

KPTCL

Preliminary Observations on the Applications filed by the KPTCL for APR for FY22 and & consequent Revision of ARR and Transmission Tariff for FY24 under MYT Framework

1. Annual Performance Review for FY22:

- 1) The KPTCL, in its filing of APR for FY22 has indicated an amount of Rs.269.35 Crores towards R & M expenses on Plant and Machinery (Transformers) for FY22. KPTCL shall furnish the details of R&M expenditure incurred on Plant & Machinery during FY22,
- 2) KPTCL in Format T-9 has indicated the details of both long term capital loan and working capital loan for FY22. KPTCL shall furnish the loan-wise interest rates on the amount of loan borrowed with reference to the loan details as indicated under Note 15.1 – Non Current Borrowing as per Audited Accounts for FY22.
- 3) KPTCL, in Format T-17, has indicated an amount of Rs.3689.97 Crores as the closing balance of work-in-progress for FY22 as against Rs.3426.52 Crores for FY21. This indicates an increase of Rs.263 Crores in one year. As KPTCL is aware, delaying the projects will lead to cost overrun impacting the tariff on consumers. Hence, KPTCL shall furnish the reasons for accumulation of huge amount under this head of account, year on year besides submitting a time bound action plan to complete the Capital works under progress, and to categorize them as assets, on a priority basis.
- 4) Format T-18 indicates that the receivable from BESCO stands at Rs.1191.11 Crores out of the total outstanding of Rs.1448 Crores as at the end of 31.03.2022. In spite of guaranteed provisions as per the transmission agreement executed with the ESCOMs, the outstanding amounts receivable from ESCOMs is showing an increasing trend affecting the finances of KPTCL. KPTCL shall furnish the reasons for accumulation of arrears from the ESCOMs and the action plan for the realization of the same.

- 5) KPTCL has claimed an amount of Rs.287.33 Crores towards provision for Income Tax for FY22. As per Audited accounts, KPTCL has booked Rs.198.73 Crores as Income Tax and Rs.88.59 Crores towards Deferred Tax Liability. KPTCL shall submit the computation sheet for having booked Rs.198.73 Crores towards Income Tax for FY22.
- 6) As per Audited accounts, KPTCL had incurred an amount of Rs.12.31 Crores towards Corporate Social Responsibility for FY22. This expenditure has not been approved in the ARR for FY22. KPTCL shall furnish the details for having incurred the expenditure under this head of account besides explaining the reasons for incurring the same without approval in the ARR.
- 7) KPTCL has claimed an amount of Rs.343.13 Crores towards Terminal Benefit for FY22. KPTCL shall furnish the computation sheet for having booked the expenditure with reference to the Actuarial Valuation Report.

2. Capex works for FY22:

The Commission, in its MYT Order 2019 had recognized Rs.2000 Crores as capex for FY22, subject to prudence check and had considered a reasonable amount of Rs.1500 Crores towards loans for determination of ARR and transmission tariff computation. Further, the Commission 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.

KPTCL in its APR filing for FY22, has stated, that KPTCL has incurred a capex of Rs.3014.13 Crores, which is in excess of the approved capex for FY22.

In view of the above, KPTCL shall furnish the following details:

- i. Reasons for exceeding capex of Rs.2000 Crores for FY22 without approval of the Commission along with quantified Justification in respect of the following objectives as cited in the MYT Order 2019:
 - a) To meet additional load;
 - b) To improve voltage profile;
 - c) To take up Green Energy Corridor Projects;
 - d) To strengthen the Bengaluru city transmission network;
 - e) To facilitate 24/7 power supply by ESCOMs.

- ii. the source of funding of the actual capital expenditure of Rs.3014.13 Crores incurred during FY22;
- iii. the work-wise break up details of "Green Energy Corridor Projects Phase-I & Phase-II" along with Central Financial Assistance (CFA) and capex incurred on these works in FY22 and CFA/Central grant received in FY22 and till date separately;
- iv. the details of works in respect of Stations and Lines as per **Annexure-1**.
- v. breakup of Capital expenditure for completion of Stations, Lines and other works as per **Annexure-2**.
- vi. MVA Added in Augmentation works as per the progress furnished in Table-9 in comparison with progress indicated in the Table-7.

3. Transmission Losses for FY22:

1. The KPTCL has filed actual voltage-wise losses for FY22 as detailed below:

Voltage (in kV)	Losses (in %)
	FY22
400 kV	0.260
220 kV	1.473
110 kV	0.336
66 kV	0.919

The KPTCL had earlier submitted the actual voltage-wise losses for the FY19 to FY21 as detailed below:

Voltage (in kV)	Losses (in %)		
	FY19	FY20	FY21
400 kV	0.325	0.288	0.292
220 kV	1.506	1.507	1.440
110 kV	0.381	0.393	0.339
66 kV	0.949	0.941	0.968

It is seen from the above Table that during FY22, there is increase in loss levels in respect of 220kV transmission system. Hence, Commission directs KPTCL to furnish the reason for increase in the transmission losses under 220KV voltage class for FY22 over FY21.

The Commission, in its Tariff Order dated 04.11.2020, has directed the KPTCL to conduct a detailed study in the matter of higher transmission losses at 220 kV level and submit a report to the Commission, within three months from the date of issue the Order, which has not been complied with by KPTCL so far. Hence, KPTCL was directed to submit the study report to the Commission by 15.01.2022 positively. However, the KPTCL has submitted an analysis report on 12.10.2022 giving the details of comparison of losses with other States. But, KPTCL was directed to conduct a study on the losses and submit a report. Hence, KPTCL shall entrust the study to a third party to study the reasons for higher transmission loss at 220 kV level and submit a report to the Commission, by the end of February 2023.

2. In the tariff application filed by the KPTCL, the energy to be handled has been clubbed into one figure as 73416.388 MU which includes EHT, IPP and ESCOM energy consumptions and the energy transmitted at IF points with ESCOMs is shown as 64887.292 MU

Energy Consumption (in MU)		
EHT	IPP	ESCOMs IF points
6694.773	1834.322	64887.292

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

Energy Consumption by ESCOMs at IF Point for FY22 (in MU)					
BESCOM	MESCOM	CESC	HESCOM	GESCOM	Total
30084.58	5681.01	7537.42	13700.8	8749.50	65753.31

Whereas, as per KPTCL filing the ESCOM's energy at Interface point is 64887.292, including energy drawn by ESCOM at 11kV and 33kV IF points, which also includes wheeled energy, auxiliary consumption of 33 KV and above stations and energy drawn under STOA.

In order to arrive at the actual requirement of ESCOMs (which is based on their sales), KPTCL shall segregate the energy requirement figures and furnish the same in the following format:

Name of the ESCOMs	Energy in MU at IF points for FY22
BESCOM	
MESCOM	
CESC	
HESCOM	
GESCOM	

Note: After reconciling the energy with ESCOMs

3. Further, as per the Energy Flow Diagram under Form T19, the energy at different voltage-wise, interface points of ESCOMs may be indicated duly reconciling the same with the ESCOMs by indicating the energy at each IF points.
4. The details of Transmission loss levels as per the target and approved losses for FY22 are as follows:

	Approved Transmission Loss in %	Actual Transmission Loss in %
Upper Limit	3.028	
Average	2.978	2.987
Lower Limit	2.928	

KPTCL shall explain the reasons for not achieving the target fixed by the Commission.

4. Transmission System Availability:

- i) The Commission has observed the following while computing the Transmission system availability:
 - a. The reasons for unscheduled interruption for BTPS-Guttur line and Thallak-Challakere Line-1 (Tumakuru Zone) for 331.60 Hours and 1178.07 Hrs. respectively, may be furnished.
 - b. The percentage availability of Static VAR Compensators has been considered as 95.88% as against 94.60% in Format 'F-5 abst New' of TSA for Bengaluru Zone, resulting in TSA for the system as 99.43% as against 99.40%.
 - c. The availability of BUS reactors in Format 5 in Bagalkote Zone has been considered as 0.00 as against 100%. The same may be corrected.

KPTCL shall submit the details of all the forced outages faced by RE generators for want of transmission network and suitable action plan to address them suitably.

ii) Status of Working Capacitors:

The Commission, while perusing the status of working capacitors as submitted by KPTCL, has observed that no. of capacitor banks installed at the end of March, 2022 are 1871 whereas the number of capacitors working at the end of the month are 1776. Further, total installed capacity in MVAr at the end of the month is 8742.45 MVAr, whereas total working capacity in MVAr at the end of March, 2022, is 7605.20 MVAr which works out to 86.99% of the total installed capacity.

Accordingly, KPTCL is required to submit the following details:

- a. The main reasons for failure of capacitors and actions taken to reduce it;
- b. Average number of days taken for replacement of faulty capacitors;
- c. 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.
- d. Action plan for restoring the remaining failed capacitors;

5. Annual Revenue Requirement for FY24:

O&M Expenses: KPTCL in its filing, as per the GO dated 15.11.2022 and 24.11.2022, has claimed Rs.2734.10 Crores towards GoK portion of Pension and Gratuity Expenditure in contravention of the existing provisions of Karnataka Electricity Reforms (Transfer of Undertakings of KPTCL and its Personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002. The Commission, in its earlier tariff orders, while approving the ARR of the KPTCL & ESCOMs has made its stand very clear on the issue that, the same has to be borne by the Government. Despite this, KPTCL has claimed a huge amount to be passed on to the consumers, without proper justification. KPTCL shall furnish the reasons for claiming the past arrears pertaining to GOK portion of P&G contribution amount in its APR for FY22, which is in contravention of the existing provisions of KER Rules, 2002.

- 1) KPTCL, in its APR filing has claimed Rs.30.57 Crores towards SLDC charges for FY22. KPTCL shall furnish the copy of the Trial Balance of SLDC for FY22 in support of its claim.

- 2) KPTCL in its filing has claimed an amount of Rs.5.33 Crores disallowed in respect of imprudent works by the Commission for FY20 and FY21 which are now stated to be prudent. As those works were identified as imprudent works and the Commission has disallowed the interest and depreciation on such assets while approving the APR of FY20 and FY21, the disallowance would have continued for future years as well, had the works been continued to be imprudent. The disallowance will not be applicable from the year in which the expenditure on the works have become prudent. Hence, the question of allowing the disallowed amount of Rs.5.33 Crores for FY20 & FY21 does not arise. KPTCL shall furnish the reasons for claiming such amount in the current APR for FY22.
