

**True Up of FY 2019-20, FY 2020-21 &
FY 2021-22 and Mid-Term Review for
the FY 2022-23 and FY 2023-24**

For

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



**Himachal Pradesh Electricity
Regulatory Commission**

June 5, 2024

**BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY
COMMISSION AT SHIMLA
PETITION NO: 29/2024**

CORAM

**Sh. DEVENDRA KUMAR SHARMA
Sh. YASHWANT SINGH CHOGAL
Sh. SHASHI KANT JOSHI**

In the matter of:

True Up of FY 2019-20, FY 2020-21 & FY 2021 and Mid-Term Review for FY 2022-23 and FY 2023-24 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

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 three years i.e., FY 2019-20 to FY 2021-22 and Mid-term Review for the remaining years (FY2022-23 and FY2023-24) of the Fourth MYT Control Period (FY 2019-20 to FY 2023-24) under the HPERC (Multi Year Tariff) Regulations, 2011 as amended from time to time 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 from the stakeholders including the issues raised in the public 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 as amended from time to time, passes the following Order for True Up of ARR of the HPPTCL for FY 2019-20, FY 2020-21 & FY 2021-22 and

Mid-Term Review order for remaining years (i.e., FY 2022-23 and FY 2023-24) of the Fourth 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.

**Sd/-
(SHASHI KANT JOSHI)**

Member

**Sd/-
(YASHWANT SINGH
CHOGAL)**

Member (Law)

**Sd/-
(DEVENDRA KUMAR
SHARMA)**

Chairman

Shimla

Dated: June 05, 2024

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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' or 'Applicant') 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. The 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 3rd December, 2008 read with the GoHP's earlier notification dated 31st 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. The HPPTCL was declared the State Transmission Utility (STU) by the GoHP vide its order dated 10th June, 2010 and as a result thereof the Commission recognized HPPTCL as a deemed "Transmission Licensee" as per the Commission's Order dated 31st 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 6th 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 has 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 and on 22nd November, 2018 as (Second Amendment) Regulations, 2018 and on 2nd June 2023 as (Third Amendment) Regulations, 2023
- 1.2.2. The Commission issued the 1stMYT Order for HPPTCL for the Control Period from FY 2011-12 to FY 2013-14 on 14th July, 2011, for the second Control Period (FY 2014-15 to FY 2018-19) on 10th June, 2014 and for third control period on 10th June, 2014. Subsequently, the Commission had also issued True Up and Mid-Term Review Order and final True Up Order of third control period dated 6th October, 2017 and 28th December, 2022.
- 1.2.3. Further, the Commission issued the fourth Multi-Year Tariff (MYT) Order for HPPTCL for the period from FY 2019-20 to FY 2023-24 on 29th June, 2019. The HPPTCL has now filed a Petition for Truing-up of expenses and income for first three years i.e., FY 2019-20, FY 2020-21 & FY 2021-22 and Mid-Term Review for remaining years of the 4thMYT Control Period (FY 2019-20 to FY 2023-24) in accordance with the provisions of Regulation, 14 of the HPERC (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.”

1.2.4. 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 2019-20, FY 2020-21 and FY 2021-22.

1.3 Procedural Background

1.3.1. The Petitioner has filed the Petition on 06th June, 2023, for Truing-up of the Aggregate Revenue Requirement (ARR) for intra-state transmission network for first three years of the fourth Control Period (FY 2019-20 to FY 2023-24) and Mid Term Review of the ARR for the remaining years and corresponding transmission tariff for the balance years. The Petition was registered with the Commission as Petition No. 29/2024. The Commission admitted the Petition vide the interim order on 17th February, 2024 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 has taken into record the clarifications/ information sought by the Commission from time to time in to, as detailed hereunder:-

Table 1: Communication with the Petitioner

Sl.	Letter from Commission	Response from Petitioner
1	HPERC-F(1)-62/2023-1011 dated 15.07.2023	Filing No. 105/2023 dated 26.12.2023
2	HPERC-F(1)-62/2023-3514-15 dated 24.01.2024	Petition No. 29/2024 dated 27.03.2023

1.4 Public Hearings

1.4.1. The Interim Order, inter alia, included directions 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. The salient features of the Petition have been published by the HPPTCL in the following newspapers:

Table 2: List of Newspapers for publication of Stakeholders comments

Sl.	Name of Newspaper	Date of Publication
1.	The Tribune (English)	24.02.2024
2.	Amar Ujala (Hindi)	24.02.2024

1.4.2. The Commission also 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 Electricity Act, 2003 which was published in the following newspapers:

Table 3: List of Newspaper for Public Notice by the Commission

Sl.	Name of News Paper	Date of Publication
1.	Hindustan Times (English)	28.02.2024
2.	Amar Ujala (Hindi)	28.02.2024

1.4.3. Through the aforementioned publications, the interested parties/ Stakeholders were requested to file their objections by 19th March, 2024. The HPPTCL was required to submit replies to the suggestions/ objections to the Commission by 22nd March, 2024 with a copy to the objector on which the objectors were required to submit rejoinder by 23rd March, 2024. The Commission issued a public notice informing the public about the scheduled date of public hearing as 28th March, 2024. All the parties, who had filed their objections/suggestions, were also informed about the date, time and venue for presenting their case in the public hearing. The Public hearing in the Petition has been conducted in the Commission on 28th March, 2024 and all Stakeholders/objectors have been heard at length.

1.4.4. The Commission has undertaken detailed scrutiny of the submissions made by the Petitioner and the various objections raised by stakeholders for the purpose of issuance of this Order. The major issues raised by the objectors in their written submissions have been summarized in Chapter 3 of this Order.

2 Summary of the Mid-Term Review Petition for the fourth Control Period (FY 2019-20 to FY 2023-24)

2.1. Introduction

2.1.1. This chapter summarizes the highlights of the Petition filed by the HPPTCL for Truing-Up for FY 2019-20, FY 2020-21 & FY 2021-22 as per the actual expenses and revenue components for the previous years of third fourth Control Period (FY 2019-20, FY 2020-21 and FY 2021-22) based on the audited annual accounts. Further, the review of the figures for the remaining period of the Control Period i.e. for FY 2022-23 and FY 2023-24, due to major changes in the total value of the gross fixed assets based on Trued-up figures for previous three years has been projected.

2.2. Background

2.2.1. The HPERC had approved the ARR for fourth Control Period with reference to the past filings vide Commission's Order dated 29th June 2019.

2.2.2. The MYT framework mandates filing of Mid-Term Review Petition for MYT Control Period as per the HPERC (First Amendment) Regulations, 2013. HPPTCL has filed the present Petition for Truing Up as per the actual expenses incurred for FY 2019-20, FY 2020-21 and FY 2021-22 and Mid-Term Review for the remaining years of the fourth Control Period (FY 2019-20 to FY 2023-24).

2.2.3. As per the Transfer scheme notified by the GoHP on 10th June, 2010 and subsequent office letters, the Petitioner as on 13th June, 2010 has calculated accumulated depreciation of Rs. 41.41 Cr. on the revised capitalized value of Rs.102.63 Cr. against 15 transmission lines. Out of total capital assets of Rs.102.63 Cr., Rs. 19.54 Cr. is capital cost towards Intra-state transmission lines and balance Rs. 83.09 Cr. is towards Inter-state Transmission lines. Accordingly, the net book value of the assets as on 13.06.2020 has been considered as Rs. 61.22 Cr. The details of the same is given in the following table:

Table 4: 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 (INR Lakhs)
A) Intra-State Transmission Lines					
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 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 has submitted that it has filed this Petition for true-up of three years of fourth Control Period i.e. FY 20- FY 21 along with Mid-Term Review for fourth Control Period in line with the Regulation 39 of HPERC MYT Regulations 2011.

2.3.2. The Petitioner has submitted that the Petition is limited to the 12 Intra-state assets transferred from HPSEBL as per the Transfer Scheme dated 10 June 2010. Also, the Petitioner has acknowledged the delay in filing of the Petition owing to unavoidable circumstances and has prayed the Commission to condone the same and admit the Petition.

2.4. Summary of the Petition for True-Up of ARR for FY 2019-20, FY 2020-21 and FY 2021-22

2.4.1. The Petitioner has submitted that it has worked out the revenue surplus/ gap and has presented actual revenue components for the period FY 2019-20 to FY 2021-22 considering Audited accounts.

Operation & Maintenance expenses

2.4.2. The Petitioner has submitted that the Employee Expenses and A&G Expenses for FY 2019-20 to FY 2021-22 have been computed by considering the approach followed by the Commission while approving the Tariff for the MYT period FY 2019-20 to FY 2023-24 in the Order dated June 29, 2019 viz. allocation of 25% of the total corporate employee cost and A&G Expenses respectively for arriving at the Expenses towards Intra-State business. The R&M Expenses for FY 2019-20 and FY 2021-22 have been arrived after deducting the expenses incurred on account of Inter-State Lines from the total bill towards the R&M of 15 Lines transferred to HPPTCL.

2.4.3. Further, in order to work out the Employee, A&G expenses for FY 2022-23 and remaining years of the fourth Control Period, the expenses for preceding year starting from FY 2021-22 have been escalated with average CPI inflation for previous three years i.e. from FY 2019-20 to FY 2021-22.

2.4.4. The R&M Expenses for FY 2022-23 have been worked out by escalating the expenses for FY 2021-22 with average WPI inflation for previous three years i.e. from FY 2019-20 to FY 2021-22. The R&M expenses for remaining years of the fourth Control Period have been escalated with average CPI inflation for previous three years i.e. from FY 2019-20 to FY 2021-22.

2.4.5. The O&M expenses submitted by the Petitioner for FY 2019-20 to FY 2021-22 are shown in the table below:

Table 5: O&M Expenses (Rs Crore) Claimed by HPPTCL for True-Up for FY 2019-20, FY 2020-21 and FY 2021-22

Particulars	FY 2019-20		FY 2020-21		FY 2021-22	
	Approved	Actuals	Approved	Actuals	Approved	Actuals
Employee Cost	4.71	1.94	5.50	1.84	6.06	2.08
A&G Cost	2.58	1.93	2.62	2.35	2.97	1.34
R&M Cost	0.29	1.96	0.89	2.13	0.89	0.84
Total O&M Expense	7.59	5.84	9.02	6.32	9.92	5.26

2.4.6. HPPTCL has requested the Commission to approve the actual O&M expenses borne during the Control Period (FY 2019-20, FY 2020-21 and FY 2021-22).

Depreciation

2.4.7. HPPTCL has calculated the depreciation as per the Regulation 23 of HPERC MYT Tariff Regulations, 2011, which reads as under:-

"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.

....."

2.4.8. The Petitioner has submitted that the depreciation for existing assets has been calculated based on the methodology adopted by the Commission for the period from FY 2014-15 to FY 2018-19 in the Mid Term Review Order dated 6th October, 2017. The depreciation claimed by Petitioner for FY 2019-20, FY 2020-21 and FY 2021-22 against the earlier approved figures in the MYT Tariff Order is shown in the table below:

Table 6: Depreciation (Rs Crore) Claimed by HPPTCL for True-Up of FY 2019-20, FY 2020-21 and FY 2021-22

Particulars	FY 2019-20		FY 2020-21		FY 2021-22	
	Approved	Actuals	Approved	Actuals	Approved	Actuals
Depreciation	1.72	0.69	2.72	0.68	5.69	0.68

Interest on Loan Capital

2.4.9. HPPTCL has calculated the interest on loan as per the Regulation 20 of HPERC MYT Regulations, 2011, which reads as under:-

"23. Interest and Finance Charges

(1) Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of repayment in

accordance with the terms and conditions of relevant agreements of loan, bond or non-convertible debentures. Exception can be made for the existing or past loans which may have different terms as per the agreements already executed if the Commission is satisfied that the loan has been contracted for and applied to identifiable and approved projects.

(2) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:

.....”

2.4.10. The Petitioner has submitted that the Commission while performing the Mid-Term Performance Review of HPSEBL for the third Control Period (FY15 to FY19) in its Order dated April 17, 2017 had adjusted the GFA of HPSEBL for FY12 by reducing the amount equivalent to the cost of Assets Transferred to HPPTCL amounting to Rs. 102.63 Cr. from the combined GFA at the end of First Control Period (FY09 to FY11). However, similar treatment was not performed in case of Return on Equity of HPSEBL for the year FY12 leading to a situation where the asset is held by HPPTCL but RoE is allowed to HPSEBL against the provisions in the transfer scheme dated June 10, 2010.

2.4.11. The Petitioner further submitted that GoHP vide File No. MPP-A(3)-1/2001-V dated 18.08.2020 communicated that Finance Department of GoHP has directed that 30% of the gross value of transferred assets should be considered as equity and paid up capital of HPPTCL to be revised accordingly. The Petitioner further prayed the Commission to allow the Interest on normative Loan (i.e., Rs. 19.54 Cr. less accumulated Depreciation of Rs. 5.26 Cr.) for the years FY 2014-15 to FY 2018-19 on the Assets re-vested in HPPTCL by GoHP as per the Transfer Scheme dated June 10, 2010.

2.4.12. However, Commission vide Order dated 28.12.2022 in Petition No. 36 of 2022 while approving the Interest on Loan has ruled as under:

"4.6.2. The Commission while truing up for the second Control Period as well as under the Mid-term Review Order dated 06.10.2017 has not approved any interest against the transferred transmission assets in line with the submission of the Petitioner.

4.6.3. During issuance of the previous Transmission Tariff Orders, the Commission on several occasions have asked the Petitioner to provide the original funding pattern of the transferred transmission assets or the amount of loans transferred to HPPTCL against the assets. However, the Petitioner has been unable to provide any such details and the Commission had not considered any loans against the

transferred transmission lines and had not approved any interest on loans. Further, it is observed that majority of the transmission assets are over fifteen years of age and do not have any loan component transferred to the Petitioner. The Commission, therefore, deems it appropriate to continue its previous approach of not approving any interest towards the transmission assets transferred from the erstwhile HPSEB.

4.6.4. Accordingly, the Commission has approved NIL expenses towards interest on loan in truing-up for the Third Control Period.

....”

2.4.13. Based on the above and assumptions considered in the True-Up Petition dated 12.11.2020, the Petitioner has considered the Opening Normative Loan of Rs. 7.05 Cr. Further, the Petitioner has considered the repayment of the normative loan equal to the depreciation for each year during the Third Control Period.

2.4.14. Further, the Petitioner has highlighted the submissions made in respect to Petition No. 36 of 2022 as under:

“The Petitioner made sincere efforts to provide the information regarding original funding of the fifteen lines transferred from HPSEBL. As the information were to be provided by HPSEBL, the Petitioner had little control over the same. However, as submitted in Para 2.6.5 to Para 2.6.9 of the Petition, the Petitioner with suitable precedencies of Hon'ble CERC, Hon'ble UERC has demonstrated that information with regard to original funding of the assets is irrelevant as the tariff sought here is not in terms of the original cost of the assets, funding, cost of funds etc., instead the same is on the basis or assets and liabilities transferred in terms of Transfer Scheme which specifically transferred assets worth assets worth Rs. 61.22 Crore (i.e. Rs. 102.63 Crore net or Rs. 41.41 Crore accumulated depreciation) for which corresponding liability of HPPTCL. has also increased by Rs. 61.22 Crore. Out of this Rs. 61.22 Crore Inter-State Transmission Lines amounts to Rs. 46.94 Crore and therefore balance assets towards existing 12 Intra-State System is Rs. 14.28 Crore. Further, with regard to the re-vesting of assets in HPPTCL, GoHP vide File No. MPP-A(3)-1/2001-V dated 18.08.2020 communicated that Finance Department of GoHP has directed that 30% of the gross value of transferred assets should be considered as equity and paid up capital or HPPTCL to be revised accordingly in terms of Clause 4 of the Transfer Scheme. Hon'ble Commission is therefore humbly requested to consider the submissions or the Petitioner and allow the servicing or the liabilities transferred to the Petitioner by GoHP.”

2.4.15. Accordingly, the Petitioner has claimed that the Commission while disallowing the Interest on Loan has inadvertently overlooked the submissions made by HPPTCL with regard to funding of Assets transferred from HPSEBL. Further, the Petitioner finds that the Commission has relied on the erroneous representation of the Petitioner's claim recorded by Hon'ble CERC in Petition 305/TT/2020. The Petitioner has once again requested to consider the submissions and allow the servicing of these liabilities transferred to the Petitioner by GoHP.

2.4.16. In line with the submissions made above and methodology adopted for working out the Interest on Loan in the True-Up Petition No. 36 of 2022, the Petitioner has worked out the Interest on Loan for Fourth Control Period adopting the similar methodology wherein the value of Closing Normative Loan for FY 2018-19 has been considered as the value of opening Normative Opening Loan for FY 2019-20. For the purpose of rate of interest on loan, HPPTCL has considered the MCLR rate prevailing as on 01.04.2019 for FY 2019-20 plus 200 basis points and on similar principle for the future years..

2.4.17. The interest on loan claimed by Petitioner for FY 2019-20, FY 2020-21 and FY 2021-22 against earlier approved in the MYT Tariff Order is shown in the table below:

Table 7: Interest on loan Claimed by HPPTCL for True-Up of FY 2019-20, FY 2020-21, and FY 2021-22

Particulars	FY 2019-20		FY 2020-21		FY 2021-22	
	Approved	Actuals	Approved	Actuals	Approved	Actuals
Interest on loan	1.42	0.32	2.70	0.23	8.11	0.15

Interest on Working Capital

2.4.18. HPPTCL has claimed the interest on working capital according to Regulation 21 and 22 of HPERC MYT Tariff Regulation, 2011.

2.4.19. The Petitioner has worked out the Interest on Working Capital considering the prevalent SBI MCLR rates as on 01.04.2019, 01.04.2020, 04.04.2021 and 01.04.2022 for FY 2019-20, FY 2020-21, FY 2021-22 and FY 2022-23 respectively plus 300 basis points. Further, the MCLR rate prevalent as on 01.04.2022 has been considered for remaining control period.

2.4.20. The rate of interest on working capital claimed by HPPTCL considering above is 11.55%, 10.75% and 10.00% for FY 2019-20, FY 2020-21 and FY 2021-22 respectively against approved rate of 11.15%.

2.4.21. The interest on working capital claimed by Petitioner for FY 2019-20, FY 2020-21 and FY 2021-22 against earlier approved in the MYT Tariff Order are shown in the table below:

Table 8: Interest on Working Capital Claimed by HPPTCL for True-Up of FY 2019-20, FY 2020-21, and FY 2021-22

Particulars	FY 2019-20		FY 2020-21		FY 2021-22	
	Approved	Actuals	Approved	Actuals	Approved	Actuals
O&M Expense for one month	0.63	0.49	0.75	0.53	0.83	0.44
Maintenance spares @15% of O&M expense of 1 month	0.09	0.065	0.11	0.071	0.12	0.029
2 months receivables	1.8	1.22	2.57	1.23	4.29	1.02
Total Working Capital	2.53	1.77	3.43	1.83	5.24	1.49
Interest rate as on April 1st of relevant year	11.15%	11.55%	11.15%	10.75%	11.15%	10.00%
Interest on Working Capital	0.28	0.205	0.38	0.20	0.58	0.15

Return on Equity (RoE)

2.4.22. The Petitioner has submitted that RoE has been computed as per the provisions of Regulation 19 of HPERC MYT Tariff Regulations, 2011.

2.4.23. The Petitioner in the True-Up Petition for 3rd Control period vide True-Up Petition No. 36 of 2022 has prayed the the Commission to allow the RoE for the years FY 2014-15 to FY 2018-19 on the 30% of the gross value of assets re-vested in HPPTCL by GoHP i.e., Rs. 5.86 Crore.

2.4.24. The Commission in its True Up Order dated 28.12.2022 in Petition No. 36 of 2022 disallowing the claim of Return on Equity has held as under:

"4.8.4. During issuance of previous Tariff Orders, the Commission on several occasions have asked the Petitioner to provide the original funding pattern of the transferred transmission assets against the assets. However, the Petitioner has been unable to provide any such details and in absence of adequate information, the Commission was constrained to consider any return on equity against the transferred transmission lines.

4.8.5. It is clarified that the original funding pattern is an important aspect in case of regulatory framework and any change in original cost or funding cannot be considered as a result of transfer of assets from one utility to another. Considering a change in funding of the same asset which was funded originally through grant, if considered to be funded through equity or debt due to re-vesting of assets in a

separate company, would result in unfair charging from the Consumers of the State. Therefore, the claim of the Petitioner that original funding of the assets is irrelevant is not correct.

4.8.6. Further, in case of CERC Order dated 27.9.2021 in Petition No. 305/TT/2020 with respect to determination of transmission tariff for the period 2019-24 for the three Inter-state Transmission Lines, the CERC has noted the following:

"33. The Petitioner has submitted that it is not holding any equity in the assets transferred to them by HPSEBL as may be seen in order dated 16.5.2016 in 119/TT/2014. Thus, the Petitioner has not claimed any ROE."

4.8.7. The Commission has observed contradicting claims of the Petitioner with respect to Inter-state Lines and Intra-state Lines, while both set of lines were transferred to the Petitioner under the same Transfer Scheme. In view of above, as well as in the absence of details of original funding of the assets, the Commission has continued with its previous approach of not allowing any Return on Equity on the transferred assets as part of the True-up for the Third Control Period."

2.4.25. The Petitioner has submitted that the Commission has disallowed equity on the following grounds:

- 1) In absence of original funding of the Assets.
- 2) Perceived contradictory claims made by the Petitioner for Inter and Intra Assets.

2.4.26. The Petitioner in this regard has submitted that the very purpose of unbundling was to create commercial entities that are governed on commercial principles. The HPPTCL was formed as a transmission licensee and transmission assets were vested with the HPPTCL. Along with the assets, there was also transfer of liability of Rs. 61.22 Crore as evident from the transfer scheme. These liabilities were in the form of equity for which HPPTCL had to issue equity shares to GoHP. The Petitioner has submitted that during FY 2020-21, a sum of Rs. 30.79 Cr. was transferred to the Government Share Application money in compliance of Letter File MPP-A (3)-1/2001-V dated 18.08.2020 of Special Secretary (Power) to the Government of Himachal Pradesh. Further, the Petitioner has submitted that these assets carry some amount of cost of fund and are under operation and are being utilized to cater to the power supply needs of the State of Himachal Pradesh. Further, the issue of consideration of Equity has been duly recognized by GoHP vide Letter No. MPP-A(3)-1/2001-V dated 18.08.2020. In view of the submissions made above, the Petitioner has prayed to allow the Return on Equity for Intra-State Assets from FY 2019-20 to FY 2023-24 on 30% of the gross value of assets re-vested in HPPTCL by GoHP i.e. 5.86 Crore.

2.4.27. The Petitioner has highlighted that the Hon'ble CERC in its Order against Petition No.305/TT/2020 has erred and referred to earlier submissions in petition No. 119/TT/2014 to deny legitimate claims with regard to Return on Equity on the inter-State assets of the Petitioner. Further, Petitioner mentioned that it shall take up the matter with Hon'ble CERC while filing true up Petition for the same.

2.4.28. In view of the above, the HPPTCL has re-iterated its claim with regard to treatment of Normative Loan and Normative Equity based on the approach adopted by it in the True-Up Petition dated 12.11.2020. The Petitioner has prayed to take a fresh look in the matter and approve the same.

2.4.29. In line with the submissions made by the Petitioner in Petition No. 36 of 2022 with regard to computation of Return of Equity, the Petitioner has worked out the Return on Equity considering the value of Closing Equity for FY 2018-19 as the value of Opening Equity as Rs. 5.86 Crore. The Return on Equity is calculated based on the provision of Regulation 19 of HPERC MYT Regulations, 2011, and the Return on Equity claimed by HPPTCL as per actuals against the approved figures in the MYT order are shown in the table below:

Table 9: Return on Equity (Rs Crore) Claimed by HPPTCL for True-Up of FY 2019-20, FY 2020-21, and FY 2021-22

Particulars	FY 2019-20		FY 2020-21		FY 2021-22	
	Approved	Actuals	Approved	Actuals	Approved	Actuals
Opening Equity	-	5.86	9.92	5.86	9.92	5.86
Addition during the year	9.92	-	-	-	11.11	-
Closing Equity	9.92	5.86	9.92	5.86	21.03	5.86
Average Equity	-	5.86	-	5.86	-	5.86
Rate of Return on Equity	15.50%	15.50%	15.50%	15.50%	15.50%	15.50%
Return on Equity	0.77	0.91	1.54	0.91	2.4	0.91

Income Tax

2.4.30. The petitioner has submitted that it has not paid any income tax for the period from FY 2019-20 to FY 2021-22.

Non-Tariff Income

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

2.4.32. The Petitioner has further submitted that it has claimed the non-tariff income based on the audited accounts as per the Regulation 24 of HPERC MYT Tariff

Regulations, 2011 read along with Regulation 25 for the provision of Other Income of Transmission Licensee.

2.4.33. With regards to income from other business, the Petitioner has submitted that it has not involved in any other business as defined in the HPERC MYT Tariff Regulations, 2011. Hence, no income from other business has been proposed.

2.4.34. NTI claimed by HPPTCL as per actuals against the approved figures in the MYT Order are shown in the table below:

Table 10: Non-Tariff Income (Rs. Crore) Claimed by HPPTCL for True-Up of FY 2019-20, FY 2020-21, and FY 2021-22

Particulars	FY 2019-20		FY 2020-21		FY 2021-22	
	Approved	Actuals	Approved	Actuals	Approved	Actuals
Non-Tariff Income	0.98	0.67	0.98	0.97	0.98	1.31

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

Aggregate Revenue Requirement for FY 2019-20, FY 2020-21, and FY 2021-22

2.4.36. Based on the above parameters, the ARR claimed by the HPPTCL for the FY 2019-20, FY 2020-21 and FY 2021-2 for True-Up against the approved ARR under MYT Tariff Order for fourth Control Period for respective years is summarized in the table below:

Table 11: ARR (Rs. Crore) Claimed by HPPTCL for FY 2019-20, FY 2020-21, and FY 2021-22

Particulars	FY 2019-20		FY 2020-21		FY 2021-22	
	MYT Order	Petition	MYT Order	Petition	MYT Order	Petition
Operation & Maintenance Expense	7.59	5.84	9.02	6.32	9.92	5.26
Depreciation	1.72	0.69	2.76	0.68	5.69	0.68
Interest on Loan-term loan	1.42	0.32	2.70	0.23	8.11	0.15
Interest on Working Capital	0.28	0.2	0.38	0.20	0.58	0.15
Income Tax	-	-	-	-	-	-
Total Revenue Requirement (ARR)	11.01	7.05	14.86	7.43	24.3	6.24
Return on Equity	0.77	0.91	1.54	0.91	2.40	0.91
ARR	11.78	7.96	16.4	8.34	26.7	7.15
Less: Non-Tariff Income	0.98	0.63	0.98	0.97	0.98	1.31
ARR	10.80	7.33	15.42	7.37	25.72	5.84

Revenue Surplus / Gap

2.4.37. Based on above, the Petitioner has submitted revenue surplus for FY 2019-20, FY 2020-21 and FY 2021-22, as shown in the table below:

Particular	FY 2019-20	FY 2020-21	FY 2021-22
ARR	7.32	7.37	5.84
Total Revenue	23.33	35.00	48.72
Revenue (Surplus)/ Gap	(16.01)	(27.63)	(42.88)

2.5. Summary of the Petition for Mid-Term Review of ARR for FY 2022-23 and FY 2023-24

2.5.1. The Petitioner has submitted the revised projections for the remaining years of the Control Period i.e. FY 2022-23 and FY 2023-24 in line with the MYT Tariff Regulations, 2011 and its amendment thereof.

Operation and Maintenance expense

2.5.2. The Petitioner has projected the O&M expenses in line with the provisions of the 1st Amendment Regulations, 2013 of HPERC MYT Tariff Regulations 2011, 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 -

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

....."

2.5.3. The Petitioner has submitted that it has computed Employee Cost for FY 2022-23 and FY 2023-24, considering the expenses for preceding years starting from FY 2021-22 and escalated with average CPI inflation for previous three years i.e., from FY 2019-20 to FY 2021-22.

2.5.4. Further, the Petitioner has submitted that for computation of A&G and R&M expenses for FY 2022-23, the expenses for FY 2021-22 have been escalated with average WPI inflation for previous three Years i.e., from FY 2019-20 to FY 2021-22.

2.5.5. Revised O&M expenses projections submitted by the petitioner are as below:

Table 12: Revised O&M expenses projections as submitted by HPPTCL for FY2022-23& FY 2023-24

Particulars	FY 2022-23	FY 2023-24
Employee Cost	2.2	2.33
A&G Cost	2.42	2.51

R&M Cost	0.89	0.94
Total O&M Expense	5.51	5.77

Depreciation

2.5.6. The petitioner calculated the depreciation as per the Regulation 23 of HPERC MYT Regulations 2011, as amended, 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....."

2.5.7. The Petitioner has submitted that it has computed depreciation considering the methodology adopted by the Commission while approving the depreciation for the period from FY 2014-15 to FY 2018-19 in the Mid-Term Review Order dated 6thOctober, 2017.

2.5.8. The depreciation claimed by the Petitioner for remaining years of the fourth Control Period is shown in the table below:

Table 13: Revised Depreciation projections submitted by HPPTCL for FY 2022-23 and FY 2023-24

Particulars	FY 2022-23	FY 2023-24
Depreciation	0.68	0.68

Interest on Loan Capital

2.5.9. HPPTCL, considering the approach discussed in the true up section above, and as per Regulation 23 of HPERC MYT Regulations, 2011, as amended, has claimed interest on loan for FY 2022-23- and FY 2023-24.

2.5.10. HPPTCL has calculated the interest on loan as per the Regulation 20 of HPERC MYT Regulations, 2011, as amended from time to time, which reads as under:-

"23. Interest and Finance Charges

(1) Interest and finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of repayment in accordance with the terms and conditions of relevant agreements of loan, bond or non-convertible debentures. Exception can be made for the existing or past loans which may have different terms as per the agreements already executed if the Commission is satisfied that the loan has been contracted for and applied to identifiable and approved projects.

(2) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the project:

.....”

2.5.11. The revised interest on loan projected by Petitioner for remaining years of the fourth Control Period is shown in the table below:

Table 14: Revised interest on loan claimed by HPPTCL for FY 2022-23 & FY 2023-24

Particulars	FY 2022-23	FY 2023-24
Interest on Loan	0.09	0.03

Interest on Working Capital

2.5.12. The Petitioner has submitted that it has calculated the interest on working capital in accordance with the Regulation 21 and 22 of the MYT Tariff Regulations, 2011, as amended. The Petitioner has considered the rate of interests on working capital as 10.00% Per Annum and submitted the projections as follows:

Table 15: Revised Interest on working capital projections as submitted by HPPTCL for FY 2022-23 and FY 2023-24

Particular	FY 2022-23	FY 2023-24
O&M Expenses for one month	0.46	0.48
Maintenance Spares (15% of R&M Expenses for one month)	0.03	0.031
Receivable for 2 months	1.05	1.07
Total Working Capital	1.53	1.58
Rate of Interest on Working Capital	10.00%	10.00%
Interest on Working Capital	0.153	0.158

Return on Equity

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

2.5.14. Further, the Petitioner has projected Return on Equity rate of 15.50% as per the provisions of Regulation 18 and Regulation 19 of HPERC MYT Tariff Regulations, 2011, as amended, on the existing equity transferred to HPPTCL from HPSEBL. The return on equity submitted by the Petitioner is shown in the table below:

Table 16: Revised RoE submitted by HPPTCL for FY 2022-23 & FY 2023-24

Particular	FY 2022-23	FY 2023-24
Opening Equity	5.86	5.86
Addition during the year	0.00	0.00
Closing Equity	5.86	5.86
Average Equity	5.86	5.86
Rate of Return on Equity	15.50%	15.50%
Return on Equity	0.91	0.91

Non-tariff Income

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

2.5.16. For remaining years of the Control Period, the Petitioner has computed the NTI considering the previous year value and has applied 5% escalation thereon. The revised NTI claimed for remaining years of the fourth Control Period is shown in the table below:

Table 17: Revised Non-tariff Income projections as submitted by HPPTCL for FY 2022-23 & FY 23-24

Particulars	FY 2022-23	FY 2023-24
Non-tariff Income	1.37	1.44

Aggregate Revenue Requirement

2.5.17. Based on the above parameters, the Petitioner has submitted the ARR for FY 2022-23 and FY 2023-24 as summarized in the table below:

Table 18: Revised ARR projections as submitted by HPPTCL for FY 2022-23 & FY 2023-24 (Rs. Cr.)

Particulars	FY 2022-23	FY 2023-24
Operation & Maintenance Expense	5.51	5.77
Depreciation	0.68	0.68
Interest on Loan-term loan	0.09	0.03
Interest on Working Capital	0.15	0.16
Income Tax Expense Advanced	-	-
Total Revenue Requirement	6.43	6.64
Return on Equity	0.91	0.91
Aggregate Revenue Requirement	7.34	7.55
Less:		
Non-Tariff Income	1.37	1.44
Aggregate Revenue Requirement	5.96	6.10

3 Responses from Stakeholders

3.1. Introduction

- 3.1.1. The Commission published a Public Notice inviting the interested parties/stakeholders to file their objections and suggestions on the Petition by 19th March, 2024. The Comments in the matter were received from the Consumer Representative (CR) only.
- 3.1.2. A public hearing was held on 28th March, 2024 in the Commission at Shimla where the stakeholders made comments and gave observations on the Petition to which the petitioner has submitted its response. The stakeholder's suggestions/ comments and the Commission's views on the same are provided below:

3.2. Aggregate Revenue Requirement and higher Operation & Maintenance Expenses, Depreciation, Interest cost and Return on Equity

- 3.2.1. Sh. K.S. Dhaulta, Consumer Representative has submitted that the claimed O&M expenses, depreciation, interest costs, return on equity etc., are on higher side and are without any documentary support. The claim of employee expenses and A&G for True-Up period are not bifurcated. Similarly, the claim against R&M expenses of Rs. 2.13 Cr. against Rs. 0.89 Cr. approved by the Commission in MYT Order dated June 29, 2019 is significantly high.
- 3.2.2. Also, it has been highlighted by the Consumer Representative that the Petitioner has not justified the claim of Interest on Loan and RoE against the old assets transferred from HPSEBL. The Petitioner has claimed interest on loan & RoE considering the opening value of respective components. However, the Commission in its True-Up order dated 28.12.2022 had approved Nil amount towards interest on loan and RoE on HPSEBL assets transferred to the Petitioner.

Petitioner's Reply:

- 3.2.3. The Petitioner has submitted that the O&M Expenses for FY 2019-20 to FY 2021-22 have been claimed based on the audited accounts and the detailed methodology in this regard has been elaborated in the Petition. Further, methodology for computation of O&M expenses for FY 2022-23 to FY 2023-24 have been detailed out in the Petition. The Petitioner has submitted that Depreciation, Interest on Loan,

Return on Equity, and Interest on Working Capital have been worked out by considering the norms specified in the HPERC MYT Regulations, 2011 and its subsequent amendments. The methodology has been detailed out in the Petition and the same is not being repeated for the sake of brevity.

3.2.4. Further, the Petitioner has submitted that basis for claiming interest on loan and RoE has been described under Section 1.4, 2.4 and 2.6 of the Petition.

Commission's View:

3.2.5. The Commission has undertaken detailed scrutiny of the each component of the ARR for the HPPTCL including expense related to O&M. While approving O&M expenses, the Commission has relied upon the audited accounts of respective years and also further due diligence has been done based on the data submitted by the Petitioner in response to the queries. The basis for approval of O&M expenses by the Commission is detailed in the subsequent Chapter.

3.2.6. With respect to Depreciation, Interest on loan, RoE and interest on working capital, the views of the Commission with respect to these parameters are discussed in detail in the subsequent Chapter.

3.3. Transmission Loss and Transmission System Availability

3.3.1. Sh. K.S. Dhaulta (CR) has submitted that no details have been submitted for Transmission Loss and Transmission System Availability from FY 2019-20 to FY 2023-24. It is apparent from the Petition that no plausible justification has been provided which should have been duly certified by the SLDC.

Petitioner's Reply:

3.3.2. The Petitioner has submitted that Petition for True Up for FY 2019-20 to FY 2021-22 & revised ARR from FY 2022-23 to FY 2023-24 has been submitted based on the provisions of HPERC MYT Regulations, 2011 and subsequent amendments thereof. Further, the Petitioner has submitted replies to queries raised by the Commission vide deficiency letters dated 15.07.2023 and 24.01.2024.

3.3.3. The Petitioner has submitted that details of the Transmission Loss and Transmission System Availability has been furnished in response to the query of the Commission.

Commission's View:

3.3.4. The Commission had also sought details with regard to transmission losses and availability for the fourth Control Period during the processing of the Mid Term

Review Petition. In response, the Petitioner has submitted that the HPSLDC has expressed its inability to certify Transmission System Availability Factor for the prior periods. Also, with regard to losses for transmission system, the Petitioner has submitted that the corresponding terminal bays are with HPSEBL and HPPTCL has made several requests to transfer terminal bays corresponding to the transferred EHV system. Also, the data provided by HPSEBL has been found to be inconsistent.

3.3.5. The Commission in the Business Plan and MYT Order for 5th Control Period of HPSEBL dated 15.03.2024 has directed HPSEBL as follows:

"The accounting of T&D losses at the different voltage levels is very much essential so as to have target measures to reduce the losses. The segregation of the HPSEBL and STU transmission losses are very much essential for transparency and proper energy accounting. The metering of the older assets of the STU transferred from the erstwhile HPSEB is with the Petitioner only. Therefore, there should not be any issue with respect to the same. The directive is being continued. The Petitioner is directed to complete the study and segregate the losses for the HPPTCL Business Plan and MYT Order for 5th Control Period (FY25-29) Himachal Pradesh Electricity Regulatory Commission Page | 364 HPSEBL-D No. Directives issued in the 4th APR order dated 31.03.2023 Status of Compliance submitted by the Petitioner Commission's Remark network within three months of issuance of this order positively."

3.3.6. In view of the above, the Petitioner is directed to coordinate with HPSEBL and SLDC to ensure segregation of HPSEBL and STU transmission losses at the earliest.

3.4. Reply of clarification sought by the Commission

3.4.1. Sh. K.S. Dhaulta has submitted that the Petitioner is required to submit reply and justification for queries raised by the Commission vide letters dated 17.5.2023 and 28.8.23 and should prudently work out the annual fixed charges, capital costs and additional capitalization etc.

Petitioner's Reply:

3.4.2. The Petitioner has submitted that queries raised vide letters dated 17.5.2023 and 28.8.23 are pertaining to the Petition No. 28 of 2024 and there is no relevance of these queries to Petition No. 29 of 2024.

Commission's View:

3.4.3. As submitted by the Petitioner, queries are related to Petition No. 29 of 2024 and will be dealt is to the said Petition.

4 True Up for FY20 to FY22 and Mid-term Review for FY23 and FY24 of the Fourth Control Period

4.1. Approach for Mid-Term Review of the Fourth Control Period (FY 2019-20 to FY 2023-24).

4.1.1. The Commission has issued MYT Order for the Control Period FY 2019-20 to FY 2023-24 on dated 29th June 2019 based on the various submissions of the Petitioner. Regulation 39 of the MYT Tariff Regulations, 2011, as amended from time to time, 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. In line with the provisions of the MYT Tariff Regulations, 2011, the Petitioner has submitted a Petition for the true-up for three years of fourth Control Period i.e. FY 2019-20, FY 2020-21 and FY 2021-22 and has sought revision of ARR for balance two years of the fourth Control Period i.e. FY 2022-23 and FY 2023-24.

4.1.3. As per Regulation 39 of MYT Tariff Regulations, 2011, as amended from time to time, the Petitioner is required to file Petition for Mid Term Review by 30th November 2021. However, the Petition was not filed by the Petitioner in time. Further, the Petitioner has submitted that the filing of Mid Term Review Petition was delayed

due to late finalization of accounts for FY 2020-21 due to COVID-19 pandemic which could be finalized by 11.04.2022. Further, the Petitioner has highlighted that it was awaiting the finalization of true up order for FY14-19, which was issued on 28.12.2022 resulting in delay in filing of Mid Term Review Petition.

- 4.1.4. It is observed that the submissions of the Petition for Mid-Term Review for fourth Control Period is delayed significantly in view of the prescribed timelines as per the MYT Tariff Regulations, 2011. Now, the entire FY 2022-23 and FY 2023-24 are already complete and the Petitioner would have already recovered the transmission charges in line with the approved ARR for the respective years. Therefore, the Commission feels it appropriate to limit the working under the current Petition only to the extent of truing-up of first three years of the fourth Control Period i.e. FY 2019-20, FY 2020-21 and FY 2021-22. Further, there is no logic in revising the ARR for FY 2022-23 and FY 2023-24 at this point of time. The variation in the ARR approved by the Commission vide order dated June 29, 2019 and revenue collected by the Petitioner shall be considered during the truing up for the balance years of the fourth Control Period based on the audited accounts and prudence check.

4.2. Transmission Infrastructure

- 4.2.1. In the True up order of third Control Period dated 28.12.2022, the Commission had ascertained the capital cost for 12 intra-State transmission assets as detailed below:

"4.2.1 In the Mid-term Review Order dated 06.10.2017, the Commission had observed as under:

"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." 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."

4.2.2 In the current True-up petition, the Petitioner has submitted that the assets of HPSEBL were transferred to HPPTCL as per the terms of "Himachal Pradesh Power Sector Reforms Transfer Scheme, 2010" notified by GoHP vide Notification No. MPP-A (3)-1/2001-iv dated June 10, 2010.

4.2.3 Further, the Petitioner has stated that the capital cost of the transferred assets from HPSEBL vide letter No.-HPSEBL/CE (ES)/AU-4/2010-6220-25 dated 06.09.2010 and even No.8648-53 dt. 19-11-2010 was Rs. 199.08 Crore and the same was revised to Rs. 102.63 Crore vide Letter No. HPSEBL/F&A/A&R-55/R&M works/2014-15-1024 -25 dt. 27-10-2014.”

4.2.2. Accordingly, in the true up order of third Control Period dated 28.12.2022, the Commission had approved the details of existing 12 Intra-state Transmission lines and net book value considered in line with the Transfer Scheme, 2010, which 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 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

4.3. True-up for FY 2019-20 to FY 2021-22

4.3.1. Regulation 10 of the MYT Tariff Regulations, 2011, as amended from time to time, stipulates that under the MYT framework, the ARR of the Transmission Licensee shall be subject to True-up which is reproduced as under:

"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 of the Transmission Licensee and shall not be trued up in ARR; and

(2) The gain or loss on account of other controllable factors, unless otherwise specifically provided by the Commission shall be to the account of the Transmission Licensee.

(3) Notwithstanding anything contained in these regulations, the gains or losses in the controllable items of ARR on account of force majeure, change in law and change in taxes and duties 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."

4.3.2. The Commission has examined the true-up Petition for the period FY 2019-20 to FY 2021-22 of the fourth Control Period and subsequent submissions made by the Petitioner in response to the deficiency letters for the purpose of undertaking the truing-up of various elements of ARR.

- 4.3.3. As part of current petition (truing-up and Mid-term Review), the Petitioner has submitted that the Petition is limited to the 12 intra-State transmission assets transferred from HPSEBL as per the Transfer Scheme dated 10 June 2010. Accordingly, the Commission has undertaken truing-up with respect to 12 intra-State transmission assets as transferred to the Petitioner while undertaking truing-up for the period FY 2019-20 to FY 2021-22 of the fourth Control Period.
- 4.3.4. The Commission vide true up of third Control Period dated 28.12.2022 had approved the GFA and accumulated depreciation for the aforesaid 12 intra-state transmission lines transferred from HPSEBL which have been continued for undertaking the truing up for the fourth Control Period.
- 4.3.5. The Commission in the true up order of third Control Period dated 28.12.2022 had also observed the following:
- "4.1.8 It is observed that during the Third Control Period (FY15-FY19), the operations of the Petitioner were limited due to lack of manpower and considering HPSEBL themselves were doing the O&M for the transmission lines of the Petitioner transferred from HPSEBL as per the GoHP Notification No. MPP-A (3)-1/2001-iv dated June 10, 2010. Therefore, the Commission has decided to undertake truing-up for the Third Control Period based on actual numbers and reasonable assumptions as also considered during the Mid-term Review while truing-up for FY15 and FY16"*
- 4.3.6. Considering that the O&M of the transmission lines was continued to be undertaken by the HPSEBL, the Commission has adopted the similar approach for undertaking truing up for the FY20 to FY22 of the fourth Control Period.
- 4.3.7. The component wise approach adopted by the Commission for truing-up the ARR for the first three years of the fourth Control Period (FY20 to FY22) is discussed in the following paragraphs.

4.4. Operation & Maintenance expenses

- 4.4.1. The Petitioner has submitted that it has computed employee expenses and A&G expenses for FY 2019-20 to FY 2021-22 considering the approach followed by the Commission while approving the Tariff for fourth Control Period in the Order dated 29th June 29, 2019 i.e., allocation of 25% of the total corporate level employee expenses and A&G expenses respectively for arriving at the expenses towards Intra-State transmission business. The R&M expenses from FY 2019-20 to FY 2021-22

have been arrived after deducting the expenses incurred on account of Inter-State lines from the total bill towards the R&M of 15 Lines transferred to HPPTCL.

4.4.2. Based on the submissions of the Petitioner, the employee cost, R&M expense and A&G expense for the first three years (i.e., FY 2019-20, FY 2020-21 and FY 2021-22) of the Fourth Control Period as against the approved are as below:

Table 20: O&M expenses approved in the MYT Order and actual O&M expense Claimed and by the Petitioner or FY 2019-20, FY 2020-21 and FY 2021-22 (Rs. Cr.)

Particulars	FY 2019-20		FY 2020-21		FY 2021-22	
	Approved	Actuals	Approved	Actuals	Approved	Actuals
Employee Cost	4.71	1.94	5.50	1.84	6.06	2.08
A&G Cost	2.58	1.93	2.62	2.35	2.97	2.34
R&M Cost	0.29	1.96	0.89	2.13	0.89	0.84
Total O&M Expense	7.59	5.84	9.02	6.32	9.92	5.26

4.4.3. It is observed that there is significant difference in the approved vs actual cost O&M elements for each of the years. The Commission for the purpose of truing-up for FY20-FY22 of the fourth Control Period has revisited the approved O&M expense for each of these years as per the methodology adopted in the truing-up Order for the third Control Period dated 28.12.2022.

4.4.4. The approach as highlighted in the Mid-term Review Order dated 06.10.2017 for third Control Period is summarized below:

"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...."

4.4.5. The Petitioner has continued with the similar methodology while proposing Employee and A&G expense for true-up of the fourth Control Period. For approval of employee cost and administrative expenses, the Commission had adopted similar methodology of approving 25% of the corporate expenses towards STU and intra-State transmission business as followed in the previous True-up Order dated 22.12.2022 for the third Control Period (FY19-FY24).

Employee Cost

4.4.6. The Commission had approved employee cost for each year of fourth Control Period based on actual corporate level employee expenses and had allowed 25% of the same towards Intra-State employee expenses.

4.4.7. However, as per the claim in the original Petition, it was observed that the Petitioner had considered total employee expenses instead of corporate level employee expenses. Therefore, the Petitioner was asked to submit bifurcation of employee expenses between corporate level and field level for FY 2019-20 to FY 2021-22. In response, the Petitioner has submitted the detailed bifurcation which is shown in the table below:

Table 21: Bifurcation of Employee expenses between corporate level and field level for FY 2019-20, FY 2020-21 and FY 2021-22 (Rs. Cr.)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22
Corporate Level	7.77	7.37	8.30
Field Level	10.36	13.54	15.08
Total Employee Expense	18.13	20.90	23.38

4.4.8. For true up of employee expenses, the Commission has scrutinized bifurcation of employee expenses submitted by the Petitioner as given above and as per employee expenses booked in the audited accounts of the respective year. For FY 2019-20, the Commission has observed that the Petitioner has booked Nil amount in the P&L accounts towards employee expenses and the entire amount towards employee expense has been booked as attributable to the construction. However, in the response to the Commission's query, the Petitioner has submitted that Rs. 7.77 Cr. is towards corporate level employee expenses.

4.4.9. The Commission is of the view that since the Petitioner has capitalized the entire amount of employee cost during FY 2019-20, the amount would be attributed towards the various ongoing transmission works and would be recoverable as part of capital cost elements i.e. depreciation, RoE and interest on loan. Therefore, approval of such amount as part of operating expense as well would result in double counting of the same expenditure. Therefore, the Commission has considered the

lower of the 25% of corporate employee expenses and actual amount charged to P&L to avoid any double counting of employee expenses.

4.4.10. Accordingly, the trued-up employee cost approved by the Commission for FY20-FY22 is as summarized in table below:

Table 22: Trued-up Employee Cost for three years of the fourth Control Period (Rs. Cr.)

Particulars	FY20	FY21	FY22
As Approved in MYT Order	4.71	5.50	6.06
As submitted by Petitioner	1.94	1.84	2.08
Corporate Level Employee Expenses	7.77	7.37	8.30
25% of Corporate Level Employee Expenses (A)	1.94	1.84	2.08
Employee Expenses charged to P&L (B)	-	5.23	13.33
Employee Expenses Considered (Min of A and B)	-	1.84	2.08

A&G Expense

4.4.11. With respect to the A&G expenses, the Commission has adopted a similar approach of considering the 25% of the corporate A&G expense towards STU business for the fourth Control Period. The Petitioner was asked to provide details regarding bifurcation of A&G expenses between corporate level and field level for FY 2019-20 to FY 2021-22. In response, the Petitioner has submitted following details:

Table 23: Bifurcation of A&G expenses b/w corporate level and field level for FY 2019-20, FY 2020-21 and FY 2021-22 (Rs. Cr.)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22
Corporate Level	3.32	5.41	5.38
Field Level	2.02	2.17	2.18
Total A&G Expense	5.34	7.58	7.56

4.4.12. Similar to the issue highlighted under employee expenses, the Commission has observed the P&L accounts reflect Nil amount towards A&G expenses as the entire amount has been capitalized and attributed towards under construction works.

4.4.13. Therefore, in order to avoid any double counting of the A&G expense, the Commission has considered the lower of the 25% of corporate A&G expenses and actual amount charged to P&L. Further, it was observed that the Petitioner had recorded few expenses relating to STU operations i.e. license fee and membership fee under R&M expenses of the Audited accounts. The Commission had approved these expenses as part of A&G expenses earlier and has continued with the same principle and added this amount to A&G expenses.

4.4.14. The revised A&G expenses approved by the Commission for each year of the fourth Control Period are as per table below:

Table 24: Trued-up A&G Expenses for the three years of fourth Control Period (Rs. Cr.)

Particulars	FY 20	FY 21	FY 22
As Approved in MYT Order	2.58	2.62	2.97
As submitted by Petitioner	1.93	2.35	2.34
Corporate Level A&G Expenses	3.32	5.41	5.38
25% of Corporate Level A&G Expenses (A)	0.83	1.35	1.34
A&G Expenses charged to P&L (B)	-	1.8	4.3
A&G Expenses Considered (Min of A and B)	0.00	1.35	1.34
License Fee	1.00	1.00	1.25
Membership Fee	0.10	0.00	0.16
Trued-up A&G expense	1.10	2.35	2.75

R&M Expenses

4.4.15. 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 till August 2022 and HPPTCL is required to pay O&M expense to HPSEBL for maintenance of these lines.

4.4.16. The expenses claimed towards R&M of 12 intra-state Lines have also been validated with the invoices raised by HPSEBL as submitted by the Petitioner in response to the query of the Commission. The Commission has reviewed the invoices submitted by the Petitioner towards maintenance of the above said 12 intra-state transmission lines and has approved the claim of the Petitioner with respect to R&M expenses for FY20 to FY22.

4.4.17. The R&M expenses for FY 2019-20 to FY 2021-22 approved by the Commission is shown in the table below:

Table 25: Approved R&M Expense for FY20, FY 21 & FY 22 of fourth Control Period (Rs. Cr.)

Particulars	FY 20	FY 21	FY 22
As Approved in MYT Order	0.29	0.89	0.89
As submitted by Petitioner	1.96	2.13	0.84
Revised Approved R&M Expense	1.96	2.13	0.84

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 from FY 2019-20 to FY 2023-24 as shown in the table below:

Table 26: Revised O&M expenses (Rs Cr.) for three years of fourth Control Period approved by the Commission

Particulars	FY 20	FY 21	FY 22
Employee Cost	-	1.84	2.08
A&G Expense	1.10	2.35	2.75
R&M Expense	1.96	2.13	0.84
Total O&M Expense	3.06	6.32	5.67

4.5. Depreciation

- 4.5.1. The Commission has considered the value of 12 Intra-state Transmission Lines along with the accumulated depreciation and the net book value of the assets till 13th June, 2010 in line with the finalized Transfer Scheme as also discussed in Para 4.2 of this Order.
- 4.5.2. For the purpose of computation of depreciation, the Commission has considered Regulation 23 of MYT Tariff Regulations, 2011, as amended from time to time, 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 has considered the balance depreciable value against each of the above mentioned 12 transmission assets and determined the depreciation for each year based on the balance useful life for the respective assets. Accordingly, the depreciation approved for three years of the fourth Control Period is as follows:

Table 27: Depreciation (Rs Cr.) approved for the three years of the fourth Control Period

Particulars	FY 20	FY 21	FY 22
As Approved in MYT Order	1.72	2.76	5.69

Particulars	FY 20	FY 21	FY 22
As submitted by Petitioner	0.69	0.68	0.68
Revised Approved	0.66	0.65	0.64

4.6. Interest on Loan

4.6.1. The Petitioner has again raised the issue of interest on normative loan based on the assets transferred from the HPSEBL. However, no interest towards new capitalization as approved in the MYT Order for fourth Control Period dated 29.06.2019 has been claimed as the assets have not been capitalized yet.

4.6.2. The Commission while truing up for the previous Control Period had not approved any interest against the transferred transmission assets. Also, as per the True-up Order for third Control Period dated 28.12.2022, the Commission has already clarified its stand in the Order with respect to the normative interest as below:

"During issuance of the previous transmission tariff orders, the Commission on several occasions have asked the Petitioner to provide the original funding pattern of the transferred transmission assets or the amount of loans transferred to HPPTCL against the assets. However, the Petitioner has been unable to provide any such details and the Commission had not considered any loans against the transferred transmission lines and had not approved any interest on loans. Further, it is observed that majority of the transmission assets are over fifteen years of age and do not have any loan component transferred to the Petitioner. The Commission, therefore, deems it appropriate to continue its previous approach of not approving any interest towards the transmission assets transferred from the erstwhile HPSEB."

4.6.3. Therefore, the Commission has continued with this approach and has approved NIL expenses towards interest on loan for the period FY20 to FY22 as summarized below:

Table 28: Interest on Loans (Rs Cr.) approved for FY20 to FY22

Particulars	FY 20	FY 21	FY 22
As Approved in MYT Order	1.42	2.70	8.11
As submitted by Petitioner	0.32	0.23	0.15
Revised Approved	Nil	Nil	Nil

4.7. Interest on Working Capital

4.7.1. The Commission has projected the working capital requirement for ARR in line with the Regulations 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 one month;

(c) receivables for two months on the projected annual transmission charges; and

(b) maintenance spare @ 15% of O&M Expenses for one month.

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 one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the Financial Year in which the Petition is filed plus 300 basis points. 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. Further, the non-tariff income for FY 2021-22 is Rs. 9.37 Cr. resulting in a negative ARR for the year. Accordingly, for computing the total working capital requirement for FY 2021-22, 'Receivables for 2 months' is considered as Nil.

4.7.3. 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 29: Trued-up Interest on Working Capital (Rs. Cr.)

Particulars	FY20	FY21	FY22
O&M expenses for 1 month	0.26	0.53	0.47
Maintenance spares	0.04	0.08	0.07
Receivables for 2 months	0.54	0.59	0.00
Total Working Capital	0.83	1.20	0.54
Rate of interest (SBI MCLR +300 basis points)	11.55%	10.75%	10.00%
Interest on Working Capital	0.10	0.13	0.05

4.8. Return on Equity

4.8.1. The Petitioner has considered return on equity against the above mentioned 12 intra-state transmission lines as submitted in the previous true-up Petition. The Petitioner has reiterated its submission regarding transfer of liability of Rs. 61.22 Cr. in form of equity shares to GoHP and has highlighted transfer of Rs 30.79 Cr. towards pending share application during FY 2020-21. Accordingly, the Petitioner has proposed to allow the RoE for Intra-State Assets on 30% of the gross value of assets re-vested in HPPTCL by GoHP i.e. 5.86 Cr.

4.8.2. During true-up for second and third Control Period, the Commission has already clarified its stand with respect to the old assets transferred from HPSEBL to the Petitioner. During issuance of previous tariff orders, the Commission on several occasions has asked the Petitioner to provide the original funding pattern of the transferred transmission assets or the amount of loans transferred to HPPTCL against the assets but the Petitioner was unable to provide any such details. The Commission in the Order for true-up of third Control Period dated 28.12.2022 had stated:

"4.8.5. It is clarified that the original funding pattern is an important aspect in case of regulatory framework and any change in original cost or funding cannot be considered as a result of transfer of assets from one utility to another. Considering a change in funding of the same asset which was funded originally through grant, if considered to be funded through equity or debt due to re-vesting of assets in a separate company, would result in unfair charging from the consumers of the State. Therefore, the claim of the Petitioner that original funding of the assets is irrelevant is not correct.

4.8.6 Further, in case of CERC Order dated 27.9.2021 in Petition No. 305/TT/2020 with respect to determination of transmission tariff for the period 2019-24 for the three Inter-state Transmission Lines, the CERC has noted the following:

"33. The Petitioner has submitted that it is not holding any equity in the assets transferred to them by HPSEBL as may be seen in order dated 16.5.2016 in 119/TT/2014. Thus, the Petitioner has not claimed any ROE."

4.8.7. The Commission has observed contradicting claims of the Petitioner with respect to Inter-state Lines and Intra-state Lines, while both set of lines were transferred to the Petitioner under the same transfer scheme. In view of above, as well as in the absence of details of original funding of the assets, the Commission has continued with its previous approach of not allowing any Return on Equity on the transferred assets as part of the true-up for the Third Control Period."

4.8.3. Further, the Petitioner has also submitted that while the assets transferred to the HPPTCL has been considered, the corresponding equity transfer has not been reflected by the Commission. It is clarified that the Commission had provided adequate opportunity in the past for submission of documents in respect of original funding of these transmission lines which could help identify the original funding.

4.8.4. Therefore, 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 true-up for FY20 to FY22 of the fourth Control Period. The proposed and approved Return on Equity is summarized in table below:

Table 30: Approved Return on Equity (Rs. Cr.)

Particulars	FY20	FY21	FY22
Approved in MYT Order	0.77	1.54	2.40
As submitted by Petitioner (Revised)	0.91	0.91	0.91
Trued-up Return on Equity	-	-	-

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 FY 2019-20, FY 2020-21 and FY 2021-22.

4.9.2. Regulation 24 of the MYT Tariff Regulation, 2011, as amended from time to time, provides as follows for Non-Tariff Income:

"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, income from investment 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:"

4.9.3. It was observed that the Petitioner has not considered few of the revenue items as recorded under the head of revenue such as surcharge and long-term open access fees. In response to a query of the Commission, the Petitioner has not been able to provide satisfactory response against the items considered under non-tariff income and has simply submitted the clarification that it has considered non-tariff income based on the approach adopted by the Commission. The Commission is of the view that these expenses should be considered as part of non-tariff income as the same fall under the definition of non-tariff income.

4.9.4. Taking into consideration the above discussion, the Commission has approved non-tariff income for FY 2019-20, FY 2020-21 and FY 2021-22, as shown in the table below:

Table 31: Trued-up Non-tariff income approved by the Commission (Rs Cr.)

Particulars	FY20	FY21	FY22
Interest from contractors and suppliers	0.70	0.33	0.38
Interest on bank deposit	2.13	2.63	2.89
Interest on ADB loan	4.73	0.39	0.75
Others	0.12	0.08	0.26
Total other income	7.67	3.43	4.29
Less: Income attributable to construction	7.67	0.39	0.75
Net Other Income as per Accounts (A)	0.00	3.04	3.54
Connectivity Fees (B)	0.28	0.38	0.36
Surcharge (C)	0.18	0.06	5.41
Long Term Open Access Fee (D)	0.12	0.06	0.06
Total Non-tariff Income(E=A+B+C+D)	0.58	3.54	9.37

4.10. Income Tax

4.10.1. HPPTCL has claimed Nil amount towards income tax for fourth Control Period. Accordingly, the Commission has approved Nil amount towards income tax for the fourth Control Period.

4.11. Trued-up Aggregate Revenue Requirement for FY 2019-20 to FY 2021-22 of fourth Control Period

4.11.1. The summary of the trued-up ARR approved for the FY20 to FY22 of fourth Control Period is provided in table below:

Table 32: Trued-up ARR approved by the Commission for FY20 to FY22 of the fourth Control Period (Rs Cr.)

Particulars	FY20	FY21	FY22
Operation & Maintenance Expense	3.06	6.32	5.67
Depreciation	0.66	0.65	0.64
Interest on Loan-term loan	-	-	-
Interest on Working Capital	0.10	0.13	0.05
Income Tax Expense	-	-	-
Return on Equity	-	-	-
Gross ARR	3.82	7.10	6.37
Less: Non-Tariff Income	0.58	3.54	9.37
Net ARR	3.24	3.56	(3.00)

4.12. Revenue Gap /(Surplus) for FY 2019-20, FY 2020-21 and FY 2021-22

4.12.1. As per the audited accounts submitted by the Petitioner for FY 2019-20, FY 2020-21 and FY 2021-22, intra-state transmission charges have been booked as Rs. 10.80 Crore, Rs. 15.42 Crore and Rs. 25.73 Crore respectively. The Commission has validated the revenue for the 12 intra-state lines with the respective year audited accounts.

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 as under:

Table 33: Revenue from Short-term Open Access recovered by HPPTCL (Rs Cr.)

Particulars	FY20	FY21	FY22
Short-term Open Access Charges recovered	13.92	21.75	34.99

4.12.3. Further, the Commission observed that the claimed STOA did not reconcile with the audited accounts. Therefore, the Commission sought details and head-wise bifurcation of STOA charges along with heads under which claimed STOA has been booked in the Audited accounts. In response, the Petitioner has submitted the following details:

Table 34: Clarifications regarding STOA charges submitted by HPPTCL (Rs Cr.)

Financial Year	90% STOA Charges	STOA Charges
FY 2019-20 (STOA Charges— Rs. 13.92 cr.)	Rs. 12.52 Cr	Rs. 1.43 Cr (Rs.1.39 Cr -10% of STOA for 2019-20 + Rs. 0.04 Cr.- previous year adjustment) included in the amount Rs. 21.29 Cr. in Revenue from Operation (STU Charges IEX STOA (SLDC) & Short-Term Open Access).

Financial Year	90% STOA Charges	STOA Charges
		wherein Revenue from operation (STU Charges IEX STOA is Rs. 0.35 Cr. & Short-Term Open Access is Rs. 1.08 Cr. Against Rs. 1.39 Cr. (10% of STOA), Rs. 1.43 Cr. have been booked out of this Rs. 0.04 Cr. pertaining with previous year STOA charges.
FY 202021 (STOA Chargers. Rs.21.75 Cr.)	Rs. 19.59 Cr.	Rs. 2.18 Cr. included in the amount Rs. 37.32 Cr. under Revenue from Operation (STU Charges IEX STOA (SLDC) & Short-Term open Access)' wherein Revenue from operation (STU Charges IEX STOA is Rs. 0.59 Cr. & Short-Term Open Access charge is Rs. 1.59 Cr.
FY 2021-22 (STOA Chargers. Rs. 34.99 Cr.)	Rs. 31.49 Cr.	100% amount of STOA charges booked in P&L as income Rs. 34.99 Cr. is included in the amount Rs. 98.77 Cr. under the accounting head "Revenue from operations". wherein (STU Charges IEX STOA is Rs. 9.45 Cr. & Short-Term Open Access charges is Rs. 25.54 Cr. Thus, net income of HPPTCL shall be difference of above STOA charges booked under Revenue from operations and Non-current liabilities-provisions i.e. 10% of total STOA Charges.

4.12.4. In view of the clarification provided by the Petitioner above, the details of STOA charges reconcile with the audited accounts. The Commission has accordingly considered the amount recovered towards STOA charges during FY20 to FY22.

4.12.5. Sub Regulations (3) and (4) of Regulation 33 of the MYT Tariff Regulations, 2011, as amended, provides for adjustment of transmission charges recovered from short term open access consumers as under:

"33. Allocation of Transmission Service Charge and Losses

(4) 10% of the charges collected from the short term open access customer shall be retained by the transmission licensee and the balance 90% 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....."

4.12.6. Accordingly, the Commission has considered 90% of the total short-term open access (STOA) income earned by HPPTCL during FY 2019-20, FY 2021-22 and FY 2021-22 as mentioned in the table below:-

Table 35: Approved Revenue from Short-term Open Access (Rs. Cr.)

Particulars	FY20	FY21	FY22
Short-term Open Access Charges recovered	13.92	21.75	34.99
90% of Revenue considered towards reduction of long-term and medium term transmission charges	12.53	19.58	31.49

4.12.7. Based on the approved ARR and revenue Gap/ (Surplus) is as under:

Table 36: Gap / (Surplus) approved by the Commission (Rs. Cr.)

Particulars	FY 2019-20	FY220-21	FY2021-22
Net ARR	3.24	3.56	(3.00)
Revenue from LTOA for 12 lines	10.80	15.42	25.73
Revenue from STOA (90% of total STOA)	12.53	19.58	31.49
Total Revenue	23.33	35.00	57.22
Gap/ (Surplus)	(20.08)	(31.44)	(60.22)

4.12.8. There is a total revenue surplus of Rs. 111.74 Cr. as per the table above. The Commission shall consider the same as part of issuance of MYT Order for fifth Control Period i.e. FY25-FY29.

4.13. Mid Term Review for FY 2022-23 and FY 2023-24

4.13.1. It is observed that the submission of the Petition for Mid-Term Review for fourth Control Period has been delayed significantly in view of the prescribed timelines as per the MYT Tariff Regulations, 2011. It is observed that the entire FY23 and FY24 are already complete and the Petitioner would have already recovered the transmission charges in line with the approved ARR for the respective years. Therefore, the Commission feels it appropriate to limit the scope under the current order to truing-up of first three years of fourth Control Period i.e. FY20, FY21 and FY22 and has not revised the ARR components for FY23 and FY24.

4.13.2. The variation in the ARR approved by the Commission vide order dated June 29, 2019 and revenue collected by the Petitioner shall be considered during the truing up for the balance years of the fourth Control Period based on the audited accounts and prudence check.

Sd/-

(SHASHI KANT JOSHI)

Member

Sd/-

(YASHWANT SINGH CHOGAL)

Member Law

Sd/-

(DEVENDRA KUMAR SHARMA)

Chairman

Shimla

Dated: June 05, 2024