue from Transmission Charges		3086.33
16	Difference in Rs Cr		337.79

This amount pertains to interest on power purchase dues written off by KPCL. Hitherto KERC has not been allowing any power purchase dues related expenditure to KPTCL. Hence this item not considered for ARR calculation.

Table- 5**Revenue from Transmission Charges for APR purpose :**

Amount in ` Crore

Particulars	2016-17
Total Revenue as per P & L Account	3380.28
Less	
a) Non Tariff Income	231.55
b) Rebate recovered by ESCOMs	41.98
c) Auxiliary Consumption Charges recovered by ESCOMs for FY 17.	20.42
	3086.33

From the above, it may be noted that against an approved Annual Revenue Requirement (ARR) of `3092.77 Crore, actual works out to ` 2748.54 Crores. The actual revenue from transmission charges is ` 3086.33 Crore as shown in table above thus resulting in a surplus of ` 337.79 Crore.

4.2 CAPITAL WORKS - ACHIEVEMENTS

During the year 2016-17 the following works were completed.

Table- 6**Capital Works During FY17**

Particulars	2016-17	
	Target	Achievement
Stations (Nos)	30	28
Lines (Ckms)	807.58	860.49
Augmentation(Nos)	65	67

Capital Expenditure	2016-17
As per Audited Accounts (` in Crore)	1701.96

Table- 7
Station Works Completed During FY-17

Particulars	Achievement (No's)	MVA Added
220kV	02	512.50
110 kV	13	190.00
66 kV	13	179.50
Total	28	882.00

Table- 8
Length of Line constructed during FY-17 (in Ckt. kms)

Particulars	Achievement Ckt.Kms
400 kV	451.40
220 kV	129.50
110 kV	148.80
66 kV	152.31
Total	882.01

Table-9
Augmentation works – FY-17

Particulars	Achievement (Nos)
220 kV	04
110 kV	17
66 kV	46
Total	67

CHAPTER 5

5.0 RATIONALE FOR TRANSMISSION CHARGES:

The Mission of KPTCL is to provide efficient transmission network in the State which is stable, robust and capable of transmitting power in a most reliable and cost-effective manner. KPTCL in its VISION 2020 intends to become *Number One* Transmission Utility in the Country. The Vision is not far from reality as KPTCL has already received CBIP Best Performing Transmission Utility award for FY15.

Creation of Transmission infrastructure is the core activity of KPTCL and Capital works program plays a vital role in achieving vision and mission of KPTCL. To meet this capital investment, KPTCL has to depend largely on borrowings from funding agencies. For this purpose, KPTCL follows an aggressive borrowing programme aimed at minimizing interest rates and obtains loans at best possible terms and conditions and requesting equity infusions from GoK from time to time.

In the above back ground based on the MYT regulations notified by KERC, KPTCL is filing Annual Performance Review for FY17 in order to recover the gap between Actual Transmission Revenue earned from approved Transmission Charges and Actual Transmission expenditure incurred. Adequate Revenue Stream ensures adequate investments in the sector. KPTCL needs to cover its costs in full along with a Return on Equity in terms of KERC Regulations notified from time to time.

5.1 Rationale for Capital investment Programme

The National Electricity Policy and the National Electricity Plan emphasizes on creation of transmission infrastructure to realize the MoP vision of providing power for all. In line with this policy, KPTCL has been envisaging adequate capex programme in the recent past and has been endeavoring in the current year as well. This will definitely help in keeping required growth rate of all sectors in the State and ensures efficient transmission of power for equitable supply of electricity penetrating the rural areas of the State.

5.2 Karnataka is India's eighth largest State in terms of geographical size (1, 91,791 square km) and home to 6.11 Crore people (2011 census) accounting for 5.1% of India's population. The State, with its urban population at 34% of total population, is currently ranked as the fifth most urbanized among all States. In order to meet the growing power demand in rural and urban areas, KPTCL, during 2016-17 has constructed substations at voltage levels of 220, 110 and 66 kV to meet the additional loads and improve the voltage conditions. In addition to this, as many as 67 augmentation works were completed to strengthen the existing system.

5.3 NEED TO ENSURE ASSURED REVENUE STREAM

KPTCL manages critical function of putting up intra-state transmission system facilities and maintaining it also. Its efforts are mainly focused on improving power availability and system reliability. These roles involve costs that are fixed in nature and have to be met by a steady stream of revenue. For this purpose, the actual costs incurred for transmission operation need to be allowed for recovery from its consumers.

Table- 10
SUMMARY OF KPTCL's FINANCIAL PERFORMANCE FOR FY 17

Amount in ` in Crore.

SI No	Particulars	Amount ` in Crore
1	Revenue Earned from transmission operation	3086.33
2	Annual Revenue Requirement	2748.54
3	Difference (1-2)	337.79

CHAPTER 6

6.0 BREAK UP OF TRANSMISSION EXPENSES FOR FY17

6.1. REPAIRS AND MAINTENANCE EXPENSES:

The net R & M expenses incurred for the year is ` 191.90 Crore. R&M Expenses for FY16 was ` 153.21 Crore which shows an increase of Rs 38.69 Cr over previous year because of increase in Plant and Machinery Repair cost , inflation, addition of new Stations and Lines to the KPTCL network. The cost incurred for various items of R & M expenses are tabulated below.

Table- 11
Repairs and Maintenance Expenses for FY17

Amount in ` Crore.		
SI No	Particulars	2016-17
1	Plant and Machinery Transformers:	148.10
2	Lines, Cable Network, etc	23.90
3	Buildings	15.37
4	Other civil works	8.38
5	Vehicles	0.46
6	Furniture & Fixtures	0.04
7	Office Equipment	0.40
	TOTAL	196.65
	Less: Expenses shared by ESCOMs	4.75
	TOTAL	191.90

Net amount included in ARR is ` 191.90 Crores,

6.2. EMPLOYEE COSTS :

a. Net Employee cost incurred for FY-17 is ` 686.55 Crore. For FY-16, it was ` 676.62 Crore. There is an increase of ` 9.93 Crore over previous year.

b. The details of the Employee Costs are shown below:

Table- 12
Employees Cost details - FY17

SI No	Particulars	2016-17
		Amount in ` Crore.
1	Salaries (Basic Pay)	544.77
2	Bonus and Exgratia	7.51
3.	Earned Leave Encashment	59.79
4	Medical expenses reimbursement	5.74
5	Payment to Helpers (Monsoon gang)	0.24
6	Terminal Benefits	1.27
7	KPTCL contribution to P & G Trust	113.61
8	EPF contribution in respect of Contract employees	0.24
9	Pension and Leave Contribution	0.06
10	Others	1.63
	Total	734.86
	Less :	
11	Expenses shared by ESCOMs	14.63
12	KPTCL Portion of P & G Trust	0.05
13	Employee cost Capitalised	33.63
	Net Amount	686.55

Net amount included in revenue requirement for approval of the Hon'ble Commission is ` **686.55 Crore.**

6.3. ADMINISTRATION AND GENERAL EXPENSES

The net A & G expenses incurred for the year is ` 91.19 Crore. The A&G expenses have increased by ` 20.80 Crore as compared to previous year's expense of ` 70.39 Crore. The Increase is due to Printing and Stationery, Advertisement, Electricity charges, Tree cut compensation and CSR expenses. Details of A&G Expenses are provided in form T- 7of the filing.

6.4 Operation and Maintenance Expenses under MYT Regulations

- a) The Operation and Maintenance Expenses which include R&M costs, Employees' Cost and A&G expenses are to be calculated as per the norms prescribed by KERC in its order dated 30.03.2016

Table- 13
O&M Expenses as per Norms for FY-17 as Per KERC Order
dated 30.03.2016

Particulars	2016-17
O & M Expenses for lines (in ` lakhs /Ckm)	0.73
O & M Expenses for bay (in ` Lakhs/ bay)	2.79

- b) The details of circuit kilometers of transmission lines and station bay details as on 31.03.2017 are given below.

Table-14
Voltage class wise transmission lines as on 31.03.2017

Voltage Class	Transmission lines (in Ckmts)
400 kV	3134
220 kV	11078
110 kV	10342
66 kV	10563
TOTAL	35117

Table- 15
Number of Bays as on 31.03.2017

Type	No.
Line Bay	5318
Transformer bay	2462
PT Bay	1544
Capacitor Bank Bay	914
11 kV Bay	11497
Total	21735

Table- 16**O&M Expenses calculated as per KERC Norms for FY-17**

Particulars	Rate	Qty	O&M Costs (` in Crore)
O&M Expenses for lines (in ` lakhs / km)	0.73	35117	256.35
O&M Expenses for bays (in ` Lakhs / bay)	2.73	21735	593.36
Total			849.71

As per KERC (Terms and conditions of tariff) (second amendment) Regulations the O & M Expenses to be worked out as under

Table- 17**Additional Employee Cost (Uncontrollable O & M Costs)**

SL No.	Particulars	Amt in ` Cr
1.	KPTCL Contribution to P & G Trust	87.94
2.	KPTCL Contribution to NDCPS	25.67
3.	Earned Leave Encashment	59.79
	TOTAL	173.40

Table- 18**Allowable O & M Expenses for FY17**

SL No.	Particulars	Amt in ` Cr
1.	O & M Costs as per Norms	849.71
2.	Additional Employee Cost (un controllable O & M Costs)	173.40
	TOTAL	1023.11

KPTCL requests the Hon'ble Commission to allow O & M expenses as per above calculation or at least the actual expenses as per audited accounts

6.5 DEPRECIATION

The Net Depreciation included in ARR as per the Audited Accounts is ` 663.77 Crore as against KERC approved amount of ` 683.69 Crore. The details of depreciation are provided in form T-8. **The Hon'ble Commission is requested to consider the actual amount of depreciation and allow the same.**

6.6 INTEREST AND FINANCE CHARGES

The Actual amount incurred towards interest and finance charges as per Audited Accounts is ` 450.87 Crore as against KERC approved amount of ` 574.30 Crore. The details of loan availed and interest costs are shown in prescribed form T 9. After considering interest capitalization amount of ` 68.61 Crore, the interest charges included in ARR is ` 382.26 Crore.

It may be seen that the interest on borrowings has come down by ` 123.43 Cr , from the KERC approved amount because of better management of borrowings , timely decision to swap loans with lower interest debts . Thus, KPTCL has achieved reduction in costs of finance by adopting efficient financial management principles, thereby burden on the consumer is reduced to a great extent.

As this interest expenditure is incurred as per actual rates of interest paid by KPTCL on loans, the Hon'ble Commission is requested to consider and approve the same in ARR.

6.7 RETURN ON EQUITY:

The Hon'ble Commission in its Order dated 30.03.2016, has worked out Return on Equity @ 15.5% on the Equity and Reserves & Surplus. On the same lines, RoE has been worked out for FY17 and included in the Annual Revenue Requirement for FY17 as under.

Table- 19
RoE Calculations for FY17

Particulars	Amt. ` in Crores	
	Approved	Actual
Paid up share capital	2075.32	2075.32
Share Deposit	45.00	107.00
Reserves & Surplus	786.02	584.91
Total Equity	2906.34	2767.23
RoE @15.5% (Approved is inclusive of MAT)	572.71	428.92

6.8 SLDC CHARGES

The Hon'ble Commission vide Order dated 30.03.2016 approved SLDC charges of ` 23.53 Crore and concluded that the entire SLDC charges to be recovered from ESCOMs and long term users of transmission network. For FY-17, the actual SLDC charges amounts to ` 20.46 Crore, the details of which are provided below.

Table- 20
SLDC Charges.

Amount in ` Crore.

Particulars	As Per Audited Accounts 2016-17
Repair & Maintenance	0.10
Employee Cost	10.89
A & G Expenses	9.47
Total	20.46

O &M Charges of SLDC has already been deducted from KPTCL's ARR while accounting expenditure under respective heads. Hence KPTCL requests the Hon'ble Commission to allow the entire SLDC expenditure of ` 20.46 Crores.

CHAPTER – 7

7.0 Annual Revenue Requirement of KPTCL

7.1 Annual Revenue Requirement of KPTCL for FY17 (as per Actuals):

The revised annual revenue requirement of KPTCL for FY17 based on Audited Accounts for FY17 are furnished in the following tables:

Table- 21

Amount in ` Crore.	
Particulars	2016-17
Revenue from Transmission Charges	3086.33
Other income	231.55
Total Revenue	3317.88
Expenditure	
Repairs and Maintenance	191.90
Employees Costs	720.19
A & G Expenses	91.19
Depreciation	663.77
Finance costs	450.87
RoE @ 15.5%	428.92
Net prior period credits	-98.57
Income tax	618.44
Other debits	15.62
Total Expenditure	3082.33
Less	
Interest and finance charges capitalized	68.61
Other expenses capitalized	33.63
Other income	231.55
Net ARR	2748.54

7.2 Recovery of Transmission Charges :

KPTCL is placing its actual transmission costs with a request to approve the same in the foregoing paragraphs, KPTCL has made a detailed analysis of various costs. KPTCL respectfully submits before this Hon'ble Commission to consider the revenue requirement which is based on the Audited Annual Accounts for FY17.

7.3 Revenue from Transmission Charges :

As KPTCL is a transmission Company with effect from 10th June 2005, its revenue is mainly from transmission charges and Open access charges. Total Revenue indicated includes revenue from transmission charges, open access charges and non-tariff income.

7.4 Revenue Account:

The income from Transmission charges was enough to cover its costs. KPTCL requests the Hon'ble Commission to consider the ARR as per audited accounts and allow KPTCL to recover the actual ARR from users of the transmission system.

The following table provides the details of Revenue Account for FY 17

Table-22
REVENUE ACCOUNT

Amount in ` Crore.	
Revenue from Transmission of power	3086.33
ARR as per Audited Accounts	2748.54
Revenue Surplus for FY17	337.79

KPTCL requests Hon'ble Commission to approve the above and issue suitable Orders.

7.5 Sharing Efficiency gains and losses:

KPTCL requests the Hon'ble Commission to provide incentive for achieving system availability and transmission loss better than the normative. Sharing of gains and losses will be in accordance with MYT Regulation 2.7.6 and as per the Tariff Orders issued by the Commission from time to time.

CHAPTER – 8

8.0 Payment of Transmission Charges by ESCOMs :

The Five Electricity Supply Companies (ESCOMs) in the State are the main users of transmission network owned by KPTCL. The Hon'ble KERC determines the transmission tariff from time to time under MYT regulations . The users of the transmission network are bound to pay these charges on monthly basis. The monthly amount of payment is indicated in the respective Tariff Orders. ESCOMs are expected to arrange payment as per the Tariff Orders and cannot alter the quantum of payment unless the same is ordered by the Commission.

8.1 Payment Mechanism adopted by ESCOMs :

At the time of transferring the power purchase activity to ESCOMs, the Government of Karnataka issued an order dated 10.05.2005 directing ESCOMs to pay the transmission tariff through ESCROW arrangement. Copy of the Government order is produced as Annexure- 2. Accordingly all the ESCOMs opened an ESCROW account and started paying transmission charges to KPTCL.

The following table provides the details of Payment of Transmission Charges by ESCOMs during 2016-17.

Table- 23
Payment of Transmission Charges by ESCOMs during 2016-17.

Amount in ` Crore.			
ESCOM	Demand	Collection	Balance
BESCOM	1565.24	1467.83	97.42
MESCOM	280.79	239.81	40.98
CESC	409.59	312.45	97.13
HESCOM	728.45	515.35	213.10
GESCOM	425.55	287.70	137.84
TOTAL	3409.62	2823.14	586.47

Demand includes OB of ` .316.86 Cr

It may be seen that against a total demand of ` .3409 Crore, the payment made by ESCOMs is less by ` .586.47 Crore and particularly HESCOM and GESCOM dues are **very high. This indicates that KPTCL is deprived of 17% of its revenue during FY17.** Though Hon'ble Commission has fully passed on the Transmission charges in the Tariff of ESCOMs, they are not paying KPTCL charges regularly on monthly basis.

In the above context, KPTCL requests the Hon'ble Commission to direct the ESCOMs to adhere to the Tariff Order and arrange payment on monthly basis to KPTCL as per the Tariff Orders issued from time to time.

8.2 Payment mechanism to be followed by ESCOMs as per TSA :

The KERC regulation does not insist that payment shall be made through Letter of Credit (LC) but the Government Order EN 131/PSR/2003 dated 10.05.2005 mandates that ESCOMs shall pay through ESCROW arrangement. (**Annexure 2**). Despite the Government Order, BESCO has unilaterally come out of the ESCROW arrangement citing KERC Regulation. (Clause 3.18 of MYT Regulation for Determination of Transmission Tariff dated 31.05.2006). BESCO has also started making payments through Letter of Credit (LC) besides deducting rebate for payment through LC. The ESCROW arrangement is good for consumers because it reduces the burden of bank charges towards opening and maintaining LC in a Bank. Such being the impact of using Letter of credit, KPTCL requests the Commission to direct BESCO to revert to ESCROW mechanism as agreed in the Transmission Service Agreement, because it is taking shelter under Regulation 3.18 to violate Government Order.

It is pertinent to note that, the clause (8.7) was introduced in the Transmission Service Agreement between KPTCL and ESCOMs which says that for payments through ESCROW, there is no levy of penalty for delayed payment nor rebate allowed for payments made within due date. The said agreement was approved by the Hon'ble Commission through a public hearing in which all stake holders participated. Finally, the Hon'ble Commission communicated the approval for the Agreement in Feb 2012 and the Agreement was signed between ESCOMs and KPTCL in May 2012.

Despite clear understanding and having signed the agreement, BESCOM resorted to close the ESCROW account and started paying transmission charges through LC. And also started deducting the rebate amount in the monthly transmission charges approved by KERC. For its action, as mentioned earlier, BESCOM is citing KERC regulation. But it is very clear that, the Regulation does not compel ESCOMs to arrange payment only through LC. It only says that when payments are made through LC, rebate is applicable. But the Government in the interest of all ESCOMs and the Consumers has compelled ESCOMs to open ESCROW account to pay transmission charges.

In this back ground and in the interest of the Stakeholders, KPTCL requests the Hon'ble Commission to clarify ESCOMs regarding clause 3.18 of MYT regulation and direct the ESCOMs to adhere to its tariff order and approved agreement in full and pay monthly Transmission Charges accordingly.

9.0 PRAYER

KPTCL respectfully prays that the Hon'ble Commission may be pleased to consider and approve the following:-

- a) The Actual ARR of KPTCL for FY-17 based on the Audited Annual Accounts and to allow efficiency gains.
- b) To modify the short term open access charges to be recovered from 01.04.2018 duly considering the actual ARR of FY 17.
- c) The actual SLDC charges for FY-17
- d) To clarify Regulation 3.18 and to order payment of transmission charges by ESCOMs as per Tariff Order by ESCROW mechanism in terms of the Government Order dated 10.05.2005 and Transmission Agreement approved by KERC.

For KPTCL,

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