

**True Up of FY 2014-15 & FY 2015-16 and
Mid-Term Review for the FY 2016-17,
FY 2017-18 and FY 2018-19**

For

**Himachal Pradesh Power Transmission
Corporation Limited (HPPTCL)**



**Himachal Pradesh Electricity
Regulatory Commission**

October 6, 2017

Contents

1	Background	7
1.1	History of HPPTCL	7
1.2	Multi Year Tariff Framework	8
1.3	Procedural Background	10
1.4	Public Hearings.....	11
2	Summary of the Mid-Term Review Petition for the 3rd Control Period (FY15 to FY19).....	13
2.1.	Introduction.....	13
2.2.	Background.....	13
2.3.	Approach for Filing of Petition.....	16
2.4.	Summary of the petition for True-Up of ARR for FY 2014-15 and FY 2015-16	18
2.5.	Summary of the petition for Mid-term review of ARR for FY 2016-17, FY 2017-18 and FY 2018-19.....	23
3	Responses from Stakeholders.....	27
3.1.	Introduction.....	27
3.2.	Operation and Maintenance expense	27
3.3.	Return on equity and Depreciation	28
3.4.	Income tax advance	29
3.5.	Prior Period Expenditure	30
3.6.	Non-tariff Income	30
3.7.	Transmission Losses	31
4	Mid-term Review of ARR for the Third Control Period	33
4.1	Approach for Mid Term Reviw of the third control period.....	33
4.2.	Transmission Infrastructure	34
4.3.	ARR for Transmission License	36
4.4.	Operation & Maintenance expenses	37
4.5.	Depreciation.....	41
4.6.	Interest on Loan	42
4.7.	Interest on working capital	42
4.8.	Return on Equity.....	43
4.9.	Non-Tariff Income.....	43
4.10.	Income Tax	44
4.11.	Revised Aggregate Revenue Requirement for the Control Period FY12-FY14	45
4.12.	Revenue and Revenue Surplus for the FY 2014-15 and FY 2015-16	45
4.13.	Transmission Losses on HPPTCL System	47
4.14.	Revised Transmission charges for FY18 and FY19	48

List of Tables

Table 1: Communication with the Petitioner	10
Table 2: List of Newspapers in which salient features of the Petition were published	11
Table 3: List of Newspaper in which Notice inviting objections from Stakeholders were published	11
Table 4: List of Newspaper in which Notice for Public Hearing was published.....	12
Table 5: Existing Infrastructure Details of HPPTCL transferred as per Transfer Scheme, 2010.....	14
Table 6: O&M Expenses (Rs Cr.) Claimed by HPPTCL for true-up for FY15 and FY16	19
Table 7: Depreciation (Rs Cr.) Claimed by HPPTCL for true-up for FY15 and FY16	20
Table 8: Interest on Working Capital Claimed by HPPTCL for true-up for FY15 and FY16	20
Table 9: Return on Equity (Rs Cr.) Claimed by HPPTCL for true-up for FY15 and FY16....	21
Table 10: Income Tax Expense (Rs Cr.) claimed by HPPTCL for true-up for FY15 and FY16	21
Table 11: Non-Tariff Income (Rs Cr.) Claimed by HPPTCL for true-up for FY15 and FY16	22
Table 12: ARR (Rs Cr.) Claimed by HPPTCL for true-up for FY15 and FY16.....	23
Table 13: Revised O&M expenses projections as submitted by HPPTCL for FY17 to FY19	24
Table 14: Revised Depreciation expense projections as submitted by HPPTCL for FY17 to FY19	24
Table 15: Revised Interest on working capital projections as submitted by HPPTCL for FY17 to FY19	25
Table 16: Revised Return on equity projections as submitted by HPPTCL for FY17 to FY19	25
Table 17: Revised Non-tariff Income projections as submitted by HPPTCL for FY17 to FY19	26
Table 18: Revised ARR projections as submitted by HPPTCL for FY17 to FY19	26
Table 19: Intra-state Transmission Infrastructure as on 13/06/2010 transferred to HPPTCL.	35
Table 20: Actual O&M expense Claimed by the Petitioner as against earlier Approved for the FY15 and FY16.....	37
Table 21: Revised Employee Cost approved for the Third Control Period (Rs. Lacs)	38
Table 22: Revised A&G Expense approved for the Third Control Period (Rs. Lacs).....	39
Table 23: Approved Revised R&M Expense for the Third Control Period (Rs. Lacs).....	40
Table 24: Revised O&M expenses (Rs Cr.) for Third Control Period as approved by Commission	40
Table 25: Revised Depreciation (Rs Cr.) approved for the Third Control Period.....	41
Table 26: Interest on Loans (Rs Cr.) approved for Mid-term Review.....	42
Table 27: Revised Interest on working capital (Rs Cr.) approved under Mid-term Review ...	42
Table 28: Proposed and trued-up Non-Tariff income for FY15 and FY16 as approved by the Commission (Rs Cr.)	44
Table 29: Proposed and trued-up Advance Income tax expense for FY15 and FY16 (Rs Cr.) as Approved by the Commission.....	45
Table 30: Revised ARR Approved by the Commission for the Third Control Period (Rs Cr.)	45

Table 31: Revenue from Short-term Open Access recovered by HPPTCL (Rs Cr.).....	45
Table 32: Approved Revenue from Short-term Open Access (Rs Cr.)	46
Table 33: Approved Revenue Surplus/ (Gap) for FY15 to FY17 (Rs Cr.).....	46
Table 34: Revised Revenue Gap for the Control Period FY12-FY14 (Rs. Cr.)	47
Table 35: Revised Approved Revenue Surplus/ (Gap) for FY15 to FY17 (Rs. Cr.).....	47
Table 36: Transmission Charges for Long and Medium term Open Access Consumers approved by the Commission for FY18 and FY19	48
Table 37: Transmission Charges for Short-term Open Access Consumers approved by the Commission for FY18 and FY19.....	49

**BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY
COMMISSION AT SHIMLA**

CASE NO: 31/2017.

CORAM

S.K.B.S. NEGI

In the matter of:

True Up of FY 2014-15 & FY 2015-16 and Mid-Term Review for the FY 2016-17, FY 2017-18 and FY 2018-19 of Himachal Pradesh Power Transmission Corporation (HPPTCL) under Himachal Pradesh Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2011 and Under Section-62 Read with Section 86 of the Electricity Act 2003

AND

In the matter of:

Himachal Pradesh Power Transmission Corporation Limited

... APPLICANT

ORDER

(Passed on this 06th day of October, 2017)

The Himachal Pradesh Power Transmission Corporation Limited (hereinafter called the 'HPPTCL') has filed a petition with the Himachal Pradesh Electricity Regulatory Commission (hereinafter referred to as 'the Commission' or 'HPERC') for Truing-up of intra-state Transmission ARR for the first two years i.e. FY 2014-15 to FY 2015-16 and Mid-term Review for the remaining years (FY 2016-17, FY 2017-18 and FY2018-19) of the Third MYT Control Period (FY15-FY19) under the HPERC (Multi Year Tariff) Regulations, 2011 and its first amendment regulation,2013 and under Section-62 read with Section 86 of the Electricity Act 2003.

The Commission, after considering the Petition filed by the Applicant, the facts presented in its various submissions/filings, objections/suggestions received by the Commission, the issues raised in the hearing at Shimla, the responses of the Applicant to the objections/suggestions and documents available on record and in exercise of the powers vested in it under Section 62 and Section 86 of the Electricity Act, 2003 (Act No. 36 of 2003) read with HPERC (Terms & Conditions for Determination of Transmission Tariff) Regulations, 2011 and HPERC (Terms

& Conditions for Determination of Transmission Tariff) (first amendment) Regulations, 2013 passes the following Order for true up of ARR of HPPTCL for FY 2014-15 and FY 2015-16 and mid-term review order for remaining years (i.e. FY17-FY19) of the Third Control Period.

The Commission has detailed the reasons for modifying/ disallowing any expenditure as per the attached detailed true-up order and mid-term review order.

Shimla

Dated: 06th October, 2017

(S.K.B.S. Negi)

Chairman

1 Background

1.1 History of HPPTCL

- 1.1.1. The Himachal Pradesh Power Transmission Corporation Limited (hereinafter referred to as 'HPPTCL' or 'the Petitioner') is a deemed licensee under first, second and fifth provisions of Section 14 of the Electricity Act, 2003 (hereinafter referred to as 'the Act') for transmission of electricity in the State of Himachal Pradesh.
- 1.1.2. HPPTCL was formed through a notification by the Government of Himachal Pradesh (hereinafter referred to as 'GoHP') vide its notification No. MPP-A-(1)-4/2006-Loose, dated 11 September, 2008.
- 1.1.3. Through notification No. MPP-A-(1)-4/2006-Loose dated 3 December, 2008 read with the GoHP's earlier notification dated 31 October, 2008, the HPPTCL was entrusted with the following work / business with immediate effect:
- a) All new works of construction of Sub-Stations of 66 kV and above
 - b) All new works of laying/ construction of transmission lines of 66 kV and above
 - c) Formulation, updating, execution of Transmission Master Plan for the state for strengthening of Transmission network and evacuation of power including new works under schemes already submitted by the Himachal Pradesh State Electricity Board (HPSEB) under this plan to the Financial Institutions for funding and where loan agreements have not yet been signed
 - d) All matters relating to planning and co-ordinations of the transmission related issues with CTU, CEA, Ministry of Power, State Government and HPSEBL
 - e) Planning and co-ordination with the IPPs/ CPSUs/ State PSUs/ Other Departments or organizations or agencies of the Central Government and State Government, HPSEBL and HPPTCL with regard to all transmission related issues
 - f) All other matter of subject that the State Government may specifically assign to the Corporation from time to time.
- 1.1.4. HPPTCL was declared the State Transmission Utility (STU) by the GoHP vide its order dated 10 June, 2010 and as a result thereof the Commission recognized HPPTCL as a deemed "Transmission Licensee" as per the Commission's Order dated 31 July, 2010 in Petition No. 32 of 2010 filed by HPPTCL under Sections 14 and 15 of the

Act, for grant of Transmission License in the State of Himachal Pradesh. Prior to FY11, the transmission tariff was being determined as a part of the tariff orders applicable to HPSEBL system.

- 1.1.5. The State Government also transferred and vested in HPPTCL the ownership, operation and maintenance of Transmission lines of 66 kV and above owned by the Himachal Pradesh State Electricity Board Limited (hereinafter referred to as 'HPSEBL') including the co-ordination of the lines owned and operated by Power Grid Corporation of India, (PGCIL), Independent Power Producers (IPPs), Haryana Vidyut Prasaran Nigam Limited (HVPNL) and Power Com (PSEB) vide its notification No. MPP-A (3)-1/2001-IV, dated 21 June, 2010 read with earlier notification of even number dated 10th June, 2010. In compliance of these orders of the State Government, HPSEBL provided the details of Transmission network along with the asset value which were transferred to HPPTCL vide letter No.-HPSEBL/CE (ES)/AU-4/2010-6220-25, dated 6 September, 2010.

1.2 Multi Year Tariff Framework

- 1.2.1. The Commission follows the principles of Multi Year Tariff (MYT) for determination of tariffs, in line with the provision of Section 61 of the Act. The Commission notified the HPERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2011 (herein referred as "MYT Tariff Regulations, 2011") which were later amended on 1st November 2013 as (First Amendment) Regulations, 2013.
- 1.2.2. The Commission issued the third Multi-Year Tariff (MYT) Order for HPPTCL for the period FY 2014-15 to FY 2018-19 on 10th June, 2014. HPPTCL has now filed for truing-up of expenses and income figure for first two years i.e. FY 2014-15 to FY 2015-16 and mid-term review for remaining years of the 3rd MYT control period (FY 17 to FY19) in line with Regulation 14 of the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) (First Amendment) Regulations, 2013 which states:

"14. Substitution of regulation 39 – For regulation 39 of the said regulations, the following regulation 39 shall be substituted, namely:-

"39. Mid-term Performance Review and Review at the End of the Control Period

(1) Mid-term performance review - The transmission licensee shall make an application for mid-term Performance Review within 120 days before the commencement of the fourth year of the Control Period i.e. FY 2017-18:-

The scope of the mid-term Performance Review shall be a comparison of the actual performance with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges The transmission licensee shall submit to the Commission all information together with audited account statements, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in performance from the approved forecast. The mid-term review shall comprise of the following:

(i) True-up of previous Control Period

(ii) A comparison of the actual/ audited performance with the approved forecast for first two financial years of the Control Period, subject to the prudence check including pass-through of impact of uncontrollable factors;

(iii) Review of controllable parameters

(iv) Review of ARR for the balance of the control period in case of any major change in uncontrollable and/ or controllable parameters

(v) Review of transmission charges on account of modification in ARR for the balance control period.”

AND Regulation 11 of MYT Transmission Tariff Regulation, 2011 states as follows:

“10. True Up

(1) The true up across various controllable parameters shall be conducted as per principles stated below:

(a) any surplus and deficit on account of O&M expenses shall be to the account of the transmission licensee and shall not be trued up in ARR; and

(b) at the end of the Control Period –

(i) the Commission shall review actual capital investment vis-à-vis approved capital investment;

(ii) depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission.”

- 1.2.3. The current Order relates to Mid-Term Review and redetermination of the ARR for intra-state transmission network of HPPTCL on account of availability of audited annual accounts for FY 2014-15 and FY 2015-16 as well as the revision in the amount of gross fixed assets transferred to HPPTCL post finalization of the Transfer Scheme.

1.3 Procedural Background

- 1.3.1. The Petitioner has filed on 12th April, 2017, the petition for approval of the Truing-up of the Aggregate Revenue Requirement (ARR) for intra-state transmission network for first two years of the third Control Period (FY 2014-15 to FY 2018-19) and review of the ARR for the remaining years and corresponding transmission tariff for the balance years. The Petition was registered with the Commission as 31/2017 along with MA No. 58/2017. The Commission admitted the Petition vide the interim order on 25th May, 2017 for further detailed scrutiny.
- 1.3.2. Since the submission of the Petition, there have been a series of interactions between the Petitioner and the Commission, both written and oral, wherein the Commission sought additional information/clarifications and justifications on various issues, critical for the analysis of the Petition.
- 1.3.3. The Commission conducted a Technical Validation Session (TVS) of the Petition on 11th August, 2017 in the office of the Commission during which the discrepancies and additional information requirements were highlighted.
- 1.3.4. Based on the detailed scrutiny of the petition, clarifications/ information sought by the Commission from time to time and submission was made by the petitioner in response there to, as detailed hereunder, have been taken on record:

Table 1: Communication with the Petitioner

Sl.	Letter from Commission	Response from Petitioner
1	HPERC/MYT/FY14-19/HPPTCL/2017-18-326-27 dated 08.05.2017	Vide Affidavit dated 20.05.2017 (registered as MA 58/2017)
2	HPERC/MYT/FY14-19/HPPTCL/2017-	Vide Affidavit dated 03 .08.2017

Sl.	Letter from Commission	Response from Petitioner
	18-1146-47 dated 28.07.2017	(registered as MA 87/2017)
3	E-mail dated 14.08.2017	Vide Affidavit dated 17 .08.2017 (registered as MA 92/2017)
4	E-mail dated 04.09.2017	Vide Affidavit dated 07 .09.2017 (registered as MA 106/2017)

1.4 Public Hearings

1.4.1. The interim order inter alia included direction to the Petitioner to publish the application in an abridged form and manner as per the “disclosure format” attached with the interim order for the information of all the stakeholders in the State. As per the direction, the Petitioner published the public notice in the following newspapers:

Table 2: List of Newspapers in which salient features of the Petition were published

Sl.	Name of Newspaper	Date of Publication
1.	The Tribune (English)	03.06.2017 & 04.06.2017
2.	Dainik Bhaskar (Hindi)	03.06.2017 & 04.06.2017

1.4.2. The Commission published a public notice inviting suggestions and objections from the public on the tariff petition filed by the Petitioner in accordance with Section 64(3) of the Act which was published in the following newspapers:

Table 3: List of Newspaper in which Notice inviting objections from Stakeholders were published

Sl.	Name of News Paper	Date of Publication
1.	The Tribune (English)	30.06.2017
2.	Himachal Dastak (Hindi)	30.06.2017

1.4.3. Through the aforementioned publications, the interested parties/ stakeholders were asked to file their objections and suggestions on the Petition and rejoinders to the Replies filed by the Petitioner for which dates were specified by the Commission through the publications. The Commission received objections/ suggestions from the Department of Energy (GoHP) and HPSEBL. The Petitioner responded to the objections of the HPSEBL dated 22.07.2017 which was registered as M.A. no 86/2017

and to the objections of DOE dated 19.08.2017 which was registered as MA No. 96/2017.

- 1.4.4. The Commission issued a public notice in the following newspapers, to inform the public about the public hearing to be held on 11th August, 2017 at the Court Room in Shimla:

Table 4: List of Newspaper in which Notice for Public Hearing was published

Sl.	Name of News Paper	Date of Publication
1.	The Tribune (English)	30.06.2017
2.	Himachal Dastak (Hindi)	30.06.2017

- 1.4.5. A public hearing was held at Commission's court room at Shimla on 11.08.2017 for providing adequate opportunity to all the stakeholders for expression of their opinions, suggestions and objections in the matter.
- 1.4.6. The objections, issues and concerns raised by the Directorate of Energy and HPSEBL along with the submissions of the Petitioner and the views of the Commission are detailed in Chapter 3 of this Order.

2 Summary of the Mid-Term Review Petition for the 3rd Control Period (FY15 to FY19)

2.1. Introduction

2.1.1. This chapter summarizes the highlights of the Mid-term review Petition filed by the HPPTCL for trueing up for FY 15 & FY 16 as per the actual expenses and revenue components for the previous years of third Control Period (FY 15 to FY 16) based on the audited annual accounts and Review of projected figures for the remaining period of the control period i.e. for FY 17 to FY 19 due to major changes in the total value of the gross fixed assets and based on trued-up figures for previous two years.

2.2. Background

2.2.1. HPPTCL was declared State Transmission Utility (STU) vide notification no. MPP-A (3)-1/2001-iv dated June10, 2010 by the Government of Himachal Pradesh and as a result thereof, the H.P. Electricity Regulatory Commission (HPERC) recognized the HPPTCL as deemed "Transmission Licensee" notified by the Commission's order dated 31.07.2010 in petition No. 32 of 2010 filed by HPPTCL under section 14 and 15 of the Electricity Act, 2003.

2.2.2. The State Government also transferred and vested in HPPTCL the ownership, operation and maintenance of Transmission lines of 66 kV and above owned by the Himachal Pradesh State Electricity Board Limited (HPSEB) including the co-ordination of the lines owned and operated by Power Grid Corporation of India, (PGCIL), Independent Power Producers (IPPs), Haryana Vidyut Prasaran Nigam Limited (HVPNL) and Power Com (PSEB) vide its notification No. MPP-A (3)-1/2001-IV, dated 21 June, 2010 read with earlier notification of even number dated 10 June, 2010.

2.2.3. In compliance of these orders of the State Government, HPSEBL provided the details of Transmission network along with the asset value which were transferred to HPPTCL vide letter No.-HPSEBL/CE (ES)/AU-4/2010-6220-25, dated 6 September, 2010.

2.2.4. HPPTCL had filed a petition with the HPERC for approval of its MYT petition and Aggregate Revenue Requirement (ARR) for the third MYT Control Period (FY15 to

FY19) under Section 62, 64, 86 of the Act, read with the HPERC (Terms and conditions for Determination of Transmission Tariff), Regulations, 2011 and its First Amendment Regulation, 2013.

- 2.2.5. The MYT petition was filed on 12th April, 2017. HPPTCL submitted the Petition as per the MYT Regulations, 2011 and its first amendment Regulation, 2013.
- 2.2.6. HPERC had earlier approved the ARR for Third Control Period with reference to the past filings vide Commission's Order Case No.140/2013 dated 10th June 2014.
- 2.2.7. The MYT framework mandates the filings of Mid-term Review petition for MYT Control Period as per the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) (First Amendment) Regulations, 2013. Since the financial years of FY 2014-15 to FY 2015-16 are already completed and the audited annual accounts are also available, under the provisions of mid-term review HPPTCL has filled the present petition for truing up as per the actual expenses incurred for FY 15, FY 16 and mid-term review for the remaining years of the control period (FY 17 to FY 19).
- 2.2.8. As per the Transfer scheme notified by the Himachal Pradesh State Government on 10.06.2010 and office letter no. HPSEBL/CE (ES)/AU-5/HPPTCL/2014-7401-05 and even no.6533-38 dated 18.10.2014 and 20.09.2014 and even no.1024-25 dt. 27.10.2014, the petitioner as on 13th June 2010 has calculated INR 4141.21 lakhs as depreciation on the revised capitalized value of 15 number transmission lines. The net book value of the assets is INR 6122.16 lakhs on capital cost of INR 10263.37 lakhs, out of which INR 1954.38 lakhs is capital cost of Intra-state transmission lines and INR 8308.99 lakhs is of Inter-state Transmission lines. The details of the same is given in the following table:

Table 5: Existing Infrastructure Details of HPPTCL transferred as per Transfer Scheme, 2010

Sr. No.	Name of Line and Line Length in Kms	Commercial Operation Date	Capitalized Cost (INR Lakhs)	Depreciation upto 13/06/2010 (INR Lakhs)	Net Book Value of Assets on 13/06/2010
A) Intra-State Transmission Lines					
1	66 KV S/C Line from	1950	21.10	18.99	2.11

Sr. No.	Name of Line and Line Length in Kms	Commercial Operation Date	Capitalized Cost (INR Lakhs)	Depreciation upto 13/06/2010 (INR Lakhs)	Net Book Value of Assets on 13/06/2010
	Pinjore to parwanoo-8.23 Kms				
2	66 KV line from Shanan to Bijni-35 Kms	10/1968	10.5	9.45	1.05
3	132 KV Bassi Shanan Line-5 Kms	1970	218.80	196.92	21.88
4	132 KV S/C Giri Kulhal Line-17.40 Kms	04/1978	170.69	133.15	37.54
5	132 KV S/C Line from PSEB SS-Kangra to HPSEB SS- Kangra-0.135 Kms	02/1979	36.78	28.69	8.09
6	132 KV S/C Line from Giri to Abdullapur-16.22 Kms	1982	43.49	29.58	13.91
7	220 KV LILO of Ckt No. lind fo Baira suli Pong Dam line-0.24 Kms	09/1985	65.97	39.92	26.05
8	66 KV S/C Line from Pong to Sansarpur Terrace-6.3 Kms	10/1990	55.55	26.67	28.88
9	132 KV Line from Dehar to Kangoo	12/1998	41.90	11.73	30.17
10	220 KV S/C Line from Dehar to Kangoo	06/1999	68.93	17.58	51.35
11	66 KV trans line from Bhakra to Una with LILO at Gothai	03/2006	127.18	13.36	113.82
12	220 KV D/C Line on 400 KV towers from PGCIL Reru to 220/66 KV SS-Uperia Nangal (Nalagarh)	07/2010	1093.49	0.00	1093.49
	Total		1954.38	526.04	1428.34
B) Inter-State Transmission Lines					
1	220 KV D/C Line from Kunihar to Panchkula	05/1989	2520.23	1272.89	1247.34
2	220 KV S/C Line from Khodri to Majri-70.04 Kms	09/1989	3674.43	1855.84	1818.59
3	220 KV S/c Line from Thein Dam to Jassure	03/2001	2114.33	486.44	1627.89
	Total		8308.99	3615.17	4693.82

2.3. Approach for Filing of Petition

- 2.3.1. The Petitioner stated that it has adopted approach for filling the petition as per the HPERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2011 and Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) (First Amendment) Regulations, 2013.
- 2.3.2. The petitioner also has quoted various provisions of the Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) (First Amendment) Regulations, 2013, which shall be applicable for the tariff orders to be issued for the control periods commencing with effect from 1st April, 2014 and thereafter.
- 2.3.3. Various provisions quoted by petitioner are as follows:

Provision for True-up exercise for the MYT control period as follows:

“3. Amendment of regulation 10 – For regulation 10 of the said regulations, the following regulation 10 shall be substituted, namely:-

“10. True Up

(1) The true up across various controllable parameters shall be conducted by the Commission, for the previous years for which the actual/audited accounts are made available by the Transmission Licensee, at the times and as per principles stated below:-

(a) at the times -

(i) for the previous years of the previous control period:- along with the petition for determination of ARR cum transmission tariff for the control period;

(ii) for the previous years of the control period and for the previous control period:- along with the mid-term performance review during the control period;

(iii) for the control period true up:- along with the mid-term performance review of the next control period;

(b) as per principles -

(i) the Commission shall review actual capital investment vis-à-vis approved capital investment;

(ii) depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission;

(iii) any surplus and deficit on account of O&M expenses shall be to the account “10. True Up

(1) The true up across various controllable parameters shall be conducted as per principles stated below:

(a) any surplus and deficit on account of O&M expenses shall be to the account of the transmission licensee and shall not be trued up in ARR; and

(b) at the end of the Control Period –

(i) the Commission shall review actual capital investment vis-à-vis approved capital investment;

(ii) depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission.

(2) Notwithstanding anything contained in these regulations, the gains or losses in the controllable items of ARR on account of force majeure factors shall be passed on as an additional charge or rebate in ARR over such period as may be laid down in the order of the Commission.” ”

Provision of Mid-Term Review of the control period:

“14. Substitution of regulation 39 – For regulation 39 of the said regulations, the following regulation 39 shall be substituted, namely:-

*“39. **Mid-term Performance Review and Review at the End of the Control Period***

(1) Mid-term performance review - The transmission licensee shall make an application for mid-term Performance Review within 120 days before the commencement of the fourth year of the Control Period i.e. FY 2017-18:-

The scope of the mid-term Performance Review shall be a comparison of the actual performance with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges. The transmission licensee shall submit to the Commission all information together with audited account statements, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in performance from the approved forecast. The mid-term review shall comprise of the following:

(i) True-up of previous Control Period

(ii) A comparison of the actual/ audited performance with the approved forecast for first two financial years of the Control Period, subject to the prudence check including pass-through of impact of uncontrollable factors;

(iii) Review of controllable parameters

(iv) Review of ARR for the balance of the control period in case of any major change in uncontrollable and/ or controllable parameters

(v) Review of transmission charges on account of modification in ARR for the balance control period.” ”

Provision of incentives on operational parameters as follows:

“29. Quality of Supply

(1) The Commission shall monitor the following quality of supply parameters during the control period: -

- (a) *Transmission system availability;*
- (b) *transformer failure, across various capacities which represents the number of transformer failures as a percentage of the total number of transformers in that specified capacity within the transmission system, over a specified period of time.*
- (2) *The transmission licensee in its business plan filings shall submit and propose the trajectory for the achievement of quality targets. The Commission will lay down the targets for each parameter in the MYT order. The transmission licensee shall submit its performance on each parameter in the form and manner laid down by the Commission.”*

2.4. Summary of the petition for True-Up of ARR for FY 2014-15 and FY 2015-16

Operation & Maintenance expenses

2.4.1. The petitioner has calculated the O&M expenses in line with the Regulation 12 of the HPERC MYT Regulations, 2011 for the transmission utilities as below:

“13. Operation and Maintenance (O&M) Expenses

(1) Operation and Maintenance (O&M) expenses shall comprise of the following:-

- (a) salaries, wages, pension contribution and other employee costs;*
- (b) administrative and general expenses including insurance charges if any;*
- (c) repairs and maintenance expenses;*
- (d) other miscellaneous expenses, statutory levies and taxes (except corporate income tax).*

(2) The transmission licensee shall submit the O&M expenses for the Control Period as laid down in the multi year tariff filing procedure. The O&M expenses for the base year will be approved by the Commission taking into account the latest available audited accounts, business plan filed by the transmission licensee, estimates of the actuals for the base year, prudence check and any other factors considered appropriate by the Commission.

(3) The O&M expenses for the nth year of the Control Period shall be approved based on the formula given below:-

$$O\&M_n = R\&M_n + EMP_n + A\&G_n$$

Where -

$$EMP_n = (EMP_{n-1}) * (1 + G_n) * (CPI_{inflation})$$

.....”

2.4.2. The petitioner submitted a comparison of the actual O&M expenses as per the audited annual accounts and the O&M expenses approved by the Commission. It is pertinent to mention that HPPTCL submitted the revised O&M expense components in accordance with the approach used by commission to include only 25% of the overall

corporate office expenses under STU O&M expenses as a reply to the queries raised by commission vide letter no. 326-27 dated 08.05.2017. The approved vs actual O&M expense submitted by petitioner is given in the table below:

Table 6: O&M Expenses (Rs Cr.) Claimed by HPPTCL for true-up for FY15 and FY16

Particulars	FY 2014-15		FY 2015-16	
	Approved	Actuals	Approved	Actuals
Employee Cost	0.10	1.28	0.11	1.50
A&G Cost	1.18	1.39	1.19	1.39
R&M Cost	1.30	1.45	1.40	1.94
Total O&M Expense	2.59	4.12	2.70	4.82

2.4.3. The petitioner in its submission has also pointed out that the O&M expense bills for 2 nos. of transmission lines amounting to Rs 30.62 lakhs for FY 2014-15 were raised to HPSEBL in FY 2015-16 and the same has been taken in the books of account of HPPTCL in FY 2015-16 as prior period adjustment.

2.4.4. HPPTCL has requested the Commission to approve the actual total O&M expenses borne during the Control Period.

Depreciation

2.4.5. HPPTCL has calculated the depreciation as per the Regulation 23 of HPERC MYT Regulation, 2011.

“23. Depreciation

(1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.

(2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

.....”

2.4.6. HPPTCL has claimed actual addition of assets as per the audited accounts for FY 15 and FY 16.

2.4.7. The Petitioner has submitted that the depreciation has been calculated based on the average of opening and closing value of assets for the assets having commercial operation for only part of the year. The depreciation claimed by petitioner for FY15 and FY16 against earlier approved in the MYT tariff order is as follows:

Table 7: Depreciation (Rs Cr.) Claimed by HPPTCL for true-up for FY15 and FY16

Particulars	FY 2014-15		FY 2015-16	
	Approved	Actuals	Approved	Actuals
Depreciation	0.76	0.63	0.75	0.49

Interest on Loan Capital

2.4.8. HPPTCL has claimed no interest on loan. As petitioner mentioned that no repayment has been made and also no new loan has been taken against the transferred intra-state assets.

Interest on Working Capital

2.4.9. HPPTCL has claimed the interest on working capital according to clause 22 of HPERC (MYT) Regulation, 2011 reproduced under:

“22. Interest Charges on Working Capital

Rate of interest on working capital to be computed as provided hereinafter in these regulations shall be on normative basis and shall be equal to the Short Term Prime Lending Rate of the State Bank of India as on 1st April of the relevant year. The interest on working capital shall be payable on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures.”

The interest on working capital claimed by HPPTCL considering SBI Base Rate of 9.75% and additional 350 basis points which accounts to 13.25% against the approved figures in the MYT order is as follows:

Table 8: Interest on Working Capital (Rs Cr.) Claimed by HPPTCL for true-up for FY15 and FY16

Particulars	FY 2014-15		FY 2015-16	
	Approved	Actuals	Approved	Actuals
1/12th of O&M Expense	0.22	0.47	0.22	0.55
Maintenance spares @40% of R&M expense of 1 month	0.04	0.05	0.05	0.06
2 month receivables	0.57	0.40	0.58	0.45
Total Working Capital	0.83	0.83	0.85	0.97
Interest rate as on April 1st of relevant year	13.27%	13.25%	13.27%	13.25%
Interest on Working Capital	0.11	0.11	0.11	0.13

Return on Equity

- 2.4.10. HPPTCL has submitted that the Commission in the last MYT Order considered RoE as nil due to non-transfer of equity.
- 2.4.11. Petitioner has submitted that as per the Transfer scheme notified by the Himachal Pradesh State Government on 10.06.2010 and office letter no. HPSEBL/CE(ES)/AU-5/HPPTCL/2014-7401-05 and even no.6533-38 dated 18.10.2014 and 20.09.2014, and even no.1024-25 dt. 27.10.2014. It has calculated that Rs 1954.38 lakhs has been taken as transferred equity for the intra-state transmission assets.
- 2.4.12. The petitioner has calculated Return on Equity on Rs 1954.38 Lakhs by applying the grossed by rate of 23.48% considering the corporate tax of 33.99% as per the provisions of Regulation 18 and Regulation 19 of HPERC MYT Regulations, 2011 on the existing equity transferred to HPPTCL from HPSEBL.
- 2.4.13. Further, the Petitioner has stated that the transfer of assets to HPPTCL got completed by FY 2014-15 vide letter no. HPSEBL/F&A/A&R-55/R&M Works/2014-15 dated 27-10-2014. Corresponding amount of equity has to be reflected in its books from FY 2014-15.
- 2.4.14. The Return on Equity claimed by HPPTCL as per actuals against the approved figures in the MYT order is as follows:

Table 9: Return on Equity (Rs Cr.) Claimed by HPPTCL for true-up for FY15 and FY16

Particulars	FY 2014-15		FY 2015-16	
	Approved	Actuals	Approved	Actuals
Opening Equity	-	19.54	-	19.54
Addition	-	0.00	-	0.00
Closing Equity	-	19.54	-	19.54
RoE @ 23.48%	-	4.59	-	4.59

Income Tax

- 2.4.15. The petitioner submits that it has considered income tax as per the actual as shown in table below:

Table 10: Income Tax Expense (Rs Cr.) claimed by HPPTCL for true-up for FY15 and FY16

Particulars	FY 2014-15	FY 2015-16
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	Approved	Actuals	Approved	Actuals
Advance Income Tax	-	1.27	-	1.04

Non-Tariff Income

2.4.16. HPPTCL has submitted that it has considered non-tariff income comprising of income from short-term open access charges and connectivity fees collected from consumers.

2.4.17. The petitioner further submits that it has claimed the non-tariff income based on the audited accounts as per the Regulation 24 of HPERC MYT Regulations, 2011 read along with Regulation 25 for the provision of Other Income of Transmission Licensee as reproduced below:

“24. Non-tariff Income

(1) All income being incidental to electricity business and derived by the licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, income from investments (other than investment of equity), and miscellaneous receipts from the transmission customers excluding income to licensed business from the other business of the transmission licensee shall constitute non-tariff income of the licensee.

(2) The amount projected by the licensee on account of non-tariff income shall be deducted from the aggregate revenue requirement in calculating the net revenue requirement of the licensee.

25. Other Income of the Transmission Licensee

Where the transmission licensee is engaged in any other business, the income from such business will be calculated in accordance with the Himachal Pradesh Electricity Regulatory Commission (Treatment of Income of Other Businesses of Transmission Licensees and Distribution Licensees) Regulations, 2005 and shall be deducted from the aggregate revenue requirement in calculating the revenue requirement of the transmission licensee:

.....”

Table 11: Non-Tariff Income (Rs Cr.) Claimed by HPPTCL for true-up for FY15 and FY16

Particulars	FY 2014-15		FY 2015-16	
	Approved	Actuals	Approved	Actuals
Non-Tariff Income	0.30	9.02	0.30	11.75

2.4.18. HPPTCL has requested the Commission to approve the above Non-Tariff Income based on actuals.

Aggregate Revenue Requirement for FY15 and FY16

2.4.19. Based on the above parameters, the Aggregate Revenue Requirement claimed by HPPTCL for the FY 2014-15 and FY 2015-16 for true-up against the approved ARR under MYT Tariff order for 3rd Control Period for respective years is summarized in the Table below:

Table 12: ARR (Rs Cr.) Claimed by HPPTCL for true-up for FY15 and FY16

Particulars	FY 2014-15		FY 2015-16	
	MYT Order	HPPTCL Petition	MYT Order	HPPTCL Petition
Operation & Maintenance Expense	2.59	4.12	2.70	4.82
Depreciation	0.76	0.63	0.76	0.49
Interest on Loan-term loan	0.29	-	0.21	-
Interest on Working Capital	0.11	0.11	0.11	0.13
Income Tax Expense Advanced	-	1.28	-	1.04
Total Revenue Requirement	3.75	6.13	3.77	6.48
Return on Equity	-	4.59	-	4.59
Aggregate Revenue Requirement	3.75	10.72	3.77	11.07
Less:				
Non-Tariff Income	0.30	9.02	0.30	11.75
Aggregate Revenue Requirement	3.45	1.70	3.47	(0.68)

2.4.20. It is pertinent to highlight that the above ARR figure is computed based on the revised O&M expenses submitted by HPPTCL in response to the queries asked by commission.

2.5. Summary of the petition for Mid-term review of ARR for FY 2016-17, FY 2017-18 and FY 2018-19

2.5.1. The petitioner submitted the revised projections for the remaining years of the control period i.e. FY 17, FY 18 and FY 19 in line with the MYT Regulations 2011 and Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) (First Amendment) Regulations, 2013.

Operation and Maintenance expense

2.5.2. The petitioner has projected the O&M expenses in line with the provisions of the 1st Amendment of MYT Regulations, 2013 such as below:

“(3) The O&M expenses for the nth year of the Control Period shall be approved based on the formula given below:-

$$O\&M_n = R\&M_n + EMP_n + A\&G_n$$

Where -

$$EMP_n = (EMP_{n-1}) * (1+G_n) * (CPI_{inflation})$$

.....”

2.5.3. For computing R&M and A&G expenses petitioner has considered 3 year average of WPI inflation as 1.83% and while calculating employee expenses 3 year average CPI inflation as 7.21% along with growth factor of 2% has been considered. The growth factor has been derived from the past trend of employee strength.

2.5.4. Revised O&M expenses projections submitted by petitioner is as below:

Table 13: Revised O&M expenses (Rs Cr.) projections as submitted by HPPTCL for FY17 to FY19

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
Employee Cost	1.63	1.78	1.94
A&G Cost	1.39	1.39	1.40
R&M Cost	1.67	1.77	1.77
Total O&M Expense	4.68	4.94	5.10

Depreciation

2.5.5. The petitioner calculated the depreciation as per the clause no.23 of HPERC MYT Regulations 2011 as below:

“23. Depreciation

(1) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.

(2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.....”

2.5.6. The depreciation claimed by the petitioner is as per the audited annual accounts as follows :

Table 14: Revised Depreciation (Rs Cr.) expense projections as submitted by HPPTCL for FY17 to FY19

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
Depreciation	0.45	0.42	0.42

Interest on Loan Capital

2.5.7. HPPTCL has claimed no interest on loan. As petitioner mentioned that no repayment has been made and also no new loan has been taken against the transferred assets.

Interest on Working Capital

2.5.8. The petitioner submits that it has calculated the interest on working capital in accordance with the Clause 21 and Clause 22 of the MYT Tariff Regulations, 2011 and MYT Regulations (first amendment), 2013. Petitioner has considered the rate of interest on working capital as 12.8% and submitted the projections as follows:

Table 15: Revised Interest on working capital (Rs Cr.) projections as submitted by HPPTCL for FY17 to FY19

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
1/12th of O&M Expense	0.55	0.58	0.61
Maintenance spares @40% of R&M expense of 1 month	0.05	0.06	0.06
2 month receivables	0.93	0.93	0.91
Total Working Capital	1.48	1.51	1.52
Interest on Working Capital	0.19	0.19	0.19

Return on Equity

2.5.9. HPPTCL has submitted that the Commission in the last MYT Order considered RoE as nil due to non-transfer of equity.

2.5.10. Further, the petitioner has projected Return on Equity on Rs 1954.38 Lakhs by applying the grossed by rate of 23.48% considering the corporate tax of 33.99% as per the provisions of Regulation 18 and Regulation 19 of HPERC MYT Regulations, 2011 on the existing equity transferred to HPPTCL from HPSEBL. The return on equity submitted by the petitioner is as given below:

Table 16: Revised Return on equity (Rs Cr.) projections as submitted by HPPTCL for FY17 to FY19

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
Opening Equity	19.54	19.54	19.54
Addition	-	-	-
Closing Equity	19.54	19.54	19.54
RoE @ 23.48%	4.59	4.59	4.59

Non-tariff Income

2.5.11. HPPTCL has considered non-tariff income comprising of income from short-term open access and connectivity charges etc.

2.5.12. Petitioner has considered non-tariff income for FY 17 as 60% of the value of non-tariff income for FY 16 and then projected for remaining two years based on the 4 year average CPI inflation of 8.02% as submitted in table below:

Table 17: Revised Non-tariff Income (Rs Cr.) projections as submitted by HPPTCL for FY17 to FY19

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
Non-tariff Income	7.05	7.62	8.23

Aggregate Revenue Requirement

2.5.13. Based on the above parameters, petitioner submitted the Aggregate revenue requirement for the FY 17, FY 18 and FY 19 is summarized in the table below:

Table 18: Revised ARR (Rs Cr.)projections as submitted by HPPTCL for FY17 to FY19

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
Operation & Maintenance Expense	4.68	4.94	5.10
Depreciation	0.45	0.42	0.42
Interest on Loan-term loan	-	-	-
Interest on Working Capital	0.19	0.19	0.19
Income Tax Expense Advanced	-	-	-
Total Revenue Requirement	5.32	5.55	5.71
Return on Equity	4.59	4.59	4.59
Aggregate Revenue Requirement	9.91	10.14	10.30
Less:			
Non-Tariff Income	7.05	7.62	8.23
Aggregate Revenue Requirement	2.86	2.52	2.08

3 Responses from Stakeholders

3.1. Introduction

3.1.1. The Commission has published a Public Notice inviting the interested parties/stakeholders to file their objections and suggestions on the Petition by 20th July 2017. Comments from the HPSEBL and Directorate of Energy were received.

3.1.2. A public hearing was held on 11th August, 2017 at the Commission's Court Room in Shimla where the stakeholders made comments and gave observations on the petition to which the petitioner submitted its responses. The stakeholder's suggestions/comments and the Commission's stand on the same are provided below:

3.2. Operation and Maintenance expense

3.2.1. DoE has mentioned that any surplus and deficit on account of O&M expenses should be to the account of the Transmission Licensee and should not be trued up in the ARR. DOE has also submitted that HPPTCL has claimed expenses of Rs. 567.83 Lacs & 658.73 Lacs against the approved O&M expenses of Rs. 258.81 & 269.59 Lacs for FY 2014-15 & 2015-16 respectively and requested the Commission to consider this aspect while finalizing the true up for the FY 2014-15 & 2015-16.

Petitioner's Reply:

3.2.2. The Petitioner has submitted that O&M expenses has been clarified in detail at Sr. No. 2 in reply filed on 20.05.2017. As part of the response to the Commission queries on O&M expense, the Petitioner had revised the submission of O&M expense based on the methodology followed by the Commission as part of truing-up for the Second Control Period.

Commission's View:

3.2.3. The Commission has undertaken detailed scrutiny of the ARR for HPPTCL for the Third Control Period including expense related to O&M. In absence of availability of audited accounts and adequate data and non-finalization of transfer scheme, the Commission had provisionally approved the numbers based on ARR approved in the previous Control Period and submissions of the Petitioner. However, based on the

audited accounts which have now been provided by HPPTCL, the Commission has revised the ARR for each year of the Third Control Period. The basis for approval of O&M expenses by the Commission is detailed in the subsequent Chapter.

3.3. Return on equity and Depreciation

- 3.3.1. DoE has submitted that HPPTCL has claimed ROE and Depreciation on the capital cost of Rs. 1954.38 lakh for the Intra-State transferred assets from HPSEBL. No Return on Equity (ROE) & Depreciation should be allowed on existing/old transmission lines and only O&M charges be allowed for existing/old transmission line as the Old transmission lines have not been constructed on cost plus tariff basis. Similarly, ROE, interest on working capital and depreciation for the FY 2016-17, 17-18 & 18-19 may also be not allowed.
- 3.3.2. HPSEBL submission with respect to depreciation was that HPPTCL has considered depreciation against two transmission lines which have already completed its useful life and therefore no depreciation should be allowed on these lines.

Petitioner's Reply:

- 3.3.3. Petitioner submitted that HPSEBL has transferred assets worth Rs. 10263.37 Lacs as per transfer scheme notified by GoHP on 10.06.2011. Out of the transfer assets amount Rs. 1954.38 Lacs has been added in the accounts of FY 2014-15 as Intra State Transmission lines assets transferred from HPSEBL and depreciation has been calculated accordingly. Whereas, working capital requirement for the Transmission Licensee is required to arrange the funds for various expenditures.
- 3.3.4. In response to HPSEBL query petitioner submitted that the line wise depreciation has been calculated annually based on the straight line method @2.5% being old transmission lines which have been transferred to HPPTCL from HPSEBL as per transfer scheme, 2010.

Commission's View:

- 3.3.5. The Commission has undertaken detailed scrutiny of the ARR for HPPTCL for the Third Control Period including parameters like depreciation, Return on Equity, etc. based on the prudence check, the Commission has not allowed any return on equity

and interest on the transferred lines. Depreciation has been computed based on the provisions of the Tariff Regulations. With respect to the depreciation, the Commission has considered depreciation up to 90% of the cost and the balance life of transmission lines. Accordingly, depreciation for the transmission lines completing their useful life have not been considered by the Commission. The views of the Commission with respect to these parameters are discussed in detail in the subsequent Chapter.

3.4. Income tax advance

- 3.4.1. DoE in its submissions have mentioned that HPPTCL has claimed an amount of Rs. 127.51 lakh (2014-15) and 103.76 lakh (2015-16) as Income Tax expenses (advanced). It has submitted that higher ROE has already been granted to HPPTCL to include Income Tax as per the provisions of CERC. Therefore, the same should not be allowed in the True-up of ARR for FY 2014-15 & 2015-16 as this may add burden on the users of this network and consumers. The document of Income Tax payment/tax holiday has also not been given in the petition.

Petitioner's Reply:

- 3.4.2. Petitioner submitted that Reply has already been filed at Sr. No. 7 CP-4 dated 20.05.2017.

Commission's View:

- 3.4.3. It is observed that no return on equity was approved by CERC against the Order passed with respect to the three inter-state transmission lines and also no return on equity has been allowed by the Commission towards the intra-state transmission network. Accordingly, no income tax liability is allowed to HPPTCL as part of the RoE as claimed by the stakeholder. Therefore, the Commission finds it prudent to allow income tax expense separately in the ARR of the Petitioner. During the processing of the petition, the Commission has raised several queries and asked for clarifications/ additional data submissions including details with respect to income tax paid and documentary evidence in this regard. Based on the documents like income tax return, etc. and prudence check, the Commission has approved expenditure on account of income tax as discussed in subsequent Chapter.

3.5. Prior Period Expenditure

- 3.5.1. The stakeholders have pointed out that as per expenditure statement for the year ending on 31.03.2015, the prior period adjustment of Rs. 335.08 Lakh has not been considered for which the necessary corrections are required.

Petitioner's Reply:

- 3.5.2. HPPTCL has clarified that that Rs. 335.08 lakhs has been considered as prior period adjustment in the profit and loss statement for the financial year ending 31.03.2015 in the main petition filed on 12.04.2017.

Commission's View:

- 3.5.3. The Commission has considered the point raised by the stakeholder. However, it is observed that the adjustments under prior period expenditure pertain to past years i.e. FY11 to FY14 which have already been considered in the truing-up for the respective years and has been provided in the truing-up of the ARR for previous Control Period. Therefore, the same are not required to be considered as part of the current Control Period as this would result in double counting.

3.6. Non-tariff Income

- 3.6.1. DOE has submitted that the payment received by HPPTCL as non-tariff income from GoHP @ 2 paise per kWh (STOA Charges) for each bilateral transaction has not been refunded back to GoHP till date for the last 3 years. However, GoHP hasn't utilized HPPTCL transmission system for delivering its royalty power share for bilateral transactions. HPPTCL can claim the STOA charges from the beneficiaries who are using its transmission network. If beneficiaries are not using its transmission system then HPPTCL should refund the charges to those beneficiaries including GoHP. Hon'ble Commission is requested to direct HPPTCL to refund the STOA charges deducted by it as GoHP has not utilized intra state transmission system.

Petitioner's Reply:

- 3.6.2. STOA Charges are being charged/collected by respective Load Dispatch Centers as per the approved tariff by Hon'ble Commission from the concerned applicants who seek permission for STOA from the State Load Dispatch Centre and paid to HPPTCL.

Commission's View:

- 3.6.3. In case, GoHP is not utilizing the intra-state transmission network then it needs not to take the open access of intra-state transmission network and in that case STOA charges shall not be applicable to them. But, it is understood that the GoHP power allocations in the inter-state generating stations are not being sold from the ex-bus of the respective generators rather it is being scheduled to Himachal Pradesh first and then it is being sold in the market. Therefore, the open access charges of the state of HP as determined by the Commission from time to time shall be applicable. However, GoHP is advised to take up the matter with CERC/ Ministry of Power, GoI so that double charging of transmission charges/ losses is avoided.

3.7. Transmission Losses**Stakeholder's (DOE) Objections:**

- 3.7.1. DOE objected that STU has not provided any data regarding transmission losses for its transmission network. The kind of investment HPPTCL has made for reducing the transmission losses as per norms set by CERC for particular capacity of kV lines may please be taken into consideration while determining the tariff for HPPTCL.

Petitioner's Reply:

- 3.7.2. HPPTCL has submitted that in the absence of transfer of entire existing transmission assets to HPPTCL, segregation of transmission losses between the assets of HPPTCL & HPSEBL is not possible. Accordingly, the Petitioner has mentioned that a plan for reduction of transmission losses cannot be framed and neither HPPTCL has framed any proposal in this regard.
- 3.7.3. Petitioner further submitted that the limited assets those were transferred to HPPTCL the transmission losses have been agreed to be maintained at 0.75% for the Control Period (FY14-15 to FY18-19).

Commission's View:

- 3.7.4. HPPTCL in one of its responses has mentioned regarding its limitation to submit information with respect to transmission losses as only the transmission lines were transferred to HPPTCL under the transfer scheme while the bays remained in possession of HPSEBL. The Petitioner has also submitted that the matter has been

taken up with the GoHP for functional segregation of the entire transmission system to HPPTCL from HPSEBL. Therefore, the Commission directs the Petitioner to follow up on this matter with the GoHP and get the issue resolved at the earliest.

4 Mid-term Review of ARR for the Third Control Period

4.1. Approach for Mid-term Review of the Third Control Period (FY 2014-15 to FY 2018-19)

- 4.1.1. The Commission has issued a MYT Order for the Control Period FY 2014-15 to FY 2018-19 dated 10th June 2014 based on the various submissions of the Petitioner. Regulation 39 of the HPERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2011 stipulates that under the MYT framework, the transmission licensee shall be subject to mid-term performance review as provided below:

*“39. Mid-term Performance Review and Review at the End of the Control Period
(1) Mid-term performance review - The transmission licensee shall make an application for mid-term Performance Review within 120 days before the commencement of the fourth year of the Control Period i.e. FY 2017-18:*

The scope of the mid-term Performance Review shall be a comparison of the actual performance with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges. The transmission licensee shall submit to the Commission all information together with audited account statements, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in performance from the approved forecast. The mid-term review shall comprise of the following:

(i) True-up of previous Control Period

(ii) A comparison of the actual/ audited performance with the approved forecast for first two financial years of the Control Period, subject to the prudence check including pass-through of impact of uncontrollable factors;

(iii) Review of controllable parameters

(iv) Review of ARR for the balance of the control period in case of any major change in uncontrollable and/ or controllable parameters

(v) Review of transmission charges on account of modification in ARR for the balance control period.”

- 4.1.2. The Commission vide the MYT Order for HPPTCL dated 10.06.2014 had approved the parameters of ARR for each year of the Control Period FY15-FY19. However, in absence of audited accounts of the previous years, the Commission had to primarily rely upon the approved values during the previous Control Period (FY12-FY14) and the submission of the Petitioner in the MYT Petition.

- 4.1.3. Subsequently, the Petitioner had submitted for truing-up of Second Control Period along with relevant audited accounts and information based on which the Commission had revised the various components of the ARR of each year of the Control Period (FY12-FY14) in the True-up Order dated 10.04.2017.
- 4.1.4. It is observed that the variations observed in the ARR parameters during the truing-up for the previous Control Period were significant and therefore requiring redetermination of baseline values and projections of the components of ARR for the Control Period (FY12-FY14).
- 4.1.5. In view of the fact that the ARR approved for each year of the Third Control Period (FY15-FY19) was based on the approved parameters of ARR for the previous Control Period (FY12-FY14), the Commission feels that a redetermination of ARR for the Third Control Period (FY15-FY19) is required. Therefore, for the purpose of Mid-Term Review of the Third Control Period (FY15-FY19), the Commission has undertaken detailed review of each ARR parameter based on the audited accounts submitted by the Petitioner for FY 2014-15 and FY 2015-16 and has revised the ARR for each year of the Third Control Period in accordance with the MYT Tariff Regulations 2011 and amendments thereof.
- 4.1.6. For this purpose, the Commission held several rounds of technical discussions to validate the data submitted by the Petitioner and sought further clarifications on various issues. The Commission has considered all information submitted by the Petitioner as part of the Tariff Petition including responses to various queries raised during the discussions.
- 4.1.7. The Commission has in this Tariff Order, determined the revised ARR for each year of the Third Control Period and determined the Transmission tariff for the balance years i.e. FY18 and FY19 based on the energy handled by the Petitioner.
- 4.1.8. The component wise approach adopted by the Commission for revision in the ARR for each year of the Third Control Period is discussed in the following paragraphs:

4.2. Transmission Infrastructure

- 4.2.1. The Commission has issued the MYT Tariff Order for the MYT Control Period (FY 2014-15 to FY 2018-19) according to the facts available at that point of time and

therefore the value of Gross Fixed Assets was considered at Rs. 199.43 Cr. based on the submission of the Petitioner. However, post finalization of the Transfer scheme notified by the Himachal Pradesh State Government on 10.06.2010 and office letter no. HPSEBL/CE(ES)/AU-5/HPPTCL/2014-7401-05 and even no. 6533-38 dated 18.10.2014 and 20.09.2014, it is observed that the revised capitalized value of 15 transmission lines transferred from HPSEBL has been ascertained at Rs. 102.63 Cr. out of which depreciation of Rs. 41.41 Cr. has been claimed and net book value of the assets transferred stood at Rs. 61.22 Cr. as on 13.06.2010. Therefore, the revised value of intra-state assets and accumulated depreciation has been considered by the Commission for truing-up purposes.

4.2.2. Further, it is observed that out of the 15 lines transferred to HPPTCL, three lines have been given the status of inter-state lines. The tariff for these lines has already been approved by the Central Electricity Regulatory Commission (CERC) and shall be recoverable as part of inter-state transmission charges. The Petitioner has submitted the value of each of the 12 intra-state lines as part of mid-term review exercise and the same has been considered for the purpose of the intra-state transmission ARR.

4.2.3. The details of existing 12 Intra-state Transmission lines and net book value considered for truing up as on 13/06/2010 in line with the Transfer Scheme, 2010 are as follows:

Table 19: Intra-state Transmission Infrastructure as on 13/06/2010 transferred to HPPTCL

Sr. No.	Name of Line and Line Length in Kms	Commercial Operation Date	Capitalized Cost (INR Lakhs)	Depreciation upto 13/06/2010 (INR Lakhs)	Net Book Value of Assets on 13/06/2010
1	66 KV S/C Line from Pinjore to parwanoo-8.23 Kms	1950	21.10	18.99	2.11
2	66 KV line from Shanan to Bijni-35 Kms	10/1968	10.5	9.45	1.05
3	132 KV Bassi Shanan Line-5 Kms	1970	218.80	196.92	21.88
4	132 KV S/C Giri Kulhal Line-17.40 Kms	04/1978	170.69	133.15	37.54
5	132 KV S/C Line from PSEB SS-Kangra to HPSEB SS- Kangra-0.135 Kms	02/1979	36.78	28.69	8.09
6	132 KV S/C Line from	1982	43.49	29.58	13.91

Sr. No.	Name of Line and Line Length in Kms	Commercial Operation Date	Capitalized Cost (INR Lakhs)	Depreciation upto 13/06/2010 (INR Lakhs)	Net Book Value of Assets on 13/06/2010
	Giri to Abdullapur-16.22 Kms				
7	220 KV LILO of Ckt No. lind fo Baira suli Pong Dam line-0.24 Kms	09/1985	65.97	39.92	26.05
8	66 KV S/C Line from Pong to Sansarpur Terrace-6.3 Kms	10/1990	55.55	26.67	28.88
9	132 KV Line from Dehar to Kangoo	12/1998	41.90	11.73	30.17
10	220 KV S/C Line from Dehar to Kangoo	06/1999	68.93	17.58	51.35
11	66 KV trans line from Bhakra to Una with LILO at Gothai	03/2006	127.18	13.36	113.82
12	220 KV D/C Line on 400 KV towers from PGCIL Reru to 220/66 KV SS-Uperia Nangal (Nalagarh)	07/2010	1093.49	0.00	1093.49
	Total		1954.38	526.04	1428.34

4.3. ARR for Transmission License

4.3.1. As per the HPERC MYT Transmission Regulations, 2011 the ARR for the transmission business for each year of the Control Period shall consists of the following items:

- a. Operation and Maintenance expenses;
 - b. Financing cost which includes cost of debt including working capital
 - c. (interest), cost of equity (return);
 - d. Depreciation;
 - e. Income tax; and
 - f. Non-tariff income;
- Less:
- g. Income from other business

4.4. Operation & Maintenance expenses

4.4.1. Based on the submissions of the Petitioner the employee cost, R&M expense and A&G expense for the first two years (i.e. FY15 and FY16) of the Third Control Period as against the approved are as below:

Table 20: Actual O&M expense (Rs Cr.) Claimed by the Petitioner as against earlier Approved for the FY15 and FY16

Particulars	FY 2014-15		FY 2015-16	
	Approved	Actuals	Approved	Actuals
Employee Cost	0.10	1.28	0.11	1.50
A&G Cost	1.18	1.39	1.19	1.39
R&M Cost	1.30	1.45	1.40	1.94
Total O&M Expense	2.59	4.12	2.70	4.82

4.4.2. As per the submission of the Petitioner, it was also observed that there are differences in the elements of the O&M expense.

4.4.3. Therefore, the Commission for the purposed of Mid-term Review has reassessed the overall O&M expenses for each year of the Third Control Period as per the methodology followed by the Commission in the True-up of the previous Control Period and as detailed in subsequent paragraphs.

4.4.4. It is observed that the Petitioner had submitted the O&M expenses by allocating 50% of corporate office expenses towards STU in its Mid-term Review Petition. However, the petitioner in response to the queries revised the O&M expenses as per the methodology adopted by Commission in the earlier true-up order and had allocated 25% of the corporate office expenses towards STU activities.

4.4.5. Therefore, for approval of employee cost and administrative expenses, the Commission has followed the methodology of approving 25% of the corporate expenses towards the STU as also followed in the previous True-up Order for the Second Control Period (FY12-FY14) which is reproduced below:

“ 4.3.8. In addition to the expense on account of maintenance of transmission lines, the Petitioner has considered 50% of corporate office expenses under employee cost and A&G expense towards intra-state transmission network and the balance expenses have been capitalized towards ongoing projects based on the minutes of the 29th Board of Directors meeting. The Commission asked the Petitioner to submit the basis

for arriving at 50% of the corporate expense being allocated towards STU. The Petitioner could not provide any basis for the same and repeatedly provided reference to the approval of the Board. In absence of any reasonable basis provided by HPPTCL for allocation of 50% of the corporate level expenses towards intra-state transmission system and considering limited requirement for monitoring and upkeep of the transferred intra-state transmission lines, the Commission feels that the allocation of 25% of the corporate office expenses is adequate. Accordingly, 25% of the corporate level employee cost and A&G expense towards STU and intra-state transmission system has been considered for the Control Period FY12-FY14....”

Employee Cost

4.4.6. The actual employee cost for the FY15 and FY16 towards corporate level expense has been considered and 25% of the same has been allowed towards intra-state employee expense. For the balance period, the employee cost has been projected based on the provisions of Regulation 13 of the first amendment Regulation, 2013:

$$\text{'EMPn'} = [(\text{EMPn-1}) \times (1+\text{Gn}) \times (\text{CPIinflation})] + \text{Provision}(\text{Emp})$$

4.4.7. The CPI inflation has been considered 7.20% which is the average increase in CPI for immediately preceding three years before the base year. No increase in number of employees have been considered as the HPPTCL is undertaking large number of other projects while the existing transmission network for which the tariff is being determined in this Order is remaining stagnant.

4.4.8. Accordingly, the revised employee cost approved by the Commission for each year of the Third Control Period is as per table below:

Table 21: Revised Employee Cost approved for the Third Control Period (Rs Cr.)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
As Approved in MYT Order	0.10	0.11	0.12	0.13	0.14
As submitted by Petitioner	1.28	1.50	1.63	1.78	1.94
Revised Approved Employee Cost	1.28	1.50	1.60	1.72	1.84

A&G Expense

4.4.9. With respect to A&G expenses as well, the Commission has followed a similar approach of considering the 25% of the corporate A&G expense towards intra-

state assets for FY15 and FY16. However, the STU related expense i.e. license fee, etc. have been considered based on actual as part of the A&G expense.

- 4.4.10. The projections of A&G expense for the balance years have been done based on the approved A&G expense for FY15 and FY16 and considering an escalation of 1.83% as per the average WPI increase in past three years.
- 4.4.11. The revised A&G expense approved by the Commission for each year of the Third Control Period is as per table below:

Table 22: Revised A&G Expense approved for the Third Control Period (Rs Cr.)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
As Approved in MYT Order	1.18	1.18	1.18	1.19	1.19
As submitted by Petitioner	1.39	1.39	1.39	1.39	1.40
Revised Approved A&G Expense	1.39	1.38	1.39	1.40	1.40

R&M Expenses

- 4.4.12. While the transmission assets as identified in the transfer scheme were transferred to HPPTCL on 10 June, 2011, the responsibility of O&M expense of these lines continues to be retained by HPSEBL and HPPTCL is required to pay O&M expense to HPSEBL for maintenance of these lines. The Commission on several occasions has been directing HPPTCL to mutually work out the O&M expense payable to HPSEBL. However, no methodology has been submitted by the Petitioner in spite of several reminders.
- 4.4.13. In the MYT Order for HPPTCL for the Control Period FY15-FY19, the Commission had stated the following:

“.....

4.4.25 Further, the Commission directs the Petitioner to mutually devise on an appropriate methodology for determination of O&M charges towards maintenance of existing transmission lines by HPSEBL. The Commission advise the Petitioner and HPSEBL to arrive on reasonable O&M charges based on the actual O&M expense of HPSEBL towards such high voltage lines. This methodology along with the computed O&M charges is required to be submitted to the Commission within 3 months of issuance of this Order for approval...”

- 4.4.14. Based on the submission of the Petitioner, it is observed that no proper formulae have been agreed upon by the two parties till date. The actual expense claimed by the HPSEBL towards maintenance of these 12 transmission lines also is considerably high. However, in absence of an appropriate benchmark which would help in determining the R&M expense for these lines and considering the fact that few of the lines are very old and have outlived their life, the Commission has considered the actual R&M expense claimed by the Petitioner for FY15 and FY16.
- 4.4.15. It was observed that for 2 transmission lines HPPTCL claimed the R&M expense for FY 2014-15 amounting to Rs 30.62 lakh in FY 2015-16. However, the Commission has considered those expenses in FY 2014-15 on the basis of the year to these expenses pertained.
- 4.4.16. For the balance years, the Commission has considered the WPI inflation of 1.83% for the last three years on the average R&M expense for FY15 and FY16 reported by the Petitioner.
- 4.4.17. The revised R&M expense approved by the Commission for each year of the Third Control Period is as per table below:

Table 23: Approved Revised R&M Expense for the Third Control Period (Rs Cr.)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
As Approved in MYT Order	1.31	1.40	1.32	1.43	1.56
As submitted by Petitioner	1.45	1.94	1.67	1.77	1.77
Revised Approved R&M Expense	1.75	1.64	1.73	1.76	1.79

Total Operation and Maintenance Cost

- 4.4.18. Based on the detailed review of each component, the Commission approves the following revised O&M expenses for the Control Period FY15 to FY19:

Table 24: Revised O&M expenses (Rs Cr.) for Third Control Period as approved by Commission

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Employee Cost	1.28	1.50	1.60	1.72	1.84
A&G Expense	1.39	1.38	1.39	1.40	1.40
R&M Expense	1.75	1.64	1.73	1.76	1.79
Total O&M Expense	4.42	4.51	4.72	4.87	5.03

4.5. Depreciation

4.5.1. The value of the intra-state line transferred to HPPTCL has revised post the finalization of the Transfer Scheme. The accumulated depreciation and the net book value of the assets till 13th June, 2010 is as per the Transfer Scheme, 2010 as shown in Table 19. The Commission has considered the same for the purpose of computation of depreciation for the Third Control Period.

4.5.2. It has been observed that HPPTCL has not considered the methodology for computing depreciation in line with Regulation 23 of Himachal Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2011 which is reproduced below:

“23. Depreciation

(2) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

(3) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-I to these regulations for the assets of the transmission system:

Provided that, the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the asset.

(4) For transmission project which are in operation for less than 12 years, the difference between the cumulative depreciation recovered and the cumulative depreciation arrived at by applying the depreciation rates specified in this regulation corresponding to 12 years, shall be spread over the period up to 12 years, and the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the asset.

(5) For the project in operation for more than 12 years, the balance depreciation to be recovered shall be spread over the remaining useful life of the asset.”

4.5.3. Based on the above provisions of Regulation 23 of the MYT Tariff Regulations, 2011, the Commission approves the revised depreciation expenses for the Third Control Period:

Table 25: Revised Depreciation (Rs Cr.) approved for the Third Control Period

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
As Approved in MYT Order	0.76	0.76	0.76	0.76	0.75
As submitted by Petitioner	0.63	0.49	0.45	0.42	0.42
Revised Approved	0.72	0.72	0.72	0.71	0.66

4.6. Interest on Loan

4.6.1. Based on the submission of the Petitioner, the Commission has also projected NIL expense towards interest on loan for the Third Control Period

Table 26: Interest on Loans (Rs Cr.) approved for Mid-term Review

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
As Approved in MYT Order	0.29	0.21	0.12	0.04	-
As submitted by Petitioner	-	-	-	-	-
Revised Approved	-	-	-	-	-

4.7. Interest on working capital

4.7.1. The Commission has projected the working capital requirement for ARR in line with the Regulation 21 and 22 of the MYT Tariff Regulations, 2011 as reproduced below:

“21. Working Capital

The Commission shall calculate the working capital requirement for the transmission licensee containing the following components: -

(a) O&M expenses for 1 month;

(b) maintenance spare @ 40% of repair and maintenance expenses for one month; and

(c) receivables for two months based on the projected annual transmission charges.

22. Interest Charges on Working Capital

Rate of interest on working capital to be computed as provided hereinafter in these regulations shall be on normative basis and shall be equal to the Average Base Rate of State Bank of India for the last six months prior to the filing of the MYT petition plus 350 basis points as on 1st April of the relevant year. The interest on working capital shall be payable on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures.....”

4.7.2. The Commission has considered the relevant base rate as on 1st April of each year for approving the interest on working capital as follows:

Table 27: Revised Interest on working capital (Rs Cr.) approved under Mid-term Review

Particulars	FY15	FY16	FY17	FY18	FY19
O&M expenses for 1 month	0.37	0.38	0.39	0.41	0.42
Maintenance spares	0.06	0.05	0.06	0.06	0.06
Receivables for 2 months	1.01	0.95	0.97	0.99	1.01
Total Working Capital	1.43	1.38	1.42	1.46	1.49
Rate of interest	13.25%	13.25%	12.80%	12.60%	12.60%
Interest on Working Capital	0.19	0.18	0.18	0.18	0.19

4.8. Return on Equity

4.8.1. In the Petition, HPPTCL has submitted that all the existing transmission lines transferred from HPSEBL has been financed from equity and has therefore claimed Return on Equity @23.48%. The Petitioner has proposed equity amount of Rs. 19.54 Cr based on the value of the existing intra-state transmission lines that were transferred from HPSEBL to HPPTCL as per the transfer scheme.

4.8.2. The Commission in the true-up for Second Control period (FY12-FY14) has already considered all the facts in this regard and had stated:

“4.7.2. The Petitioner was asked to provide the details of original funding of the fifteen lines transferred from HPSEBL to HPPTCL. In response, the Petitioner was not able to provide any details regarding the funding (debt, equity, grant, etc.) of these lines. Further, it is observed that some of these lines are very old and have outlived their economic life. It is also observed that no investment / additional expense has been done by HPPTCL on the existing transmission lines which have been transferred to them and therefore the vesting of assets from HPSEBL to HPPTCL by issuance of shares to the GoHP was primarily an accounting entry.

4.7.3. In absence of any details with regard to original funding of the fifteen lines transferred from HPSEBL to HPPTCL and no corresponding transfer of liabilities with regard to these lines, the Commission feels that approving Return on Equity based on the transfer amount would lead to double charging the consumers for the same capital cost.”

4.8.3. In line with the methodology followed in the previous Orders, the Commission has not allowed any Return on Equity on the transferred assets as part of the Mid-term review for the Third Control Period.

4.9. Non-Tariff Income

4.9.1. HPPTCL has included the connectivity fee and short term open access charges under the non-tariff income as per the actuals in the audited annual accounts for the FY15 and FY16. However, the Commission has considered only the connectivity fee as non

tariff income because the income from short term open access can not be predicted in advance.

- 4.9.2. It was observed that the petitioner has not included interest income as part of the non-tariff income. HPPTCL in its response clarified that Govt. equity and ADB loan interest was received for various projects which are under construction and the amount of interest received on these funds has been adjusted in pre-operative expenditure statement of concerned years.
- 4.9.3. The non-tariff income for balance years have been projected based on the actual for FY16 as provided below:

Table 28: Proposed and trued-up Non-Tariff income for FY15 and FY16 as approved by the Commission (Rs Cr.)

Particulars	FY15	FY16	FY17	FY18	FY19
Approved Non-tariff income	0.58	0.34	0.34	0.34	0.34

4.10. Income Tax

- 4.10.1. HPPTCL has claimed income tax expense of Rs 1.28 crores and Rs 1.04 crores for the FY 2014-15 and FY 2015-16, respectively.
- 4.10.2. The Petitioner was asked to provide the detailed bifurcation of the taxes paid for inter - state and intra state and also calculations for arriving at the income tax of Rs. 1.28 crores and Rs. 1.04 crores for the FY 2014-15 and FY 2015-16 respectively.
- 4.10.3. In response to the queries of the Commission, the Petitioner submitted that the total tax liability is towards STU and transmission charges income for which the profit and loss account has been prepared while the other income has been adjusted against CWIP expenditure as Pre-Operative Expenditure Statement.
- 4.10.4. After the detailed scrutiny of the income tax liability and the Income tax returns for FY15 and FY16 submitted by the Petitioner in its subsequent responses, the Commission has considered the actual expenditure of Rs. 1.28 Cr. and Rs. 0.64 Cr. for FY15 and FY 16, respectively. For the balance years as well, the Commission has considered a provisional amount of Rs. 0.50 Cr. towards income tax liability.
- 4.10.5. The income tax liability approved by the Commission for the Third Control Period is provided below:

Table 29: Proposed and trued-up Advance Income tax expense for FY15 and FY16 (Rs Cr.) as Approved by the Commission

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
As Approved in MYT Order	-	-	-	-	-
As submitted by Petitioner	1.28	1.04	-	-	-
Revised Approved	1.28	0.64	0.50	0.50	0.50

4.11. Revised Aggregate Revenue Requirement for the Control Period FY12-FY14

4.11.1. The summary of the revised ARR approved for the Third Control Period is provided in table below:

Table 30: Revised ARR Approved by the Commission for the Third Control Period (Rs Cr.)

Particulars	FY15	FY16	FY17	FY18	FY19
Operation & Maintenance Expense	4.42	4.51	4.72	4.87	5.03
Depreciation	0.72	0.72	0.72	0.71	0.66
Interest on Loan-term loan	-	-	-	-	-
Interest on Working Capital	0.19	0.18	0.18	0.18	0.19
Income Tax Expense Advanced	1.28	0.64	0.50	0.50	0.50
Return on Equity	-	-	-	-	-
Gross ARR	6.61	6.06	6.12	6.27	6.38
Less: Non-Tariff Income	0.58	0.34	0.34	0.34	0.34
Net ARR	6.03	5.72	5.78	5.93	6.04

4.12. Revenue and Revenue Surplus for the FY 2014-15 and FY 2015-16

4.12.1. As per the audited accounts submitted by the Petitioner for FY15 and FY16, Rs. 3.45 Cr. and Rs. 3.47 Cr. has been booked towards intra-state transmission charges.

4.12.2. In addition to the revenue from long-term intra-state transmission charges, the Petitioner has also provided the revenue recovered from short-term open access consumers which is as below:

Table 31: Revenue from Short-term Open Access recovered by HPPTCL (Rs Cr.)

Particulars	FY15	FY16	FY17
Short-term Open Access Charges recovered	8.44	11.41	12.08

4.12.3. Regulation 33 of the HPERC Transmission Tariff Regulations, 2011 provides for adjustment of transmission charges recovered from short term open access consumers:

“33. Allocation of Transmission Service Charge and Losses

.....

(4) 25% of the charges collected from the short term open access customer shall be retained by the transmission licensee and the balance 75% shall be considered as non-tariff income and adjusted towards reduction in the transmission service charges payable by the long term and medium term users.

(5) The energy losses in the transmission system of the transmission licensee, as determined by the State Load Dispatch Centre and approved by the Commission, shall be apportioned between users in proportion to their usage of the intra-State transmission system.....”

4.12.4. Accordingly, the Commission has considered 75% of the total short-term open access (STOA) income earned by HPPTCL during FY15, FY16 and FY17 towards adjusted against the transmission service charges for the long term user while the connectivity fee has been considered as the non-tariff income.

Table 32: Approved Revenue from Short-term Open Access (Rs Cr.)

Particulars	FY15	FY16	FY17
Short-term Open Access Charges recovered	8.44	11.41	12.08
75% of Revenue considered towards reduction of long-term and medium term transmission charges	6.33	8.56	9.06

4.12.5. The revenue surplus/ gap for the period FY15 to FY17 is therefore computed as below:

Table 33: Approved Revenue Surplus/ (Gap) for FY15 to FY17 (Rs Cr.)

Particulars	FY15	FY16	FY17
Approved ARR	6.03	5.72	5.78
<u>Revenue</u>			
Revenue from STOA consumers (75%)	6.33	8.56	9.06
Revenue from long-term transmission users	3.45	3.47	3.32
Total Revenue	9.78	12.03	12.38
Revenue Surplus/ (Gap)	3.74	6.31	6.59

4.12.6. Further, it is observed that in the truing-up for the Second control period for FY12-FY14, the total revenue from short-term open access consumers was considered for adjustment in the transmission charges of long-term consumers. The Commission has accordingly rectified the same and a revised revenue surplus/ (gap) has been computed for the previous Control Period (FY12-FY14) as provided in table below:

Table 34: Revised Revenue Gap for the Control Period FY12-FY14 (Rs. Cr.)

Particulars	Amount
Revenue Gap approved for Control Period FY12-FY14	0.23
Add:	
25% of Revenue from STOA consumers during FY12-FY14	2.13
Revised Revenue Gap for Second Control Period	2.36

4.12.7. The revised revenue surplus/ gap for the period FY15 to FY17 based on the revised gap for the Second Control Period is as below:

Table 35: Revised Approved Revenue Surplus/ (Gap) for FY15 to FY17 (Rs. Cr.)

Particulars	FY15
Total Surplus for FY15 to FY17	16.65
Less: Revenue Gap for Second Control Period (FY12-FY14)	2.36
Net Surplus	14.29

4.12.8. HPPTCL is required to refund the above revenue surplus amount to long-term open access consumer i.e. HPSEBL.

4.13. Transmission Losses on HPPTCL System

4.13.1. In absence of reliable data with respect to transmission losses, the Commission had provisionally approved 0.75% transmission loss for the purpose of recovery of transmission losses from open access consumers and had approved the cost of energy meters for installation at the interconnection points of HPPTCL and HPSEBL network:

“In the current petition, the Petitioner has proposed to install new meters for the purpose of accurate measurement of energy. The Commission has approved the cost for installation of these energy meters in this order as one time R&M expense. The Commission directs the Petitioner to implement the scheme at the earliest which shall facilitate collection of reliable data for power/energy flow through the HPPTCL’s transmission network.”

4.13.2. The Petitioner had provided no details of transmission losses incurred during FY15 and FY16 in its petition. In response to the query in this regard, HPPTCL has submitted that as per transfer scheme notified by Himachal Pradesh State Government on 1.06.2010 only 15 No. Transmission Lines have been transferred to HPPTCL whereas line bay, C&R Panel, Metering arrangement, etc. are in the

possession/property of HPSEBL. Therefore, under such circumstances HPPTCL can only change the meters if complete bay of transferred line is handed over to HPPTCL. HPPTCL has also submitted that the issue of functional segregation of the entire transmission system to HPPTCL from HPSEBL has been separately taken up with GoHP and a decision in this regard is awaited.

- 4.13.3. The Commission expects that HPPTCL to take up the matter with the GoHP and get the issue resolved at the earliest. In the absence of proper metering data, the Commission has continued with the approved transmission loss of 0.75% for the balance years of the Control Period. The Commission would like to clarify that the losses shall be for the limited propose of recovery of transmission loss from the open access consumers. The distribution licensee shall however continue to bear the losses under the present accounting system.

4.14. Revised Transmission charges for FY18 and FY19

(i) Long term and Medium term open access consumers:

- 4.14.1. In accordance with Regulation 33(1) of HPERC Transmission Regulation, 2011, the annual transmission charges are to be shared between the long and medium-term consumers based on the allotted transmission capacity or contracted capacity.
- 4.14.2. The Commission had considered a total capacity of 560MW based on the 560MW of contracted capacity including 335 MW of capacity through intra-state lines and 225 MW through inter-state lines during the issuance of the MYT Order for the Third Control Period. In response to the Commission's query, HPPTCL has submitted that HPSEBL is the only long-term customer and the contracted capacity of intra-state lines has been increase from 335 MW to 670 MW as per an addendum to TSA signed with HPSEBL.
- 4.14.3. Accordingly, the open access charges for long term and medium term open access consumers for use of the existing intra-state transmission system of the HPPTCL based on the approved ARR for FY18 and FY19 is determined in the Table below:

Table 36: Transmission Charges for Long and Medium term Open Access Consumers approved by the Commission for FY18 and FY19

Particulars	FY 2017-18	FY 2018-19
Aggregate Revenue Requirement (in Rs. Cr.)	5.93	6.04

Particulars	FY 2017-18	FY 2018-19
Transmission Capacity – Intra State Works Only (in MW)	670	670
Transmission charges (in Rs/MW/month)	7,373	7,518

(ii) Short-term Open Access Consumers

4.14.4. The transmission charges for the short-term open access consumers determined on the basis of revised ARR approved for the HPPTCL and the total quantum of energy to be handled by the transmission system considering 60% load factor is as tabulated below:

Table 37: Transmission Charges for Short-term Open Access Consumers approved by the Commission for FY18 and FY19

Particulars	FY 2017-18	FY 2018-19
Aggregate Revenue Requirement (ARR) (in Rs. Cr.)	5.93	6.04
Energy routed through Intra State Transmission Network taking 60% load factor on 670 MW (MUs)	3,522	3,522
Transmission charges for Short-term Open Access Consumers (Paisa/ unit)	1.70	1.70

Notes:

1. Transmission charges for 4.14(i) as well as 4.14(ii) shall be levied on the energy / power injected into the State Transmission System.
2. The recovery from distribution licensee, through transmission charges, shall be limited to the approved ARR of HPPTCL based on the average power flows mentioned above.
3. The recovery from Open Access Consumers shall be done on the basis of Contracted Capacity at the above mentioned rates.
4. The amount of ARR of HPPTCL shall be subject to True-up as per the relevant provisions of the MYT Transmission Regulations and the shortfall / surplus, if any, after taking into account the receipts from the distribution licensee and the open access consumers shall be carried forward to the next MYT.
5. In addition to the transmission charges, the transmission as well as distribution losses shall be absorbed by the Open Access consumers in kind as per the provisions of the Open Access Regulations and shall be credited to the respective licensees through energy accounting mechanism to the respective licensees.