

## CHAPTER – 5

### ANNUAL REVENUE REQUIREMENT FOR FY23-25

#### 5.0 ARR Application for FY23-25:

KPTCL has filed its Tariff application dated 30<sup>th</sup> November, 2021 for the next Control Period FY23-25 and has requested the Commission to approve ARR and transmission Tariff for FY23-25. Further, KPTCL has also requested the Commission to carry forward the deficit of Rs.557.01 Crores for FY21 to the ARR of FY23, while determining the transmission tariff for FY23.

#### 5.1 KPTCL's Submission:

KPTCL has proposed its ARR for FY23-25 as detailed below:

**TABLE – 5.1**  
**Annual Revenue Requirement for FY23-25 – KPTCL's Submission**

Amount in Rs. Crores

Sl. No.	Particulars	FY23	FY24	FY25
		As filed (30.11.2021)	As filed (30.11.2021)	As filed (30.11.2021)
1	Energy available for transmission in MU	71185.49	73479.73	75893.72
2	Energy sold at IF Points in MU	69136.77	71401.72	73785.39
3	Transmission Losses in MU	2049.00	2078.00	2108
4	Transmission Loss in %	2.878%	2.828%	2.778%
5	<b>Installed Capacity in MW</b>	28730	30855	32725
6	<b>Revenue from Transmission of power &amp; Misc. Revenue in Rs. Crores</b>	<b>5223.73</b>	<b>5610.11</b>	<b>5950.11</b>
7	<b>Expenditure in Rs. Crores</b>			
i	Employee Cost	1672.42	1906.55	2173.47
ii	Repairs & Maintenance	448.78	525.07	614.34
iii	Admin & General Expenses	160.98	183.52	209.21
	<b>Total O&amp;M Expenses</b>	<b>2282.18</b>	<b>2615.14</b>	<b>2997.02</b>
8	Depreciation	1299.09	1441.99	1600.61
9	Interest & Finance Charges	679.61	791.02	912.15
10	Interest on working capital	37.80	42.11	41.39

11	Return on Equity with MAT at 21.5488% (19.7575% on allowable equity)	1220.93	1450.24	1722.62
12	Income Tax	0.00	0.00	0.00
13	Other Debits	36.69	37.79	38.92
14	Extraordinary items	0.00	0.00	0.00
15	<b>Less:</b>			
16	Interest & Finance Charges capitalized	-103.17	-106.27	-109.46
17	Other Expenses capitalized	-67.69	-69.72	-71.81
18	Other Income	-80.58	-82.99	-85.48
19	Net Prior Period Income /Charges	0.00	0.00	0.00
	<b>ARR</b>	<b>5304.86</b>	<b>6119.31</b>	<b>7045.96</b>
20	Carry forward of Deficit/Surplus as per APR of FY21 including unrecovered revenue through Tariff as per approved ARR as per T.O 2020 dated 04.11.2020 ( from 4/20 to 10/20) Not kept as Regulatory assets	557.00	0.00	0.00
	<b>Amortised Regulatory Assets as per KERC Order dated 19.10.2020 (in Rs. Cr)</b>	<b>331.41</b>	<b>331.41</b>	<b>331.41</b>
	<b>Total ARR</b>	<b>6193.27</b>	<b>6450.72</b>	<b>7377.37</b>
	<b>Surplus/ Deficit</b>	<b>-969.54</b>	<b>-840.61</b>	<b>-1427.26</b>

Accordingly, the KPTCL has requested the Commission to approve the following transmission charges, for the Control Period FY23-25:

**TABLE – 5.2**

**Transmission Charges FY23-25 – KPTCL’s Submission**

Particulars	FY23	FY24	FY25
Transmission Capacity in MW	28730	30855	32725
ARR in Rs. Crores	5304.86	6119.31	7045.96
Gap of FY21 in Rs. Crores	179.18	-	-
ARR Approved, but not recovered through Tariff from 01.04.2020 to 31.10.2020 (C)	377.82	-	-
Add: Amortized Regulatory Assets as per KERC Order Dated:19.10.2020 (D)	331.41	331.41	331.41
Total Revenue Requirement in Rs. Crores.	6193.27	6450.72	7377.37
Transmission Tariff (in Rs./MW/Month)	<b>179640</b>	<b>174221</b>	<b>187863</b>

KPTCL has prayed for:

- i. Approving proposed transmission charges for FY23-25; including the gap in revenue for FY21 as per APR indicated in the ARR of FY23 and enable KPTCL to recover the same from ESCOMs;
- ii. Approving SLDC charges as proposed for the MYT period;
- iii. Approving short-term Open access charges for FY23-25.

### **Commissions' Analysis and Decisions:**

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 Commission has taken up the item-wise analysis of expenditure and revenue. In this Chapter the analysis and the decisions of the Commission thereon, are discussed in the following paragraphs.

### **5.2 Capital Investment Plan for FY23-25:**

KPTCL has proposed a capex of Rs.3,521.83 Crores, Rs.3562.75 Crores and Rs.3,523.94 Crores for the Control Period FY23, FY24 and FY25 respectively under MYT regime, duly indicating the capex requirement for the completed, ongoing works, new works and GCB & Civil / Misc. works to achieve the following objectives:

- a) To meet additional load;
- b) To improve voltage profile;
- c) To take up Green Energy Corridor (GEC) Projects;
- d) To strengthen the Bengaluru city transmission network;
- e) To facilitate 24/7 power supply by ESCOMs.

KPTCL has further stated that, it is ensuring development of efficient, coordinated and economical system of intra-state transmission lines for smooth flow of electricity from generating stations to the load centres through systematic planning and implementation of the transmission capacity building programmes in the State.

The KPTCL's proposed Capital Investment Plan for FY23, FY24 and FY25 is as under:

**TABLE – 5.3**  
**Summary of proposed Capital Investment Plan**

(Amount in Rs. Crores)			
Financial Year	FY23	FY24	FY25
<b>Stations</b>	1,704.70	2,286.47	2,713.40
<b>Lines</b>	787.74	709.43	409.64
<b>Augmentation</b>	786.88	350.67	206.48
<b>Civil Works</b>	20.00	20.00	20.00
<b>Others</b>	62.51	36.18	14.42
<b>GCB</b>	100.00	100.00	100.00
<b>SCADA</b>	10.00	10.00	10.00
<b>Misc</b>	50.00	50.00	50.00
<b>Total</b>	<b>3,521.83</b>	<b>3,562.75</b>	<b>3,523.94</b>

**TABLE - 5.4**  
**Breakup of proposed Capital Investment Plan**

Particulars	FY23		FY24		FY25	
	No's	Amount in Rs. Crores	No's	Amount in Rs. Crores	No's	Amount in Rs. Crores
Completed works	255	793.85	257	670.52	262	1,091.00
Ongoing works	372	956.69	246	1,300.65	124	766.68
New Works	672	1,591.29	426	1,411.58	302	1,486.26
GCB & Civil /Misc. works	-	180.00	-	180.00	-	180.00
<b>Total</b>	<b>1299</b>	<b>3,521.83</b>	<b>929</b>	<b>3,562.75</b>	<b>688</b>	<b>3,523.94</b>

KPTCL, in its filing has stated that the proposed capex is planned to fulfil the objectives and responsibilities as envisaged in the Electricity Act, 2003 and the National Electricity Policy, through systematic planning and implementation of the transmission capacity building programme in the State to achieve ultimate objective of cost effective delivery of power.

**Commission's Analysis and Decisions:**

The major observations of the Commission, the replies furnished by KPTCL and the decision of the Commission on the major observations thereon is as under:

1. The Commission, in its preliminary observations had directed KPTCL to provide details of planning and implementation of **Green Energy Corridor** Projects in

the State considering the present status of RE and future growth in RE capacity along with complete details of works being carried out and to be carried out to meet the anticipated RE Additions.

KPTCL, in its reply has stated that it has proposed 7-works for reliable evacuation of around 4794 MW under **Green Energy Corridor (GEC) Phase-I** of MNRE and has further submitted that it is awaiting MNRE concurrence to take up proposed 13 projects under **Green Energy Corridor Phase-II**.

The Commission notes that, some of the works are yet to be completed which are taken under GEC Phase-I. Hence, Commission directs KPTCL to complete the remaining works and submit the progress thereon.

2. The Commission, in its preliminary observation had directed KPTCL to furnish its network adequacy to provide '**24X7 Power for All**' throughout the State, without any constraints, during the Control Period FY23 to FY25, under the Joint Initiative Programme of Government of India and Government of Karnataka which began few years ago and also directed KPTCL to indicate the measures already initiated and the action plan to achieve network adequacy to provide '**24X7 Power for All**' during the said Control Period.

KPTCL has submitted that four stations have been commissioned and one station is under implementation. Further, three lines have been commissioned, one line is under implementation and two works namely construction of 400kV D/C quad moose line from Edlapur to Bellary(BPS) and Edlapur to Yeramarus are likely to be deferred.

The Commission has taken note of the reply submitted by KPTCL. The Commission directs the KPTCL to complete the balance works at the earliest.

3. The Commission also notes the reply submitted by KPTCL on the impact of delay in completion of projects resulting in increase in cost and increase in per unit of cost of transmission of electricity affecting Cost effective delivery of power and also the impact of the proposed capex on the tariff. The Commission notes that KPTCL has not furnished the quantitative analysis for

the above observations. The reply submitted by KPTCL is not satisfactory. Hence, Commission directs KPTCL to take up the quantitative analysis on the above subject matter for improvement of its operational and financial efficiency and submit its analysis to the Commission, in the interest of consumers.

4. The Commission in its Preliminary Observations had directed KPTCL to submit list of Capital works duly segregating them in to completed works, ongoing works and works to be taken up in the near future including projects pertaining to FY22 from the list of 1490 number of capital works which are prepared in a chronological order and also directed to submit the abstract for the list for the works pertaining to the control period in tally with Table -11 (a) along with compliance to the observations and reasons for amount to be incurred is left blank against some of the works in the list.

In reply, KPTCL has submitted that the list of capital works is prepared based on the Annual Programme of Works (APW) (which consists of commissioned works but not financially closed, ongoing works & DPR approved works) along with tentative list of capital works proposed for the perspective plan. Unless a work is financially closed, it will be the part of capital works list. Every year the APW list is revisited and updated based on the completion of the works in the previous year. Hence all such works are retained in the capital works list so that the budget re-appropriation can be made as and when needed during the MYT period 23-25. Hence, specific amount for such works is not indicated in the list.

From the reply, the Commission concludes that KPTCL is not properly planning and monitoring its capital works even after increase in time overrun and cost overrun in projects and further insist the Commission to approve the works which amount to be incurred is not indicated. In such cases, the Commission is unable to approve the proposed capex of KPTCL without analysing the Tariff Implications of the works for which amount to be incurred is not indicated. In view of this the Commission directs KPTCL not take up such capital works for which amount is not indicated in the list for the control period.

5. The Commission had directed KPTCL to furnish the reasons for considering loans from commercial banks for entire capex and not considering the internal resources for sources of funding in format T-9.

In reply, KPTCL has submitted that it has considered borrowing of Rs.2,450.00 Crores from commercial banks (70% of the proposed capex Rs.3,500.00 Crores for FY23-25) and remaining 30% will be met through internal resources only.

6. The Commission in its Preliminary Observation had directed KPTCL to give clarification on providing the budgets towards completed works for the subsequent two years (FY24 & FY25) that too by providing huge amounts of Rs.670.52 Crores and Rs.1091.00 Crores respectively and also for indicating the Budget for completed works amounting of Rs.793.85 Crores for FY23.

In reply, KPTCL has submitted that the budget indicated for completed works Rs.793.85 Crores, Rs.670.52 Crores and Rs.1091 Crores for FY23, FY24 & FY25 respectively are the amounts required for the financial closure of the works which are completed during previous, financial years and also submitted that most of the targeted works in the financial year are completed during the last quarter of the year. Hence financial closures are achieved in the ensuing financial Years. Further, KPTCL has assured the Commission that it will make all efforts to financially close the completed works in the concerned Financial Year to avoid further spill over.

7. The Commission in its observations had directed KPTCL to furnish reasons for indicating huge amount Rs.3514.68 Crores under the head of account 'Work in Progress' along with remedial action taken to reduce the huge WIP balance. In reply KPTCL has stated that it has taken up establishment of new substations, augmentation of existing stations besides construction of exclusive transmission lines for strengthening the existing transmission network catering to the demands of ESCOMs and facilitation of evacuation of RE Power under GEC Phase 1 and commissioning many of these major works annually to a tune of Rs.2,000.00 Crores. KPTCL has further submitted that the

work in progress is in the range of 1.5 times of annual capital expenditure incurred by KPTCL.

In view of this the Commission directs KPTCL to monitor the physical and financial progress of capital works taken up, so that all the planned works shall be completed in a time bound manner and categorize them in the immediate next year in order to create assets and to pass on the real benefits to the consumers.

The status of capex proposed, approved, incurred and percentage achievement of capex incurred for the period from FY16 to FY21 is as under:

**TABLE - 5.5**  
**KPTCL CAPEX Approved v/s Actuals**  
(Amount in Rs. Crores)

Particulars	FY16	FY17	FY18	FY19	FY20	FY21
Capital investment proposed	1,400.00	2,000.00	2,000.00	2,000.00	3,207.97	3,269.64
Capital investment approved by the Commission	1,400.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Actual capital investment incurred as per audited accounts	1,278.81	1,701.96	1,825.28	1,873.92	2,231.63	2,211.32
Percentage achievement	<b>91.34%</b>	<b>85.10%</b>	<b>91.26%</b>	<b>93.70%</b>	<b>111.58%</b>	<b>110.57%</b>

It is seen from the above that the actual average capex for the last three years is around Rs.2105.62 Crores annually.

The Commission notes that, the capex required for completed works and the ongoing works amounts to more than 50% of the capex proposed for the control period. This shows that, every year KPTCL is carrying forward a huge amount relating to works in progress to the next year, resulting in delay in completion and categorization of works.

In view of the above, the Commission is of the view that allowing huge capex (which is not likely to be achieved), would have unjustified tariff implications and would amount to burdening the consumers with higher tariff without passing on the corresponding benefits to them. Hence, keeping in view the interest of



consumers in mind, the capex to be allowed should be reasonable and is achievable, so as to strike a balance between the capex needs and the likely achievement by the transmission licensee,

**Hence, the Commission recognizes capex of Rs.2500 Crores for each of the years of the Control Period FY23-25, subject to prudence check. However, considering the internal resources and equity to finance the capex, the Commission decides to consider a reasonable amount of Rs.2000 Crores for the ARR and tariff computation and directs KPTCL that, if it requires any additional capex, it shall incur the same through re-appropriation of the amounts saved in other heads of expenditure, with proper justification. KPTCL shall not approach the Commission in the middle of the year for any additional capex requirement.**

### 5.3 Transmission Losses for FY23-25

KPTCL, in its filing, has projected the transmission losses for the Sixth Control Period based on the energy input into the KPTCL grid and energy output as measured at interface points with ESCOMs. Further, the energy assessed for supply through open access is also included. The transmission losses projected for the Control Period FY23-25 are as follows:

Particulars	As per KPTCL filing		
	2022-23	2023-24	2024-25
Input Energy in KPTCL Grid (MU) as estimated by ESCOMs	71185.49	73479.73	75893.72
Energy at interface point (MU)	69136.77	71401.72	73785.39
Transmission loss in MU	2048.72	2078.01	2108.33
Transmission loss in %	2.878	2.828	2.778

KPTCL has proposed the transmission loss trajectory for the control period is as follows:

Range	FY23	FY24	FY25
Upper Limit	2.978	2.928	2.878
Average	2.878	2.828	2.778
Lower Limit	2.778	2.728	2.678

KPTCL has submitted that, it has taken up system improvement works like adding new/link lines, augmentation of existing transformer capacities and establishment of new sub-stations closer to the load centres. KPTCL has stated that, the proposed works would enable creation of robust transmission network, improve the system reliability, besides reducing transmission losses.

### **Commission's Analysis & Decision:**

The Commission, in its preliminary observations, had noted that the actual transmission losses are indicated as 3.161% for FY19, 3.129% for FY20 and 3.025% for FY21. The Commission has approved a revised transmission loss at 2.978% for FY22. As compared to the approved losses for FY22, KPTCL has proposed a reduction of 0.10% for FY23. Thereafter, KPTCL has proposed a reduction 0.05% for FY24 & FY25. Considering the huge capex proposed for the control period, the projected transmission losses, with a reduction of the 0.05 percentage point uniformly for all the years of the control period, is not justifiable. KPTCL shall furnish the justification for considering the reduction of 0.05 percentage point for each year of the control period and may reconsider revising the projected transmission losses for FY23-25.

KPTCL in its reply has submitted that the bandwidth of transmission loss variation indicated is 0.10% which is higher than the actual reduction of 0.09% between FY20 and FY21. As such the reduction of transmission losses is projected considering 0.05% annually. However, exact transmission loss will be known only after completion of the year and the same would be filed in Annual Performance Review of the respective years.

Considering the actual loss levels achieved in FY20, the current level of transmission losses reported for FY21 and the capex proposals for the control period FY23-25, the Commission approves the following trajectory of transmission loss levels:

<b>Range</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>
Upper Limit	2.914	2.814	2.714
Target (Average)	2.864	2.764	2.664
Lower Limit	2.814	2.714	2.614

#### 5.4 O & M Expenses:

##### **KPTCL's Submission:**

KPTCL in its petition, has projected the total O&M expenses at Rs.2282.18 Crores, Rs.2615.14 Crores and Rs.2997.02 Crores for the MYT period i.e., for the period FY23, FY24 and FY25 respectively. This amounts consists of Rs.1672.42 Crores, Rs.1906.55 Crores and Rs.2173.47 Crores towards employee cost and the remaining are R&M and A&G expenses for FY23, FY24 and FY25, respectively. Further, KPTCL in its filing, has submitted that it has estimated the employees cost based on normal increase like annual increments and release of Dearness Allowance. KPTCL has considered a cumulative average growth rate of 14% over the actual of FY21 for the projecting the employee costs for FY23 to FY25. However, as pay revision is due from 01.04.2022, KPTCL has considered an increase of 26% on par with the previous pay scale revision for FY23 projection.

KPTCL has considered Rs.456.73 Crores, Rs.520.68 Crores and Rs.593.57 Crores towards Additional O&M expenses on account of contribution of terminal benefits to P&G Trust and Rs.106.97 Crores, Rs.121.94 Crores and Rs.139.02 Crores towards earned leave encashment for FY23, FY24 and FY25.

KPTCL has projected A&G expenses based on the average growth rate of 14% for the sixth control period. The A&G expenses include expenses like Rent, Rates and Taxes, expenses towards Station Maintenance Contract, Security arrangement, Insurance and Telephone charges etc.

KPTCL has projected the R&M Expenses for the control period considering the cumulative average growth rate of 17% over the actual amount for the year FY21. KPTCL has stated that the proposed increase is essential to improve existing stations and other office buildings, as also the stations likely to come up during the 6th control period. Further, KPTCL has also considered the maintenance of Transmission lines, SCADA infrastructure, station control room equipment, TCD and RT division equipment etc. while computing these projections. Hence, the O&M expenses worked out by the KPTCL is as follows:

**Summary of O&M Expenses projections for the MYT period.**

**TABLE – 5.6**  
**O&M Expenses – KPTCL's projections**

Particulars	Amount in Rs. Crores		
	FY23	FY24	FY25
R&M Expenses	448.78	525.07	614.34
Employee Cost	1672.42	1906.55	2173.47
A&G Expenses	160.98	183.52	209.21
<b>O &amp; M expenses (excluding expenses shared by ESCOMs)</b>	<b>2282.18</b>	<b>2615.14</b>	<b>2997.02</b>

KPTCL has also worked out the normative O&M expenses as per the O&M norms specified in the KERC tariff Order dated 30.05.2019, considering the following:

a. Norms under KERC Tariff Order 30.05.2019 for O&M expenses:

Particulars	2021-22
O&M expenses for lines (in Lakhs/km)	1.27
O&M expenses for bays (in Lakhs/bay)	4.72

b. The projected details of circuit kilometres of transmission lines as follows:

**TABLE – 5.7**  
**Voltage class-wise transmission lines – KPTCL's Projections**

Voltage Class	FY22	FY23	FY24	FY25
400 kV	3934	3934	3967	4099
220 kV	13070	13372	13923	14303
110 kV	11594	12425	12946	13532
66 kV	12132	12582	13483	14204
<b>Total</b>	<b>40730</b>	<b>42313</b>	<b>44319</b>	<b>46138</b>

c. The projected details of number of bays are as follows:

**TABLE – 5.8**  
**Number of Bays – KPTCL's Projections**

Year	Line Bay	Transformer Bays	PT Bay	Capacitor Bank Bay	11 KV Bay	Total (A+B+C+D+E)
	A	B	C	D	E	
FY22	6075	2910	1853	1229	13863	<b>25930</b>
FY23	6281	3087	1912	1373	14771	<b>27424</b>
FY24	6585	3249	2004	1505	15474	<b>28817</b>
FY25	6908	3431	2126	1644	16193	<b>30302</b>

Considering the above, the KPTCL has computed the O & M expenses as per MYT Regulations as indicated below:

**TABLE – 5.9**  
**Normative O&M Expenses for FY23-25 - KPTCL's Projections**

Particulars	Amount in Rs. Crores		
	FY23	FY24	FY25
Normative O & M Expenses for bays	1294.41	1360.16	1430.25
Normative O & M Expenses for lines	537.38	562.85	585.95
<b>Total O&amp;M Expenses</b>	<b>1831.79</b>	<b>1923.01</b>	<b>2016.20</b>

KPTCL has stated that, even if the inflation at the rate of 5% is considered, the O&M expenses as per normative rates would increase marginally and this amount would be less compared to the O&M expenses projected by KPTCL based on average growth rate and escalation due to pay revision in employee costs.

Hence, KPTCL has requested to approve the O & M expenses of Rs.2282.18 Crores, Rs.2615.14 Crores and Rs.2997.02 Crores respectively for FY23 to FY25 as proposed by them.

#### **Commission's Analysis and Decision:**

The Commission in its preliminary observations, had observed that KPTCL in its filing, had projected the no. of Bays and transmission lines for FY22 to FY25 as shown below:

Year	No. of Bays	Transmission lines in C.Kms
FY22	25930	40730
FY23	27424	42313
FY24	28817	44319
FY25	30302	46138

The Commission sought from KPTCL, the basis for estimation of the Bays and transmission lines for the control period with reference to the actual Transmission lines and Bays as at the end of FY21. The Commission also directed KPTCL to consider the proposed capital works and ongoing works while estimating the number of Bays and transmission lines.

KPTCL in its reply to the preliminary observation, has submitted that the number of Bays and lines for FY 23-25 are projected based on the Capex programme for the sixth control period.

The Commission also observed that KPTCL, in its filing, had projected Terminal benefits and other staff welfare expenses etc., at Rs.362.49 Crores, Rs.456.73 Crores, Rs.520.68 Crores and Rs.593.57 Crores respectively for FY22 to FY25. KPTCL was directed to furnish the basis and the computation statement showing the details for claiming the amount in respect of employees recruited prior to 31.03.2002 and those employees covered under NDCPS scheme.

KPTCL in its reply, has submitted that the Terminal benefits for employees has been worked out based on Actuarial valuation for the respective years and for the employees covered under NDCPS rate of contribution prescribed by GoK from time to time. The projections for the control period FY23-25 are based on average rate of expenses in the previous years booked under the annual accounts.

The Commission notes that, KPTCL has submitted that the pay revision will be effective from 01.04.2022 and therefore, has considered an increase of 26% on par with previous pay scale revision. The Commission has not considered in this order the impact of pay revision as its yet to be incurred. The Commission would consider the impact of pay revision during Annual Performance Review after it is incurred.

As per the provisions of the MYT Regulations, the transmission licensee is required to propose O&M expenses on the basis of per Ckt-Km of transmission lines and per bay of sub-stations for the base year and apply appropriate inflation factors.

While computing the O&M expenses the Commission has considered the average actual O&M expenses incurred by the KPTCL in the preceding three years for which audited accounts were available, for computation of the base year data for projection of the O & M expenses for the next control period.

For arriving at the O&M expenses for the control period, the Commission has considered the average of actual O&M expenses including contribution to P&G

Trust and leave contributions and without SLDC charges of preceding three years as per the audited accounts for FY19 to FY21 as base year data. The Commission notes, the variation / downward trend in the actual O&M expenses incurred during FY19 to FY21. The actual total O&M expenses for FY20 and FY21 is lesser than the average O&M expenses of FY19 to FY21. Considering the reduction in the contribution of terminal benefit to P&G Trust as per the order of P&G Trust along with the reduction in the O&M expenses during FY20 and FY21, the Commission to avoid the burden on the consumers particularly during the present poor condition due to slowdown of economic activities in the country / State decides to allow the reasonable O&M expenses during the next control period FY23 to FY25. Accordingly, for the computation of O&M expenses for the control period the Commission has recognised the actual O&M expenses inclusive of P&G Trust and leave contributions of FY21 as the base data and escalated the same at an inflation rate of 6.9602% every year for projecting the O&M expenses for the control period FY23-25. As such, the break up details of P&G contribution furnished by KPTCL is not considered separately.

Accordingly, the Commission has computed the allowable O & M expenses for the Control Period FY23-25 by considering the actual O & M expenses for the base year the FY21 (inclusive P&G contribution and leave encashment) duly applying the inflation factor computed with apportionment of CPI and WPI in the ratio of 80: 20 during the preceding control period and as the employee cost constitutes nearly about 80% of the O & M expenses. The inflation factor is determined based on the similar methodology adopted by the CERC, from time to time, as shown below:

TABLE – 5.10

## Computation of weighted inflation index

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	79.3	1.32	0.28	3	0.84
2013	111.1	80.6	86.7	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	94.7	1.58	0.46	6	2.74
2016	110.3	95.3	98.3	1.64	0.49	7	3.46

2017	114.1	97.6	100.9	1.68	0.52	8	4.16
2018	118.9	102.4	105.7	1.76	0.57	9	5.10
2019	121.2	110.2	112.4	1.87	0.63	10	6.28
2020	121.8	116.3	117.4	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							

The Commission notes that, as per the actual data furnished by the KPTCL for the FY21, substantial amount of the O&M expenses was spent on maintenance of Bays (stations) as compared to transmission lines. Hence, the Commission decides to allocate 70% of the cost to maintenance of bays and 30% to maintenance of lines.

The Commission notes that the number of Bays and voltage class-wise Transmission lines projected by the KPTCL for the control period FY23 to FY25 are on a higher side when compared with the actual number of Bays and transmission lines in ckt-kms. during the previous years. The higher number of bays and lines projected by the KPTCL has resulted in claiming of higher amount of O&M expenses and which in turn lead to front loading of the same in the transmission charges to be payable by the ESCOMs and ultimately to the consumers. Thus, the Commission would like to reiterate that KPTCL should project the number of bays and transmission lines to be added during the next control period FY23 to FY25 in a realistic manner.

For arriving at the number of bays and transmission lines which are likely to get added during the control period FY23-25, the Commission has considered the actual number of bays and transmission lines added during the previous years as per the audited accounts and also the amount of capex approved for the control period. The Commission has reckoned the same growth rate for projecting the number of bays and transmission lines (Ckt-kms) likely to be added during the control period, for computation of O&M expenses as detailed below:



**TABLE - 5.11**  
**Approved Total Number of Bays and Transmission lines**  
**(Ckt-kms) for FY23-25**

Year	No. of Bays	No. of Transmission Lines (Ckt-kms.)
2023	26872	40691
2024	27822	41691
2025	28822	42741

Considering the above factors, the actual O&M expenses incurred during FY21 as per the audited accounts and considering the number of Bays and Lines as made out in the above table that are likely to be added, the normative O & M expenses for the FY23-25 is worked out, as follows:

**TABLE – 5.12**  
**Normative O & M Expenses for the Control Period FY23 to FY25**

Particulars	Amount in Rs. Crores		
	FY23	FY24	FY25
O&M cost in terms Rs. Thousand/bay	538.30	575.77	615.85
O&M cost in terms Rs. Thousand/Km of Line	148.45	158.78	169.83
Inflation rate*	6.9602	6.9602	6.9602
No. of Bays	26872	27822	28822
Length of Line in Ckt-Kms	40691	41691	42741
O&M Expenses for Bays Rs. Crores	1446.53	1601.91	1774.99
O&M Expenses for Lines Rs Crores	604.06	661.98	725.89
<b>TOTAL O&amp;M Expenses as per Norms Rs. Crores</b>	<b>2050.59</b>	<b>2263.89</b>	<b>2500.88</b>

The Commission while projecting the O&M charges for the control period, has considered the actual O&M costs including contribution to P&G Trust and leave contributions for FY21. Thus, the allowable O&M charges computed as above for the control period FY23 to FY25 is inclusive of revision of pay, contributions to P&G Trust and the leave contribution amounts. Accordingly, the Commission is not allowing the same amount as an additional uncontrollable O&M expenses separately for FY23 to FY25.

Based on the above, the normative O&M expenses for FY23-25 are as follows:

**TABLE – 5.13**  
**Approved O&M Expenses for FY23-25**

Particulars	Amount in Rs. Crores		
	FY23	FY24	FY25
Allowable O&M Expenses with P&G Contribution leave encashment and pay revision	2050.59	2263.89	2500.88

**KPTCL's Application for additional Employee cost for FY23-25:**

KPTCL in its Affidavit dated 21<sup>st</sup> March, 2022 has filed application under 62 & 64 of Electricity Act 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 requirement of additional employee cost for the control FY23-25.

In the said application, it is informed that the Government of Karnataka vide its Order dated 09.03.2022, has directed KPTCL and ESCOMs to file application before the Commission for including the Government portion of contribution towards Pension & Gratuity Trust in the Annual Revenue Requirement of KPTCL for FY23 – FY25, since the Government has not made any budgetary allocation towards Pension & Gratuity Contribution payable to Pension Trust and to work out the transmission tariff by including the said amount.

**Commissions Observation:**

Commission notes that, the application for including the Government portion of Pension & Gratuity contribution in the ARR for FY23-25 has been filed on 21.03.2022, which is after the conclusion of the public consultation process in determination of the Transmission Tariff of KPTCL and retail supply tariff of ESCOMs in the State. The KPTCL and Government are aware that as per Section 64 of the Electricity Act, the Commission has to issue Order on the Tariff application filed by KPTCL and ESCOMs within 120 days of filing of tariff application its before 31<sup>st</sup> March, 2022. The claim for inclusion of additional employee cost in the ARR is a not part of the tariff filing which was placed before the public for consultations in terms of Section 64 of the Electricity Act. Hence, the Commission is unable to consider the application for consideration of additional employee cost towards Pension and Gratuity Contribution payable by Government, which is submitted after the conclusion of Tariff proceedings.

## 5.5 Depreciation:

KPTCL in its Petition, has submitted that they have considered the depreciation rates as prescribed by CERC for arriving at the depreciation for the control period. KPTCL has worked out the depreciation amount based on the average growth rate of depreciation for the last three years. The depreciation claimed by the KPTCL for the FY23-25 is as under:

**TABLE – 5.14**  
**Depreciation – KPTCL's Projections**

Amount in Rs. Crores		
FY23	FY24	FY25
1299.09	1441.99	1600.61

### Commission's Analysis and Decisions:

The Commission, in its preliminary observations, had pointed out that KPTCL is claiming the depreciation and has not projected the amount accounted towards withdrawal of depreciation on asset created out of consumers' contribution for FY23, FY24 and FY25 respectively. Accordingly, KPTCL was directed to submit the details of depreciation on assets created out of consumer contribution for FY23 to FY25.

KPTCL, in its reply to the preliminary observations, without giving any details / amount has submitted that since the assets that would be created out of consumer contribution is not predictable, KPTCL has not projected creation of such assets for FY23-25, in contravention to the provisions of MYT Regulation and the orders of the Hon'ble Tribunal in the matter.

As per the MYT Regulations, as amended from time to time, the allowable depreciation is based on the rate of depreciation as specified by the CERC from time to time. The Commission has considered the opening and closing balances of gross block of assets for the FY21 as per the audited accounts. As discussed in the earlier paragraphs of this chapter, the Commission has allowed an amount of Rs.2500 Crores for each of the years of the control period towards capex as against Rs.3521.83 Crores for FY23, Rs.3562.75 Crores for FY24 and Rs.3523.94

Crores for FY25 as proposed by KPTCL. However, considering the actual achievements of the KPTCL, as against approved capex during the previous five control periods and to avoid front loading of the depreciation and interest amount in the transmission tariff, for the proposed investments and likely addition of assets, the Commission decides to reckon (for the purpose of approval of ARR) the expected capital expenditure of Rs.2000 Crores for each of the years of the control period for FY23-25 subject to prudence check at the time of approving the APR for the relevant years. Based on this decision, the Commission has considered category-wise addition of assets as proposed by the KPTCL on pro-rata basis. Since, the depreciation during the year is computed on the basis of capitalization of assets from time to time, during the year, the Commission has determined the allowable depreciation on the average of opening and closing gross block of assets by applying the actual weighted average rate of depreciation as per the audited accounts for FY21.

In accordance with the Accounting Standards 12 of the Institute of Chartered Accountants, the Commission has deducted the depreciation on account of assets created out of consumer contribution / grants. The depreciation is computed as per the actual data of fixed assets and created out of consumer contribution / grants and depreciation charged thereon as per the audited accounts for the FY21. Based on the rate of depreciation, the allowable depreciation is computed on the capital assets excluding assets created out of consumers' contribution / grants.

The Commission also notes that, year on year, there is increase in the amount under the head of account- work in progress. The Commission directs KPTCL to take suitable action to complete and commission the works on time to put the assets for use and reduce the balance of work in progress.

Accordingly, the allowable depreciation for the control period are as follows:

**TABLE – 5.15**  
**Approved Depreciation for FY23-25**

Amount in Rs. Crores

Sl. No.	Particulars of assets	FY23	FY24	FY25
1	Land and Rights			
2	Amortization of Lease hold assets	1.24	1.36	1.48
3	Building and structures	29.66	32.40	35.30
4	Plant and Machinery Substation Transformers, Circuit breakers, other fixed apparatus of rating 100 MVA and above.	605.24	661.02	720.42
5	Substation Transformers, Circuit breakers, other fixed apparatus of rating below 100 MVA .	600.51	656.32	715.51
6	Hydraulic Works	7.95	8.68	9.46
7	Other Civil Works	12.85	14.04	15.30
8	Vehicles	2.61	2.85	3.10
9	Furniture Fixtures	1.82	1.99	2.17
10	Office Equipment	0.24	0.27	0.29
11	Intangible Assets	-	-	-
12	Depreciation on released assets and released assets issued to repairs.	-	-	-
<b>13</b>	<b>Gross Depreciation (Before Capitalisation)</b>	<b>1262.12</b>	<b>1379.11</b>	<b>1503.03</b>
14	Less: Depreciation withdrawn on assets created out of consumer contribution and grants	115.09	128.21	141.33
15	Grand Total without assets created out of Consumer Contribution/ augmentation Charges	1147.03	1250.90	1361.70
16	Less: Depreciation on SLDC assets	0.22	0.22	0.22
17	Allowable depreciation	1146.81	1250.68	1361.48
18	Capitalised Amount of Depreciation	0.483	0.483	0.483
19	Allowable Net Depreciation	1146.33	1250.20	1361.00

Thus, the Commission decides to allow a net depreciation of Rs.1146.33 Crores, Rs.1250.20 Crores and Rs.1361.00 Crores for FY23, FY24 and FY25 respectively, subject to prudence check of capex for the relevant years.

## 5.6 Interest and Finance Charges:

### KPTCL Submissions:

KPTCL in its filing, has submitted that, the Interest cost has been estimated on the existing loan portfolios and on proposed loans during the sixth control period. KPTCL has submitted that it has considered the interest on long term loans at 7%

for 2022-23, 7.5% for 2023-24 and 8% for 2024-25. The funding of Capex for the control period is expected through long term debts.

The details of Interest and Finance charges projected for the FY23 to FY25 are, as follows:

**TABLE – 5.16**  
**Interest & Finance Charges – KPTCL's Projections**  
Amount in Rs. Crores

	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>
<b>Interest and Finance charges</b>	717.41	833.13	953.54
Capitalization	103.17	106.27	109.46
<b>Net</b>	<b>614.24</b>	<b>729.86</b>	<b>844.08</b>

#### **Commission's Analysis and Decisions:**

The Commission notes that, as per D-9 format, KPTCL has claimed the interest on capital amount by including the interest on short term working capital loan for FY23 to FY25.

The Commission notes the capex proposed by KPTCL for Rs.3521.83 Crores for FY23, Rs.3562.75 Crores for FY24 and Rs.3523.94 Crores for FY25. For the purpose of computing the interest on long term loans, and also for depreciation the Commission has reckoned the capex of Rs.2000.00 Crores for each of the years of the control period for FY23 to FY25. Further, the Commission by considering the equity and internal resources has reckoned Rs.1225.00 Crores as new Capital Loan for each year of the Control Period FY23-25.

The Commission has taken note of the long term capital loan portfolio of KPTCL. Accordingly, KPTCL has availed the loan in the past and recent years at the rate of 8.25% to 7.61% from financial institutions.

The weighted average rate of interest on long term loans as per the audited accounts for the FY21 is 7.61% p.a. Thus, for arriving at the interest rates for the control period FY23 to FY25, the weighted average rate of interest of the preceding year FY21 on the existing loan balances has been considered.

The Commission notes the rate of interest considered by KPTCL is claiming the interest on capital loan for FY23 to FY25. The Commission further notes that, the present interest rates by commercial banks and financial institutions are charged mainly on the basis of Marginal Cost of fund based Lending Rates (MCLR). The Commission notes that, the present SBI MCLR rate for capital loans with a tenure of 3 years is 7.30%. Considering the present MCLR, and 200 basis points as per the MYT Regulation, the Commission decides to allow an interest rate of 9.30% for FY23-25 for new Capital loans. It shall be noted that, the rate of interest now considered by the Commission on the new capital loans is subject to review during APR.

On the basis of the above discussions and considering the closing balance of long term loans for the FY21, and on the projected loan balance for the period from FY23 to FY25, the Commission has computed the allowable interest on loans as follows:

**TABLE – 5.17**  
**Approved Interest on Loans for FY23-25**

Particulars	Amount in Rs. Crores		
	FY23	FY24	FY25
Opening balance of loans (Secured and unsecured)	7913.35	8362.84	8755.69
Add : New Loans (Borrowings)	1225.00	1225.00	1225.00
Less : Repayments	775.51	832.15	809.95
<b>Total loan at the end of the year</b>	<b>8362.84</b>	<b>8755.69</b>	<b>9170.74</b>
Average Loan	8138.09	8559.26	8963.21
Weighted average rate Interest on Existing Loan Balance	7.851%	7.955%	8.047%
Allowable Interest Rate on new loan in %	9.30%	9.30%	9.30%
<b>Allowable Interest on Capital Loan</b>	<b>638.93</b>	<b>680.88</b>	<b>721.25</b>
<b>Interest Capitalized allowable</b>	<b>-103.17</b>	<b>-106.27</b>	<b>-109.46</b>
<b>Net Interest allowed</b>	<b>535.76</b>	<b>574.61</b>	<b>611.79</b>

**Thus, the Commission decides to allow interest on capital loans is Rs.535.76 Crores, Rs.574.61 Crores and Rs.611.79 Crores for FY23, FY24 and FY25 respectively, as the net interest on capita loan.** The interest and finance charges approved above for the MYT period are subject to prudence check of capex actually incurred during the relevant years of the control period.

## 5.7 Interest on Working Capital:

KPTCL in its filings, has submitted that it is managing its finances through short-term borrowings to gain the interest rate advantage. However, KPTCL has not claimed the interest on working capital while proposing the ARR for the control period FY23 to FY25. Further, KPTCL has requested the Commission to allow the interest on working capital for the control period as per the norms under the MYT Regulations.

### Commission's Analysis and Decisions:

The Commission notes that, the requirement of working capital has to be met by borrowing on short term basis and utilized for the purpose of financial management of the day to day business of the utility. The KPTCL's in its filing under Format -9 has indicated the short term loans balances and interest thereon of Rs.37.80 Crores, Rs.42.11 Crores and Rs.41.39 Crores respectively for FY23 to FY25 and included and claimed along with the interest on long term capital loan for FY23 to FY25.

The Commission, in accordance with the norms specified under MYT Regulations, by considering the present SBI MCLR of 7% for one year tenure along with 250 basis points has considered the interest rate at 9.50% per annum in allowance of interest on working capital loan for FY23 to FY25. The computation of allowable normative interest on working capital for FY23 to FY25 is as under:

**TABLE – 5.18**  
**Approved Interest on Working Capital for FY23-25**

Particulars	Amount in Rs. Crores		
	FY 23	FY 24	FY 25
One-twelfth of the amount of O&M Exp.	170.88	188.66	208.41
Opening GFA as per Audited Accts	26649.79	29049.79	31799.79
Stores, materials and supplies 1% of Opening balance of GFA	266.50	290.50	318.00
Revenue	4555.18	4746.09	4946.09
One-sixth of the expected revenue from Transmission user at the prevailing tariffs	759.20	791.01	824.35
Total Working Capital	1196.58	1270.17	1350.75
Rate of Interest (% p.a.)	9.50%	9.50%	9.50%
<b>Interest on Working Capital</b>	<b>113.67</b>	<b>120.67</b>	<b>128.32</b>



Thus, the Commission decides to allow interest on working capital at Rs.113.67 Crores, Rs.120.67 Crores and Rs.128.32 Crores for FY23, FY24 and FY25 respectively.

#### 5.8 Return on Equity:

The KPTCL in its filing had claimed the Return on Equity by considering the equity plus accumulated surplus under reserves and surpluses at the beginning of the year duly applying the rate of return at 15.5% (along with MAT at the rate of 17.472%) as per the MYT Regulations. The RoE claimed by KPTCL are as follows:

**TABLE – 5.19**  
**Return on Equity – KPTCL's Submission**

Particulars	Amount in Rs. Crores		
	FY23	FY24	FY25
Equity	2182.32	2182.32	2182.32
Reserves & Surplus	4318.39	5539.32	6989.56
Share Deposit	0.00	0.00	0.00
Total	6500.71	7721.64	9171.88
RoE @ 15.50%	<b>1007.61</b>	<b>1196.85</b>	<b>1421.64</b>
RoE with MAT @ 17.472%	<b>1220.93</b>	<b>1450.24</b>	<b>1722.62</b>

#### Commission's Analysis and Decisions:

The Commission has considered the closing balance of paid up share capital, the accumulated surplus/deficit amount under reserve and surplus account and share deposit amount as per the audited accounts for the FY21 as the opening balance of equity for FY22 and the same is the base data for the projections for the control period FY23-25. The Commission in order to avoid the front loading of the allowable RoE in the transmission tariff, has not carried forward and considered the allowable RoE of each year as the additional equity infused during the year for computation of RoE for subsequent year thereon for FY23 to FY25. The Commission in accordance with the provisions of MYT Regulations, as amended has computed the allowable RoE at 15.5%.

**TABLE – 5.20**  
**Approved Return on Equity for FY23-25**

Particulars	Amount in Rs. Crores		
	FY23	FY24	FY25
OB: Paid Up Share Capital	2182.32	2182.32	2182.32
OB: Share Deposit	0.00	0.00	0.00
OB: Reserves & Surplus (accumulated surplus)	3289.48	3289.48	3289.48
<b>Total Equity</b>	<b>5471.80</b>	<b>5471.80</b>	<b>5471.80</b>
<b>Allowable RoE at 18.7815% with MAT</b>	<b>1027.69</b>	<b>1027.69</b>	<b>1027.69</b>

Thus, the Commission decides to allow Rs.1027.69 Crores as ROE with MAT for each of the years for the control period FY23-25.

#### 5.9 Interest and other Expenses capitalized:

The KPTCL in its filing, has claimed the following interest and other expenses to be capitalized during the control period:

**TABLE – 5.21**  
**Proposed capitalization Interest and other Expenses**

Particulars	Amount in Rs. Crores		
	FY23	FY24	FY25
Interest expenses capitalized	-103.17	-106.27	-109.46
Other expenses capitalized	-67.69	-69.72	-71.81
<b>Total</b>	<b>-170.86</b>	<b>-175.99</b>	<b>-181.27</b>

The Commission takes note of the actual amount of interest on capital loans and other expenses capitalised during the previous years as per the audited accounts. Considering the same and the amount of capex and the new borrowings allowed, the Commission decides to allow Rs.103.17 Crores Rs.106.27 Crores and Rs.109.46 Crores as capitalisation of interest for FY23, FY24 and FY25 respectively. Regarding other expenses capitalised, the Commission by considering the actuals as per audited accounts during the previous years, has decided to allow the amounts as claimed by KPTCL, towards other expenses capitalised for FY23-25. **Thus, the Commission decides to allow total capitalised interest and other expenses of Rs.170.86 Crores, Rs.175.99 Crores and Rs.181.27 Crores respectively for FY23-25.**

### 5.10 Non-Tariff Income:

KPTCL in its filing has projected the non-tariff income of Rs.80.58 Crores, Rs.82.99 Crores and Rs.85.48 Crores for FY23, FY24 and FY25 respectively. These amounts mainly include income on account of interest on investments, receipt of rent from staff quarters, receipt of rent from other office buildings, income from sale of scrap, income from trading, and miscellaneous receipts.

#### Commission's Analysis and Decisions:

The Commission notes that, KPTCL in its filing under Format T-4 has projected non-tariff income for the control period considering income from investments, income from sale of scrap, rent from staff quarters /others, etc. The Commission notes the actual other income earned by KPTCL as per audited accounts during the previous years.

Thus, the Commission by reckoning the actual other income earned by the KPTCL during the previous years, decides to allow the other income for the control period for FY23, FY24 and FY25 as under:

**TABLE – 5.22**

#### Approved Non-Tariff Income for FY23-25

Non-Tariff Income	Amount in Rs. Crores		
	FY23	FY24	FY25
	93.54	82.99	85.48

### 5.11 Provision for Taxes:

The Commission had noted that the KPTCL in its application, for the approval of ARR, has not included a provision for income tax.

The Commission, while determining the RoE in the pre-paras for the Control period FY23-25, has also included the applicable MAT on the allowable RoE at 18.7815%. Hence, the Commission has not allowed the income tax once again for FY23 to FY25.

### 5.12 Other Debits:

KPTCL, in its filing has claimed Rs.36.69 Crores, Rs.37.79 Crores, Rs.38.92 Crores in ARR for the control period FY23-25 respectively. Since the Other Debits to be

incurred cannot be estimated before actually incurring them, the Commission has not allowed the Other Debits as claimed by KPTCL.

### 5.13 SLDC Charges:

The KPTCL in its filing, has excluded the SLDC charges in terms of employee cost, R&M expenses, A&G expenses and depreciation as detailed below:

**TABLE – 5.23**  
**SLDC Charges – KPTCL's Submission**

Particulars	Amount in Rs. Crores		
	FY23	FY24	FY25
Employee cost	18.88	19.24	19.61
R&M expenses	2.04	3.36	5.52
A&G expenses	9.13	9.20	9.27
Depreciation	0.22	0.22	0.22
<b>TOTAL</b>	<b>30.27</b>	<b>32.02</b>	<b>34.62</b>

#### Commission's Analysis and Decisions:

The system operations of the SLDC being an activity not related to transmission business. As such the Commission decides that the SLDC charges cannot be factored in the ARR of the KPTCL. As the KPTCL is incurring these costs but has excluded the same in its ARR filing, the same needs to be collected from the users of the transmission network.

The Commission in its tariff Order dated 4<sup>th</sup> November, 2020 had approved SLDC charges of Rs.25.43 Crores for FY21. The Commission in Chapter-4 of this Order, has approved the actual amount of O&M expenses and depreciation charges of SLDC of Rs.28.14 Crores to be recovered from the ESCOMs for FY21 as against the SLDC charges of Rs.25.43 Crores, approved by the Commissions. The net deficit of Rs.2.71 Crores is approved to be collected by KPTCL from ESCOMs towards SLDC charges for FY23.

The Commission notes that, the employee cost of SLDC projected for FY23-25 also includes the component of contribution to P&G trust and leave encashment. As such, the Commission decides to allow the net SLDC charges of Rs.32.98 Crores for FY23 by including the gap in SLDC charges of Rs.2.71 Crores

for FY21, Rs.32.02 Crores for FY24 and Rs.34.62 Crores for FY25, as projected by KPTCL/SLDC.

Thus, the Commission approves the net SLDC charges to be collected as Rs.32.98 Crores, Rs.32.02 Crores and Rs.34.62 Crores during for FY23-FY25.

Accordingly, the Commission decides that these charges are to be recovered by KPTCL from the ESCOMs and other long term transmission network users in proportion to the transmission capacity as follows:

**TABLE – 5.24**  
**Approved ESCOM wise SLDC Charges for FY23-25**

ESCOMs	Revised SLDC Charges for FY23				SLDC Charges for FY24		SLDC Charges for FY25	
	Tr. Capacity in MW for FY23	Difference (Deficit) of FY21 to be Recovered	SLDC Charges for FY23	Total SLDC Charges to be collected in FY23 Revenue and Misc. Revenue	Tr. Capacity in MW for FY24	SLDC Charges to be collected in FY24	Tr. Capacity in MW for FY25	SLDC Charges to be collected in FY25
BESCOM	12673	2.17	15.31	17.48	13373	16.404	14123	17.974
MESCOM	1885	0.18	2.28	2.46	1935	2.374	1985	2.526
CESC	2750	0.35	3.32	3.67	2800	3.435	2850	3.627
HESCOM	4725	0.36	5.71	6.07	4875	5.980	5025	6.395
GESCOM	3020	-0.35	3.65	3.30	3120	3.827	3220	4.098
<b>TOTAL</b>	<b>25053</b>	<b>2.71</b>	<b>30.27</b>	<b>32.98</b>	<b>26103</b>	<b>32.020</b>	<b>27203</b>	<b>34.620</b>

#### 5.14 Revenue including Miscellaneous Charges:

KPTCL in its filing, has projected a revenue Rs.5223.73 Crores for FY23, Rs.5610.11 Crores for FY24 and Rs.5950.11 Crores for FY25 on the estimated transmission capacity of 28730 MW, 30855 MW and 32725 MW respectively.

The Commission in the pre-paras, has reckoned the transmission capacity of 25053 MW, 26103 MW and 27203 MW for FY23, FY24 and FY25 respectively and accordingly computed the existing revenue on the basis of per MW per month transmission charges as approved by the Commission for FY22. The Commission notes the revenue earned by the KPTCL during FY20 and FY21 as per the audited accounts and Commission also notes that along with the transmission charges

collected from the ESCOMs, KPTCL has also earned the revenue of Rs.21.93 Crores for FY20 on account of usage of transmission network by Open Access customers of and Rs.14.20 Crores during FY21. **Accordingly, while estimating the revenue from transmission, the Commission, on the basis of actual miscellaneous revenue and other operating income earned by KPTCL during the previous years, has decided to factor the same in to estimate the total revenue at existing tariff and has reckoned Rs.4555.18 Crores, Rs.4746.09 Crores and Rs.4946.09 Crores for FY23, FY24 and FY25 respectively.**

### 5.15 Abstract of Approved ARR for FY23-25:

The abstract of approved ARR for the control period FY23-25 are as follows:

**TABLE – 5.25**  
**Approved Annual Revenue Requirement for FY23-25**

Amount in Rs. Crores

Particulars	FY23		FY24		FY25	
	As Filed	As Approved	As Filed	As Approved	As Filed	As Approved
Energy available for transmission in MU	71185.49	71645.88	73479.73	73740.45	75893.72	75961.32
Energy sold at IF Points	69136.77	69593.94	71401.72	71702.26	73785.39	73937.71
Transmission Losses in MU	2049.00	2051.94	2078.00	2038.19	2108	2023.61
Transmission Loss in %	2.878%	2.864%	2.828%	2.764%	2.780%	2.664%
Revenue from Transmission of Power & Misc. Revenue in Rs. Crs	5223.73	4555.18	5610.11	4746.09	5950.11	4946.09
Expenditure in Rs. Crs						
Employee Cost	1672.42		1906.55		2173.47	
Repairs & Maintenance	448.78		525.07		614.34	
Admin & General Expenses	160.98		183.52		209.21	
Total O&M Expenses	2282.18	2050.59	2615.14	2263.89	2997.02	2500.88
Depreciation	1299.09	1146.33	1441.99	1250.20	1600.61	1361.00
Interest & Finance Charges	679.61	638.93	791.02	680.88	912.15	721.25
Interest on working capital	37.80	113.67	42.11	120.67	41.39	128.32

Return on Equity with MAT at 21.5488% (19.7575% on allowable equity)	1220.93	1027.69	1450.24	1027.69	1722.62	1027.69
Income Tax	0.00	0.00	0.00	0.00	0.00	0.00
Other Debits	36.69	0.00	37.79	0.00	38.92	0.00
Extraordinary items	0.00	0.00	0.00	0.00	0.00	0.00
Less						
Interest & Finance Charges capitalized	-103.17	-103.17	-106.27	-106.27	-109.46	-109.46
Other Expenses capitalized	-67.69	-67.69	-69.72	-69.72	-71.81	-71.81
Other Income	-80.58	-93.54	-82.99	-82.99	-85.48	-85.48
Net Prior Period Income /Charges	0.00	0.00	0.00	0.00	0.00	0.00
<b>ARR</b>	<b>5304.86</b>	<b>4712.81</b>	<b>6119.31</b>	<b>5084.34</b>	<b>7045.96</b>	<b>5472.38</b>
Carry forward of Deficit/Surplus as per APR of FY21 including unrecovered revenue through Tariff as per approved ARR as per T.O 2020 dated 04.11.2020 (from 4/20 to 10/20) Not kept as Regulatory assets	557.00	49.55	0.00	0.00	0.00	0.00
Amortized Regulatory Assets as per KERC Order dated 19.10.2020 in Rs. Cr.	331.41	331.41	331.41	331.41	331.41	331.41
<b>Total ARR</b>	<b>6193.27</b>	<b>5093.77</b>	<b>6450.72</b>	<b>5415.75</b>	<b>7377.37</b>	<b>5803.79</b>
<b>Surplus/ Deficit</b>	<b>-969.54</b>	<b>-538.59</b>	<b>-840.61</b>	<b>-669.66</b>	<b>-1427.26</b>	<b>-857.70</b>
<b>Transmission Charges per unit in Paise</b>	<b>87.00</b>	<b>71.10</b>	<b>87.79</b>	<b>73.44</b>	<b>97.21</b>	<b>76.40</b>
<b>Transmission Charges in Rs. Per MW/Month</b>	<b>179640.04</b>	<b>169433.18</b>	<b>174221.36</b>	<b>172896.71</b>	<b>187862.75</b>	<b>177792.65</b>

Based on the above approved ARR, the transmission charges for FY23-25 are determined in the subsequent Chapter of this order.