

KPTCL

Preliminary Observations on the Applications filed by the KPTCL for APR for FY20 and Revision of ARR & Transmission Tariff for FY22 under MYT Framework

1. Observations on Capex-APR for FY20:

- 1) The Commission, in the Tariff Order-2019 had recognized Rs.2000 Crores as capex and considered Rs.1500 Crores for determination of ARR and transmission tariff for FY20, subject to prudence check and had directed the 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. However, the KPTCL has stated in its APR filing for FY20 that, it has incurred a capex of 2231.63 Crores, which exceeds the approved capex amount by Rs.231.63 Crores. In view of the this, KPTCL shall furnish the following details:
 - a) Reasons for exceeding the approved capex of Rs 2000 Crores for FY20.
 - b) The break up details of target and achievement of Stations, Lines and Augmentation works in the Format at **Annexure-1**.
 - c) The details regarding Stations and lines in the Format at **Annexure-2**.
 - d) The break up details for having incurred the Capital expenditure with opening balance of works in progress, actual expenditure incurred during the year, assets categorized and the closing balance of work in progress for FY20, in the Format at Annexure-3.
- 2) KPTCL, in its filing, has indicated the actual capital expenditure of Rs.2231.63 Crores incurred during FY20, as against the approved capex of Rs.2000 Crores. KPTCL shall furnish the sources of funding to the total capital expenditure of Rs.2231.63 Crores, incurred during FY20.
- 3) The Commission, in its Tariff Order 2020 has disallowed the Capex incurred for the following Capital works:
 - a) Providing the link line to new Ramenahalli feeder for the overloaded F-3 J.C pura feeder opposite to petrol bunk at J.C. Pura towards Ramenahalli in D.M.Kurke section and Banavara Sub-division ,CESC for the categorized amounting to Rs 0.2122 Crores.

- b) Evacuation of new 11Kv feeders from 66/11KV c station to reduce overload of F14 and F9 feeders of LR Bande MUSS in O & M -14 of C5 sub-division, BESCOM for the categorized amounting to Rs 3.176597 Crores.
- c) Drawing new feeder from Vandaraguppe 66/11 KV MUSS to release the load of F17-tagachagere NJY feeder of Channapatna MUSS in O&M -1, Channapatna rural sub-division. Ramanagar division, BESCOM for the categorized amounting to Rs 0.146865 Crores.

The Commission had decided to review the above works which were not meeting the prudence check norms, in the next Tariff Order. KPTCL shall furnish the present status of the above works, which were considered as imprudent as per Tariff order 2020.

- 4) The Commission in its Tariff order 2020 has made certain observations on the norms to be followed while incurring the Capital expenditure. KPTCL shall furnish the compliance report on the observations of the Commission.

2. Backing down of RE Generators:

The RE generators are reporting several instances of their renewable energy generation units having been backed down for various reasons, thus affecting their revenues. In this regard, KPTCL shall furnish:

- a. the details of any backing down of RE generators for want of transmission network for FY20. KPTCL shall also submit the updated status of the action initiated and time taken/required to resolve the same.
- b. KPTCL, vide its reply to the preliminary observation to the queries raised by the Commission during Tariff Order 2020 had submitted the following status of completion of capital works:

Sl. No.	Project	Status
1	Establishing 2x100 MVA, 220/66 kV sub-station at Hosadurga, Chitradurga District.	Work under progress; Target Date of Commissioning (DoC): March 2020
2 (a)	Const. of 220 kV SC line on DC towers for a length of 15.168 Kms from existing 400 kV PGCIL station at Beeranahalli (Hiriyur) to existing 220/66/11 kV KPTCL station at Hiriyur in Chitradurga district in	Work under progress. Target DoC: March 2020

	existing corridor of 220 kV SC line from Hoysalakatte to 220/66/11 kV station Hiriya (partly in new corridor i.e. from PGCIL point to link 220 kV SC line from Hoysalakatte to 220/66/11 kV SRS at Hiriya) along with const. of 02 nos. of 220 kV TBs at 220/66 kV Hiriya station.	
2(b)	Const. of 220 kV DC line on DC towers from existing 220/66 kV station Chitradurga to existing 220/66 kV Station Hiriya in Chitradurga district in existing corridor (partly MC between LLO point of Guttur-Hiriya line to 220 kV Chitradurga S/s in the existing corridor (5.255 Kms - 03 circuits) for a length of 36.506 Kms and construction of 01 no. of 220 kV TB at 220 kV Chitradurga Station (114 DC towers; 35 MC towers).	Work under progress. Target DoC: March 2020
3	Providing additional 1X100MVA, 220/66kV Power transformer at 220/66kV Thallak substation in Chitradurga District.	Work under progress. Target DoC: June 2020
4	Providing 3rd 100 MVA, 220/66 kV power transformer at 220/66 kV Hiriya sub-station.	Work under progress. Target DoC: Jan 2020
5(a)	Reconstruction of 66kV SC idle line on SC towers having Coyote conductor from 66kV Chitradurga old S/s to 66kV Pandrahalli substation for a distance of 17.5kms by 66kV SC line on DC towers using Drake conductor in the existing corridor.	Work short closed. Retendering activities under progress. Target DoC: May 2021
5(b)	Providing additional 66 kV circuit between H.D. Pura tap point and H.D. Pura Substation for a distance of 10kms with Coyote conductor to provide LLO arrangements at 66/11kV H.D. Pura substation along with construction of 1 No of 66kV terminal bay at H.D. Pura substation.	
6	Strengthening of 66 kV Holalkere-Pandrahalli SC to DC line.	Work short closed. Retendering activities under progress. Target DoC: Jan 2021
7	Construction of additional 66kV SC line having Coyote conductor from 66/11kV Hangal substation to 66/11kV Rampura substation with LLO at 66/11 kV Nagasamudra substation for a distance of 28kms approx. along with one	Survey work under progress. Target date of commissioning: May 2021

	number of 66kV terminal bay at 66/11kV Hangal & Rampura substations and two numbers of 66kV terminal bay at 66/11kV Nagasamudra substations.	
8(a)	Stringing of Second circuit with coyote conductor between 66kV P.D.Kote and 66kV Hariyabbe substations on existing D/C towers for a distance of 12.25 Kms along with two nos. of new terminal bays, one at P.D.Kote and one at Hariyabbe substation.	DPR under preparation. Target date of commissioning: July 2021
8(b)	Replacement of existing "66kV S/C coyote line on S/C towers" between 66kV Hariyabbe sub-station and Hariyabbe tap point by "66kV D/C Drake line on D/C towers" for a distance of 10.25 Kms and creation of one terminal bay at Hariyabbe sub-station for providing LLO arrangement.	
8(c)	Replacement of existing "66kV D/C coyote line on D/C towers" between 220/66kV Hiriur sub-stations and Hariyabbe tap point by "66kV D/C Drake line on D/C towers" for a distance of 18.0 Kms.	
9	Conversion of 66kV SC line on SC towers to DC line on DC towers from 220kV Chitradurga Station to 66kV Turuvanur Station with coyote conductor in the existing corridor for a distance of 22Kms along with construction of 1 No. of 66kV Terminal Bay at both stations.	Survey under progress. Target date of commissioning: May 2021

KPTCL is directed to submit the updated status of the above capital works which were undertaken by it for smooth integration of RE into the transmission system.

- c. The Commission has noted that the system outages in different zones of KPTCL are ranging between 60.98 hours. to 6811.5 hours (approx. 284 days). KPTCL is directed to submit the details of remedial action taken proposed to be taken for reducing such outages.
- d. KPTCL shall submit the total installed capacity in MVAR, as at the end of October 2020 vis-à-vis total the MVAR capacity required for the State for maintaining the

required power factor of the transmission system in accordance with the relevant Regulations. KPTCL shall also submit the average number of days taken for replacement of faulty capacitors. Further, the KPTCL shall submit month-wise average percentage of spare capacitor of each type in terms of physical dimension and rating together with associated equipment/components of capacitor bank available for replacement of failed capacitors.

- e. As regards implementation of Intra-State ABT, KPTCL shall furnish the updated status of its implementation and the month upto which the bills have been issued.

3. Transmission losses for FY20:

1. KPTCL in its APR application has indicated the transmission loss is of 3.129% for FY20. The Commission in its Tariff Order dated 04.11.2020, has revised the transmission loss target of KPTCL for the current control period as under:

Revised Transmission Loss Target in % for FY20 to FY22

Particulars	FY 20	FY 21	FY 22
Upper Limit	3.150	3.089	3.028
Average	3.100	3.039	2.978
Lower limit	3.050	2.989	2.928

KPTCL shall consider the trajectory of transmission losses as approved by the Commission in its Tariff Order dated 04.11.2020 for FY20 to FY22.

2. KPTCL in its APR filing has considered the total energy input to KPTCL's transmission system as 75128.910 MU for FY20. But in the letter dated 30.06.2020 the total input energy has been informed as 75128.720 MU. KPTCL shall furnish the reason for the difference and besides submitting the correct figure for FY20.
3. The KPTCL in its filing has submitted the actual voltage wise losses for FY 19 and FY20 are as detailed below:

Voltage (in kV)	Losses (in %) for FY 19	Losses (in %) for FY 20
400	0.325	0.288
220	1.506	1.507

110	0.381	0.393
66	0.949	0.941

KPTCL shall furnish the reason for increase in the transmission losses under 220kV and 110kV voltage class for FY20 over FY19.

The Commission in its Tariff Order dated 04.11.2020, has directed the KPTCL to make a detailed study in the matter of higher transmission losses at 220 kV level and submit the report to the Commission, within three months from the date of issue the Order. KPTCL shall submit study report to the Commission by 15.01.2021.

4. The ESCOMs in their Tariff applications of APR for FY20 have filed the energy at IF points as detailed below:

ESCOMs	Energy consumption by ESCOMs at IF points for FY 20 in MUs
BESCOM	31625.73
MESCOM	5835.03
CESC	7208.30
HESCOM	12832.13
GESCOM	8790.07
Total	66291.26

However, the KPTCL in its letter dated 30.06.2020 has submitted the energy consumption at ESCOMs interfacing points as 65223.660MU for FY20. Hence KPTCL shall furnish the actual figure of energy at IF points by reconciliation of the figures with ESCOMs signed by both KPTCL and ESCOMs.

4. Observation on other items of revised ARR for FY20:

1. The KPTCL, in its filing of APR for FY20, in Table-11, has indicated an amount of Rs. 256.49 Crores towards R & M expenses on Plant and Machinery (Transformers) for FY20. KPTCL shall furnish the details of R&M expenditure incurred on Plant & Machinery during FY20, besides furnishing the number of power transformers failed, reasons for failure, repaired, repaired transformers

reissued to the works and opening and closing balance of failed transformers during FY20 and upto November in FY21.

2. As per Audited Accounts for FY20, KPTCL has incurred an amount of Rs. 893.75 Crore towards Salaries (Basic Pay) for FY20 as against Rs. 796.63 Crores incurred during FY 19. The reason for the increase in Rs. 97.12 Crores during FY 20 shall be explained besides furnishing the detail for Rs. 796.63 Crores. Further as per Format T6, there is an increase in basic pay by Rs. 63.24 Crores in FY 20 over FY 19. The reason for higher increase in basic pay shall be explained.
3. As per Audited account for FY20, KPTCL had incurred an amount of Rs. 25.02 Crores towards Corporate Social Responsibility. KPTCL shall furnish the details for having incurred the expenditure under this head of account.
4. KPTCL in Format T-9 has indicated both the details of long term and short term loan for FY19 and FY20. KPTCL shall furnish the loan-wise interest rates on the amount of loan borrowed with reference to the details furnished in Note on Audited Account for FY20. KPTCL shall also submit the details about the measures taken / action plan to reduce the interest burden on capital loans / short term loans in the light of the Government of India guidelines issued to reduce the financial burden suffered by the transmission and distribution Companies and to the consumers during the economic slowdown period on account of COVID – 19.
5. KPTCL, in Format T-17, has indicated an amount of Rs. 3519.23 Crores as the closing balance of work-in-progress for FY20 as against Rs. 3222.19 Crores for FY 19, which is more than one-year capital plan of KPTCL. KPTCL shall furnish the reasons for accumulation of huge amount under head of account- work-in-progress, year on year besides submitting a time bound action plan to complete the Capital works under progress, and to categorise them as assets on priority basis.
6. As per Format T-18 demand, collection and closing balance of revenue, the closing balance of revenue to be recovered from the ESCOMs is Rs. 1054.31

Crores, as at the end of FY20. The collection percentage in respect of all other ESCOMs except GESCOM is not satisfactory in spite of guaranteed provisions made for recovery in the Transmission Agreement by opening of LC / ESCROW account. KPTCL shall furnish the reasons for accumulation of arrears from the ESCOMs.

7. KPTCL has claimed an amount of Rs. 603.97 towards provision for Income Tax for FY20. As per Audited accounts, KPTCL has booked Rs. 220.46 Crores as Income Tax and Rs. 383.52 Crores towards Deferred Tax Liability. KPTCL shall submit the computation sheet for having booked Rs. 220.46 Crores towards Income Tax for FY20 and computations for the deferred tax of Rs.383.52 Crores.
8. KPTCL in its filing of APR for FY20 has claimed an amount of Rs.256.62 Crores towards Terminal Benefit for FY20 as against Rs.182.94 Crores and Rs.72.56 Crores towards KPTCL contribution to P&G Trust as per audited account for FY20. KPTCL shall furnish the computation sheet for having booked the expenditure as per the audited accounts for FY20 besides submitting the full Actuarial Valuation Report for FY20.
9. KPTCL shall submit the audited accounts along with Note on Accounts for FY20 and half year accounts for FY21.

5. Directives:

a. Manpower Study conducted by KPTCL:

KPTCL has been furnishing the same status of implementation of Report on the Manpower studies conducted by ASCI Hyderabad. It has not furnished any concrete steps / action plan to be taken to minimise the operational costs by ensuring optimal utilisation of the available human resources. The Commission, after going through the compliance submitted in its APR, has noted that addition of transmission network, sub-stations every year is a natural phenomenon and given these circumstances, it is absolutely necessary to institute manpower studies to plan for the future in order to efficiently utilise the available manpower with a view to reduce the overall costs.

In this regard, KPTCL is required to submit a stringent action plan to conduct a manpower study indicating the implementation strategies without further delaying the matter. Also, KPTCL shall submit a comprehensive action plan for implementation of ERP programme for effective management of its affairs.

b. Prevention of Electrical Accidents:

KPTCL had submitted the action plan for prevention of electrical accidents as on June 2020 vide letter No KPTCL/B36/2019-20/1495/160 dated 22.05.2020. KPTCL has submitted the details of the electrical accidents which occurred during the 4th Quarter of FY20 and the action plan for prevention of electrical accidents as on 31.03.2020. KPTCL shall furnish the details of the electrical accidents for the 1st Quarter and 2nd Quarter of FY21.

As per the details furnished for the 4th Quarter of FY20, it could be seen that, it has rectified only 14 hazardous locations as against 182 identified locations as at the end of the 4th Quarter of FY20. The Commission notes that only 7.69% of identified hazardous locations have been rectified. KPTCL shall provide justifiable reasons for not initiating strategic action plan to rectify all the hazardous locations, at an early date, in order to minimise/avoid accidents.

Annexure-1

Sl. No.	Name of the Work	Zone	District	Purpose of the work	Target (as per Work Award)			Actuals				Reasons for time over run / cost overrun, if any
					Date of commencement	Date of completion	Total estimated Cost in Rs Crores	Date of commencement	Date of completion	Cost incurred during FY19 in Rs Crores	Total Cost incurred till date in Rs Crores	
Stations												
220 kV												
1												
2												
110kV												
1												
2												
66kV												
1												
2												
						Sub-total	*****			*****	*****	
Lines												
400kV												
1												
2												
220kV												
1												
2												

Sl. No.	Name of the Work	Zone	District	Purpose of the work	Target (as per Work Award)			Actuals				Reasons for time over run / cost overrun, if any
					Date of commencement	Date of completion	Total estimated Cost in Rs Crores	Date of commencement	Date of completion	Cost incurred during FY19 in Rs Crores	Total Cost incurred till date in Rs Crores	
110kV												
1												
2												
66kV												
1												
2												
						Sub-total	*****			*****	*****	
Augmentation												
220kV												
1												
2												
110kV												
1												
2												
66kV												
1												
2												
						Sub-total	*****			*****	*****	
						Total	*****			*****	*****	

Annexure-2

Station Capacity	400KV	220kV	110kV	66kV
Total no. of Stations completed during FY-20	01	03	09	19
Number of substations having 2nd or 3 rd source of power input:				
Number of substations having only one source of power input:				
Number of substations which are loaded above 70% of installed capacity:				
Number of substation which are loaded above 50% up to 70%				
Number of substation which are loaded above 20% up to 50%				
Number of substation which are loaded below 20%				
Number of substations having only one power transformer:				
Number of substations in which simultaneous peak load cannot be met and remedies considered:				
Number of substations having under voltage problem and remedies considered.				

Line Capacity	440kV	220kV	110kV	66kV
The no. of works corresponding to above Ckt. Kms				
The no. of works, having line loading of above 70%				
The no. of works, having line loading of above 50% & upto 70%				
The no. of works, having line loading of above 20% & upto 50%				
The no. of works, having line loading below 20%				

Annexure-3

SL NO	Opening balance of Work in progress/Spillover works as on 01.04.2019		Capex incurred during the year		Assets categorized during the year		Closing balance of Work in progress As on 31.03.2020		Source of funding		Remarks
	No of works	Amount in Rs Crores	No of works	Amount in Rs Crores	No of works	Amount in Rs Crores	No of works	Amount in Rs Crores	Loans in Rs Crores	Other sources in Rs Crores	