

RAJASTHAN ELECTRICITY REGULATORY COMMISSION

JAIPUR

Petition No. RERC/213/10

In the matter of Truing up for FY 2008-09, and determination of transmission charges, SLDC charges and charges for partnership projects for the year 2010-11.

Coram

Shri D.C. Samant, Chairman
Shri S.K. Mittal, Member [F]
Shri S. Dhawan, Member [T]

Petitioner : Rajasthan Rajya Vidyut Prasaran Nigam Ltd., Jaipur (RVPN)

Respondent : 1. Jaipur Vidyut Vitran Nigam Ltd, Jaipur
2. Ajmer Vidyut Vitran Nigam Ltd, Ajmer
3. Jodhpur Vidyut Vitran Nigam Ltd, Jodhpur

Date of hearing:

05/07/2010; 28/07/2010

Present: -

1. Sh. R. K. Kasliwal, CE (NPP&R), RVPNL
2. Sh. V.K. Bhatnagar, CCOA, RVPNL
3. Sh. A. K. Sharma, SE (NPP&R),RVPNL
4. Sh. S. C. Sapra, XEN, (Projects), RVPNL
5. Sh. B.D. Koli, XEN, (Reforms), RVPNL
6. Ms. Madhu Pandey, Sr. AO, RVPNL
7. Ms. Anju Sultania, Sr. AO, RVPNL
8. Sh. B.P. Sharma, XEN (PSR), RVPNL
9. Sh. D. K. Sharma, Sr AO (SLDC), RVPNL
10. Sh. R. P. Katara, Incharge (LD), RVPNL
11. Sh. R.L. Chechani, Consultant,RVPNL
12. Sh. R.K. Dixit, SE (Commercial), JVVNL
13. Sh. Ajit Saxena, XEN, JVVNL
14. Sh. S.T. Hussain,Addl.XEN, JVVNL
15. Sh. C.K. Khamesra, DyCE (Commercial), AVVNL
16. Sh. G.L.Sharma, individual

Date of Order:

16.09.2010

ORDER

- 1.1. Regulation 11 of RERC (Terms & Conditions for determination of tariff) Regulations, 2009, in short RERC Tariff Regulations 2009 provides for determination of tariff of a transmission licensee. Rajasthan Vidyut Prasaran Nigam Limited (RVPNL) filed a petition on 27.01.10 under Section 62 of Electricity Act, 2003 read with Regulation 6 and 12 of RERC Tariff Regulations, 2009 for Truing up for FY 2008-09, and determination of transmission charges, SLDC charges and charges for partnership projects for the year 2010-11.
- 1.2. The Commission admitted the petition bearing number 213/10 and decided to hear the petitioner.
- 1.3. RVPNL made a presentation to stakeholders in regard to ARR for FY 2010-11 on 17.02.2010 in the Conference Hall of Vidyut Bhawan, Jyoti Nagar, Jaipur
- 1.4. The Commission vide letter dated 04.03.2010 pointed out deficiencies in the petition and directed the petitioner to submit its reply on data deficiencies pointed out by the Commission at the earliest. RVPNL submitted reply to data deficiencies, pointed by the Commission, on 23.03.2010.
- 1.5. Public notice with salient features of the petition inviting objections/comments/ suggestions from any desirous person was published in Dainik Navjyoti and Rajasthan Patrika on 10.02.2010 and in Hindustan Times on 11.02.2010. The Petition was also placed on RERC website.
- 1.6. The Commission received objections from
 - Jaipur Vidyut Vitran Nigam Limited
 - Mr G. L. Sharma
 - Shree Cements Ltd
- 1.7. Public hearing in the matter was held on 05.07.2010. In the hearing, the petitioner requested for some more time to incorporate CAG's observations on Annual Accounts Statement for FY 09 of RVPNL. The Commission thus deferred the hearing till further notification.
- 1.8. The 2nd hearing on the petition was held on 28.07.2010. During the hearing petitioner again requested for some more time to submit updated Annual Accounts Statement incorporating the CAG's observation. On this the Commission directed the petitioner to withdraw its True Up petition for FY 09 and to resubmit the request for Truing Up as and when the Annual Accounts have been finalized along with the observations of CAG. Therefore, truing up for FY 2008-09 has not been discussed in this order.

- 1.9. The comments of the stakeholders on the petition and reply by the petitioner and oral submissions during the hearing have been discussed in Para-2.
- 1.10. Analysis of petition filed by RVPN, including the Commission's ruling for transmission business, SLDC business and Partnership projects has been discussed in Paras – 3 & 4 respectively of this Order.
- 1.11. The Commission has already issued Multiyear Tariff (MYT) Order dated 1.8.2009 in respect of RVPN in which the projections of Aggregate Revenue Requirement (ARR) for the year 2009-10 to 2013-14 have been approved. This order provides for approval of revised ARR for the 2010-11 based on revised projections and subsequent approval of transmission tariff, SLDC and partnership expenses.
- 1.12. All monetary figures used in this order, unless stated otherwise, are in Rs. Crores.
- 1.13. All energy unit figures used in this order unless stated otherwise are in Million Units (MU).
- 1.14. An index of the issues and points dealt with and abbreviations used in this order are placed at Annexure 1 and 2 respectively.

2. Summary of Objections/Comments/Suggestions, RVPN's response and Commission's Observations:

A – Transmission:

2.1 Capacity handled:

RVPN in its petition has indicated the same capacity of 8052.1MW to be handled in FY 2010-11 as already allowed by the Commission in its MYT order. In this regard Mr. G L Sharma stated that many generation units which were to be commissioned in FY 10, have not come and are likely to be Commissioned in FY 11 or later like 6th Unit of Suratgarh, Chhabra Unit I and II, Solar stations, Jalipa Kapurdi Unit 2 to 4 etc. Thus for all practical purposes the capacity to be handled by RVPN in FY 11 will not be more than 7500 MW. Commission may therefore, take this into account while determining the Tariff for the FY 11.

RVPNL's response

2.1.1 RVPNL submitted that the 6th unit of Suratgarh, 1st unit of Chhabra, 2nd unit of Chhabra, Solar stations, Jalipa Kapurdi unit 1, Jalipa Kapurdi unit 2 to 4 etc. were considered in the statement of capacity to be handled in FY 10 in the Commission's MYT Order dated 1.8.09. Out of these, 6th unit of Suratgarh, 1st unit of Chhabra, 1st unit of Jalipa Kapurdi have been synchronized in FY 10. Remaining units are expected to come up in FY 11. The capacity to be handled by RVPN transmission system during FY 11 is expected to be 8052.1 MW as per the Commission MYT order dated 1-8-2009. The Commission has estimated average capacity addition of 708.6 MW during FY 11 as per details at Annexure-2B of MYT Order dated 1-8-2009 which includes 220 MW for Open Access, leaving 7832.1 MW allocated for meeting demand of Discoms. The Petitioner expects to handle 8052.1 MW of contracted transmission capacity during FY 11.

Commission's Observation

2.1.2 The Commission takes note of the issues raised and the reply given by RVPN which have been appropriately considered in the finalization of tariff.

2.2 Transmission Investment & Financing Plan: Capital Investment Plan (CIP):

2.2.1 The RVPN has projected an investment plan of Rs.2550 crores for the year 2010-1, broadly as under:

Table 1: Projected financial plan of RVPNL for the FY 11

Particulars	Transmission	SLDC	Partnership Projects	Total RVPN
Planned Investment in FY 2011	2485	45	20	2550
Financing Plan				
Debt	2004	36	0	2040
Equity	481	9	20	510
Total	2485	45	20	2550

- 2.2.2 Mr. G L Sharma and JVVNL raised objections on correctness of investment figure of 2485 crore for transmission works.
- 2.2.3 They also raised objections on absence of cost benefit analysis study for the CIP proposed and capabilities of RVPNL in capitalizing the asset worth approximately Rs 2500 crore.
- 2.2.4 Mr. G.L.Sharma raised strong objection on the amount of expenditure included by RVPN in investment plan for FY 10-11 saying that the same is far in excess of actual requirement and would result in high ARR. He said that the investment plan should be worked out for the entire MYT control period, as envisaged in Regulations instead of one year investment plan.
- 2.2.5 In support of his argument that proposed investment is in excess of requirement, he drew attention towards para 5 of the investment plan, which relates to approval of RVPN Board for evacuation scheme of following forthcoming projects:
- (i) Chhabra Super Critical TPS (2x660 MW) and Kalisindh TPS (2x600 MW)
 - (ii) Suratgarh Super Critical TPS (2x660 MW)
 - (iii) Banswara Super Critical TPS (2x660 MW – Private Sector)
 - (iv) Ramgarh Combined Cycle Gas Based TPS (Stage-III, 1x160 MW)
- 2.2.6 He said that bidding process for Banswara project of 1320 MW has not yet been finalised, which is likely to take quite some time and therefore, expenditure on evacuation system of this project is not required. He argued that similarly Chhabra project would come much later than the envisaged time and agreement for gas is yet to be finalized for Ramgarh gas project.

2.2.7 He said that allowing investment on evacuation system of such projects much ahead of likely date of synchronization would result in unproductive and un-useful expenditure with corresponding avoidable burden on consumer tariff. He remarked that there are many instances wherein transmission system created for particular voltage was charged on lower voltage due to excess capacity of evacuation/transmission system.

2.2.8 He further argued that requirement for augmentation and strengthening of system should be based on cost benefit analysis as well as requirement for evacuation/transmission and some of the projects showing high adverse cost benefit ratio in the CIP should not be considered for approval nor should they be included in ARR determination. He stressed that criteria for selection of EHV scheme should be adhered to by RVPN.

2.2.9 JVVNL submitted that :

- Proposed 20% equity amount of Rs. 481 crore corresponds to an investment of Rs. 2405 crore. The Commission should consider the investment in determining ARR as is likely to be approved in Investment Plan Petition.
- No document has been furnished by RVPN indicating the State Government assurance for the Equity amount of Rs. 481 crore.

RVPNL's response

2.2.10 RVPN submitted that CIP is embedded in the overall sector plan, which is discussed, deliberated and approved by the State Government as a part of Annual Planning Process. RVPN also submits its Annual Plan to Govt. of Rajasthan. This implies Govt. of Rajasthan's consent for equity financing. The individual project reports are also submitted to the State Government. However, there are no specific consent letters for equity contribution for individual projects/ schemes.

2.2.11 RVPNL submitted that transmission projects vary due to voltage, size, land acquisitions, obtaining clearance etc. and transmission projects normally have gestation period of 2 to 3 years. The investment made in transmission projects in a particular year will have bearing on transmission capacity on completion of project through such investment. Thus, investment made in a particular year may not lead to increase in transmission capacity in that year itself.

2.2.12 RVPN also submitted that apart from investment in transmission projects which add to transmission capacity, the investment plan also

includes capital expenditure in schemes for enhancing system stability, reliability, continuity and quality of supply which may not always lead to increase in transmission capacity.

Commission's Observation

2.2.13 The Commission has taken note of the concerns raised by the respondents which have been dealt later in this order.

2.3 O&M Expenses:

2.3.1 JVVNL and Mr G L Sharma objected to the request of RVPNL for amending O&M regulation so as to meet the increased Employee cost that raised the O&M cost from Rs 312.32 cr estimated by the Commission to Rs 360.43 cr. They also raised concern on higher projections of network parameters by the utility to meet its O&M expenses (including Employee Cost).

2.3.2 Mr. G L Sharma also raised objection on taking closing balance of various network parameters for the calculation of ARR for transmission utility which resulted in increase in the projected O&M expenses. Further he suggested that calculation of O&M expenses should be on the basis of average available capacities. Also for revision of the norms, if the utility feels like, It may request the commission through a separate petition.

2.3.3 JVVNL pointed out that there appeared to be a calculation error in arriving at the O&M expenses in Form 2.1; for example the expenses @ Rs. 0.68 for 2233 average Crt-km of 400 kV with escalation @5.72% works out to be Rs. 1605 lakh which has been taken as Rs. 1845 lakh in the calculations.

RVPNL's response

2.3.4 RVPN informed that as suggested by the Objector, they agree to submit a separate petition with Hon'ble Commission for review of O&M Norms and for base data considered in RERC Tariff Regulations, 2009. They also submitted that the calculation of O&M expenses of Rs. 360.43 cr for the FY 11 has been computed correctly based on RERC Tariff Regulations, 2009.

2.3.5 Further, RVPNL submitted that the O&M expenses have been estimated based on the projected addition of transmission lines, substations, bays and MVA capacity as per the physical targets set for FY 2011 and are not exaggerated as alleged by the objector. The O&M expenses have been computed correctly as per the RERC Tariff Regulations, 2009. RVPN reiterated that it had to incur huge

employee expenditure in FY 2009 for payment of arrears due to revisions effected by the Sixth Pay Commission, which is not accounted for in the setting of norms under RERC Tariff Regulations, 2009.

Commission's Observation

2.3.6 The Commission has taken note of the objections raised and submission made against the objections. The same has been appropriately considered while determining tariff.

2.4 Depreciation

2.4.1 Mr. G L Sharma raised concern on the method adopted for calculation of depreciation. Mr. Sharma submitted that the depreciation should be allowed on the basis of calculations based on the asset register. He also pointed that though seven years have lapsed since utility began process of formulation of assets register the work has not been completed till date. He said that assets older than 12 years stand depreciated upto almost 90% and assets already depreciated upto 90% are no more eligible for any additional depreciation benefit. He suggested that even if assets register is not complete, the annual reports and booklets of erstwhile RSEB have details of lines and transmission system completed say upto that year and could be used to segregate assets which stand depreciated upto 90%. He further suggested that the depreciation claimed by the utility should not be allowed and it should be only Rs. 228.20 cr as against the demand of Rs 254 cr.

2.4.2 JVVNL pointed out that the method adopted by the utility for the calculation of depreciation is not right and that the depreciation should be calculated strictly on the basis of assets register of the utility. In the absence of detailed asset register RVPN's estimation that 15% of Gross Fixed Assets are more than 12 years old cannot be ascertained. It is further stated that the Commission at para 4.7.3 of the MYT Order dt. 1.8.09 had observed that in absence of Asset Register the depreciation has been computed as per details furnished by RVPN, but RVPN has still not furnished the Asset Register, so correct amount of depreciation cannot be computed.

RVPNL's response

2.4.3 RVPN submitted that the depreciation charges have been computed based on the depreciation rates specified in RERC Tariff Regulation 2009 and estimated age of assets based on methodology adopted by Hon'ble Commission in its order dated 1-8-2009 which is relevant for

the FY 11 also till asset wise details are ready. As the asset register is not ready till date and RVPNL is in the process of its preparation, the Depreciation charges have been computed based on the depreciation rates specified in RERC Tariff Regulations, 2009, considering that 15% of the assets are more than 12 years old and remaining are less than 12 years old.

Commission's Observation

2.4.4 The Commission is of the opinion that RVPN must speed up the process of finalizing the asset register. In view of the importance of asset register in correct determination of depreciation, the Commission directs the utility to submit their asset register along with the tariff petition for FY 12.

Further the Commission has taken note of the objections raised and submissions made against the objections and they have been considered while finalizing ARR.

2.5 Additional Contribution for Pension and Gratuity

2.5.1 Mr. G L Sharma submitted that

- The increased liabilities on account of impact of 6th Pay Commission recommendations in respect of pensioners' existing on or before 19.07.2000 (the date on which erstwhile Electricity Board was unbundled) should be got reimbursed from the State Government. In this respect Commission's view as has been expressed at para 2.18.10 in their order dated 31.08.2009 in the matter of ARR from FY 10 to 14 of RVUN are reproduced below:

"Therefore, the Commission allows Rs. 40 Crore per annum i.e. 50% of the amount claimed by RVUN for each year of MYT period and balance may be got reimbursed from the Government of Rajasthan or by increase in regular contribution to the fund or through the sharing of saving in O&M expenses so that the entire burden which has now become heavy enough is not passed on to consumers."

- In view of above similar action may kindly be taken by the Hon'ble Commission. The Commission may not increase the provision of Rs. 266 Crore as already allowed in MYT for the FY 11.

2.5.2 JVVNL submitted that RVPN has claimed a sum of Rs. 400 crore as an additional contribution towards pension and Gratuity against Rs 266 crore determined by the Commission in the MYT Order dated. 1.8.09. Since RVPN has not submitted the supporting detail, there is

no justification for the increase in the additional contribution. The Commission is requested to consider the amount as determined by it earlier.

RVPNL's response

2.5.3 RVPNL submitted that :

- The company has adopted AS – 15 Employee Benefits (Revised) from 1.04.2008. The provisioning for unfunded Staff Pension & Gratuity had to be created separately in addition to Employee Expenses covered in O&M based on the Actuarial Valuation report.
- The Order dated 31.08.2009 referred to by the Objector relates to RVUN, of which the Petitioner has no knowledge. The Petitioner has not received any commitment from the State Government about reimbursement of increased liabilities in respect of pensioners of prior to 19-7-2000 on account of 6th Pay Commission recommendations, as stated in above para by the Objector. The liability towards increased pension of the pensioners of erstwhile RSEB as per Transfer Scheme falls on RVPN.

Commission's Observation

2.5.4 Commission has taken note of the objections raised and submission made against the objections. The Commission notes that the payment of arrear of the employees, necessitated due to Sixth Pay Commission, has major bearing on accounts of FY 09. As the true-up petition of RVPNL remains withdrawn, the Commission will examine the issue when revised annual account of true-up petition for FY 09 is submitted to the Commission. For appropriate provision towards pension and gratuity liability in the year 2010-11, the matter has been dealt later in this order.

2.6 Interest and Financing charges

2.6.1 JVVNL submitted that :

- RVPN has estimated the amount of Interest and Finance Charges to be Rs. 439 crore as detailed below, against Rs. 278 crore determined by the Commission in its MYT Order dated 1.8.09:

Table: 2 – Interest & Financing Charges projected by RVPNL for FY 11:

(Rs.in crores)

	As per Order	As petitioned in this petition
Interest on LTL less interest capitalized	255	388

Interest on working capital	25	32
Interest on additional short term borrowing for repayment	-	24
Finance Charges	2	5
Total :	278	439

- In this respect it is submitted that the correct figure should be Rs. 282 crore instead of Rs. 278 crore and Rs. 449 crore instead of Rs. 439 crore respectively.
- The Commission vide para 4.6.3 of MYT Order has determined the opening balance and closing balance for FY 09 as Rs. 2617 crore and Rs 2667 crore whereas RVPN in this petition has considered these balances as Rs 3493 crore and Rs 4561 crore respectively in Form 2.2. RVPN is therefore required to revise the amount of interest on LTL after recasting the opening and closing balances for FY 09, 10, and 11 as per the Commission's order.
- As stated above RVPN has exaggerated the targets, thereby increasing the O&M expenses. Similarly heavy investment has caused higher transmission charges / receivables per month of RVPN. These elements have increased the working capital requirement to Rs 258.61 crore (Form 2.5) as against Rs. 205.60 crore as determined by the Commission as per para 4.11.2 of its order. It has resulted in increase in Interest on Working Capital from Rs 25.19 crore (as per Commission Order) to Rs 32.33 in this petition (as per Form 2.5). The Commission is therefore requested to consider this aspect.
- The interest on working capital in Form 2.5 should be revised after working out the O&M expenses correctly as submitted above. Further, the Receivables should be worked out based on revenue at existing tariff i.e. Rs 915.81 crore as per Form 3.1 instead of ARR amount of Rs 1396 crore.
- As regards Interest on Short Term Loan, the Commission vide para 4.6.2 of the MYT Order mentioned that provisioning of interest on working capital is expected to address the requirement of the short term loan and therefore the Commission did not approve the interest on short term loan. As such the amount of Rs 24 crore considered by RVPN, as above, is to be disallowed.

- The Commission vide para 4.6.4 of the MYT Order recorded that with the revised submission made by RVPN, the interest rate for REC-loan and HUDCO loan should be considered as 10% & 11.5% respectively, whereas RVPN has again considered these rates as 11% and 13% respectively in Form 2.2 at page 71 of the petition.
- The Commission at para 4.6.5 of the MYT Order has mentioned that as the approved loan addition and approved capitalization for the control period has been reduced, the Other Finance Charges has also been reduced proportionately to Rs 1.79 crore as against Rs. 4.96 crore claimed by RVPN for the FY 11. In spite of such ruling of the Commission, RVPN has again claimed an amount of Rs 4.83 crore towards the Other Finance Charges. The Commission is therefore requested to consider only Rs. 1.79 crore towards the Other Finance Charges.
- Mr. G.L.Sharma said that allowing RVPN to raise loan against dues of Discoms should not be allowed, as this would amount to RVPN raising loan on behalf of Discoms with interest getting passed on to Discoms. He said that similar issue arose earlier in ARR petition, which was not agreed to by the Commission.

RVPNL's Response :

2.6.2 RVPN submitted that after rectification of inadvertent error in submission the revised figures are as under:

Table: 3 – Revised Interest & Financing Charges projected by RVPNL for FY 11:

	(Rs.in crores)		
	FY 2010 (Order)	FY 2011 (Order)	FY 2011 (Petition)
Interest on LTL	274.00	276.00	514.00
Interest on working capital (as per norms)	23.00	25.00	32.00
Interest on Additional Short Term Loan	-	-	24.00
Borrowing for meeting re-payment liability	-	-	-
Less: Interest capitalized	-28.00	-21.00	-126.00
Finance Charges	3.00	2.00	3.00
Total	272.00	282.00	447.00

- 2.6.3 As directed by the Hon'ble Commission at para 4.6.7 of MYT Order dated 01.08.09, the opening/ closing loan balance for FY 2008-09 is required to be considered while Truing-up ARR for FY 2008-09.
- 2.6.4 The working capital requirement has been calculated as per RERC norms. The interest on working capital has been computed as per applicable SBI PLR Rate of 12.5% as allowed by the norms.
- 2.6.5 The O&M expenses have been computed rightly on the basis of RERC norms and as such there is no necessity of revision of computation of working capital requirement.
- 2.6.6 As submitted at para 2.19 of the Petition (page 26), RVPN proposes to meet the gap between the repayment obligation and the depreciation amount through additional short term borrowings and therefore, there is an extra requirement of interest on short term loan of Rs. 24 crores. The Hon'ble Commission may kindly consider this as it is beyond the control of RVPN.
- 2.6.7 The average rate of interest on REC loans and HUDCO loans as given in Form 2.2 (FY 2011) has been considered at 11% and 13% respectively computed on the basis of interest amount payable on average loan balance for these lenders during FY 2011.
- 2.6.8 The finance charges include processing fee, commitment charges, service charges etc and always have some fixed element. The finance charges payable to lending institutions and bankers are beyond control of RVPN. RVPN shall furnish Truing-up Petition for respective year including for interest and finance charges.
- 2.6.9 That RVPN is passing on the interest on short term loans to Discoms only to the extent of receivable from them and the rest is borne by RVPN itself.

Commission's Observation

- 2.6.10 Commission has taken note of the objections raised and submission made against the objections. The same has been taken in account while finalizing this order. The Commission has not allowed any interest on short term borrowings except interest on working capital requirement as per norms.

2.7 Charges for Short Term Open access Consumers:

- 2.7.1 Shree Cement highlighted the priority being given to the long term open access consumers over the short term open access consumers

in supply and raised question on the charging of higher tariff from short term open access consumers. They also submitted that the capacity not used by the long term consumers is used by the short term consumers thereby increasing the overall productivity of the transmission assets. They requested to bring the tariff of short term open access consumers in parity to long term open access consumers.

- 2.7.2 They also submitted that as per the Commission's order dated 1.8.2009, RVPNL failed to produce any satisfactory basis and supporting documents for proposing a higher transmission charge for Exchange traded day ahead transactions. In view of this, the Commission may bring the charges for Exchange traded transactions at par with charges applicable for long term open access consumers.

RVPNL's Response:

- 2.7.3 RVPN has not furnished any response to this comment.

Commission's Observation:

- 2.7.4 The Commission in its MYT order dated 1.8.2009 has already clarified that the regulations make no distinction in terms of transmission charges for long term and short term open access consumers and accordingly the transmission charges for short term open access consumers have been determined by the Commission on per KW per day basis, as applicable for long term open access consumers. Regarding prescribing same transmission charges for open access transactions through power exchange, the Commission has already clarified that such transactions are required to be denominated in energy terms at Rs./kWh in order to facilitate such transactions. Accordingly, such charges have been prescribed in Rs. /kWh.

2.8 State Load Dispatch Center

- 2.8.1 JVVNL submitted its objections on interest and financing charges and O&M expenses as below:

2.8.2 Investment & Financing Plan :

RVPN has considered the investment of Rs 45 crore which is just double the investment of Rs. 24.42 crore, estimated by the Commission under MYT Order. Further, no reason has been mentioned for such a high investment. The Commission is therefore requested to consider the amount as already determined by it in the said order. Further, no document has been furnished by RVPN indicating the State Government assurance for the Equity contribution of Rs 9 crore.

2.8.3 O&M expenses:

The Commission vide its MYT Order has determined the O&M Expenses of Rs. 10.58 crore, as proposed by the RVPN, which was worked out by considering the escalation @ 5.72% as per Tariff Regulations, 2009. RVPN has projected the O&M expenses for the FY 11 to be Rs. 14 crore. Since the ARR of FY 09 has not been tried up, the amount already determined by the Commission should be considered.

RVPNL's Response

2.8.4 Investment & Financing Plan

Petition for approval of Investment Plan for FY 2011 has been already submitted, which includes Rs 45 crores for SLDC infrastructure out of the overall investment of Rs. 2550 crores for RVPN. It may be appreciated that higher investment in transmission system will need higher investment for corresponding up-gradation of SCADA and System Operation facilities. Hon'ble Commission may kindly take a view on investment in SLDC against the Petition for Investment Approval submitted by RVPN.

2.8.5 O&M Expenses:

The RERC Tariff Regulations, 2009 prescribe norms for O&M expense for arriving at the ARR for transmission function. For the purpose of ARR no norms have been prescribed for O&M expenses for SLDC function. RVPN therefore, estimated O&M charges for SLDC function on the basis of actual expenses for FY 2009 escalated @ 5.72% to arrive at the expenses for FY 2011. The Petitioner requests the Hon'ble Commission for specifying norms for SLDC expenses to estimate ARR.

Commission's Observation

2.8.6 The Commission appreciates that major assets of SLDC are related to SCADA, PLC, electronic and IT set up that has a relatively lower useful life of around 9 years. The investment plan of SLDC forms a part of the overall investment plan of RVPNL. The assessment of SLDC proposed expenditure will be carried by the Commission as per regulation while analyzing the petition filed by RVPNL for investment approval.

2.9 Partnership Projects

2.9.1 Mr G L Sharma submitted that :

- No details of actual generation at Satpura Power Station and Gandhi Sagar Power Station and their apportionment between the two States have been submitted. Also the details of O&M

expenses, as to how and on what basis the same have been arrived at, have been given.

- The Satpura Power Station Units and that of Gandhi Sagar, RPS JS Power Station have already completed their useful life. Thus the provision for depreciation should not be made.
- Though RVUN in its petition had mentioned that they are responsible for the O&M of the RPS and J S Power Stations but neither RVPNL nor RVUN has made it clear as to how the expenses for the purpose are being accounted for in the books of accounts i.e. who is meeting the expenses of CPF/FPF/Pension contribution of the employees of RVUN and details of O&M of these Stations. Petitioner may kindly clarify the position in this respect.

RVPNL's Response:

2.9.2 Share of Rajasthan in Gandhi Sagar Hydel Project and Satpura Thermal Power Station is 50% and 40% respectively. The energy account and O&M charges for these stations is required to be reconciled and settled between the State of MP and Rajasthan on receipt of audited data at periodic interval.

2.9.3 RVPNL is contributing its share in the investment plan of Partnership Projects each year and assets created out of such investments are required to be depreciated. The depreciation amount claimed in the Accounts is related to such assets of partnership projects. The details of generation assets and depreciation thereon have been provided in Form No. 5.1 of the petition.

2.9.4 The O&M of RPS and JS Hydel Stations is undertaken by RVUN on actual pass through basis. The employee expenses of these stations are reimbursable to RVUN at actual, being part of the O&M expenses. RVUN may kindly be advised not to claim these expenses as a part of its ARR for generation tariff recoverable from Discoms.

Commission's Observation

2.9.5 The Commission has taken note of the objections raised and submission made against the objections. This has been dealt later in this order.

3. DETERMINATION OF TRANSMISSION TARIFF, SLDC CHARGES AND PARTNERSHIP EXPENSES FOR THE YEAR 2010-11

3.1 Transmission Tariff:

3.1.1 Capacity handled: The transmission capacity determined by the Commission in its MYT order dated 1.8.2009 is 8052.1 MW for the year 2010-11 including 220 MW for open access. RVPN has also projected the same capacity for the year 2010-11 in its petition. Since the Commission has decided the capacity of 8052.1MW for the year 2010-11 after hearing the objectors while issuing the MYT order, the same is kept unchanged.

3.1.2 Transmission Losses:

The transmission losses as projected by RVPNL for the FY 11 have been shown in table below:

Table-4: Transmission losses projected by RVPNL for FY 10 &11

Particulars	FY 10	FY 11
	Estimated	Projected
Transmission losses	4.40%	4.40%

3.1.3 Commission's Observation:

The transmission losses projected for the FY 11 by RVPNL is same as that estimated by the Commission for the FY11 under its MYT Order dated 01.08.2009. Also, trajectory of losses for FY 2008-09 and 2009-10 has not been provided.

3.1.4 In view of absence of trajectory, the Commission thus provisionally approves the transmission loss level for RVPNL at 4.4% for the FY 11 as estimated by the Commission in its MYT Order dated 01.08.2009.

3.2 Capitalization:

3.2.1 The capitalization proposed and approved by the Commission in MYT order dated 1.8.2009 and proposed in the current petition is as under in respect of transmission assets:

Table-5 : Capitalization proposed and approved in MYT order and projected in the petition:

(Rs. in crore)

	09-10	10-11	11-12	12-13	13-14	Total
Proposed in the MYT petition	1148	3032	3591	3001	2945	13269
Approved by the	735	1090	1382	1608	1840	6658

Commission in MYT order.							
Proposed in current petition	1322	1689	-	-	-	-	-

3.2.2 While approving capitalization of Rs.735 crores for the year 2009-10, the Commission had considered the past trend of capitalization from FY 04-05 to FY 07-08 which amounted to an average capitalization of Rs.406 crores. However, the trend of capitalization is increasing which is evident from the information furnished by RVPN vide letter dated 26.7.2010 according to which a total payment of Rs.1272.6 crores has been made by RVPN during 2009-10 towards capital expenditure. Although, this may not reflect exactly the likely addition to the assets because the payments may include those for work in progress also and some of the payments may not have been released, but it gives an estimate of likely capitalization.

3.2.3 Generally only those assets are capitalized in a year for which the work has started in the earlier years and completed in that year. The investment plan furnished by RVPN indicates such works which were started in earlier years and will be completed in the year 2010-11. For majority of these works, although the commissioning schedule has been indicated in the year 2010-11, but the provision of expenditure has also been made in the year 2011-12. In this regard RVPN explained that although the lines/substations would be commissioned in the year 2010-11, but to accommodate small left over works, a provision in the year 2011-12 has also been made. It is obvious that commissioning of the works for which a significant provision has been kept in the year 2011-12 would switch over to the year 2011-12 and accordingly their cost can be reduced from the capitalization for the year 2010-11. Considering all these aspects, the Commission approves a capitalization of Rs.1200 crores for the year 2010-11.

3.2.4 The necessary changes in O&M, depreciation and interest on long term loans, interest on working capital etc. due to revised capitalization are discussed as under:

3.3 O&M Expenses :

3.3.1 O&M expenses are to be derived on the basis of transmission lines(ckt-km), substation capacity(MVA) and feeder bays(nos.) existing at the end of FY 2009-10 and those proposed to be added in the FY 2010-11. RVPN has projected a revised balance of these assets at the end of the year 2009-10 which is accepted by the Commission for the purpose calculating O&M expenses. Regarding

addition of the assets in the year 2010-11, RVPN has projected as under against the targets allowed in MYT order:

Table-6: Physical targets as per MYT order and Petition:

Particulars	As per MYT Order	As per the present petition	Difference
Transmission line (ckt km.)	792	1850	1058
Sub-station capacity(MVA)	1671	3180	1509
No.of bays	63	166	103

3.3.2 Considering the capitalization of Rs.1200 crores the revised physical targets work out as under:

Table-7: Physical targets approved for FY-11:

Particulars	Allowed in MYT Order	Claimed in petition	Approved in this petition
Lines(ckt-km)	792	1850	1009
Sub-station capacity(MVA)	1671	3180	1925
No.of bays	63	166	137

3.3.3 Accordingly, the revised O&M charges are approved as under:

Table-8: O&M charges approved for FY-11:

(Rs.in crores)

Particulars	Approved in MYT order	Approved against this petition
O&M cost for transmission lines(ckt km),	63.5	65.83
O&M cost for substation(MVA)	131.82	144.12
O&M cost for feeder bays(no).	116.99	125.80
Total Operation & Main. Expenses	312.32	335.75

3.3.4 The Commission has observed that significant amount of shortfall is continuing in the pension and gratuity funds. RVPN should therefore explore the possibility of increasing the current contribution to these funds out of the normative O&M expenses allowed by the Commission. The inadequacy if any of normative O&M expenses may be brought before the Commission through a separate petition giving a detailed analysis of actual O&M expenses over the previous years and need for revising the normatives.

3.4 Additional contribution to Pension & Gratuity Fund:

3.4.1 As per Regulation 31 of RERC (Tariff) Regulations, the amount of unfunded liability of pension and gratuity in respect of employees of erstwhile RSEB shall be specified by the Commission to meet actual liability as on 20.7.2000 towards pension and gratuity of such employees. Such amount shall be treated an expense for the licensee to whom the liability has been assigned by the State Govt. Presently, such liability has been assigned to RVPN and accordingly they have been claiming additional contribution for pension and gratuity in their ARR each year against Rs.1769 crores of such liability determined by the State Government. So far, the Commission has allowed Rs.1011 crores beginning from the year 2004-05. The balance Rs.758 crores therefore remains to be allowed. Besides, RVPN have also furnished the final report of Actuary for valuation of pension and gratuity liability and has accordingly informed about actuarial liability of Rs.845.90 crores as on 31.3.2008 towards pension and gratuity since 19.7.2000 after unbundling and liability for leave encashment as Rs.60 crores. Regarding leave encashment the Commission has already taken a view in its MYT order that the existing liberal norms for O&M expenses should suffice to cover this expenditure. The liability of Rs.758 crores and Rs.845.90 crores is allowed by the Commission as under in the remaining years of the control period.

**Table-9: Approved additional contribution to pension & gratuity:
(Rs.in Crores)**

Particulars	FY 10-11	FY 11-12	FY 12-13	FY 13-14	Total
Liability of erstwhile RSEB employees as on 19.7.2000	160	180	200	218	758
Liability of RVPN after unbundling upto FY 2008	175	200	225	245	845
Total:	335	380	425	463	1603

3.5 Depreciation:

3.5.1 The RERC tariff regulations provide for a differential rate of depreciation i.e. 5.28% for initial 12 years from the date of commissioning which amounts to accumulated depreciation of 63.4% at the end of 12 years and balance depreciation to be spread over balance useful life of the asset, which amounts to depreciation of around 1.16% for the remaining useful life of the asset. In the MYT order dated 1.8.2009, the Commission had considered that the opening gross block of fixed assets amounting to Rs.1807 crores on the date of the unbundling i.e. 19.7.2000 was subject to a depreciation rate of 1.16% only since these were more than 12 years old. Further additions were subject to a depreciation rate of 5.28%. Accordingly depreciation allowed was Rs.228.20 crores for the year 2010-11. The Commission maintains the same methodology and since the asset capitalization has been increased from Rs.1090 crores to Rs.1200 crores, the corresponding increase of Rs. 6 crores in depreciation is allowed making the total depreciation to Rs.234 crores.

3.6 Interest and finance charges:

3.6.1 RVPN has projected the funding of the proposed investment of Rs.2485 crores in FY 11 by debt to the extent of Rs.2004 crores and equity to the extent of Rs.481 crores. In its earlier order dated 1.8.2009, the Commission had considered the funding of capital expenditure by consumer contribution also. The RVPN has projected a consumer contribution of Rs.117 crores in the year 2010-11. For capitalization of Rs.1200 crores the funding pattern is correspondingly reduced and the following funding plan is approved:

(1) Equity	:	Rs.232 crores
(2) Consumer Contribution	:	Rs.56 crores
(3) Long term loans	:	Rs.912 crores.

3.6.2 The revised interest charges on long term loans are accordingly approved as under:

Table10 : Approved interest and finance charges for FY-11:

Particulars	(Rs.in crores) Amount
Opening balance of loans as per MYT order	2929
Loan additions considered by Commission	912
Loan repayment (Equivalent to depreciation allowed)	234
Closing balance	3607
Average loan	3268
Effective Interest Rate (As per petition)	10.2%

Interest	333
Other finance charges (As per MYT Order)	2
Total Interest & Finance Charges	335

3.7. Interest on working Capital:

3.7.1 The interest on working capital is allowed as under:

**Table-11 : Approved interest on working capital for FY-11:
(Rs.in crores)**

Particulars	Amount
O&M Expenses as per norms	28
Maintenance spares as per norms	50
Receivables on target availability as per norms	159
Total working capital	238
Interest rate	12.50%
Total interest on working capital	30

3.8 Other Expenses:

3.8.1 RVPN has reduced other expenses on account of premium on restructuring/refinancing of long term loans during the year 2010-11 from Rs.66 crores to Rs.30 crores which are allowed.

3.9. Revenue from Open Access Consumers:

3.9.1 Revenue from open access consumers has been raised from Rs.28 crores to Rs.39 crores which is allowed:

3.10. Non Tariff Income:

3.10.1 The revenue from non tariff sources has been raised from Rs.40 crores to Rs.59 crores which is accepted.

3.11 Revenue Requirement for Transmission:

3.11.1 Based on the above, the aggregate revenue requirement for transmission and corresponding transmission tariff is approved as under:

**Table-12 : ARR approved for FY-11:
(Rs.in Crores)**

Particulars	As per MYT order	As per petition	Approved
O&M Expenses	312	360	336

Depreciation	228	254	234
Interest and finance charges	257	393	335
Interest on working capital	25	32	30
Interest on short term loans	0	24	0
Additional contribution to pension & gratuity	266	400	335
Other expenses	66	30	30
Aggregate revenue requirement	1154	1493	1300

3.12 Transmission Tariff for FY 2010-11:

Table-13: Approved transmission tariff for FY-11:

(Rs.in Crores)

Particulars	As per MYT Order	As per Petition	As approved
RVPN transmission expenses	1154	1493	1300
Less: Non Tariff Income	40	59	59
Less: Revenue from Open Access	28	39	39
Transmission charges to be recovered from Discoms.	1086	1395	1202
Capacity handled (MW)	8052	8052	8052
Transmission tariff(Rs./kw./month)	112.39	144.37	124.4

3.13 Transmission tariff for power exchange and short term open access transactions:

3.13.1 As per petition the units (MU) expected to be handled by RVPN during FY 10-11 are 40331.77 MU which are significantly lower than the actual 43450 MU handled by RVPN during FY 2009-10 as informed by Chief Engineer(LD), RVPN vide letter No.91 dated 3.5.2010. The Commission has considered an approximate increase of 3% over the actual units handled in FY 2009-10 and accordingly approves 44800 MU to be handled by RVPN during FY 10-11. Based on the transmission charge of Rs.1202 crores and 44800 MU handled the transmission tariff for collective power exchange transactions comes to 27 paise/Kwh which is allowed. Transmission tariff for short term open access transactions will be Rs.4.09/kW/day.

4. ARR of SLDC Business and recovery of partnership expenses:

4.1 The Commission observes that for SLDC the RVPNL has projected an ARR of Rs.34.9 crores against Rs.29.14 crores approved by the Commission in the MYT order. The increase is mainly because of

increase in O&M charges to the extent of Rs.3 crores and SLDC operation expenses to the extent of Rs.4 crores. The overall increase has reduced due to lower projections in respect of depreciation and interest.

- 4.2 For partnership projects, the ARR projected by RVPN is Rs.95 crores as against Rs.96.68 crores allowed under MYT order. The difference is due to increase in O&M cost and Revenue from sale to other States by Rs.3 crores and Rs.5 crores respectively.
- 4.3 The ARR projected for SLDC and partnership expenses for the year 2010-11 are only minor revision of estimates. The Commission, therefore, feels to make no changes in the ARR already allowed under MYT order dated 1.8.2009. The variations shall be dealt with on receipt of actual expenditure based on audited accounts. Accordingly, SLDC charges for distribution licensees and open access consumers shall be Rs.3.01/kW/month and partnership expenses to be recovered from Discoms would be Rs.96.68 crores for FY-11.
5. The transmission & SLDC charges as determined under this order for distribution companies will be shared among them in proportion to their contracted capacity for the year 2010-11. In case of any variation in the contracted capacity the charges shall be levied on the contracted capacity put to use for concerned distribution licensee at the approved transmission tariff and SLDC charges in terms of Rs./kW/month.
6. The Commission vide order dated 31.3.2010 had determined the applicable transmission tariff and SLDC charges for FY-11 on provisional basis subject to adjustment when the transmission tariff and SLDC charges are determined. The net revenue shortfall sustained by RVPNL shall be adjusted in next four months from the date of issue of this order.
7. The other issues already decided in MYT order dated 1.8.2009 shall continue to remain in force.
8. Copy of this order may be sent to petitioner, respondent, objectors, CEA and Government of Rajasthan.

(S.Dhawan)
Member

(S.K.Mittal)
Member

(D.C.Samant)
Chairman

Annexure-1**INDEX**

Para No.	Particulars	Page No.
1.	Order	1
2.	Summary of objections/comments/suggestions,RVPN's response and Commission's observations	4
(A)	Transmission	4
2.1	Capacity handled	4
2.2	Transmission investment and financing plan	4
2.3	O&M expenses	7
2.4	Depreciation	8
2.5	Additional contribution for pension and gratuity	9
2.6	Interest and financing charges	10
2.7	Charges for short term open access consumers	13
2.8	State load dispatch centre	14
2.9	Partnership projects	15
3	Determination of transmission tariff,SLDC charges and partnership expenses for the year 2010-11.	16
3.1	Transmission tariff	17
3.1.1	Capacity handled	17
3.1.2	Transmission losses	17
3.2	Capitalization	17
3.3	O&M expenses	18
3.4	Addition contribution to pension and gratuity fund	20
3.5	Depreciation	21
3.6	Interest and finance charges	21
3.7	Interest on working capital	22
3.12	Transmission tariff for 2010-11	23
3.13	Transmission tariff for power exchange and short term open access transactions.	23
4	ARR of SLDC business and recovery of partnership expenses	23

LIST OF ABBREVIATIONS

ARR	Aggregate Revenue Requirement
AS-15	Accounting Standard-15
CAG	Comptroller and Auditor General
CIP	Capital Investment Plan
Crt-km	Circuit Kilometer
CPF	Contributory Provident Fund
FPF	Family Pension Fund
JVVNL	Jaipur Vidyut Vitran Nigam Limited
JS	Jawahar Sagar
LTL	Long Term Loans
MVA	Mega Volt Ampere
MYT	Multi Year Tariff
MU	Million Units
MW	Megawatt
O&M	Operation and Maintenance
PLR	Prime Landing Rate
RVPNL	Rajasthan Rajya Vidyut Prasaran Nigam Ltd.
RERC	Rajasthan Electricity Regulatory Commission
RPS	Rana Pratap Sagar
REC	Rural Electrification Corporation
RVUN	Rajasthan Vidyut Utpadan Nigam
SLDC	State Load Despatch Centre
SBI	State Bank of India
SCADA	Supervisory Control & Data Acquisition