

PUNJAB STATE ELECTRICITY REGULATORY COMMISSION
SCO 220-221, SECTOR 34-A, CHANDIGARH

To

The Financial Advisor,
Punjab State Transmission Corporation Ltd.,
Shakti Sadan,
Opp. Kali Mata Mandir,
The Mall, Patiala.

Fax - 0175-2206523

No. PSERC/Tariff/T-216/1620

Dated: **13.12.2017**

Subject: - Petition for Annual Performance Review for FY 2017-18 and Revised Estimates for FY 2018-19: Deficiencies/Observations thereof.

Refer your letter no. 3946/FA/MYT-1/2017-18/Vol. II dated 30.11.2017 vide which Petition for Annual Performance Review for FY 2017-18 and Revised Estimates for FY 2018-19 has been filed. On preliminary scrutiny of the petition filed by PSTCL, the Commission has observed some deficiencies/observations. The deficiencies/observations are enclosed as Annexure-A.

You are, therefore, requested to ensure submission of the information/documents on these deficiencies to the Commission within 7 days. The petition shall be considered for admission only after receipt of satisfactory reply to these deficiencies.

DA/Annexure-A (Pages (1-5))

SECRETARY

FINANCIAL

1. True up for FY 2016-17:

- i) As per Regulation 12 of PSERC (Terms and Conditions for Determination of Generation, Transmission, Wheeling and Retail Supply Tariff) Regulations, 2014 (hereinafter referred to as MYT Regulations), the True up for FY 2016-17 has to be submitted with the APR for FY 2017-18. The same be submitted now along with the following:
 - a) The Audit Report of Statutory Auditor and the comments of Comptroller and Auditor General of India on Annual Accounts of FY 2016-17 as per the Companies Act.
 - b) Cost Audit Report and Compliance Report(s) for FY 2016-17 may also be furnished.
- ii) Further, delay in filing of True Up for FY 2016-17 may attract the decision of the Hon'ble APTEL dated 01.12.2015 in Appeal No. 146 of 2014, which holds that carrying cost on gap should not be allowed for non submission of audited accounts.

2. Revised Estimates for FY 2018-19:

PSTCL has filed the instant Petition for Annual Performance Review (APR) of FY 2017-18 (with proposed Net ARR of ₹1403.72 crore and Revised Estimates for FY 2018-19 (with proposed Net Revenue Requirement (NRR) of ₹1487.98 crore).

The Commission, in Tariff Order of PSTCL dated 23.10.2017, approved the Projections of FY 2017-18, FY 2018-19 and FY 2019-20 wherein NRR of ₹1234.87 crore, ₹1283.86 crore and ₹1337.15 crore for PSTCL.

Annual Performance Review (APR) to be carried out is governed by Regulation 11 of MYT Regulations. The scope of the Annual Performance Review is comparison of the performance of the Applicant with the approved forecast of ARR along with the performance targets specified by the Commission [Regulation 11(7) of MYT Regulations]. The Petition for Annual Performance Review is to include the details of actual capital expenditure,

details of income tax paid and actual operational and cost data to enable the Commission to monitor the implementation of its order including comparison of actual performance with the approved forecasts (and reasons for deviations). Additionally, the Applicant has to submit Annual Statement of its performance of transmission business including a copy of its latest audited accounts. [Regulation 11(4) of MYT Regulations]. Projections of FY 2018-19 have already been finalized in PSTCL's Tariff Order dated 23.10.2017 and there is no provision for revised projections. The petition may be re-examined/ amended accordingly.

3. Capital Expenditure:

PSTCL in the instant Petition has proposed capital expenditure of ₹385.50 crore against the Commission's approval of ₹338.29 crore for FY 2017-18 in PSTCL's Tariff Order. In this regard, relevant extract of Regulation 9 of MYT Regulations is reproduced below for reference:

“9.8. In the normal course, the Commission shall not revisit the approved capital investment plan during the control period. However, during the Annual Performance Review, the Commission shall monitor the year wise progress of the actual capital expenditure incurred by the Applicant vis-à-vis the approved capital expenditure.

9.9. In case the capital expenditure is required for emergency work which has not been approved in the capital investment plan, the respective Applicant shall submit an application (containing all relevant information along with reasons justifying emergency nature of the proposed work) seeking approval by the Commission...”

As required by Regulation 9, PSTCL has not filed any application for approval of additional capital expenditure and has directly sought a capital expenditure of ₹375.50 crore against approved capital expenditure of ₹328.29 crore. As per the provisions of Regulation 9, PSTCL was required to file an application for approval of additional capital expenditure with detailed submissions, citing specific reasons. The petition may be re-examined/ amended accordingly.

4. Depreciation:

As per MYT Regulations, Depreciation for generation and transmission assets shall be calculated annually as per straight line method over the useful life of the asset. Provided that the total depreciation during the life of the asset shall not exceed 90% of the original cost. Also, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation / put in use of the asset shall be spread over the balance useful life of the asset. Please provide the details of depreciation on assets in light of the aforesaid regulation incorporating the following:

- Details may be prepared head wise for all assets with further break up of each asset to account codes.
- For ease of understanding, the details may be provided as per format attached (Format-I)

5. Long Term Loan:

In case of transmission business, long term loans for FY 2017-18 have been approved at ₹229.80 crore whereas in the petition it has been shown at ₹284.58 crore which is not consistent with the total Capital expenditure of ₹328.29 crore approved by the Commission. Reasons for the variation/deviation be given.

Furnish the scheme wise details of actual loan raised by the utility during FY 2017-18 along with loan agreements with lenders. The details should clearly depict the scheme wise opening loan balance, loan requirement and loan repayment for each year separately.

6. Miscellaneous:

While going through the expenditure incurred in the first half and to be incurred in the second half of FY 2017-18, it is revealed there is variation from the forecast approved by the Commission for FY 2017-18, in case of transmission and SLDC business. However, the reasons for the deviation have not been given in the petition filed by PSTCL. The same is required to

be furnished by PSTCL. The detail of expenditure shown in the Petition for Transmission and SLDC Business is as under:

(₹ crore)

Particulars	FY 2017-18 (Transmission)		FY 2017-18 (SLDC)	
	MYT Order	APR	MYT Order	APR
Other Employee Cost	141.29	172.64	6.37	6.33
Capital Expenditure	328.29	375.50	10.00	10.00
Capitalization	234.63	469.72	14.50	12.00
Depreciation	279.94	324.45	1.17	1.29
Depreciation rate (Wt. Avg.)	4.61%	5.24%	4.61%	5.24%
Interest on Finance Charges (Long term loan)	358.80	384.75	1.13	1.10
Interest on working capital	37.84	40.46	0.60	0.56
Non-Tariff Income	49.25	20.77	5.41	5.41

TECHNICAL

7. The figures submitted in Table 6 (page 13) be got validated from PSPCL/SLDC
8. The transmission system availability is required to be validated from SLDC.
9. In the format for transmission system capacity for FY 2018-19, the capacities of NRSE private projects (Sr. No. 4.4) has been taken into account while calculating the transmission capacity of PSTCL. The NRSE projects are generally connected with on 11/66 kV sub-stations, which is beyond the scope of PSTCL. As such, the transmission system capacity needs to be reviewed.

Format -1: DEPRECIATION

Calculation sheet of Depreciation for FY 2017-18

Name of the asset	Account Code	Gross Value of assets as on 31.03.2005	Accumulated Depreciation as on 31.03.2005	Additions made from 01.04.2005 to 31.03.2017	Accumulated Depreciation on additions from 01.04.2005 to 31.03.2017	Rate of depreciation (applicable for computing depreciation in Column 8)	Depreciation on assets in Column 3 for FY 2017-18
1	2	3	4	5	6	7	8

Rate of depreciation (applicable for computing depreciation in Column 10)	Depreciation on assets in Column 5 for FY 2017-18	Proposed Additions from 01.04.2017 to 31.03.2018	Rate of depreciation (applicable for computing depreciation in Column 13)	Depreciation on additions (in Column 11) during FY 2017-18	Total Depreciation for FY 2017-18 (8+10+13)	Closing Value of Gross Assets as on 31.03.2018 (3+5+11)	Closing Value of Accumulated Depreciation as on 31.03.2018 (4+6+14)
9	10	11	12	13	14	15	16