KARNATAKA POWER TRANSMISSION CORPORATION LIMITED

ANNUAL PERFORMANCE REVIEW 2012-13

NOVEMBER-2013

Contents

ERC FORMATS

List of Tables

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
GoI	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
LDC	Load Dispatch Centre
MoP	Ministry of Power
MRT	Meter and Relay testing
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 BANGALORE

IN THE MATTER OF:

Application under Section 61, 62 and 64 of Electricity Act 2003 read with relevant KERC (Terms and conditions for determination of transmission Tariff) Regulations-2006, for approval of Revised ARR and ERC of the Transmission Licensee-KPTCL for FY-13 based on Audited Accounts of KPTCL for FY 13.

AND

IN THE MATTER OF

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

KPTCL MOST RESPECTFULLY SUBMITS the application of Revised Expected Revenue from Charges (ERC) and Annual Revenue Requirement for FY 2012-13 based on the Audited Annual Accounts for the purpose of Annual Performance Review by the Hon'ble Commission, under Multi Year Tariff (MYT) Regulations, for approval by the Hon'ble Commission:

1. KPTCL is a deemed Transmission License under the Electricity Act 2003, carrying 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 relevant Regulations.

CHAPTER 1

1.0. EXPECTED REVENUE FROM CHARGES (ERC) FOR FY-13

1.1 ERC FILING REQUIREMENT

In terms of Section 61, 62 and 64 of Electricity Act 2003 and read with the relevant KERC (Terms and conditions for determination of transmission Tariff) Regulations 2006, Expected Revenue from Charges and the Annual Revenue Requirement for FY13 is being submitted under Multi Year Tariff Principles for the purpose of Annual Performance Review by the Hon'ble Commission.

1.2 The formats prescribed in KERC (Tariff) Regulations-2000 (and in subsequent amendments) as applicable for ERC filing are enclosed along with this application. The details are furnished in respect of the financial years 2011-12 and 2012-13. The details of the revenue and the expenditure as per the Audited Accounts of KPTCL for FY 13 are detailed in the following paragraphs. The information provided for the previous year 2011-12 is as per Audited Accounts of KPTCL.

1.3 The Licensee confirms that the Annual Revenue Requirement and the revenue gap are based on the Audited Accounts for FY 13.

1.4 The Financial Advisor, Accounts and Resources, KPTCL is authorized to sign and file the Annual Performance Review of FY-13 before the Hon'ble Commission vide Board Resolution KPTCL/B37/4437/1094-95 dated 25.11.2013.

1.5 KPTCL Profile:

i) Karnataka Power Transmission Corporation Limited is a registered company under the Companies Act, 1956, incorporated on 28-07-1999. KPTCL commenced its operations on 01-08-1999 by carving out the Transmission and Distribution functions of the erstwhile Karnataka Electricity Board. On further unbundling, w.e.f 01.06.2002, KPTCL became a Transmission company but was involved in Bulk Power Purchase Activity. After enactment of Electricity Act 2003 and w.e.f 10.06.2005, 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 ` 2000 crore.

ii) Karnataka Power Transmission Corporation Limited is vested with the functions of transmission of power and grid operation in the entire State of Karnataka.

iii) KPTCL enables the ESCOMs to serve nearly 192 lakh 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 1005 sub-stations and 32190 CKms of transmission lines with voltages of 66 KV and above. To enable easier operation of the system, KPTCL has been divided into six zones; each headed by a Chief Engineer; fourteen Circles, each headed by a Superintending Engineer; forty four 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 31 Transmission line and Sub-Station Divisions (TL&SS) in KPTCL which are involved in the operation and maintenance of the transmission system in Karnataka. These divisions are also in charge of implementation of augmentation works.

v) The Relay Testing (RT) group of KPTCL is composed of 4 Circles. These are further divided into 14 Divisions. Each Division is responsible for maintenance of protective relays, meters and addressing troubleshooting issues of all station activities. Pre-commissioning tests of all new stations are performed by the RT Divisions. RT division also calibrates all meters of Independent Power Producers (IPPs).

vi) KPTCL's Finance and Accounts are managed by the Accounts and Resources wing. There are 75 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. All activities are audited by a strong and independent audit group headed by Financial Advisor, Internal Audit.

vii) The main source of revenue of KPTCL is transmission charge. The annual income of the company was ` 2060.32 Crores (including Non-Tariff Income) during 2012-13 as per Audited Accounts.

viii) The total installed substation capacity of the State as on 31.3.2013 is 48301 MVA and 49328 as at the end of 31.10.2013. The peak load met was 8761 MW on 12.02.2013 during the year 2012-13.

MISSION STATEMENT

KPTCL pledges to optimize the human and technical resources for the benefit of all consumers.

KPTCL aims to achieve to this through

1. Encouraging best practices in transmission.
2. Ensuring High Order maintenance of all its technical facilities.
3. Emphasizing the best standards in customer service.

To be the best electricity utility in the country.

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 commercial operations, financial management etc. 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. KERC observed in its orders that the implementation of most of the Directives is a continuous process.

The Commission, in the Tariff Order dated 06.05.2013 issued the following directives for compliance by KPTCL.

2.1 Directive : Management Information System.

KERC in its order dated 06.05.2013 directed that , KPTCL and the ESCOMs Jointly in coordination shall take all necessary measures to complete the remaining activities in implementation of Intra State ABT fully and report compliance within the next three months.

<u>Compliance :</u>

Mock billing exercise of generating intra state ABT bills has been implemented by KPTCL at 220 kV level from 1st April 2013. Twenty numbers of weekly bills commencing from 1st April 2013 to 18th August 2013 have been generated and sent to all ESCOMs along with the methodology being adopted by KPTCL for implementation of Intra State ABT. Two Distribution companies namely GESCOM and CESC have accepted the methodology of Intrastate ABT. Acceptance is awaited from other three ESCOMs.

2.2 Directive: Energy Audit

KERC in its order dated 06.05.2013 directed KPTCL to furnish voltage wise losses on a monthly basis.

<u>Compliance</u>:

Month wise transmission and voltage wise losses for the year 2012-13 has already been sent to KERC vide letter No. KPTCL / B36/40458/2013-14/63 dated 21.06.2013.

2.3 Directive : Quality of Service

The Commission appreciated the efforts of SLDC / KPTCL in adhering to the Grid Code norms consistently for the last couple of years. Commission reiterated its directive to adhere to the norms of IEGC as amended from time to time by the CERC.

<u>Compliance</u> :

SLDC is monitoring regularly the grid operations for maintaining grid frequency as per IEGC norms and maintaining the frequency within permissible limits between 49.8 Hz to 50.20 Hz. No violation notice from SRLDC from the past 3-4 years. Sustained grid discipline by Karnataka SLDC has been appreciated in various forums such as SRPC, TCC , and OCC meetings.

2.4 Capital Works Programme

The Commission reiterates its directive

i. To submit the details of CAPEX actually incurred and capitalization of assets in the formats already prescribed by the Commission to undertake necessary prudence check during the annual performance review.

Compliance:

Details of capex actually incurred for the year 2012-13 as per the format 1 & 2 prescribed by KERC submitted to KERC vide letter No. KPTCL/ B36 /40479/2013-14 /341-45 dated 25.11.2013.

ii. To maintain separate accounts with respect to the costs incurred in respect of lines & bays respectively and furnish the details during the APR.

Compliance:

Information relating to costs incurred in respect of lines and bays are being submitted to KERC based on the Audited Accounts.

2.5 Studies to be conducted: (Man Power Study).

KERC in its order dated 06.05.2013 directed **KPTCL to**

a) **take immediate action to finalize the report on manpower studies conducted and report compliance to the commission whether the recommendations in the report have been accepted or not .**

b) **Also to furnish action plan for implementation of measures to streamline the operational structure for optimum utilization of its manpower.**

Compliance:

ASCI Final Report was referred to an internal committee to finalize an exhaustive list of recommendations that can be implemented by KPTCL along with justification in costs and or efficiency for each of its recommendations. The internal committee has submitted its report and the same is under consideration of Management of KPTCL.

2.6 Directive to prevent electrical accidents (New):

KERC in its order dated 06.05.2013 directed **KPTCL to**

a) Hold regular review of action plan works and take remedial measures for rectification of hazardous installations in public places for preventing electrical accidents.

b) To create continuous awareness on safety aspects and employees to be given training on safety measures to be adopted while carrying out the work on network.

c) To regularly submit transmission line and substation wise details of action plan for prevention of accidents.

Compliance:

Zone-wise action plan for prevention of electrical accidents has been sent to KERC vide letter No. KPTCL/B36/40453/2013-14/25-53 dated 19.08.2013.

KPTCL vide order **No. B28(a) / 39946/13-14/ dated 25.07.2013** nominated a safety officer to ensure observance of safety measures specified under the CEA (measures relating to safety electricity supply) Regulations and to reduce electrical accidents in the transmission system. The safety officer in consultation with field engineers is in the process of developing a comprehensive action plan for reduction of electrical accidents

CHAPTER – 3

3.0 Energy Transmission and Transmission Losses in FY-13

Total Energy input to KPTCL's transmission system during the period was 57476.33 Mus and the energy transmitted to ESCOMs and Hukkeri was 55286.24 MUs resulting in a transmission loss of 3.81%.

Table 1: Voltage Class Wise Transmission Losses (%) FY 13

400 KV	0.356
220 KV	1.999
110 KV	0.408
66 KV	1.048

Table- 2: Trajectory of transmission losses (%) - FY13

	Approved in TO 07.12.10	As per Actuals
Upper Limit	4.06	
Average	3.96	3.81
Lower limit	3.86	

Table 2 (a) : System Availability for FY13

System Availability	Proposed	Actual
Percentage	99.70	99.82

The transmission losses and the system availability achieved for the year are better than the norms. Hence, KPTCL requests the Hon'ble Commission to allow incentive in terms of MYT Regulations.

CHAPTER – 4

4.1 PERFORMANCE OF KPTCL FOR 2012-13

Table-3 : Financials of FY 2012-13

(Amt ` in Crores)

KPTCL' s Annual Revenue Requirement for FY 13			Amt Rs Cr
Sl No	**Perticulars**	**Approved by KERC in T O 30.04.12**	**Actual as per Audited Accounts for FY 13**
1	Operation & Maintenance Expenses		
a)	Employee Costs		656.19
b)	Repairs & Maintenance		93.20
c)	Administration & General Expenses		47.15
	Total O & M Expenses (a + b+ c)	**586.29**	**796.54**
2	Depreciation	518.51	520.27
3	Interest & Finance Charges	636.52	597.69
4	Interest on Working capital	52.33	0
5	Return on Equity	406.50	420.38
6	Other Debits	0.00	115.41
7	exceptional items	0.00	0.08
8	Prior period charges		68.21
9	Power Purchase & wheeling		0.21
	Total Expenditure		**2518.79**
	Less:		
10	Interest & Finance Charges capitalized	123.42	59.64
11	Other expenses capitalized	31.87	33.63
12	Other income	90.00	22.24
13	Carry forward deficit/surplus	13.78	0
14	Less : SLDC Charges	22.31	13.58
	Net ARR	**1918.77**	**2389.70**
15	Less: provision for Power Purchase dues		102.08
16	**Net ARR**		**2287.62**

From the above it may be noted that against an approved Annual Revenue Requirement (ARR) of ` **1918.77** Crores, actual works out to ` **2287.62 Crores**, thereby resulting in difference in ARR of ` **368.85 Cr**

4.2 CAPITAL WORKS - ACHIEVEMENTS

During the year 2012-13 the following works were completed.

Table-4: Capital Works During FY-13

Particulars	2012-13
	Achievement
Stations (Nos)	33
Lines (Ckms)	1324
Augmentation(Nos)	51

Amount spent As per Audited Accounts (` in Crores)	**2012-13**
	1011

Table-5: Station Works Completed During FY-13

Particulars	Achievement
220 Kv	03
110 Kv	13
66 Kv	17
Total	**33**

Table 5 (a): Length of Line constructed during FY 13 (in Ckms)

Particulars	Achievement CKMS
400kV	672
220 Kv	193
110 Kv	288
66 Kv	171
Total	**1324**

Table-6: Augmentation works – FY-13

Particulars	Achievement
400 kV	-
220 Kv	02
110 Kv	15
66 Kv	34
Total	**51**

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 has intended to become *Number One* transmission utility in the Country. To achieve its vision and mission, capital works program plays a vital role. To meet this capital investment, KPTCL has to depend largely on borrowings from funding agencies.

KPTCL is filing Annual Performance Review for FY-13 in order to recover the gap between Transmission Charges approved and Transmission charges actually 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 from time to time.

5.1 Rationale for Capital investment Programme for 2012-13

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 parts of the State.

5.2 Growth of various sectors in the State

Karnataka, India's eight largest State in terms of geographical size (1,91,791 square km) is 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.

This naturally puts a heavy burden on the requirements of power in the State. The Government has envisaged putting up new generating stations. In order to evacuate power from these sources, KPTCL has to set up new stations and transmission lines. Augmentation of lines and stations is an on-going process that has to cater to increasing load requirements of the distribution companies.

5.3 REVENUE INADEQUATE TO COVER COSTS:

The main source of revenue for KPTCL is from the transmission of energy through its network. The Revenue includes Transmission charges from ESCOMs and Open access customers. As can be seen from the table below the revenue is inadequate to cover the costs.

Table-7: Revenue Deficit - FY 2012-13

` in Crores

Particulars	As per Audited Accounts
Revenue Requirement	**2287.62**
Revenue from Transmission of power	2038.08
Revenue Deficit	**249.54**

From the table 7 above it may be seen that the transmission tariff of 2012-13 was not sufficient to meet transmission costs, thereby a revenue gap of ` 249.54 Crs is created. This gap is now proposed to be recovered during FY 2014-15. Hence Hon'ble Commission may kindly consider this gap and allow the same for recovery through transmission charges for FY 15.

5.4 REDUCED CAPACITY TO FINANCE LOSSES

The Transmission business constitutes a very small component in the cost of electricity delivered to consumers. It has a very thin operating margin even when its full costs are permitted for recovery and therefore has little capacity to bear losses. KPTCL is not able to meet its costs without adequate tariffs. Covering up any shortfalls through short term borrowings further adds burden on KPTCL and cannot be continued for a long period.

5.5 NEED TO ENSURE ASSURED REVENUE STREAM

KPTCL manages the critical function of constructing evacuation facilities and maintaining transmission network. Its efforts are on im ng 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.

5.6 FACILITATING NEW INVESTMENTS

KPTCL is making critical and urgently needed investments in its Transmission network to reinforce the system and to enhance its reliability to meet contingencies. It is but natural that KPTCL require huge investments.

5.7 SUMMARY OF KPTCL's FINANCIAL PERFORMANCE FOR FY 2012-13

Sl No	Particulars	Amount ` in Crores
1	Revenue Earned by transmission of power	2038.08
2	Annual Revenue Requirement	2287.62
3	Revenue Gap (2-1)	**249.54**

CHAPTER 6

6.0 BREAK UP OF TRANSMISSION EXPENSES FOR FY 2012-13

6.1. REPAIRS AND MAINTENANCE EXPENSES

The net R & M expenses incurred for the year is ` 93.20 Crs. R&M Expenses for FY 12 was 87.93 Cr . which shows an increase of 5.99% over previous year because of inflation and addition of new Stations and Lines to the KPTCL network. Senior officers have visited the field Units to examine the scheduled maintenance works and assess the budget requirement for the same. The cost incurred for various items of R & M expenses are tabulated below.

Table-8: REPAIRS AND MAINTENANCE EXPENSES

Amt ` in Crores

Sl No	Repairs and maintenance to:	2012-13
1	Plant and Machinery	69.07
2	Transformers: (a) repairs and maintenance made departmentally (b) repairs and maintenance by private agencies	
3	Buildings	12.44
4	Other civil works	5.22
5	Lines, Cable Network, etc	9.03
6	Vehicles	0.44
7	Furniture & Fixtures	0.03
8	Office Equipment	0.27
	TOTAL	**96.50**
	Less: Expenses shared by ESCOMs	**-3.30**
	Total	**93.20**

Net amount included in ARR is ` **93.05** Crores after capitalization of ` 0.14 Crores.

6.2. EMPLOYEE COSTS

a. The Employee cost incurred for FY 13 is ` 656.19 Crores. For FY 12 it was ` 518.27 Crores . There is an increase of 137.92 Cr over previous year which is 26,61% over previous year. This is due to revision of HRA rates and consequential payment of arrears, normal increase like Annual Increment and release of Dearness Allowance during FY 2012-13.

b. The Employee costs also include Contribution to Pension Trust which is computed considering actuarial valuation of 35.0 % on Basic Pay, Dearness Pay and Dearness Allowance towards pension and 6.01 % on basic Pay and Dearness Pay towards Gratuity.

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

Table-9: Employees cost details - FY 13

Sl No	Particulars	2012-13 (` in Crs.)
1	Salaries (Basic Pay)	350.42
2	Double Wages	7.75
3	Dearness Allowance	14.99
4	Other Allowances	60.21
5	Bonus	3.49
6	**Sub-Total (1 to 5)**	**436.86**
7	Medical expenses reimbursement	4.97
8	Leave travel Assistance	0.00
9	Earned Leave Encashment	102.00
10	Payment under Workmen's Compensation Act	0.00
11	Payment to Helpers (Monsoon gang)	1.17
12	KPTCL contribution to P & G Trust	119.58
13	**Total Other staff costs (7 to 12)**	**664.58**
14	Staff Welfare expenses	1.43
15	Training Expenses for trainees	
16	Terminal Benefits	2.79
	Total	**668.80**
	Less : Expenses shared by ESCOMs	**-12.61**
	Grand Total	**656.19**

After considering capitalization of ` 29.00 Crs, net amount included in revenue requirement for approval of the Hon'ble Commission is **` 627.19 Crores**.

6.3. ADMINISTRATION AND GENERAL EXPENSES

The total A & G expenses incurred for the year is ` 53.08 Crs. The A&G expenses have increased by ` 7.89 Crores as compared to previous year's expense of ` 45.19 Crores. After considering capitalization of ` 4.49 Crores, and amount shared by ESCOMs of ` 5.94 net amount included in ARR is ` 42.65 Crores. Details of A&G Expenses are provided in form T 7.

A&G Expenses are incurred in respect of Rent, Rates and Taxes, Expenses incurred towards security arrangement, Insurance and Telephone charges, other professional charges including maintenance contracts of Stations (both existing and also stations commissioned during 2012-13), Conveyance , Travel expenses and vehicle running expenses.

6.4 Operation and Maintenance Expenses under MYT Regulations

a) The Operation and Maintenance Expenses which include R&M, Employees' Cost and A&G expenses are to be calculated as per the norms prescribed by KERC in its order dated 30.04.2012

Table-10: Norms as Per KERC Order dated 30.04.2012 for O&M Expenses

Particulars	2012-13
O & M Expenses for lines (in ` thousands / km)	88.09
O & M Expenses for bay (in ` Thousands/ bay)	66.31

b) The details of circuit kilometers of transmission lines and station bay details as on 31.03.2013 are given below.

Table-11: Voltage class wise transmission lines as on 31.03.2013

Voltage Class	Transmission lines (in Ckmts)
400 kV	**2650**
220 kV	**9953**
110 kV	**9351**
66 kV	**9908**
TOTAL	**31862**

Table-11(a) : Number of Bays as on 31.03.2013

Type	No.
Line Bay	4951
Transformer bay	2149
PT Bay	1405
Capacitor Bank Bay	733
11 kV Bay	9775
Total	**19013**

Table-12: O&M Expenses calculated as per KERC Norms for FY 13

Particulars	Rate	Qty	O&M Costs (` in Crs)
O&M Expenses for **lines** (in ` thousands / km)	88.09	31862 Kms	280.67
O&M Expenses (in ` Thousands / bay)	66.31	19013 Nos	126.07
Total	-	-	**406.74**

c) It may be noted that, O&M expenses worked out as per the norms prescribed by the Commission is **too less** as compared to the KPTCL's actual O&M expenses of ` **762.90 Crs** ( i.e Emp cost of ` 627.19 + A & G Expenses of ` 42.65 + R & M Expenses of ` 93.06 Crs). There is a huge difference of ` 356.16 Crs . This is because, the norms cannot take into accounting the escalations due to revision of pay scales, increases in R&M expenses, P & G Contribution as per actuarial valuation and expenses on account of unforeseen events and massive repair works in a year etc.

On the Other hand if the normative as per CERC regulations for the period 2009-2014 is considered for calculation of O & M expenses , it may be seen that the amount becomes huge and incomparable with KERC norms.

For eg, the CERC norms prescribes an O & M expenditure of **` 41 Lakhs per bay (220 kV)** as compared to KERC norm of **` 0.66 Lakhs per bay** which are not at all comparable.

Hence KPTCL requests the Commission to approve O&M expenses as per the <u>actuals</u> in Annual Performance Review instead of allowing on normative basis. In this context it is felt pertinent to mention that KPTCL has already filed a review petition before this Commission seeking consideration of actual O & M expenses for FY 12 on the above grounds.

6.5 DEPRECIATION

From 01.04.2009 onwards the CERC has revised the rates of depreciation. The workings for FY 12 are based on these revised rates. The Net Depreciation included in ARR as per the Audited Accounts is ` 520.63 Crores as against KERC approved amount of ` 518.51 Crores. The break up is provided in for T8. **The Hon'ble Commission is requested to consider the actual amount and allow the same.**

6.6 Interest and Finance Charges

The Actual amount incurred towards interest and finance charges as per Audited Accounts is ` 597.69 Crs. The details of loan availed and interest costs are shown in prescribed form T 9.

After considering interest capitalization amount of ` 59.64 Crores. The interest charges included in ARR is ` 538.05 Crores.

As these are the actual rates of interest paid by KPTCL on loans, the Hon'ble Commission is requested to consider and approve the same in ARR.

<u>Interest on Short term Borrowings</u>

The interest charges of ` 597.69 Crs indicated above includes an amount of ` 65.94 Crs being interest on short term borrowings.

It is pertinent to mention here that, the scheduled banks are not inclined to finance power utilities consequent to a direction from RBI regarding sanction of loans to distribution companies. As a result, KPTCL is finding it difficult to arrange debt through long term loans. In view of this, KPTCL is managing its finances through short term borrowings. But KERC is not allowing interest on short term borrowings on the ground that it allows interest on working capital on a normative basis. The interest cost allowed on Working Capital on normative basis is not sufficient to cover the interest on short term borrowings. This fact has already been brought to the notice of the Hon'ble Commission vide letter No. MD/FA(A&R)/CF/AOR/SPA /F1 /2012-13/1094 Dated 10.08.2012 . In this context it is submitted that the Hon'ble Commission may kindly allow interest on short term borrowings also, as these are the actual interest costs incurred by KPTCL.

6.7 POWER PURCHASE COSTS

Although KPTCL is not in power trading activity since 10.06.2005, certain liabilities pertaining to the period prior to 10.06.2005 are being discharged by KPTCL even now. Such expenses are shown in the P & L account under the heading power purchase cost. In the current year's Audited Accounts an amount of ` 0.21 Crores is shown under this head, which is included in the ARR because it is an expenditure incurred by KPTCL. Since KERC in its orders dated 25.11.2009 and 7.12.2010 has mentioned that these expenses are to be recovered from ESCOMs, KPTCL intends to recover this amount from ESCOMs, with due orders from KERC for FY 13 also. Hence it is requested that the Commission may kindly direct the ESCOMs to **pay this** power purchase related expenditure of **` 0.21 Crores** to KPTCL.

Further an amount of ` 102.08 Cr being the provision for interest on belated payment of power purchase cost is not considered in working out the ARR for FY 13 in this filing, since the similar provision was not allowed by the Commission in its previous tariff orders.

6.8 RATE OF RETURN AND PROVISION FOR TAXATION:

The KERC in its Order dated 7.12.2010, has worked out the Rate of Return as 19.377% on the Equity after considering MAT . On the same lines, RoE has been worked and included in the Annual Revenue Requirement as under.

Table-13 : RoE Calculations for FY 13

Amt. ` in Crores

Return Equity	**Approved**	**Actual**
Paid up share capital	690.32	**1575.32**
Share Deposit	885.00	
Capital Reserves & Surplus	522.53	594.14
Total Equity	**2097.85**	**2169.46**
RoE @ 19.377%	**406.50**	**420.38**

6.9 SLDC CHARGES

The KERC in its Order dated 30.04.12 approved SLDC charges of ` 22.31 Crores which was proposed by KPTCL and concluded that the entire SLDC charges to be recovered from ESCOMs and long term users of transmission network. On this ground the approved amount was deducted from the ARR of KPTCL. For FY 13, the actual SLDC charges amounts to ` 28.12 Crores, the details of which are provided below.

Table-14: SLDC Charges

Particulars	As Per Audited Accounts 2012-13
Repair & Maintenance	0.01
Employee Cost	8.97
A & G Expenses	5.61
Depreciation	13.53
Total	**28.12**

As per the methodology adopted by the Commission, the same need to be deducted in the ARR of KPTCL. In the Annual Accounts for FY 13 O&M expenditure relating to SLDC have been reduced from the respective components under the caption "expenses shared by ESCOMs", except Depreciation amount pertaining to SLDC. i.e an amount of ` 14.59 Crs pertaining to R & M, Employee cost and A & G expenses are reduced. Therefore, in the ARR of KPTCL only an amount of ` 13.53 Crs is being shown for deduction under SLDC charges. The Hon'ble commission is requested to consider the actual SLDC charges of ` 28.12 Crs and approve the same for recovery from ESCOMs.

CHAPTER – 7

7.1 Annual Revenue Requirement of KPTCL for FY-13 (As per Actuals)

The revised annual revenue requirement of KPTCL for FY-13 based on Audited Accounts for FY 13 are furnished in the following tables:

Table-15: Annual Revenue Requirement of KPTCL for FY-13

Amt. ` in Crores

Particulars	2012-13
Revenue from operations	2038.08
Other income	22.24
Total Revenue	**2060.32**
Expenditure	
Repairs and Maintenance	93.20
Employees Costs	656.19
A & G Expenses	47.15
Depreciation(Net)	520.27
Interest and Finance Charges	597.69
Power Purchase Costs	0.21
Exceptional items	0.08
Sub total	**1914.79**
Less Expenses capitalized	
a) Interest and finance charges capitalized	59.64
b) Other expenses capitalized	33.63
Sub total	**93.27**
Other debits	115.41
Total Expenditure	**1936.93**
RoE @ 19.377%	420.38
net prior period credits	68.21
Gross Annual Revenue Requirement	**2425.52**
Less Other income	22.24
Sub- total	**2403.28**
Less: Power purchase related provisions	**102.08**
Less: SLDC Charges	**13.58**
Net ARR	**2287.62**

7.2 Recovery of Transmission Charges.

KPTCL is placing its actual transmission costs with a request to approve the same for recovery through transmission charges from 01.04.2013. In the foregoing paragraphs, KPTCL has made a detailed analysis of various costs and also under recovery of costs through its transmission charges for FY-13. KPTCL respectfully submits before this Hon'ble Commission to consider the revenue requirement which is based on the Audited annual accounts for FY-13.

7.3 Revenue from Transmission Charges

As KPTCL is only a wire 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 and open access charges.

7.4 Gap in Revenue Account:

The income from Transmission charges falls short of ` 249.54 Crores for FY-13. Therefore KPTCL requests the Hon'ble Commission to modify the approved ARR of KPTCL as per the Audited Accounts and allow KPTCL to recover the difference from ESCOMs .

The following table provides the details of Revenue Gap, revised ARR to be approved for FY-14

Table-16 : REVENUE GAP

Amt. ` in Crores

Revenue from Transmission of power	2038.08
Revised ARR as per Audited Accounts	2287.62
Revenue Gap for FY 12-13	**249.54**

7.5 Revised Transmission Charges:

It is submitted before the Hon'ble Commission that the existing transmission tariff approved by the Commission for FY-13 is ` 1,12,224/MW/Month considering approved ARR of 1918.77 Crs. As a result of actual expenses incurred during FY-13, the ARR has increased to Rs 2287.62 Cr.

The transmission charge approved by the Hon'ble Commission for FY 2014-15 is ` 2363.69 Cr. And the transmission tariff approved is ` 96860/MW/Month. KPTCL requests the Hon'ble Commission to consider the revenue gap or ` 249.54 Crs and allow the same to be recovered from ESCOMs from 01.04.2014.

7. 6 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.

8.0 PRAYER

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

a. The Actual ARR and Revenue gap of KPTCL for FY 13 based on the Audited Annual Accounts.

b. To add the revenue gap of FY 13 to the approved ARR of FY 15 and allow recovery of the same from ESCOMs w.e.f 01.04.2014.

c. To modify the short term open access charges to be recovered from 01.04.2014 based on the carry forward gap of FY 13.

d. Actual SLDC charges for FY 13 and allow the same for recovery from ESCOMs from 01.04.2014

For KPTCL,

Financial Advisor,
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