PUNJAB STATE ELECTRICITY REGULATORY COMMISSION

SITE NO. 3, BLOCK B, SECTOR 18-A MADHYA MARG, CHANDIGARH

Review Petition No. 04 of 2023
In Petition No. 74 of 2022
Date of Order: 06.06.2024

Review Petition under Section 94 of the Electricity Act, 2003 against Tariff Order dated 15.05.2023 for financial year 2023-24 in Petition No. 74 of 2022.

In the matter of: Punjab State Power Corporation Limited, The Mall, Patiala, Punjab.

... Review Petitioner

Commission: Sh. Viswajeet Khanna, Chairperson
Sh. Paramjeet Singh, Member

PSPCL: Ms. Harmohan Kaur, CE&ARR/TR
Sh. Amrinder Singh Virk, Sr.Xen

ORDER

Punjab State Power Corporation Limited (PSPCL) has filed the present Review Petition seeking review of the Tariff Order dated 15.05.2023 passed by the Commission in Petition No. 74 of 2022. The Review petition was admitted vide Order dated 14.09.2023. PSPCL was directed to issue Public notice as required under Section 67 of the Punjab State Electricity Regulatory Commission (Conduct of Business) Regulations, 2005 inviting objections/suggestions from the Public/Stake holders. The Public notice was published on 26.09.2023 in The Tribune (English), Hindustan Times (English), Jag Bani (Punjabi), Rozana Spokesman (Punjabi), Dainik Savera (Hindi) and Punjab Kesri (Hindi). The petition was taken up for hearing as well as public hearing on 25.10.2023. However, nobody appeared from the public in the public hearing. PSPCL filed additional submissions/replies to the queries raised by the

Commission in its interim Order dated 14.09.2023, 27.10.2023 and 02.02.2024 vide memo No. 4384 dated 03.10.2023, memo No. 4007 dated 03.01.2024 and memo No. 4093 dated 22.03.2024 respectively The Commission reserved the Order after hearing matter vide interim Order dated 16.04.2024.

Observations and Decision of the Commission

The Commission has examined the Review Petition**,** the submissions made by PSPCL during hearing and after hearing the Learned Counsel for PSPCL decides as under:

A. TRUE UP FOR FY 2021-22

I. AP Consumption (MU)

PSPCL's submission:

i. In truing up process, the Commission has disallowed 35 Mus on account of AP urban feeder consumption due to meters that are defective/lost/burnt etc.

ii. While assessing the consumption of meters, the Commission enquired for detailed data of AP urban feeder meter readings, which was submitted by PSPCL. As per the data submitted by PSPCL, there were around 8,401 agricultural consumers with 1,00,494 monthly readings. Out of the submitted readings, 64,469 meter readings with 77.07 MUs consumption corresponded to meters for which meter was functional and the remaining readings were taken from meters which were defective/lost/not at site/burnt etc.

iii. The Commission has considered monthly average consumption per consumer of the functional meter readings for computing consumption on the balance 36,025 (1,00,494 -

64,469) readings which is an error apparent on the face of record. The said methodology adopted by the Commission is not in accordance with any regulation framed under PSERC MYT Tariff Regulations, 2019 (hereinafter being referred to as "Tariff Regulations, 2019").

iv. The average methodology for estimating electricity consumption of all AP urban connections may not be considered as it may show erroneous results since the water table in every district is different and the load of each AP motor is also different.

v. There are around 1,286 Nos. of AP urban feeder connections where various kisan unions and consumers do not allow PSPCL to install meters. In accordance with prevailing guidelines since electricity is being consumed by these connections, average consumption is being booked for these connections along with the meters that are defective or reading is not available due to any reason.

vi. Further, the Commission has worked out losses @10.49% (85% of target losses i.e., 12.34%) for the whole year, resulting in additional 10 MUs getting disallowed. Since the Tariff Order for FY 2021-22 had been effective from June 2021 onwards, therefore PSPCL had considered loss for April and May 2021 as per target for FY 2020-21 i.e., @ 9.55% (85% of 11.24%).

Commission's Analysis:

i. The Commission notes that PSPCL has submitted metered AP consumption of 150.17 MkWh whereas the Commission has approved 120.14 MkWh, thus the Commission disallowed 30.03 MkWh and not 35 MkWh as pointed out by PSPCL. The

AP consumption approved by the Commission for FY 2021-22 is explained in detail in para 2.2.2 of the Tariff Order of FY 2023-24.

ii. The Commission further notes that PSPCL has been repeatedly directed to implement the directions and the same were reiterated vide Directive No. 5.4(iii) (100% metering on AP consumers fed from urban feeders) and 5.2(i) (100% metering) and furnish correct monthly readings. Regulation 12.2 of the PSERC MYT Regulations, 2019 provides as under:

"Truing up of uncontrollable items shall be carried out at the end of each year of the Control Period based on prudence check."

As such, in the absence of true monthly readings of 36,025 meters being defective/lost/burnt, to be fair, the Commission allowed consumption per consumer on defective meters at par with the consumption of correct meters so calculated for healthy meters. The Directive is pending since FY 2013-14, however, the same is yet to be implemented by PSPCL.

iii. The Commission, while reiterating its directions in Directive 5.5(c) of the Tariff Order for FY 2018-19, has stated that after due validation, consumption of only metered AP consumers fed from urban feeders shall be considered while computing AP consumption. The said directions were also reiterated in the Tariff Orders for FY 2020-21 to FY 2023-24. PSPCL should have taken proper cognizance and provided monthly readings of all the urban AP meter connections to assess correct AP consumption. The water table in Punjab in almost all districts has depleted substantially and, as such in the absence of functional meters, average AP consumption has been reasonably and logically allowed where meters are defective/lost/burnt and is based on 64469 correct meters readings across the State which gives a more reliable reading data. PSPCL needs to ensure 100% AP metering and excuses for not doing so as preferred by PSPCL are not acceptable.

iv. While finalizing the loss target trajectory of the 2nd MYT Control period in the Tariff Order for FY 2020-21 the Commission had given relaxation in losses to PSPCL with revision in distribution loss from 11.24% to 12.94%. Also, the loss target of 12.34% and 12.04% were fixed for FY 2021-22 and FY 2022-23 respectively. Further the Commission always allows losses in the Tariff Order for the complete year and never in parts of the year while only tariff rates / charges are implemented prospectively as per the issuance date of the Tariff Order. Accordingly, losses being considered by PSPCL for April & May separately as compared to the rest of FY 2020-21 is not correct. Losses have to be computed as per the trajectory approved by the Commission for the complete year.

v. Also, PSPCL, based on its convenience, is considering losses of 11.24% (even lower than losses of 12.34% considered by the Commission) where it is benefitting and seeking relaxation in the norm where these are implemented on AP consumption which is not in order.

vi. The Commission observes that the issue raised above regarding disallowance of AP Consumption for FY 2021-22 was duly considered in the Tariff order for FY 2023-24. PSPCL has neither produced any new evidence (which

was not within the knowledge of the PSPCL at the time when the decision/order was passed by the Commission) nor is there any mistake or error apparent on the face of the record. It is in comprehensible as to the basis of data on which PSPCL is basing its claim in this review petition on this issue. As such, the prayer with regard to review of the earlier Order on the issue of AP consumption is disallowed. The original order is reaffirmed.

II. Energy Requirement

PSPCL's submission:

i. In the truing up process, the Commission has considered the total energy requirement of PSPCL as 62,291 Mus, as against the actual requirement of 62,525 Mus. The power purchase requirement and costs are uncontrollable and have been actually incurred by PSPCL and ought not to be reduced. The energy requirement is to meet the demand of the consumers in the State of Punjab and ought not to be reduced. Therefore, consideration of reduced total energy requirement is an error apparent on the face of the record.

ii. The Commission has computed the energy requirement based on target distribution loss calculation. The variance is attributable to two factors:

a) Disallowance of 45 MUs for AP consumption as shown in Para 3 above, and

b) 179 MUs on account of target distribution losses.

iii. The Commission has determined the energy requirement of PSPCL at target distribution loss level of 12.34% against the actual loss submitted by PSPCL as 12.59%. Significant and coordinated efforts have been made in previous years to enhance billing and collection efficiency, as well as to ensure the quality of power supply. Intensive campaigns have been initiated to replace electromechanical or faulty meters in order to enhance metering accuracy. Rigorous vigilance drives have also been conducted to curb power thefts and unauthorized use of energy. PSPCL is committed to achieving the loss targets fixed by the Commission and diligently works towards their attainment. It is pertinent to mention that for FY 2023-24 in the 3rd Control Period, distribution loss target has been fixed by the Commission at 12.30% whereas the target distribution loss for FY 2021-22 was set at 12.34%. In view thereof, the target distribution loss for FY 2021-22 needs to be reviewed in line with the approved distribution loss trajectory for 3rd Control Period. PSPCL requested the Commission to review the distribution loss target for FY 2021-22 as per actuals.

Commission's Analysis:

i. The Commission in its Tariff Order for FY 2023-24, while doing the truing up of FY 2021-22, in paras 2.2 to Para 2.4 had worked out in detail the Sales, Transmission and Distribution (T&D) Loss and Energy Requirement for FY 2021-22.

ii. Further, the Commission in para 2.4 and para 2.7 of the Tariff Order for FY 2023-24 has already examined and elaborated upon in detail, the methodology and working of energy requirement of 62291 MkWh approved by the Commission after due prudence check.

iii. The Commission in the Tariff Order for FY 2023-24 has disallowed 40 MkWh on account of AP Consumption

(30MkWh-AP Urban feeder consumption + 10MkWh losses @ 10.49%) as against 45 MkWh claimed by PSPCL. The disallowance of AP consumption of 40 MkWh has already been elaborated upon in para 2.2.2 of the Tariff Order.

iv. Regarding disallowance on account of distribution losses the Commission observes that lowering the target distribution loss levels would reward PSPCL for its inefficiency of not being able to bring its losses down to the target levels and it would be unjust to pass on the impact of increased losses to the consumers who have already been burdened with the Capex allowed to PSPCL for the purpose of Network strengthening and Loss Reduction. It would amount to double jeopardy for the consumer. Further, it may be noted that the Commission has given a relaxation in the CIP Order dated 11.01.2023 of the 3rd MYT Control period in view of Regulation 8.1 (b) of the PSERC MYT Regulations, 2022. In the said Order the Commission has opined that the actual losses for FY 2022-23 should form the basis for setting of target loss figures for the 3rd Control Period. However, since the actual losses for FY 2022-23 will be available only upon completion of the True-up of FY 2022-23 (to be carried out in FY 2024-25), therefore, the Commission in the CIP Order had agreed to the loss trajectory of 12.30% for FY 2023-24 i.e. for the first year of the 3rd Control period as proposed by PSPCL. Hence, the comparison made in this regard is not correct.

v. The details of loss trajectory for the 3rd MYT Control Period is as under: -

Distribution Loss Trajectory	FY 2023-24	FY 2024-25	FY 2025-26
Distribution Loss Trajectory proposed by PSPCL	12.30%	12.20%	12.10%
Distribution Loss Trajectory Approved by the Commission	12.30%	12.10%	11.90%

vi. **The Commission observes that all the issues raised above by PSPCL relating to the Energy Requirement for FY 2021-22 were duly considered in the Tariff order for FY 2023-24. PSPCL has neither produced any new evidence (which was not within the knowledge of the PSPCL at the time when the decision/order was passed by the Commission) nor is there any mistake or error apparent on the face of the record. As such the prayer with regard to review of the earlier Order on the issue of Energy Requirement is disallowed. The original order is reaffirmed.**

III. Power Purchase

PSPCL's submission:

i. As per the revised energy requirement, the Commission has disallowed 232.52 MUs of power purchase on account of under-achievement of distribution losses and disallowed corresponding cost of Rs. 89.07 Crore at the short term power purchase rate. On one hand the Commission is continuing the disallowances in power purchase requirement and on the other hand not giving any relaxation in distribution loss trajectory based on actual losses of PSPCL. The same constitutes a mistake or error apparent on the face of the record and the tariff to this extent ought to be reviewed.

ii. The Commission has disallowed additional UI Charges of Rs. 20.82 Crore under CERC DSM Regulations, 2014. PSPCL never intends to deviate from energy schedules by overdrawing/under drawing. Over drawl & under drawl i.e., deviation from scheduled power and drawn power is an essential part of the power system. Demand and availability in power system i.e., power demand schedule & demand met on actual basis, can never be kept at par. Furthermore, the State of Punjab is a heavy power consuming state where load variations are frequent and caused by a number of reasons such as day and night, crops season, winter and summer - domestic/ industrial load variations etc. Most of these variations are dependent on weather. Similarly, on the availability side, a number of generators of different kinds such as thermal/gas/hydro/nuclear/solar etc. are all part of the power system.

iii. Due to sudden load crash/variations, it takes at least an hour to substitute increase/decrease the load throughout the State. Similarly, if any unit trips on the availability side, it takes at least one (1) hour for controlling the system by way of load shedding or substituting with another source available at that time as a spinning reserve at such short notice.

iv. Furthermore, in such a diversified system due to continuous variation in demand (load)/generation (availability) these deviations are bound to happen and cannot be avoided. Moreover, as UI deviation charges are determined on 15-minute block basis (then aggregated), variation in demand/availability during such small duration phases cannot be compensated/nullified. It is because of this reason, provision for deviation has been incorporated in the Tariff

Regulations. The application of this particular provision attracts charges so that no entity shall use it for financial benefit.

v. In the circumstances mentioned above, the Central Commission by way of Ancillary Services Regulations, 2015, has been continuously making efforts since FY 2014-15, by providing power to NLDCs for deploying (and booking costly power to erring entities) of SRAS, RRAS, secondary reserves, tertiary reserve for controlling frequency i.e. DSM (which is result of Over drawal/ Under drawal i.e. Deviation by various entities of Power system like PSPCL) which were finally implemented by the Central Commission on 05/12/2022 vide letter no. NLDC/MO/2022 dated 03/12/2022.

vi. NLDC & SLDCs were empowered to estimate, procure in advance and deploy various types of ancillary services to ensure that the frequency remains under control. Unfortunately, the desired behaviour change in terms of participation through ancillary services has not happened and within 21 days i.e., on 26/12/2022, the Central Commission took suo moto notice that RLDCs were not in a position to control the same in a better manner, and because of this the frequency profile deteriorated. In view thereof, the Central Commission revised the DSM structure in a manner so as to assist RLDCs. Subsequently, still it was not manageable by RLDCs. Therefore, the Central Commission again took note of the situation and modified Ancillary Service Regulations, 2022 on 31/01/2023 to help RLDCs in controlling the deviation of frequency. Even then all these changes were not of any help to RLDCs and it was observed that the overall frequency profile was still a matter of concern. Finally, on 06/02/2023, the Central Commission directed that the DSM provisions should be applied as per the original order with minor changes.

vii. The energy/cost figure under DSM is negligible in comparison to the total power exchanged by PSPCL as a whole. In view of the above, deviation being an inseparable part of the power system cannot be nullified. It is pertinent to note that PSPCL has posted staff in the 24x7 control room of the SLDC, where, in coordination with SLDC officers, continuous monitoring is done to minimize deviation while taking all corrective measures for controlling generation and demand on a real time basis.

viii. The issue of allowance of additional UI charges is no longer res integra and has been decided in the affirmative by the Hon'ble Appellate Tribunal for Electricity vide decision dated 29/04/2022 in Appeal No. 264 of 2014, Appeal No. 173 of 2015, and Appeal No. 277 of 2015. Relevant extract of the decision dated 29/04/2022 in this regard is as under:

"107. We agree that the Appellant should follow the advice of State Commission in implementing the demand side management so that short term and UI power at high cost is limited, in consumer interest. However, the cost and quantity justified should be allowed by the State Commission.

…………………

109. In view of above the appeal has merit to the extent that the State Commission ought to allow the cost for short term power purchase, to the limit as decided/ notified in advance *whereas the UI drawl below the frequency of 49.5 Hz shall be allowed to the extent that it is classified as the urgent need for maintaining the State Grid and requirement of the consumers."*

ix. Rs. 32.27 Crore relating to the Late Payment Surcharge ("LPS") paid to generators has also been disallowed. This disallowance is unfair to PSPCL as the rebate amount availed by paying early to generators is included as part of the Non-Tariff Income and thereby the benefit is passed on to the consumers, whereas the burden of LPS is being borne by PSPCL only. PSPCL requested that the LPS amount be allowed to PSPCL.

x. Further, it appears that the Commission has not considered Rs. 30.12 Crore as power purchase expense, consisting of payment made to NPL & SLDC charges paid by BBMB. The amount has been included in the power purchase cost submitted at the time of filing of the petition and also clarified in the reply dated 30.12.2022 to the deficiency raised by the Commission.

xi. The Commission has not considered the full cost of one of the sources of power purchase namely, 'SECI 500 MW Hybrid Power PSA (Solar & Wind)', for FY 2021-22. The total cost shown in Format D3 was Rs. 29.67 Crore whereas the Commission has considered Rs. 29.55 Crore. Therefore, it is requested to allow additional Rs. 0.12 Crore as power purchase cost to PSPCL.

xii. In the circumstances mentioned above, it is submitted that the actual power purchase cost of PSPCL be fully allowed by the

Commission and the order be reviewed to that extent. PSPCL is already in a severe financial crunch and when the actual cost of power purchase is not recovered, it only results in further deterioration of its financial health.

Commission's Analysis:

The point wise analysis on the PSPCL's submission is as under:

Para i) Excess Power Purchase

i. The disallowance of 232.52 MUs of amount Rs. 89.07 Crore is on account of non-achievement of distribution loss trajectory by PSPCL. The detailed rationale has already been explained in Para 2.3, 2.4, 2.7 and 2.10 of the Tariff Order for FY 2023-24.

ii. With regard to PSPCL's submission regarding not giving any relaxation in the distribution loss trajectory based on actual losses of PSPCL, the Commission has already deliberated upon the matter in issue No. **II** (as above). Further, the Commission has already relaxed the distribution loss of FY 2021-22 from 12.00% to 12.34%.

Para ii) to viii) Disallowance of additional UI Charges

i. With regard to the disallowance of additional UI charges, the Commission observes that, the issues of additional UI and interest on delayed payment of the same has already been dealt with in detail in point (i) of Para 2.10 'Commission's Analysis' of the Tariff Order for FY 2023-24 specifying the rationale for not allowing the said charges.

ii. Further, Hon'ble APTEL in the judgment dated 29.04.2022 in Appeal No. 264 of 2014, Appeal No. 173 of 2015 and Appeal No. 277 of 2015 has observed as under:

"106. The drawl of UI power at frequency below 49.5 should be ***discouraged*** *and only allowed under UI mechanism in case of emergencies* ***and is required to be penalized with additional charges for forcing Grid discipline due to unforeseen events occurring, it is desirable that such drawl should be discouraged to the extent possible****.* ***Similarly delay in payment to the pool is regarded as default which is penalized with interest and should not be allowed****.*

108. At the same time, the surcharge due to drawl at low frequencies and the interest on delayed payments should be disallowed to bring in efficiency, reasonableness, economies and in the interest of consumers*.*

109. In view of above the appeal has merit to the extent that the State Commission ought to allow the cost for short term power purchase, to the limit as decided/ notified in advance whereas the UI drawl below the frequency of 49.5 Hz shall be allowed to the extent that it is classified as the urgent need for maintaining the State Grid and requirement of the consumers."

iii. That the Hon'ble APTEL in its judgment dated 29.04.2022 has observed that UI drawl below the frequency of 49.5 Hz shall be allowed to the extent that it is classified as the urgent need for maintaining the State Grid and to meet the emergent requirement of the consumers. The Hon'ble APTEL has nowhere in its order explicitly pointed out that additional UI charges are to be allowed to the licensee. The Commission in its Tariff Orders have been allowing the UI charges incurred by PSPCL on account of UI drawls (overdrawal/underdrawal) irrespective of the frequency as also pointed by the Hon'ble APTEL in its judgment.

iv. Further, the Commission has only disallowed additional UI charges which are penal charges incurred by PSPCL over and above the UI charges for violating the grid discipline in line with Hon'ble APTEL's judgment dated 30.09.2019 in Appeal No. 246 of 2014.

v. PSPCL has not provided any data to prove that UI drawl below 49.5Hz was an urgent/emergent need. The submissions made by PSPCL do not provide justification for UI drawl below the frequency of 49.5 Hz that can be classified as an urgent need for maintaining the State Grid and meeting the emergency requirements of the consumers. Thus, based on the details available, the Commission opines that it has rightly disallowed the additional UI charges in the original petition No. 74 of 2022.

Para ix) Late Payment Surcharge

i. The Commission observes that it has been allowing working capital to PSPCL in the Tariff Orders. The revenue gap along with carrying cost, if any, is also being allowed in the Tariff Order in a timely manner without creating any regulatory asset. The details are already discussed in point (ii) of Para 2.10 'Commission's Analysis of the Tariff Order for FY 2023-24. Further 50% rebate (Rs. 96 Crore) on timely payment for power purchases has been passed on to PSPCL as per PSERC MYT Regulations. PSPCL's submission in this regard is thus not correct and is not accepted.

Para x) BBMB SLDC Charges and Liquidation Damages paid to NPL

i. The Power Purchase cost submitted by PSPCL in the prescribed format D3 of FY 2021-22 depicting detailed project wise costs was Rs. 25,102.52 Crore whereas in the text summary it has been projected as Rs. 25,132.64 Crore. A clarification was sought from PSPCL regarding the difference, to which PSPCL submitted that it has included Rs. 30.12 Crore on account of payment to BBMB SLDC charges (Rs. 1.20) and liquidated damages paid to NPL (Rs. 28.92 Crore) as shown in the following table:

"PSPCL submits that the difference in power purchase cost figures is explained as follows:

S. No.	***Particular***	***Amount (Rs. Cr.)***
1	*Cost of Power Purchase*	*21,913.60*
2	*Inter-state transmission (PGCIL)*	*1,750.22*
3	*Intra-state transmission (PSTCL)*	*1,468.82*
4	***Sub Total (1+2+3)***	***25,132.64***
5	*Prior period charges*	*345.05*
6	***Power purchase cost without prior period charges (4 – 5)***	***24,787.59***
7	*Amount paid to NPL & SLDC charges**	*30.12*
8	***Power purchase cost as per format D3 (4 – 7)***	***25,102.52***

ii. The Commission notes that PSPCL has never claimed BBMB SLDC charges as part of power purchase cost in its earlier petitions and neither has the Commission considered the same under Power Purchase Cost in its earlier Tariff Orders. Further, PSPCL has also not provided any details of the matter for which liquidated damages are being paid to NPL. Further, the Power Purchase Validation Committee of the Commission has after detailed examination of PSPCL's power purchase has also validated Rs. 25,102.52 Crore on the basis of its findings which was approved by the Commission.

iii. Although in its reply PSPCL has shown that it has paid Rs. 30.12 Crore on account of "Amount paid to NPL & SLDC charges", PSPCL has neither changed the format D3 nor requested the Commission to consider Rs. 25,132.64 Crore as power purchase cost. The Commission takes serious note of the fact that on many occasions PSPCL submits different sets of data on the same subject and does not bother to internally reconcile and resubmit actual data inspite of the Commission's queries and directions. This is either deliberate or shows lack of care, concern and efficiency. PSPCL invariably fails to rectify and resubmit the subsequent changes in its Petition/submissions arising out of such changes and expects the Commission to pick the correct data and rework the entire gamut of calculations. PSPCL needs to be cautious in its submissions and rely only on documents having legal sanctity. It is advised that in future PSPCL must ensure that it diligently checks its data and calculations and then furnishes the factually correct and verified data on affidavits.

iv. Having brought on record its observations, the Commission vide interim Order dated 14.09.2023 directed PSPCL to submit the details of power purchase cost of Rs. 30.12 Crore (Rs. 1.20 Crore payment to BBMB SLDC charges and Rs. 28.92 Crore liquidated damages paid to NPL) being sought in Para No. 5.10 of the Review Petition and to provide the PPA details under which the payment has been made to NPL. PSPCL vide reply dated 3.10.2023 submitted the details regarding Rs. 28.92 Crore paid to NPL in compliance of a District Court Order dated 15.02.2020.

v. With regard to BBMB SLDC charges, PSPCL submitted that it accounts for all expenses and incomes of BBMB based on the

Annual Summary of accounts provided by BBMB as per the share quota of PSPCL. The payment of Rs. 1.20 Crore has been made to NRLDC as per the CERC (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulation 2019 dated 05.04.2019, as informed by BBMB. This has been booked as SLDC charges in PSPCL accounts in FY 2021-22. The same practice was also followed in FY 2020-21.

vi. **In view of the above, the Commission allows Rs. 30.12 Crore to PSPCL on account of payment to BBMB SLDC charges (Rs. 1.20) and liquidated damages paid to NPL (Rs. 28.92 Crore). However, since the liquidated damages paid to NPL amounting to Rs. 28.92 Crore relates to the previous period of 2014 and has been paid in compliance of the District Court Order dated 15.02.2020, the same shall be treated as Prior Period Charges. Further, it is directed that BBMB SLDC charges should be shown under a separate head in the Power Purchase Cost as well as in Format D3 from the next petition onwards. It is also directed that in future, if PSPCL wishes to claim any amount, the exact calculation alongwith its detailed justification should be provided as a part of the petition. The Commission should not be burdened with interpretation of random sets of figures.**

Para xi) Cost of SECI 500 MW Hybrid Power PSA (Solar & Wind)'

i. The Commission in the Tariff Order of FY 2023-24 under Table 21 has clearly mentioned as under:

"….Also, in Format D3, Sr. No. 76, PSPCL has shown the total cost of SECI 500 MW Hybrid Power PSA (Solar) as Rs. 23.92 while the cost is 23.80 Crore, hence there is variation of Rupees 0.12 Crore in the power purchase cost from that shown in table 22.

ii. The same has been further clarified under Table 23 as well

" In Format D3 Sr. No. 76, PSPCL has shown the total cost of SECI 500 MW Hybrid Power PSA (Solar) as Rs. 23.92 for which the cost is actually 23.80 Crore. Accordingly, 0.12 Crore has been reduced from the power purchase cost.*

iii. As the figure under the heading "Total" has been shown as Rs. 23.80 Crore and prior period adjustment is shown as NIL, as such the total was considered to be Rs 23.80 Crore in the Tariff Order. Power purchase Validation Committee has also recommended the reduction of Rs. 0.12 Crore.

iv. As per Regulation 12.2, truing up of uncontrollable items is to be carried out at the end of each year of the control period based on prudence check. Power purchase being an uncontrollable item, it has been trued up after a thorough prudence check.

v. **The Commission observes that no new or important matter or evidence has been produced (which was not within the knowledge of the PSPCL at the time when the decision/order was passed by the Commission) nor is there any mistake or error apparent on the face of the record. As such, the prayer with regard to review of the earlier Order on the issue of power purchase cost as requested by PSPCL in para i) to ix) and Para xi) is not**

admissible. However, the claim of Rs. 30.12 Crore on account of payment of BBMB SLDC charges (Rs. 1.20 Crore) and liquidated damages paid to NPL (Rs. 28.92 Crore) is allowed provided that liquidated damages paid to NPL amounting to Rs. 28.92 Crore shall be treated as Prior Period Charges. The Commission allows carrying cost on Rs. 30.12 Crore as calculated below:

Table. 1: Carrying cost on payment to BBMB SLDC charges and Liquidation damages paid to NPL (Rs. Crore)

Sr.no	Particulars	FY 2021-22
I	**Prior Period charges**	
i	BBMB SLDC charges	1.20
ii	Liquidation damages paid to NPL	28.92
	TOTAL	**30.12**
II	**Carrying cost**	
i	for 6 months FY 2021-22 @ 8.01%	1.21
ii	for 1 year FY 2022-23 @7.6522	2.30
iii	for 1 year FY 2023-24 @7.6522	2.31
iv	for 6 months FY 2024-25 @7.6522	1.15
	TOTAL Carrying cost	**6.97**
III	**TOTAL Impact (I+II)**	**37.09**

Therefore, the Commission allows Rs 37.09 Crore inclusive of carrying cost. The impact of the same shall be considered in the Tariff Order for FY 2024-25.

IV. INTEREST ON LONG TERM LOANS AND FINANCE CHARGES

PSPCL's submissions:

i. PSPCL submitted that the Commission has not fully allowed the interest and finance charges as claimed by PSPCL and has reduced the same and that the same constitutes an error or mistake on the face of record.

ii. PSPCL further submitted that it has claimed interest of Rs. 725.00 Crore (excluding interest on working capital and consumer security deposit) for long term loans for FY 2021-22. However, the Commission has allowed the interest of Rs. 473.00 Crore. The Commission has approved the capital expenditure by not considering capital expenditure on specific borrowings such as Shahpur Kandi Loan Scheme, compensation for SYL land acquisition and Pachhwara captive mine. Hence interest cost of the same is not included in interest and finance charges as approved by the Commission.

iii. Further, PSPCL submitted that it has claimed an amount of Rs. 192.48 Crore as capitalisation of interest cost, out of which an amount of Rs. 134.06 Crore pertains to Shahpur Kandi Loan. The Commission has considered the figure of Rs. 192.48 Crore as capitalisation of interest cost and reduced it from the total interest cost to arrive at net interest and finance charges. Since the Commission does not consider capital expenditure with respect to Shahpur Kandi project in its loan requirement, therefore, it warrants that the same treatment be followed with respect to capitalised amounts also. Hence, an amount of Rs. 58.42 Crore (192.48 – 134.06) may be considered as capitalisation of interest cost by the Commission.

iv. Further PSPCL submitted that the Commission has deducted an amount of Rs. 1,618.17 Crore on account of '*Consumer Contribution and Grants'* while determining the interest and finance charges for FY 2021-22. It is submitted that out of the above-mentioned amount Rs. 1,300.78 Crore pertain to various schemes which have been allowed grants and Rs. 317.39 Crore pertain to Consumer Contribution. The detail of scheme wise grants is shown below:

Table. 2: Details of Scheme wise grant submitted by PSPCL (Rs. Crore)

Sr. No.	Scheme	Amount
1.	IPDS (including IT & Smart Metering)	245.29
2.	DDUGJY	204.55
3.	R-APDRP Part-A • *IT* • *SCADA*	358.83 *324.46* *34.37*
4.	R-APDRP Part-B	492.11
5.	**Total**	**1,300.78**

v. PSPCL submitted that the Commission has not been allowing the loans against R-APDRP Part-A scheme for previous years and there were no loans against IPDS and DDUGJY schemes. The deduction of grant amount against these schemes while determining the interest charges for FY 2021-22 is not in order. Therefore, the amount of Rs. 808.67 Crore (245.29 + 204.55 + 358.83) may not be considered in the grant amount while reducing it from the loans to be allowed for FY 2021-22.

vi. PSPCL submitted that the Commission has not allowed any amount against Rs. 22.00 Crore claimed as "*Other Interest*" on actual paid basis. This amount mainly includes the LPS paid to BBMB and discount/rebate allowed to consumers and interest to suppliers/consumers. PSPCL requested that the Commission may review the facts and allow the *Other Interest* of Rs. 22.00 Crore on actual payment basis. PSPCL submitted that the interest cost of Rs. 725.00 Crore represents the actual interest paid by PSPCL, hence the same may be allowed in full by the Commission.

vii. PSPCL submitted scheme-wise details vide memo no 4384 dated 03.10.2023 as follows:

1. IPDS Scheme (including IT and Smart Metering): Under this Scheme as per clause 1.2 of the IPDS guidelines, financial support was as detailed below:

Table 3: Financial support for IPDS as submitted by PSPCL

Agency	Nature of Support	Percentage of support
Govt. of India	Grant	60
Discom Contribution	Own fund	10
Lender (FIs/Banks/Discom's own fund)	Loan/Own fund	30
Additional Grant from GOI on achievement of prescribed milestones	Grant	50% of total loan/own fund (30%) i.e. 15%
Maximum Grant by GOI (including additional grant on achievement of prescribed milestones)	Grant	75%

PSPCL submitted that under the IPDS Scheme, grant amount of Rs. 245.29 Crore (including grant of PMA) was booked under the 'Grant' head in the accounts during FY 2021-22. Further, no capital expenditure loan was raised against the grant amount of Rs. 245.29 Crore.

2. DDUGJY: PSPCL submitted that under this Scheme, the funding mechanism was same as under IPDS Scheme mentioned in the table above. Further, the grant amount of Rs. 204.55 Crore was booked under the 'Grant' head in the accounts during FY 2021-22 and no capital expenditure loan was raised against the grant amount of Rs. 204.55 Crore.

3. R-APDRP Part-A: PSPCL submitted data regarding year wise loan amounts and subsequent conversion into grant under this scheme as shown below:

Table 4: Details of year wise loan amount and conversion into grant as submitted by PSPCL (Rs. Crore)

Year	Loan taken by PSPCL under R-APDRP Part-A		
	IT	SCADA	**Total**
2009-10	81.85		81.85
2011-12	59.76		59.76
2013-14	13.50		13.50
2014-15		4.29	4.29
2015-16		11.42	11.42
2017-18	67.83		67.83
2018-19	3.98		3.98
2019-20		5.68	5.68
2020-21		6.06	6.06
2021-22		2.88	2.88
Total	226.92	30.33	257.25
Accrued interest	97.54	4.04	101.58
G. Total	324.46	34.37	358.83

PSPCL further submitted that the abovementioned total amount of Rs. 358.83 Crore was booked under 'Grant' head in the accounts during FY 2021-22.

Further, the year wise detail of loan amounts disallowed by PSERC are as follows:

Table 5: Yearwise R-APDRP Part A Loans submitted by PSPCL (Rs. Crore)

Year	RAPDRP Part-A loan amount disallowed
2010-11	81.85
2011-12	59.76
2013-14	13.50
2014-15	4.29
2015-16	11.42
2016-17 to 2021-22	86.43
Accrued Interest	101.58
Total	**358.83**

PSPCL on query by the Commission replied vide its memo no. 4007 dated 03.01.2024 submitted the scheme wise details of loans as under:

Table 6: Year-wise details of loan amount taken for funding the capital expenditure incurred in anticipation of receipt of Grant against R-APDRP (Part-A) scheme submitted by PSPCL (Rs. Crore)

Period	Long term loan taken by PSPCL	Loan amount allowed by PSERC	Loan disallowed by PSERC	Govt. grant received (loan converted into grant)
FY 2009-10	81.85	-	-	
FY 2010-11	-	-	81.85	
FY 2011-12	59.76	-	59.76	
FY 2013-14	13.50	-	13.50	
FY 2014-15	4.29	-	4.29	
FY 2015-16	11.42	-	11.42	
FY 2017-18	67.83	-		
FY 2018-19	3.98	-		
FY 2019-20	5.68	-	86.43	
FY 2020-21	6.06	-		
FY 2021-22	2.88	-		358.83
Sub Total	**257.25**	**-**	**257.25**	**358.83**
Accrued Interest	101.58	-	101.58	-
Grand Total	**358.83**	**-**	**358.83**	**358.83**

Note: *The grant received by PSPCL as showed above, is inclusive of the interest accrued on account of loans taken by PSPCL over the years.*

(i) PSPCL on query by the Commission submitted that the grant amount of Rs. 245.29 Crore (including grant of PMA) and Rs. 204.55 Crore were booked under the 'Grant' head in the accounts during FY 2021-22 for IPDS and DDUGJY schemes respectively and agreed that the Commission has already allowed the capex amount for these two schemes in the 1st control period (trued up) and 2nd control period (provisional).

(j) PSPCL was asked by the Commission to submit documents regarding conversion of loans into grant of Rs. 808.67 Crore during FY 2021-22 for prudence check alongwith calculation of interest claimed amounting to Rs. 101.58 Crore on R-APDPR (Part-A) loans of Rs. 257.25 Crore, PSPCL, submitted the following details vide memo no 4093-4/218 dated 22.03.24.

Table 7: Interest calculation submitted by PSPCL

(Rs. Crore)

Sr. No.	Period	R-APDRP (Part-A & SCADA)	Rate of Interest (%)	Interest
1	FY 2009-10	81.85	11.5	5.31
2	FY 2010-11	81.85	11.5	9.42
3	FY 2011-12	141.61	9	7.38
4	FY 2012-13	141.61	9	12.75
5	FY 2013-14	155.11	9	13.74
6	FY 2014-15	159.40	9	13.97
7	FY 2015-16	170.82	9	15.16
8	FY 2016-17	170.82	9	15.37
9	FY 2017-18	170.82	9	8.47
10	**Total**			**101.57**

Note: *The interest of R-APDRP Part-A has been converted into Grant up to 30.09.2017 and that of R-APDRP Part-A SCADA up to 31.03.2018 during FY 2021-22.*

Commission's Analysis

i. The Commission has determined Interest & Finance Charges as per Regulation 24 of PSERC MYT Regulation 2019.The Commission allows 100% funding as per the approved capex and not on actual loans taken. While calculating interest on long term loans, interest capitalised as per books of account is reduced from the total interest worked out as per regulation 24.

ii. In its Tariff Order dated 31.03.2022 while truing-up the capex for the 1st Control period, under para 2.2, the Commission had disallowed the capital expenditure of Shahpur Kandi Power Project (SKKP) and Pachhwara Coal Mines amounting to Rs.515.51 Crore and Rs.196.30 Crore respectively

Relevant part of the para is reproduced below:

"PSPCL has incurred capital expenditure on Shahpur Kandi Power Project (SKKP) and Pachhwara Coal Mines amounting to Rs. 515.51 Crore and Rs.196.30 Crore respectively during 1st MYT Control Period which was not included in CIP approved by

the Commission in Petition No.46 of 2016. The capital expenditure on SKPP shall be considered upon commissioning of the project. Further, as coal mining is a separate business the capital expenditure for Pachhwara mine cannot be considered as part of the distribution or generation business."

PSPCL has also filed Appeal no 449 of 2023(DFR No.168 of 2023) in APTEL against PSERC order dated 08.02.2023 in Review Petition no. 5 of 2022 in Petition no 68 of 2021 on the similar issue which is yet to be decided.

iii. PSPCL has claimed Rs 192.48 Crore as capitalisation of interest charges for FY 2022-23 based on audited accounts and the Commission had allowed it. However, in the review petition it has now submitted that out of 192.48 Crore an amount of Rs. 134.06 Crore pertains to Shahpur Kandi Loan which the Commission does not consider in the capital expenditure, therefore the same should not be reduced from the interest charges being allowed. The Commission has, since the inception, considered the capitalised interest as per books since PSPCL has never submitted/claimed scheme wise/project wise interest capitalised. However capital expenditure, capitalization and interest payable thereon on this project (Shahpur Kandi) will be considered at the time of COD of the project.

iv. The Commission vide its interim order dated 14.09.2023 and 01.02.2024 directed PSPCL to provide the year-wise details of loans of R-APDRP on the prescribed format in order to examine it claim. PSPCL while replying to deficiencies agreed vide its reply 4384 dated 3-10-2023 and 4007 dated 03.01.2024 that out of its total claim Rs 808.67 Crore, the Commission had already considered loans for IPDS (including IT (Rs. 245.29 Crore) & Smart Metering (Rs. Crore)), DDUGJY (Rs. 204.55 Crore) in the previous years and **revised its claim from Rs. 808.67 Crore to Rs. 358.83 Crore.** After going through the submissions of PSPCL year wise observation of the Commission are as follows:

- **2009-10**:- PSPCL has submitted that the Commission had disallowed R-APDRP Part A loans of Rs. 81.85 Crore loan taken during FY 2009-10 in the true up of FY 2010-11. The Commission observed that true up of FY 2009-10 (erstwhile PSEB period) was already done by the Commission in its order dated 23.04.2010 and no reference of this amount was mentioned therein. Moreover, Rs. 81.85 Crore pertains to PSEB period, which has been accounted for during Financial Restructuring Plan (FRP) of erstwhile PSEB on 16.04.2010 therefore Rs. 81.85 Crore is not allowable.
- **2011-12**: During True up of FY 2011-12 in tariff order of FY 2014-15, the total investment Plan for FY 2011-12 submitted by PSPCL was Rs 1552.11 Crore. The Commission allowed long term loans of Rs 1303.06 Crore after reducing consumer contribution of Rs. 249.05 Crore. Details of capex of Rs 1552.11 Crore submitted by PSPCL includes Rs. 59.76 Crore of R-APDRP loans during true up of FY 2011-12. Therefore, R-APDRP loans of Rs. 59.76 Crore has already been allowed during FY 2011-12.
- **2013-14**: During True up of FY 2013-14 in tariff order of FY 2016-17, PSPCL has claimed long term loans amounting to Rs. Rs. 1172.39 Crore, the Commission has allowed long term loans of Rs. 1158.89 Crore after disallowing the R-APDRP Part A loans of Rs. 13.50 Crore stating that PSPCL is not paying interest on R-APDRP loans. PSPCL has submitted investment plan of Rs 1776.96 Crore and consumer contribution of Rs.

321.60 Crore. The Commission compared Rs 1455.36 Crore (1776.96-321.60 Crore) with the loan requirement of Rs. 1158.89 Crore and allowed 1158.89 Crore. Therefore R-APDRP loan of Rs 13.50 Crore can be considered.

- **2014-15**: During True up of FY 2014-15 in tariff order of FY 2017-18, PSPCL has claimed long term loans amounting to Rs. 1781.69 Crore, the Commission had allowed long term loans Rs. 1777.40 Crore after disallowing the R-APDRP Part A loans of Rs. 4.29 (1781.69-1777.40) Crore stating that PSPCL was not paying any interest on R-APDRP loans. Therefore R-APDRP loan of Rs. 4.29 Crore can be considered.
- **2015-16**: During the True up of FY 2015-16 in tariff order of FY 2017-18, PSPCL has claimed long term loans amounting to Rs.1735.15 Crore. The Commission has allowed long term loans of 1723.73 Crore after reducing the R-APDRP Part A loans of Rs. 11.42 Crore (1735.15-1723.73). Therefore R-APDRP loan of Rs 11.42 Crore can be considered.
- Further scrutiny of data revealed that the Commission had already considered R-APDRP Part A loans of Rs.77.49 Crore (67.83+3.98+5.68) as submitted by PSPCL during true up 1st MYT period (FY 2017-18, FY 2018-19 and FY 2019-20). The Commission had allowed the loans against R-APDRP Part-A, Part B, IPDS and DDUGJY scheme as claimed by PSPCL as per Table 6 of Tariff order 2022-23 in which capital expenditure of 1st MYT period (FY 2017- FY 2019) was finally approved. Therefore, Rs. 77.49 Crore is not allowable.
- In case of 2nd MYT period also the Commission had provisionally allowed all these schemes as claimed by PSPCL. Even while truing up FY 2020-21 and FY 2021-22 the

Commission had allowed what PSPCL had claimed. PSPCL has not claimed R-APDRP Part A loan of Rs. 6.06 Crore and Rs. 2.88 Crore during FY 2020-21 and FY 2021-22 respectively in its petitions. PSPCL has not even claimed these loans while submitting data for truing up CIP of 2nd control period vide memo no 803/ARR/Dy. CAO/266 dated 22/12/23. Thus Rs. 8.94 Crore (6.06 +2.85) Crore is not allowable.

- PSPCL has claimed Rs. 101.58 Crore as accrued interest on R-APDRP Part A loans. PSPCL has submitted only two documents of grant of Rs. 257.25 Crore issued by Power Finance Corporation (PFC) instead of Rs. 808.67 Crore in reply to Commission's query relating to submission of grant documents for prudence check. The Commission observed that PFC has recovered interest amounting to Rs 50.33 Crore on account of interest earned by PSPCL on these grants, but PSPCL has not reduced Rs. 50.33 Crore from its claim therefore, it is observed that the calculation of interest submitted by PSPCL is just a backward calculation and complete documents of grant are not available to justify the claim. Moreover, the Commission had allowed almost all R-APDRP part A loans in the previous years on which interest was also allowed, hence interest is not allowable.
- **In view of the above, the Commission allows long term loans for FY 2013-14 to FY 2015-16 amounting to Rs 29.21 (13.50+4.29+11.42) Crore to PSPCL on account of R-APDRP Part A loans which had not been allowed by the Commission in previous years. As this amount of Rs. 29.21 Crore (which was not allowed in previous years) is a part of Rs. 808.67 Crore of grant which was reduced from long term**

loans during true up of FY 2021-22, the Commission therefore shall increase the opening balance of long term loans as on 01.04.2023 by Rs. 29.21 Crore at the time of true up of FY 2023-24.

- **The Commission works out interest on additional long term loans of Rs. 29.21 Crore now being allowed by treating it as a part of other long term loans allowed during FY 2021-22 along with carrying cost as calculated below:**

Table 8: Interest along with Carrying cost on long terms loans approved by the Commission

Sr. No.	Particulars	Rate of Interest	FY 2021-22	Rate of Interest	FY 2022-23	FY 2024-25
1	Addition of Long Term Loans		29.21		29.21	29.21
2	Interest on Long Term Loans	8.60%	2.51	8.55%	2.50	2.50
3	**Carrying cost**					
4	for 6 months FY 2021-22	8.01%	0.10			
5	for 1 year FY 2022-23	7.652%	0.19			
6	for 1 year FY 2023-24	7.652%	0.19			
7	for 6 months FY 2024-25	7.652%	0.10			
8	for 6 months FY 2022-23			7.652%	0.10	
9	for 1 year FY 2023-24			7.652%	0.19	
10	for 6 months FY 2024-25			7.652%	0.10	
11	**Total Carrying cost**		**3.09**		**2.88**	**2.50**
12	**Cumulative carrying cost**					**8.47**

The Impact of Rs. 8.47 Crore will be given in the subsequent tariff order.

v. PSPCL claim of LPS paid to BBMB and discount/rebate allowed to consumers and interest to suppliers/consumer claimed as other interest cannot be considered as per 24.4 Regulation which is reproduced as under:

> *"The Commission shall allow obligatory taxes on interest, finance charges (including guarantee fee payable to the Government) and any exchange rate difference arising from foreign currency borrowings, as finance cost"*.

Moreover, a delayed payment cost is the responsibility of PSPCL and the cost cannot be passed through to the consumers. PSPCL has also filed Appeal no 449 of 2023(DFR No. 168 of 2023) in APTEL against PSERC order dated 08.02.2023 in Review Petition no. 5 of 2022 in Petition no 68 of 2021 on the similar issue which is under adjudication.

V. INTEREST ON WORKING CAPITAL

PSPCL's submissions:

i. PSPCL submitted that it has claimed the interest on working capital loans on the basis of actual interest paid against the loans availed by PSPCL, whereas the Commission has allowed the interest on normative basis.

ii. PSPCL further stated, that while working out the normative working capital for FY 2021-22, the Commission has reduced power procurement cost for one month i.e., Rs. 1,928.84 Crore. PSPCL submitted that the same has made a huge impact on interest on working capital allowed by the Commission in the second control period. Therefore, the reduction of Power Procurement cost needs to be reviewed by the Commission.

Commission's Analysis:

iii. Interest on working capital has rightly been allowed on normative basis and not on actual loan taken as per Regulation-25 of PSERC MYT Regulation-2019.

iv. Further, while determining working capital requirement for retail supply business, power procurement cost for one month has been rightly reduced as per Regulation-43.2 of PSERC MYT Regulations-2019.

v. **PSPCL has also filed Appeal no 449 of 2023(DFR No.168 of**

2023) in APTEL against PSERC order dated 08.02.2023 in Review Petition no. 5 of 2022 in Petition no. 68 of 2021 on a similar issue.

iv. **Thus, no new record or evidence has been produced (which was not within the knowledge of PSPCL at the time when the data was furnished by PSPCL and order was passed by the Commission) nor any mistake or error is apparent on the record at present to justify any review. As such the prayer for review of the earlier Order on this issue is not admissible.**

VI. RETURN ON EQUITY (RoE)

PSPCL's submissions:

i. PSPCL submitted that the Commission has erred in computing the Return on Equity for FY 2021-22. PSPCL submitted the claim of Rs. 1,684.00 Crore on the equity base of Rs. 10,674.00 Crore against which the Commission has approved Rs. 974.74 Crore towards the Return on Equity, disallowing a sum of Rs. 709.26 Crore.

ii. PSPCL has further submitted that the Commission has erred by not considering the bonds issued under the UDAY Scheme which have been converted to equity on 31.03.2023 under the said Scheme to the extent of Rs. 15,628.26 Crore. PSPCL stated that the conversion to the equity has been under the scheme and the same ought to have been considered as such.

iii. PSPCL further submitted that under clause 1.2 of the Memorandum of Understanding under the UDAY Scheme, 75% of the debt as on 30.09.2015 amounting to Rs. 15,628.26 Crore is to be taken over by the Government of Punjab (hereinafter being referred to as "**GoP**"). In compliance of the above, the said amounts have been converted to equity, which does not entail any repayment. The same ought to have been considered by the Commission.

iv. PSPCL further submitted that in view of the above the amount of Rs. 15,628.26 Crore comprises of Capital Expenditure loans of Rs. 2,246.77 Crore and Working Capital loans of Rs. 13,381.49 Crore. The Commission has allowed interest on Rs. 2,246.77 Crore up to FY 2019-20 being capital expenditure loans.

v. PSPCL stated that the Commission has disallowed the interest on Working Capital loans used for capital expenditure from FY 2010-11 to FY 2018-19. Out of Rs. 13,381.49 Crore, Rs. 2,346.19 Crore of working capital has been used for Capital Expenditure duly approved by the Commission.

vi. PSPCL submitted that in view of the above the Commission may allow RoE on Rs. 4,592.96 Crore (2246.77 + 2346.19) along with the return on Rs. 6,081 Crore and balance equity capital may be adjusted as equity contribution on normative basis in accordance with Regulation 19 and 20 of the Tariff Regulations, 2019.

vii. PSPCL stated that the very purpose of the UDAY Scheme was to reform the sector and to ensure that the distribution licensees' function in a viable manner. The disallowance would only result in the same financials continuing without the loans being able to be serviced. In the circumstances mentioned above, RoE as requested ought to have been allowed by the Commission.

Commission's Analysis:

viii. The Commission has not considered the amount of Rs 4592.96 Crore as addition in Tariff order for FY 2022-23 issued on 31.03.2022. Relevant part of the tariff order para 3.20 is reproduced below:

"The Commission has not considered the amount of Rs. 4592.96 Crore (Rs. 2346.19 Crore + Rs. 2246.77 Crore) in addition to amount of Rs. 6081.00 Crore to admissible equity for return. Accordingly, no addition of equity has been considered by the Commission to the opening equity of FY 2020-21 on account of conversion of UDAY loans of Rs. 2246.77 Crore as it is not utilized for meeting the capital expenditure for new Projects. Similarly, Rs. 2346.19 Crore as claimed by PSPCL which was diverted for capital expenditure funding is also not considered for infusion towards equity as these were working capital loans of prior period.

The UDAY loans approved by the Commission till FY 2019-20 have been reduced from opening loans of FY 2020-21. The Commission has considered the opening equity for FY 2020-21 as the approved closing of equity from the True-up of FY 2019-20."

ix. In Commission's order dated 03.04.2017 in review petition no 5 of 2017 in petition no 90 of 2016 the interest and finance charges on diverted working capital loans used for funding the capex were rejected. The relevant part of the order is reproduced below:

"In view of the above, FY 2010-11 to FY 2013-14, whose True-Up has already been concluded cannot be re-opened. Further, in all previous years, the Commission had allowed the interest on long term loans for capital expenditure as per the claim of the petitioner. In addition to the long term loans, the Commission had also allowed interest on General Provident Fund as claimed which had been utilized for the purpose of capital investment as per PSPCL. The petitioner had never claimed advance against depreciation in the previous years though it is provided for in the relevant regulations. It is only in the review petition that petitioner is raising the new claim of advance against depreciation.

The scope of an application for review is restricted and the Commission can review its Order on discovery of new or important matters or evidence or if it is shown that Orders sought to be reviewed suffer from some mistake/error apparent on face of record or other reasons which in the opinion of the Commission is sufficient for reviewing the earlier Order/decision. This claim of the Petitioner is not tenable and cannot be considered as 'mistake apparent from record'.

x. **PSPCL has also filed Appeal no 449 of 2023(DFR No.168 of 2023) in APTEL against PSERC order dated 08.02.2023 in Review Petition no. 5 of 2022 in Petition no 68 of 2021 on a similar issue which has not yet been decided.**

xi. **Return on equity has been correctly allowed in Tariff orders dated 31.5.2023. The order of the Commission is reasoned and self explanatory and no cogent reason for a review has been given by PSPCL. As such the prayer for review of the earlier Order on this issue is not tenable.**

VII. GNDTP IMPAIRMENT LOSS

PSPCL's submissions:

i. PSPCL submitted that the Commission has disallowed the claim of Rs. 621 Crore including carrying cost stating that PSPCL has not provided any update on disposal/utilization of the valuable vacant land of GNDTP, or for monetizing its value and that it shall consider the issue of impairment after the disposal of all the assets of GNDTP. Relevant extract of para 2.34 of the Tariff Order is reproduced below:

"The Commission observes that PSPCL has not brought out any update on disposal/utilization of the valuable vacant land of GNDTP, or for monetising its value. The Commission also notes that considerable expenditure has been incurred to upgrade/renew the plant in FY 2015-16 for which capex and depreciation has been claimed by PSPCL while the upgraded plants utilisable life and value were not actually realised before PSPCL decided to scrap them. This issue will also need to be examined while working out the impairment cost/surplus when all the assets are disposed off/utilized.
Therefore, the Commission shall consider the issue of impairment after the disposal of all the assets of GNDTP.

ii. PSPCL further submitted that as per the Commission's order dated 09/01/2020 in Petition No. 90 of 2016, the Commission ought to have considered the impairment loss of GNDTP after submission of final report by PSPCL regarding utilization/disposal of assets. Relevant extract of para 11.2.2 of the order is shown below:

> *"……*
> *The Commission further directs PSPCL to expedite the disposal of all assets in a time bound manner. Accordingly, the Commission has not considered impairment loss in the true-up of FY 2017-18 and will consider the impairment loss of GNDTP after the submission of final report by PSPCL regarding utilization/disposal of assets.*

iii. PSPCL submitted that however, even after submitting the final report of disposal of assets, the Commission has now disallowed the claim on the ground that PSPCL has not disposed of the land of GNDTP.

iv. PSPCL further submitted that GNDTP, Bathinda plant has been impaired in the books during FY 2017-18 in compliance to the decision dated 20/12/2017 of Government of Punjab to close the project with effect from 01/01/2018. Accordingly, impairment loss has been booked as per provisions of Indian Accounting Standard - 36 issued by the Ministry of Corporate Affairs under Companies Act 2013. Para 9 of Indian Accounting Standard -36 (hereinafter being referred to as **"Ind AS"**) Impairment of Assets is reiterated below:

> *"An entity shall assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of assets."*

v. PSPCL submitted that, Ind AS-16 Plant, Property & Equipment also stipulates that an asset shall be derecognised as and when the same is disposed or future benefit is not expected and gain or loss on derecognition shall also be accounted for. Relevant extract of Ind AS-16 are reproduced below:

As per para 67 of Ind As 16 -Plant, Property & Equipment:

"The carrying amount of an item of property, plant & equipment shall be derecognised:
  a) On disposal; or
  b) When no future benefits are expected from its use or disposal."

As per para 68 of Ind As 16 -Plant, Property & Equipment:

"The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognised unless Ind AS 17 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue."

vi. PSPCL further submitted that it is very much clear that company has provided for the impairment loss on assets of GNDTP, Bathinda under the provisions of Ind AS-36 during FY 2017-18. Further, under the provision of Ind AS-16, such assets have been de-recognised at the time of final disposal during FY 2021-22. As such, PSPCL has accounted for the impairment of assets of GNDTP, Bathinda and its final disposal in compliance to the relevant provisions of respective Ind AS. Accordingly, the same has been claimed in true up for FY 2021-22.

vii. PSPCL submitted that with respect to the Commission' observation regarding updates on the disposal/ utilization of the vacant land of GNDTP, it is submitted that as per the decision taken in the BODs 80th meeting dated 13.02.2020 & CMM meeting dated 22.06.2020, GNDTP land measuring 1488 Acres, 1 Kanal & 15 Marla was transferred by DC/Bathinda to HUD, GOP under 80:20 scheme as per notification no. 6/23/13-6Hg1/1440 dated 19/06/2013 & 6/23/13-6Hg1/661 dated 02/09/2014 of HUD/GOP for optimal utilization & development on 16/09/2020. As per this policy, apart from the cost of the land PSPCL shall also get net receipts/ profits from the sale of land after development which is to be shared between PSPCL & PUDA in the ratio of 80:20 respectively. However, the possession of this land is with PSPCL.

viii. PSPCL further submitted that as far as the utilization of the GNDTP land is concerned, it is submitted that:

(i) ACA/BDA, Bathinda vide letter no. 1748 dated 09.03.2023 has intimated that 15 acres of the GNDTP land shall be used for construction of ultra-modern bus stand for Bathinda city, 1.03 acre area near lakes for water park, 2.5 acres for promenade food court, 2.01 acre for chaupati and hotel walkways.

(ii) Further, 101.20 acres of this land has been leased out to M/s Ambuja Cements Limited, Bathinda and 5 acres of land has been leased out to M/s Power Fly Ash. The lease rent is being paid by both of these firms. Now a proposal for leasing out 73 acres of the GNDTP land to M/s Wonder Cements Limited for setting up of cement grinding unit is also under consideration.

(iii) Request has been received from PSTCL to reserve 60.21 acres of land of GNDTP, Bathinda for erection of transmission lines from 220 KV substation GNDTP and for future expansion of this 220 KV Substation.

(iv) Huge quantity of pond ash is lying in the 853 acres of GNDTP land. Sale orders as per the MOEF guidelines of 31/12/2021, are being issued for the early disposal of pond ash. This land will be put to better use after the disposal of pond ash.

(v) 29 acres of GNDTP land has been retained by PSPCL where admin building, central store & 220 KV substation are located.

(vi) The cooling towers of GNDTP which are constructed on 25 acres of the GNDTP land were not demolished and were retained as heritage site. There is a proposal for leasing out this land for construction of amusement park to the District Administration.

(vii) For the remaining land meetings are, being held on regular basis between PUDA and PSPCL for optimal utilization of the GNDTP land as early as possible.

ix. PSPCL submitted the status of disposal of assets briefly as below:

i. 220/132 KV substation of GNDTP was transferred to PSTCL as per the BODs decision in 2021.

ii. As per the requirement of the other offices of PSPCL, the equipment/material of GNDTP was transferred during 2018 to 2020.

iii. The main GNDTP plant & its machinery has been dismantled and disposed of through competitive bidding process in the period October - 2020 to August-2022.

iv. Disposal of Store Inventory & CTR Items of GNDTP Bathinda was done through competitive bidding process in the period August -2022 to December - 2022.

x. PSPCL stated that as submitted above, all plant & machinery of GNDTP has been now disposed of and maximum portion of the GNDTP land has been utilized/leased out. As and when the land is disposed-off, accordingly necessary entry will be made in the books. It is worthwhile to add that loss on disposal of Plant & Machinery is accounted for as per relevant provisions of company laws/applicable Ind-AS at the time when such events have happened. Hence, linking of actual loss on disposal of Plant & Machinery with disposal of land, which is yet to happen is not justified. Therefore, the Commission is requested to allow the amount of impairment loss as claimed in the petition and review the order to this extent.

Commission's Analysis:

xi. The Commission while truing-up for FY 2021-22 under para-2.34 of Tariff Order dated 15th May, 2023 has concluded that:-

> *"The Commission observes that PSPCL has not brought out any update on disposal/utilization of the vacant land of GNDTP, or for monetising its value. The Commission also notes that considerable expenditure has been incurred to upgrade/renew the plant in FY 2015-16 for which capex and depreciation has been claimed by PSPCL while the upgraded plants utilisable life and value were not actually realised before PSPCL decided to scrap them. This issue will also need to be examined while working out the impairment cost/surplus when all the assets are disposed off/utilized. Therefore, the Commission shall consider the issue of impairment after the disposal of all the assets of GNDTP."*

xii. **The status of disposal of assets as submitted/explained by PSPCL are not in line with the observation/decision of the Commission, as all the assets associated with GNDTP are not fully disposed off/utilized as yet. The details furnished mentions utilization of the assets for various projects which do not reflect the appropriate monetary market value of these assets which belongs to PSPCL. The district administration does not own them and cannot be allowed to lay claim to them without compensating PSPCL for the value of the land. As such the details furnished by PSPCL are inadequate and do not reflect the monetary value of the assets and are thus**

unacceptable. Further, no explanation has been furnished for scraping the power plant before fully utilizing its refurbished assets in spite of incurring huge expenditure on it without adequate justification. The commission is bound to consider all these aspects in the interest of assets of the corporation and to protect the consumers interest.

xiii. **The Commission again reiterates that impairment loss shall be reconsidered after the disposal of all assets of GNDTP, as such the prayer of review of earlier order on this issue is not admissible.**

VIII. REVENUE

PSPCL's submission:

i. PSPCL submitted that the Commission has erred in over-stating the revenue from the existing tariff of PSPCL. The Commission has erred in not proceeding with the actual audited accounts of PSPCL in regard to its revenue which are based on actual figures after statutory audit by the statutory auditors of PSPCL and also by the *Comptroller and Auditor General of India*, and consequently artificially over-stating the revenues of PSPCL. This is an error apparent on the face of record. This has resulted in a difference in revenue from metered sales as per billing and as per accounts data of Rs. 176.00 Crore in the Tariff Order. PSPCL further submitted that the said issue was raised by PSPCL in Appeal No. 264 of 2014 and Appeal No. 173 of 2015, wherein by the decision dated 29.04.2022, the Hon'ble Tribunal, after taking into considerations identical submissions made by PSPCL, stated that *"the State Commission however cannot have notional income to be accounted for the Appellant, on the basis of assumptions, when the revenue has not been received by the Appellant"* and remanded the issue back to the State Commission. Considering the above judgment, the Commission is prayed to consider actual revenue as per the audited accounts of PSPCL.

Commission's Analysis

ii. Hon'ble APTEL in its Judgment dated 29.04.2022 in Appeal No. 264 of 2014, 173 of 2015 and 277 of 2015 has directed the Commission to look into the matter of Revenue afresh based on the submissions of the Appellants and decide on the issue afresh. As per para 2.33 of the Tariff Order for FY 2023-24, the Commission has trued up Revenue from Sale of Power for FY 2021-22 as Rs 34012.99 Crore. The relevant part of order is as under:

"In the True-Up Petition for FY 2021-22, PSPCL has submitted revenue from sale of power at Rs. 33860.83 Crore as per Audited Accounts. PSPCL has not provided the slab wise sale as recorded in the books of accounts. To validate the revenue, the Commission directed PSPCL to provide the billing data. PSPCL submitted the same vide Memo No. 194/ARR/Dy. CAO/265/Deficiencies/Vol-I dated 31.01.2023.

The Commission observed as under:

1. *The revenue from sale of power in the audited accounts was less than shown in the actual billing data. The Commission decided to consider the metered category-wise revenue from fixed charges, energy charges, FCA, surcharge/incentives and sundry charges as per the actual billed data.*
2. *In response to the Commission's query regarding the Sundry Allowances of Rs. (-) 274.44 Crore as shown in billed data. PSPCL replied that there are various types of adjustments being accounted for through sundry charges and allowances which cannot be quantified. Further, on another query about the sundry charges and allowances booked under 'Compost/ Solid waste Management Plants for Municipalities/ Urban Local Bodies' category amounting to Rs (-)118.37 Crore, PSPCL has submitted that some of*

the sundry allowance are due to a one-time settlement scheme launched by CE/Commercial office vide Memo No.818/25 /DD/SR-56 dated 08.03.2019 and Memo no 801-05/DD/SR-56 dated 19.11.2020 for Rural Water Supply connections of the department of water supply & sanitation (DWSS) for which the sundries have been posted by the sub divisional offices. The approximate amount of the same is Rs.93.17 Crore. Accordingly, the Commission has not considered the Sundry Allowances of Rs. 93.17 Crore as part of Revenue for FY 2021-22.

3. *Further, the details regarding loss of revenue from theft and unbilled revenue were submitted by PSPCL vide reply dated 31.01.2023. PSPCL submitted that divisional offices are required to book amount of theft detected by DS, Operation /Enforcement office under Group head "Recoveries from theft of Power" in the books of accounts but it has been noticed that some of that amount is also charged to sundry charges (SOP) in the bills of the consumers, Due to this reason, thefts detected do not commensurate with loss of revenue due to theft.*
4. *……………………*
5. *The revenue from AP has been assessed on the basis of energy sales approved for AP in para 2.2.2. The revenue from Common Pool and outside state sales have been considered as per the Audited Annual Accounts.*

…………….."

iii. The Commission observes that there was a gap between revenue from sale of power as per Annual Audited Accounts and revenue worked-out with reference to sales units as per actual billing data intimated by PSPCL at the approved tariff rate of various categories. PSPCL did not submit slab-wise sale as recorded in the books of account. PSPCL reasoned that many a times, when a consumer complains of excess/wrong billing, the field offices generally correct/modify the bill physically, thereby amending the amount due in his account. However, such corrections in units are not rectified/adjusted in the billing data, resulting in recording of excess/less units in comparison to the sales booked. This has resulted in differences in accounting figures and billing data. Thus, keeping in view this gap in financial reconciliation, the Commission concludes that the difference is due to non-reconciliation of financial and technical data within PSPCL's own organisation.

iv. **Once the reconciliation of billing is done and correctly reflected in the Annual Audited Accounts and the financial gap is closed with technical data, the perceived revenue difference challenged by PSPCL in their submissions based on billing during the year would be duly adjusted in the audited accounts of the forthcoming years. The extra billing/underbilling adjustment would find appropriate space in the reconciled billing data in the audited accounts, thus making this issue revenue neutral. It is in PSPCL's own interest to sort out their internal accounting issues. The Commission cannot put this burden of PSPCL's inefficiency on to the consumers. This fact has been repeatedly pointed out by the Commission but regrettably the PSPCL has failed to put its own house in order.**

v. **PSPCL has also filed Appeal no 449 of 2023(DFR No.168 of 2023) in APTEL against PSERC order dated 08.02.2023 in Review Petition no. 5 of 2022 in Petition no 68 of 2021 on a similar issue which is not yet decided.**

B. ANNUAL PERFORMANCE REVIEW FOR FY 2022-23 AND ESTIMATION OF ARR FOR FY 2023-24.

IX. TARGET DISTRIBUTION LOSS FOR FY 2022-23

PSPCL's submission:

i. For FY 2023-24 of the 3rd Control Period, distribution loss target has been fixed by the Commission as 12.30% vide order dated 11/01/2023 in the Business Plan and CIP Order for 3rd Control Period, whereas the target distribution loss for FY 2022-23 was 12.04%. The year wise distribution loss trajectory is tabulated as under:

Year	Target Distribution Loss (%)
2021-22	12.34
2022-23	12.04
2023-24	12.30
2024-25	12.10
2025-26	11.90

ii. Thus, the lower target for FY 2022-23 as compared to FY 2023-24 is not justified and it is therefore requested that the Commission review the same in line with the distribution loss trajectory approved for the 3rd Control Period.

Commission's Analysis:

i. The Commission in Para 3.3 of the Tariff Order of FY 2023-24 has explained in detail the rationale for projecting T&D losses of FY 2022-23. Further, it is pertinent to mention that FY 2022-23 falls under the 2nd MYT Control Period while FY 2023-24 is the 1st year of the 3rd MYT Control Period. Hence, the comparison made in this regard is not correct.

ii. The Commission notes that the loss trajectory of 12.04% for FY 2022-23 was approved by the Commission in the Tariff Order for FY 2021-22 after considering the actual distribution loss of 12.94% in FY 2018-19 as the baseline figure for setting the distribution loss trajectory for the 2nd MYT Period i.e. FY 2020-21 to FY 2022-23 as 12.94%, 12.34% and 12.04%. Further, in the Tariff Order for FY 2022-23, the Commission, retained the loss trajectory of 12.04% for ARR of FY 2022-23. In the CIP Order dated 11.01.2023 in Petition No. 49 of 2022 the Commission opined that the actual losses for FY 2022-23 should form the basis for setting of target loss figures for the 3rd Control Period. However, the actual losses for FY 2022-23 were to be available only upon completion of True-up of FY 2022-23 (to be carried out in FY 2024-25). Therefore, the Commission in the CIP Order had agreed to the projected loss trajectory of 12.30% for FY 2023-24 i.e. for the first year of the 3rd Control period as submitted by PSPCL.

iii. The Commission in the past has also relaxed the distribution loss trajectory considering the actual losses achieved by PSPCL. However, the same should not be construed as a ground to cover the inefficiency of PSPCL on account of non-achievement of loss trajectory approved by the Commission.

iv. **The Commission observes that no new or important matter or evidence has been produced (which was not within the knowledge of the PSPCL at the time when the decision/order was passed by the Commission) nor is there any mistake or error apparent on the face of the record. As such, the prayer with regard to review of the earlier Order on the issue of Transmission and Distribution Loss target of FY 2022-23, as requested by PSPCL, is not allowed. The original order is reaffirmed.**

X. Power purchase for FY 2022-23 and FY 2023-24

PSPCL's submission:

i. PSPCL had projected power purchase cost of Rs. 26,394 Crore for FY 2022-23 against which the Commission has allowed Rs. 25,710 Crore. The disallowance of Rs. 684 Crore is discussed for further review in the succeeding paras.

ii. Out of Rs. 684 Crore disallowed in FY 2022-23, Rs. 453 Crore relates to NTPC Kudgi plant. The Commission has disallowed Rs. 144 Crore of fixed charges and Rs. 309 Crore of energy charges of NTPC Kudgi. The relevant extract of para 3.9 of the Tariff Order disallowing fixed charges is reproduced below:

> *"The Commission observes that out of the energy received by the licensee totalling 1383.86 MU, PSPCL has sold 282 MU of power in the exchange and utilized only 1101.86 MU. From the MoP letter dated 17.06.2022, it is observed that the power re allocated to Punjab was only a short term allocation upto 30.09.2022. PSPCL has utilised only 49% of the total power procured while around 38% power was surrendered and 13% power was sold in the exchange. At the same time power was also purchased in the power exchange as per periodic requirement. The huge quantum of power surrendered by PSPCL while purchasing power in the exchange also shows lack of proper power purchase planning. Thus, the Commission is not inclined to burden the consumers on account of improper planning on PSPCL's part. Accordingly, the Commission decides to disallow the fixed cost of Rs. 144 Crore out of total fixed cost of Rs. 329.42 Crore on account of surrendered power of 863.09 MU, as pass through in the APR."*

iii. The relevant extract of para 3.9 of the Tariff Order disallowing energy charges is reproduced below:

> *"However, the Commission notes that PSPCL has purchased short term power from exchanges at an average per unit rate of Rs. 5.55 per kWh while the per unit rate of power purchase from Kudgi thermal power station is Rs. 8.86 per kWh. As pointed out in the earlier para, the Commission is not inclined to pass such high-cost power onto the consumers. The Commission observes that, had PSPCL not purchased 1383.86 MU from Kudgi thermal power station, it would have resorted to buying short term*

power from the exchange. Accordingly, the Commission decides to restrict the per unit power purchase rate from Kudgi thermal power station equivalent to the per unit short term power purchase rate of FY 2022-23 (H1). Further, for FY 2022-23 (H2) the Commission decides to consider the per unit variable cost of Rs. 2.92 per unit as submitted by PSPCL for FY 2022-23 (H2)."

iv. During the previous year the Central Commission in its order dated 01/04/2022, had taken *suo-motu* cognisance of the following facts:

- Electricity demand has been increasing substantially in the month of March and touched 199 GW on 17-03-2022. Since then, it has been hovering around 195 GW. Against this increase in demand, on 25-03-2022, 58,719 MW of installed generation capacity was on outage due to various reasons wherein, 4,323 MW of thermal capacity was on outage due to coal shortage itself.
- On 25-03-2022, the recorded peak shortage was 4,060 MW and energy shortage was 68.86 MU.
- High price of imported coal is leading to high variable charge for imported coal-based plants. Similarly, due to an increase in the international price of gas, the existing gas based plants are not able to sell in the market.
- Buy bids have been more than double of the sell bids in some time blocks, indicating higher demand and lower supply. Average buy to sell bid ratio was 2.03 when MCP touched Rs. 20/kWh, which is the ceiling price imposed by the exchange. The aggressive bidding by buyers is leading to high prices.

- From the selling side, it was observed that up to 99% of the sell bids were in the price band of Rs.0.01/kWh to Rs.12.00/kWh, while only 1% of the sell bids were higher than Rs.12.00/kWh.
- Similar trend has also been observed in RTM segment where MCP touched Rs. 20/kWh.

v. Moreover, the Ministry of Power vide its circular dated 05/05/2022, had issued directions to all imported coal based generating stations under Section 11 of the Electricity Act 2003, to operate at full capacity. The states were advised that the coal price shall be made pass through. Even the domestic coal based stations were directed to import at least 10% of the requirement for blending purpose.

vi. In view of the scenario prevailing in the beginning of FY 2022-23, such as shortage of coal, high price of imported coal due to the impact of Ukraine war and overall crisis of power in the country as seen from the market conditions, PSPCL had proactively, before the start of paddy season, fought the issue, tooth and nail at every level, with the support of the State Government, even with the Central Government, for allocation of firm power to provide reliable uninterrupted power supply to the consumers of Punjab. The Central Government agreed to the request of Punjab and allocated the power from NTPC Kudgi Station. Even for the year 2023, PSPCL is making each and every effort for ensuring firm availability and minimising dependence on short term power.

vii. During the year 2022, no power regulatory measures and power cuts were imposed unlike in 2021. It shall be further appreciated that being costly power, PSPCL utilised the power judicially and surrendered quantum as per the prevailing market and demand scenario at that time. However, fixed charges shall remain committed as reliability has to come at a cost i.e., the fixed charges for the committed availability by generator solely to procure and allowing fixed cost only for the used power is injustice to the commitment from both sides (seller/procurer) for utilisation as per availability and requirement.

viii. Fixed charges are paid for the availability of the plant and are as per the agreement entered into between the generating station and the distribution licensee. These charges are part of the power purchase cost of the licensee and are allowable as part of the expense in ARR. Further, the same treatment has not been meted out to any other generator in the past or in the present tariff order. Therefore, the Commission is urged to review the same and allow the legitimate costs of PSPCL.

ix. It needs to be appreciated that if PSPCL did not have this power (from NTPC Kudgi) and would have gone to the market for procuring the said quantum, market prices (proportional to demand availability gap) would have been something else altogether i.e., PSPCL might be procuring at a much higher cost and that too with uncertain availability.

x. Further average cost of short-term power purchased is not a true reflection of the cost of power requirement as this includes the cost of power procured by PSPCL to harness the available market opportunities of cheaper power availability backing down its higher cost sources from time to time. Moreover, exchange prices were frequently at the maximum cap level of Rs. 12/unit during the period when NTPC Kudgi was made available, so consideration of cost of average short-term power is a gross error on the part of the Commission. Therefore, the Commission is urged to review the energy charge disallowance.

xi. In addition to the above, it is submitted that PSPCL had submitted the cost pertaining to inter-state transmission charges (PGCIL charges) as Rs. 1,936.18 Crore for FY 2022-23 based on actual data for H1 period (April – September), whereas the Commission has approved Rs. 1,705.27 Crore equivalent to that approved in the true-up of FY 2021-22. The disallowance of Rs. 230.91 Crore is not justified, since as per the MYT Regulations 2019, the APR for the current year is based on the actual performance during the first six months of the year and estimates for the subsequent six months. Further, an amount of Rs. 1,899.92 Crore (excluding previous year payments) has already been accounted for in the accounts of PSPCL for FY 2022-23, thus validating the projections submitted and the Commission is requested to consider the same in this review as the disallowance will impact the cash flows and correspondingly affect the financial health of PSPCL.

xii. For working out the power purchase cost for FY 2023-24, the Commission has considered the per unit variable cost of power purchase as approved for FY 2022-23, citing the implementation of the Electricity (Amendment) Rules, 2022 in which the variation in fuel and power purchase costs shall automatically be pass through on a monthly basis. This is not justified as the Fuel and Power Purchase Adjustment Surcharge (FPPAS, earlier FCA) are meant for recovering a sudden and unexpected rise in fuel & power purchase cost and it cannot be used for passing on of expected variations in fuel and power purchase prices. Further, for rationalisation of tariff, the levy of FCA should be as minimal as possible. The recovery of expected change in prices of fuel and power purchase cost through monthly FCA may lead to frequent tariff hikes/shocks to the consumers. The Commission is requested to approve cost reflective tariff to the utility. In view thereof, the Commission should review its decision and allow power purchase cost for FY 2023-24 after considering the expected rise in the prices of fuel & power purchase cost.

Commission's Analysis:

i. The Commission in the Tariff Order for FY 2023-24 in Para 3.9 (B) 'Commission's Analysis' has already examined in detail and concluded that a huge quantum of power procured by PSPCL from Kudgi thermal plant was surrendered while power was also purchased in the power exchanges as per periodic requirements leading to duplicating of power purchase and burdening the consumers with fixed cost of surrendered power on account of PSPCL's improper planning. This amounts to double jeopardy for the consumers which the Commission cannot overlook or allow to PSPCL. Further, the actual power purchase cost for FY 2022-23 shall be considered and allowed at the time of True-up based on a prudence check.

ii. The issue of Inter-State Transmission Charges has been discussed in detail in Para 3.9 B under 'Commission's Analysis' of the Tariff Order of FY 2023-24. The Commission agrees with the submission of PSPCL that, as per the MYT Regulations 2019, the APR for the current year is based on the actual performance during the first six months of the year and estimates for the subsequent six months. Accordingly, the Commission has also considered the PGCIL charges of Rs. 968.09 Crore for FY 2022-23 (H1) as per actuals of H1. The disallowance has been made on the projections of PGCIL charges for FY 2022-23 (H2). Further, the actual inter-state transmission charges for FY 2022-23 shall be considered and allowed at the time of True-up of the same based on a prudence check.

iii. With regard to Power Purchase Cost of FY 2023-24, the Commission in Para 4.9 B under 'Commission's Analysis' has examined in detail that with the implementation of the Electricity (Amendment) Rules, 2022, the variation in fuel and power purchase costs shall automatically pass through on a monthly basis thus taking care of the trajectory in power purchase cost which has to be passed through to the consumers either in the form of FCA or as a revenue gap along with its carrying cost at the time of true-up. The Commission does not agree with PSPCL's submission that FPPAS are meant for recovering sudden and unexpected rise in fuel and power purchase cost. In fact Clause 1 of Appendix 7 of the Punjab State Electricity Regulatory Commission (Conduct of Business) (6th Amendment) Regulations, 2023 specifies that **Fuel and Power Purchase Adjustment Surcharge"**

(FPPAS) means the increase in cost of power, supplied to consumers, due to change in Fuel cost, power purchase cost and transmission charges with reference to cost of supply approved by the Commission clearly taking care of all the factors leading to an increase in fuel cost, power purchase cost and transmission charges. Further, the power purchase cost for FY 2023-24 shall be considered and allowed at the time of True-up based on a prudence check.

iv. **The Commission observes that no new or important matter or evidence has been produced (which was not within the knowledge of the PSPCL at the time when the decision/order was passed by the Commission) nor is there any mistake or error apparent on the face of the record. As such, the prayer with regard to review of the earlier Order on the issue of Power Purchase Cost of FY 2022-23 and FY 2023-24 as requested by PSPCL is not tenable. As mentioned above, the Commission, based on a detailed prudence check, will revisit all these issues at the time of true up of the year 2023-24.**

XI. EMPLOYEE COST

PSPCL's submissions:

(a) PSPCL submitted that the Commission has disallowed Rs. 801 Crore in FY 2022-23 and Rs. 1,213 Crore in FY 2023-24 with respect to the employee cost. PSPCL further submitted that the Commission has not considered the submissions made by PSPCL *vide* memo no. 357/ARR/Dy. CAO/265/Vol. I dated 23/02/2023. In the submission made by PSPCL, cost pertaining to arrears of gratuity and commutation of pension had been included in FY 2022-23 and FY 2023-34 and revised employee cost had been submitted. It stated that for FY 2022-23, an amount of Rs. 6,982 Crore has already been recognised in the accounts against Rs. 7009 Crore as projected by PSPCL in the petition. Similarly, the amount claimed for FY 2023-24 is justified as it is bound to be incurred.

(b) PSPCL prayed that the employee expenses are not within the control of the distribution licensee and are payable as per government notifications. These costs are also not part of the fuel cost adjustment levy, by way of which revenue gap could be fulfilled. Further, as per MYT Regulations 2022, there will be no review of the ARR determined for any year, which will lead to deferment of realisation of corresponding revenue by 2 years. Therefore, employee cost disallowed for FY 2023-24 will be recoverable in the tariff order for FY 2025-26 when its true up will be approved. Therefore, in view of the huge costs involved, the Commission is requested to allow the said costs of FY 2022-23 & FY 2023-24 in this review order as the same would lead to restricted cash flows and correspondingly affect the financial health of PSPCL.

Commission's Analysis:

(c) The Commission had not considered the additional submissions submitted by PSPCL.as stated in para 1.4 of the tariff order dated 15.05.2023, as reproduced below

> "………….. *PSPCL has submitted the additional submissions after the due date for submission of suggestions/objections and when the public hearings in this regard have already been completed. The Commission has decided that since the additional submissions submitted by PSPCL have been made at a very belated stage as such same are not being considered now and will be considered in the next ARR."*

(d) The Commission has determined the projected O&M expenses for FY 2022-23 and FY 2023-24without considering additional submissions and the same will be reviewed and considered at the time of true up of FY 2022-23 and FY 2023-24 as already stated in the order under review. As such the prayer for review of the earlier Order on this issue is not admissible at present.

XII. DEPRECIATION

PSPCL's submissions:

(a) PSPCL submitted that the Commission has disallowed Rs. 164.00 Crore in FY 2022-23 and Rs. 172.00 Crore in FY 2023-24 with respect to Depreciation. The Commission has not considered the submissions made by PSPCL *vide* memo no. 357/ARR/Dy. CAO/265/Vol. I dated 23/02/2023. In the submission made by PSPCL, depreciation amount had been revised considering the capitalisation as approved in Business Plan and Capital Investment Plan order dated 11/01/2023. Moreover, an amount of Rs. 1,292 Crore has already been accounted for in the books of accounts of PSPCL for FY 2022-23. The Commission is requested to allow the same for FY 2022-23.

Commission Analysis:

(b) The Commission had not considered the additional submissions submitted by PSPCL.as stated in para 1.4 of the tariff order dated 15.05.2023, as reproduced below

> "………….. *PSPCL has submitted the additional submissions after the due date for submission of suggestions/objections and when the public hearings in this regard have already been completed. The Commission has decided that since the additional submissions submitted by PSPCL have been made at a very belated stage as such same are not being considered now and will be considered in the next ARR."*

(c) The Commission had determined the provisional depreciation without considering the additional submission's. As stated

above, depreciation will be reviewed at the time of true up of FY 2022-23 and FY 2023-24. As such the prayer for review of the earlier Order on this issue is not admissible. As already mentioned in the Commission's order under review the delay in stating this claim lies on the part of PSPCL and the consequent deferment of the consideration of these claims will not have an adverse financial impact on PSPCL. Surely these will be considered and allowed as appropriate during true up.

XIII. RETURN ON EQUITY (RoE)

PSPCL's submissions:

(a) PSPCL submitted that the Commission has for FY 2022-23 and FY 2023-24 allowed RoE of Rs. 974.74 Crore instead of Rs. 1,684 Crore as claimed by PSPCL. As per the submissions made for the true up year in para 8 of this review petition and for the sake of brevity, the Commission is prayed to allow RoE on Rs. 4,592.96 Crore (2246.77 + 2346.19) used for capex along with the return on Rs. 6,081.00 Crore of equity base.

Commission's Analysis:

(b) In para-3.21 of the Tariff Order for FY 2022-23 issued on 31st March,2022, the Commission has not allowed the addition of Rs. 4592 Crore towards Equity, relevant para is reproduced as under:

(c) "The Commission has not considered the amount of Rs. 4592 Crore (Rs. 2346.19 Crore+ Rs. 2246.77 Crore) in addition to amount of Rs. 6081 Crore to admissible equity for return. Accordingly, no addition of equity has been considered by the Commission to the opening equity of FY 2020-21 on account of conversion of UDAY loans of Rs.2246.77 Crore as it is not utilized for meeting the capital expenditure for new Projects. Similarly, Rs.2346.19 Crore as claimed by PSPCL which was diverted for capital expenditure funding is also not considered for infusion towards equity as these were working capital loans of prior period".

(c) The Commission has considered the opening equity for FY 2021-22 as the approved closing of equity from the True-up of FY 2020-

21 and accordingly, determined Return on Equity for FY 2021-22 correctly.

(d) **Thus, no new record or evidence has been produced (which was not within the knowledge of PSPCL at the time when the data was furnished by PSPCL and order was passed by the Commission) nor any mistake or error apparent on the record at present to justify any review. As such the prayer for review of the earlier Order on this issue is not tenable and is disallowed.**

XIV. CHARGES PAYABLE TO GOP ON RSD

PSPCL's submissions:

(a) PSPCL submitted that while determining the royalty charges payable to GoP on power from RSD for FY 2022-23 and FY 2023-24, the Commission has reduced the amount to Rs. 12.00 Crore from the submitted figure of Rs. 22.00 Crore. The amount is based on previous years instead of allowing it on the basis of trued up year.

(b) PSPCL prayed to the Commission to review the amounts for FY 2022-23 and FY 2023-24 based on amount approved for FY 2021-22.

Commission's Analysis:

The Commission has provisionally allowed royalty charges of Rs 12.00 Crore for FY 2022-23and FY 2023-24 which will be reviewed on actual payment as per audited amount/figures at the time of true up of FY 2022-23 and FY 2023-24. As such the prayer for review of the earlier Order on this issue is not allowed.

XV. INTRA STATE TRANSMISSION CHARGES FOR FY 2023-24

PSPCL's submissions:

(a) PSPCL submitted that the Commission in True up of FY 2021-22 has allowed the amount of Transmission and SLDC charges payable to PSTCL by PSPCL as Rs. 1,406.81 Crore, whereas the amount paid by PSPCL for FY 2021-22 to PSTCL was Rs. 1,434.35 Crore. Thus, there is over payment of Rs. 27.54 Crore by PSPCL. The net carrying cost payable as per PSTCL Tariff Order comes to Rs. 3.79 Crore (11.99 – 8.20) (*refer table 182 of PSTCL Tariff Order*).

(b) PSPCL further submitted that in PSTCL's Tariff Order for FY 2023-24, the Transmission and SLDC charges approved for FY 2023-24 is as Rs. 1,592.03 Crore (*refer table 181 of PSTCL Tariff Order*). However, in PSPCL's Tariff Order for FY 2023-24, the Commission has erroneously allowed Transmission and SLDC charges for FY 2023-24 as Rs. 1,568.28 Crore, after taking into account the impact of true up along with carrying cost. The amount to be allowed in PSPCL's ARR should be after taking into account the carrying cost impact only, which comes to Rs. 1,595.82 Crore (1,592.03 + 3.79). Thus, an amount of Rs. 27.54 Crore should be allowed to PSPCL under the '*Intra-state Transmission charges'* head.

Commission's Analysis:

The overpayment of Rs 27.54 Crore as claimed by PSPCL to PSTCL and carrying cost of Rs.3.69 Crore has been accounted for during true up of FY 2021-22 in Table 182 of PSTCL's tariff order for FY 2023-24.The Commission has correctly allowed the transmission and SLDC charges for FY 2023-24 as Rs 1568.28 Crore payable by PSPCL after reducing it by Rs.23.75 Crore on account of impact of ARR,APR and true up figures allowed for FY

2021-22 along with carrying cost as mentioned in para 4.14.5 & 4.14.6 of PSTCL's Tariff order for FY 2023-24. As such the prayer for review of the earlier order on this issue is not tenable as the adjustment has already been made.

XVI. PRIOR PERIOD EXPENSE

PSPCL's submissions:

(a) PSPCL submitted that, in its additional submission it had claimed an amount of Rs. 554.05 Crore paid to NPL & TSPL after Punjab and Haryana High Court dismissed the appeals filed by PSPCL *vide* its order dated 30/01/2023. It is submitted that an additional amount of Rs. 7.61 Crore has been paid in this matter and the total payment made is Rs. 561.66 Crore. PSPCL further submitted that the Commission in its order dated 24.12.2019 in Petition No. 25 of 2019 had given the following directions:

> *"10.7 PSPCL is further directed that in future, in case of any financial impact as per the judgment(s) of this Hon'ble APTEL and/or Hon'ble Supreme Court, having attained finality, the licensee shall file a separate petition before the Commission under section 62(4) of the Electricity Act, 2003 for recovery of such amount along with the proposal for recovery of the same from the consumers, within 30 days of the date of attaining finality of such decision. In case the licensee fails to file the petition within the above prescribed timelines, the carrying cost on such amount for the duration of delay in filing the petition, shall not be a pass through."*

(b) PSPCL stated that, even after making additional submissions in the tariff petition, these costs have been disallowed by the Commission.

(c) PSPCL submitted that, an amount of Rs. 328.45 Crore relating to prior period expense for FY 2022-23 was also claimed as part of the power purchase cost. Out of the total amount of Rs. 328.45 Crore, Rs. 304.46 Crore are the previous year's payments made to CTUIL. In this regard, as per Regulation 15(2)(b) of the Central

Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020, the second bill shall be raised to adjust variations on account of any revision in transmission charges allowed by the Central Commission, including incentives as applicable, provided that under-recovery or over-recovery of any amount on account of such revision in transmission charges in respect of a billing period shall be billed by the Central Transmission Utility to DICs in proportion to their first bill in the relevant billing month. Accordingly, CTUIL raised the second bill for the period of October 2021 to December 2021 and January 2022 to March 2022 in line with various orders of the Central Commission corresponding to revision of transmission tariff for the previous years in FY 2022-23 and PSPCL has made these payments amounting to Rs. 304.46 Crore towards CTUIL in FY 2022-23. Hence, it is respectfully requested to allow the previous year payments of Rs. 328.45 Crore.

(d) PSPCL further submitted that the said amounts have already been incurred by PSPCL in FY 2022-23 and deferring the allowance of the same will lead to irreparable loss to the financial health of PSPCL and that the order to this extent ought to be reviewed.

Commission's Analysis:

The Commission had not considered the additional submissions submitted by PSPCL.as stated in para 1.4 of the tariff order dated 15.05.2023, as reproduced below:

> *"…………… PSPCL has submitted the additional submissions after the due date for submission of suggestions/objections and when the public hearings in this regard have already been completed. The Commission has decided that since the additional submissions submitted by PSPCL have been*

made at a very belated stage as such same are not being considered now and will be considered in the next ARR.”

As stated in the tariff order for FY 2023-24 prior period expenses for FY 2022-23 will be reviewed at the time of true up of FY 2022-23. As such the prayer for review of the earlier Order on this issue is not acceptable. The financial impact to PSPCL will be neutral since the accounting will be done and adjusted at the time of true up. As already mentioned in the tariff order under review, this cost was not considered at the time of tariff order due to delay in filing the claim by PSPCL.

XVII. CARRYING COST ON DELAYED PAYMENT OF SUBSIDY

PSPCL’s submission:

PSPCL submitted that the Commission is allowing interest on delayed payment of subsidy made by GoP. While allowing the interest on delayed payment of subsidy, total subsidy due during the year has been evenly distributed in all months whereas it is more appropriate if it is taken into consideration on consumption basis at monthly intervals due to the fact the amount of subsidy is on higher side in the months of paddy season and summer season in comparison to remaining period of the year. Further, the SoPs issued under RDSS Scheme for payment of subsidy provide for the payment of subsidy by State Government to Discom on actual consumption. Therefore, it is prayed to the Commission to allow carrying cost on delayed payment of subsidy on consumption basis.

Commission’s Analysis:

Methodology of Payment of interest adopted by the Commission is the same as being done since inception.

However, prayer for review of the earlier Order on this issue will be considered at the time of true up in the forthcoming ARR's for future years, subject to supply of consumption based subsidy data (slabwise/category wise) by PSPCL.

XVIII. CARRYING COST PAYABLE BY GOVERNMENT OF PUNJAB

PSPCL's submissions:

(a) PSPCL submitted that the Commission *vide* para 6.23 of Tariff Order for FY 2014-15 has allowed amount of Rs. 379.95 Crore as carrying cost payable by GoP to PSPCL. Further, *vide* Tariff Order for FY 2016-17 (refer page no. 206), the Commission had decided that:

> *"Accordingly, the net benefit of carrying cost of Rs. 80.26 (92.79-12.53) Crore relating to FY 2012-13 and FY 2013-14 is passed on to GOP."*

(b) Further, the Commission vide Tariff Order for FY 2017-18 (refer page no. 223) had decided that:

> *"The carrying cost on revenue gap of Rs. 113.17 Crore for FY 2014-15, amounting to Rs. 12.79 Crore (Rs. 6.39 Crore for six months of FY 2014-15 and Rs. 6.40 Crore for six months of FY 2015-16) is allocated to GOP"*

(c) PSPCL further submitted that now, the Commission *vide* current Tariff Order (refer table 221 on page 207) has determined the carrying cost of Rs. 122.89 Crore payable by GOP to PSPCL. A summary of all amounts payable by GOP to PSPCL is shown below:

Table No. 9: Details of amount payable by GoP to PSPCL

(Rs. Crore)

Sr. No.	Tariff Order Year	Amount
1	FY 2014-15	379.95
2	FY 2016-17	-80.26
3	FY 2017-18	12.79

4	FY 2023-24	122.89
5	**Total**	**435.37**

(d) PSPCL submitted that the Commission in this Tariff Order (in terms of Hon'ble Tribunal' remand back matter *vide* order dated 29.4.2022) has allowed carrying cost recoverable from GoP amounting to Rs. 319.73 Crore, out of which carrying cost to the tune of Rs. 196.84 Crore has been included in the amount recoverable from GOP in the true-up of FY 2021-22. The remaining amount of Rs. 122.89 Crore has been separately mentioned as amount payable by GoP to PSPCL on account of carrying cost. The abovementioned amounts for FY 2014-15, FY 2016-17 and FY 2017-18 were similarly directed as recoverable by the Commission. These amounts are yet payable by GoP along with amount payable on account of subsidy dues.

(e) PSPCL further submitted that the Commission has determined the shortfall amount payable by GoP to PSPCL amounting to Rs. 6,499.61 Crore ending FY 2022-23 which does not include the above amount of Rs. 435.37 Crore in respect of carrying cost payable by GoP to PSPCL. Therefore, it prayed that the Commission may determine the shortfall amount payable by the State Government by including the above amount of Rs. 435.37 Crore along with carrying cost from each respective year.

Commission's Analysis:

The commission in tariff order for FY 2014-15 in para no 6.23 (i) observed as under:

"*PSPCL was unable to furnish audited annual accounts for FY 2010-11 for true up in time i.e. during FY 2012-13 due to late finalisation of opening balance sheet of PSPCL by GOP. The Commission, further, decides that carrying cost due to delay in finalisation of opening balance sheet of PSPCL, which has been notified by GOP on 24.12.2012 is* *attributable to Government of Punjab. Accordingly, the carrying cost of revenue gap of Rs 1433.91 crores for FY 2010-11 amounting to Rs 322.35 crores (Rs.80.59 crores for 6 months of FY 2012-13 plus Rs 161.17 crores for 12 months of FY 2013-14 and Rs 80.59 crores for 6 months of FY 2014-15) is passed on to GOP."*

PSPCL has brought out new facts in the review petition which are not part of the original tariff order. As also reproduced above the carrying cost determined by the Commission in different tariff orders are already held to be attributable to the state government due to late finalisation of balance sheet. Therefore, this is a matter between PSPCL and Government of Punjab (GoP) and be taken up with GoP at PSPCL level directly. As such the prayer for review of the earlier Order on this issue is not tenable.

C. TERMINAL BENEFIT TRUST

PSPCL's submissions:

(a) PSPCL submitted that the Commission has not allowed for progressive funding of the Terminal Benefit Trust stating that PSPCL has not operationalized the pension trust and has not made any provision for progressive funding of terminal benefits.

(b) PSPCL further stated that as decided by the Hon'ble Tribunal *vide* its judgment dated 29/04/2022, the PSERC MYT Regulations which follow the principle of '*pay as you go*' with regard to unfunded past liabilities of pension and gratuity, have to be amended first. Relevant para of the judgment is reproduced as under:

"234. The Regulations notified by the State Commission shall have to be notified consistent with the Transfer Scheme as any power vested therein to the State Government cannot be restricted by the Regulations notified by the State Commission."

(c) PSPCL submitted that therefore, until and unless the current MYT Tariff Regulations 2022 are amended or there is an in-principle approval from PSERC regarding allowing contributions made towards it as an expense in the ARR, PSPCL cannot go ahead with operationalising it.

Commission's Analysis:

The O&M expenses of which past liability is a part is worked out as per Regulation 24 note 9 as reproduced below:

> *Note 9: With regard to unfunded past liabilities of pension and gratuity, the Commission will follow the principle of 'pay as you go'. The Commission shall not allow any other amount towards creating a fund for meeting unfunded past liability of pension and gratuity."*

In line with the Regulations, the Commission has correctly disallowed progressive funding of the Terminal Benefit Trust stating that PSPCL has not operationalized the pension trust and has not made any provision for progressive funding of terminal benefits. Moreover this issue of progressive funding of the pension trust has not been claimed by PSPCL in this Tariff order. As such the prayer for review of the earlier Order on this issue is not tenable and is disallowed.

D. Norms of Operation of own Thermal Plants

PSPCL's submission:

i. The Commission has considered normative values of SHR, oil consumption and auxiliary consumption for GGSSTP, Ropar and GHTP, Lehra Mohabbat while truing up FY 2021-22, reviewing the performance of FY 2022-23 and determining ARR for the 3rd Control Period from FY 2023-24 to FY 2025-26. The submissions with respect to consideration of actual/relaxation in norms for each parameter for each plant is discussed below.

ii. The operating parameters like consumption of coal, oil & auxiliary power and Station Heat Rate are affected adversely mainly due to operation of Units at partial load & frequent start/stop and various other reasons discussed in the succeeding paras.

iii. The running of GGSSTP, Rupnagar and GHTP, Lehra Mohabbat is regulated by Power Controller, Patiala so as to maintain the required frequency of the system as per demand. The units are forced to operate at partial loads or are shut down, which is beyond the control of GGSSTP, Rupnagar and GHTP, Lehra Mohabbat. The part load running & frequent unit start/stop results in low Plant Load Factor (PLF) which further effects the operating parameters such as Station Heat Rate, Auxiliary Power and Oil Consumption which is clear from the following table showing the running of GGSSTP units and GHTP units from FY 2017-18 to FY 2021-22:

GGSSTP	2017-18	2018-19	2019-20	2020-21	2021-22
PLF (%)	22.45	23.50	14.25	12.01	23.57
No. of (start + stop) on no demand	55	38	88	78	97
Backdown (MU)	7542.49	5284.29	5650.69	6128.07	4875.46

GHTP	2017-18	2018-19	2019-20	2020-21	2021-22
PLF (%)	36.54	30.84	11.33	11.24	24.91
No. of (start + stop) on no demand	50+47	59+58	26+27	29+29	41+38
Backdown (MU)	4888.343	4777.717	7002.257	6969.074	4620.923

iv. The effect of part load running & frequent unit start/stop on parameters *viz* Station Heat Rate, Specific Oil Consumption, and Auxiliary Consumption are mentioned below:

a. Station Heat Rate (SHR)

The Commission has allowed SHR of 2,430 kCal/kWh instead of 2,666 kCal/kWh as submitted by PSPCL for FY 2021-22, FY 2022-23 and for 3rd MYT Control period FY 2023-24 to FY 2025-26 for GGSSTP. While the Commission has considered SHR of 2,430 kCal/kWh for Units-I, II & III and 2,387 kCal/kWh for Unit-IV for FY 2021-22, FY 2022-23 and also for 3rd MYT Control period FY 2023-24 to FY 2025-26 for GHTP. The SHR gets badly affected due to the following reasons: -

i) **Ageing of units** – GGSSTP Units III & IV are about 35 years old & Units V & VI are about 31 years old, whereas GHTP Units are comparatively younger than the GGSSTP Units. GHTP Units I & II are about 24 years old & Units III & IV are about 14 years old. It is a universal fact that the performance of any mechanical equipment does not remain consistent over the useable life of the equipment due to wear and tear during normal operations.

ii) **Partial load operation of the units and number of start/stop of units** – It is clear from the table above depicting the performance of GGSSTP and GHTP units for the last 5 years that PLF is very low mainly due to the PPA's with large-capacity IPP's in Punjab State resulting in lesser share of PSPCL's own thermal plants. With the operation of these plants at a low PLF, it is almost impossible to meet with the approved heat rate norms which are very stringent for

GGSSTP Units. In view of the above, it is requested for fixing higher SHR value for GGSSTP, Rupnagar, which should be softer/more relaxed than the SHR fixed for GHTP Units.

Further, the accurate calculation of heat rates separately for Unit-I to III and Unit-IV is not possible due to the reason that some amount of energy is consumed commonly for all the Units, such as FO tank heating, PRDS charging, running of Circulating Water Pumps etc. Therefore, it would be better if a single value of SHR is approved for the station as a whole. The Commission has fixed norms as per the Central Commission' tariff regulations, but in other states relaxation is given in Station Heat Rate on the above said factors as shown below:

Name of State Thermal Plant	Station Heat Rate (kCal/kWh)
KTPS (Units 1 to 7) 110/210/195 MW	**2,561.70** -Approved for 2022-23 by Rajasthan Tariff Order 2022-23
Ukai (Units 3-5) 200/210 MW	**2,625**-Approved for 2021-22 by Gujarat Tariff Order 2021-22
Gandhinagar (3-5) 210 MW	**2,625**- Approved for 2021-22 by Gujarat Tariff Order 2021-22

In view of the above, PSPCL has requested to fix higher SHR value for GHTP, giving due consideration for old units, which has been regularly pleaded before the Commission.

b. Secondary Fuel Oil Consumption

The Commission has approved the specific oil consumption for GGSSTP as 0.5 ml/kWh for FY 2021-22, FY 2022-23 and 3rd MYT Control period from FY 2023-24 to FY 2025-26. Oil is consumed mainly for start-up of the units and sometimes for flame stability when the units are run at partial load and some problem arises like poor coal quality, equipment failure etc. Oil consumption is directly proportional to the number of start-ups of the units and more the stoppage time more quantity of oil is required for start-up. Oil consumption is higher due to frequent backdowns, start/ stop and load shedding as per system requirement, which is very much clear from the para XX (ii) & XX (iii) above depicting no. of start/stops on low demand for the last 5 years. Moreover, approved specific oil consumption has never been achieved even during the operation of units when PLF was higher in the past. In view of the above, the Commission is requested to fix higher specific oil consumption rate as 2 ml/kWh instead of 0.5 ml/kWh as approved by the Commission for GGSSTP.

The Commission has fixed norms as per the Central Commission’ tariff regulations but in other states relaxation is given in oil consumption on the above said factors as shown below:

Name of State Thermal Plant	Oil consumption (ml/kWh)
Ukai (Units 3 - 5) 200/210 MW	**1.00** - Approved for 2021-22 by Rajasthan Tariff Order 2022-23
Gandhinagar (3-5) 210 MW	**1.00** - Approved for 2021-22 by Rajasthan Tariff Order 2021-22
PTPS 210 MW	**1.00** - Approved for 2022-23 by Haryana Tariff Order 2022-23

In view of the above, the Commission is requested to fix higher specific oil consumption rate by giving due consideration to the above specified reasons.

c. Auxiliary Power Consumption (APC)

The Commission has approved auxiliary power consumption as 8.5% for FY 2021-22, FY 2022-23 and the 3rd MYT Control period from FY 2023-24 to FY 2025-26. In case of backing down of generation, though the load is reduced, the units are operated at partial load and power is required to run the minimum essential standby auxiliaries of the stopped units to safeguard the main equipment of the station Thus auxiliary consumption in percentage terms is higher during the low load operation. In view of the above, it is requested that the Commission may fix higher Auxiliary Power Consumption (APC) rate as 9% instead of 8.5% approved by the Commission for GGSSTP.

The Commission has fixed norms as per the Central Commission' tariff regulations, but in other states relaxation is given in auxiliary power consumption on the above said factors as shown below:

Name of State Thermal Plant	Auxiliary consumption (%)
Ukai (Units 3 – 5) 200/210 MW	**9.00%** - Approved for 2021-22 by Gujarat Tariff Order 2021-22
Gandhinagar (3-5) 210 MW	**9.00%** - Approved for 2021-22 by Gujarat Tariff Order 2021-22
PTPS 210 MW	**9.00%** - Approved for 2022-23 by Haryana Tariff Order 2022-23
KTPS (Units 1 to 7) 110/210/195 MW	**9.65%** - Approved for 2022-23 by Rajasthan Tariff Order 2022-23
STPS (Units 1 to 6) 250 MW	**9.80%** - Approved for 2022-23 by Rajasthan Tariff Order 2022-23

In view of the above, it is requested that the Commission may fix higher auxiliary power consumption rate by giving due consideration to the above specified reasons.

v. The Commission follows the norms of the 5-year Tariff Regulations given by the Central Commission. Other states have resorted to their own 5-Year Regulations based on the lines of the Central Commission' norms, attributable to their own specific conditions of generation/demand *viz*. Haryana State Electricity Regulatory Commission has its own norms. Similarly, this Hon'ble Commission must evolve its own Regulations, keeping in view its specific conditions particularly extreme variable load profile (7,000-14,000 MW), ageing of units and Grid system constraints.

vi. Adding to the above, it is also mentioned that PSPCL is responsible for meeting with a wide range of demand, (approx. 7,000 MW – 14,300 MW) of electricity in Punjab, which it does from different sources. The major sources from which PSPCL procures power are:

- Central Generating Stations
- Own Thermal and Hydel Generating Stations
- IPP's
- Co-Generation Plants
- Banking Arrangements
- Traders

vii. According to the Merit Order Dispatch, power is purchased from the above sources & also from the PPA's signed with IPP's in Punjab for cost effective & economic viability to PSPCL/Consumers which results in backing down of PSPCL's own generating stations which leads to higher operating parameters. However, when the plant is allowed to run at more than 80% PLF, the parameters get improved as detailed below:

S. No.	Operating Parameters of GGSSTP	Unit	Year			
			2009-10	2010-11	2011-12	2012-13
1	Plant load factor	%	91.11	88.04	86.41	83.05
2	Auxiliary Consumption	%	8.14	8.11	8.44	8.37
3	Specific overall oil consumption	ml/kWh	0.665	0.649	0.648	0.625
4	Heat Rate (GCV based)	kCal/kWh	2645	2566	2564	2538

S. No.	**Operating Parameters of GHTP**	**Unit**	**Year**			
			2010-11	2011-12	2012-13	2013-14
1	Plant load factor	%	84.79	94.31	89.53	82.70
2	Auxiliary Consumption	%	8.08	7.87	7.93	8.21
3	Specific overall oil consumption	ml/kWh	0.580	0.369	0.270	0.325
4	Heat Rate (GCV based)	kCal/kWh	2417	2402	2324	2396

From the above table it is clear that even if GGSSTP and GHTP units operate on higher PLF, even then performance parameters fixed by the Commission would not be achievable.

viii. It is also pertinent to mention that the Commission fixes unachievable norms for performance parameters like Station Heat Rate, Auxiliary Consumption and Specific Oil Consumption whereas norms for performance should be based on the national average rather than based on the top performers.

Commission's Analysis:

i. The Commission in Para 2.8, Para 3.7 and Para 4.7 of 'Commission's Analysis' in the Tariff Order has allowed norms of operation of PSPCL's own thermal plants in line with Regulation 35 of the PSERC MYT Regulations, 2019 and Regulation 34 of the PSERC MYT Regulations, 2022 respectively which specify that norms for performance parameters shall be in accordance with CERC norms. Further, the Commission, vide Order dated 25.08.2022 in Review Petition No. 05 of 2021 in Petition No. 45 of 2020 has already suggested that PSPCL may study the effect of ageing of the plants on heat rate and may provide statistical data to back up their claim. PSPCL has not provided any data for their claim as yet.

ii. **The Commission observes that no new or important matter or evidence has been produced (which was not within the knowledge of the PSPCL at the time when the decision/order was passed by the Commission) nor is there any mistake or error apparent on the face of the record. As such, the prayer with regard to review of the earlier Order on issue of Norms of Operation of own Thermal Plants as requested by PSPCL is not tenable. However, for the future, PSPCL may examine its own plants performance in detail and back up its assertions and prayers with detailed data as already directed for the Commission to give due consideration data backed/claims.**

E. Auxiliary Consumption for own Hydel Power Stations

PSPCL's submission:

i. The following remarks have been given under Table 14: 'PSPCL's Hydel Generation for FY 2021-22', Table 76: 'PSPCL's Hydel generation approved by the Commission and FY 2022-23' and Table 141: 'PSPCL's Hydel generation approved by the Commission for the 3rd MYT Control Period':

> "**Transformation loss @0.5%, Auxiliary consumption @0.5% for RSD and UBDC stage-I (having static exciters) and @0.2% for others.*"

ii. As per CERC Tariff Regulations 2019, Auxiliary Energy Consumption mentioned at clause 5 of regulation 3, is defined as under:

> "'*Auxiliary Energy Consumption' or 'AUX' in relation to a period in case of a generating station means the quantum of energy consumed by auxiliary equipment of the generating station, such as the equipment being used for the purpose of operating the plant and machinery including switchyard of the generating station and the transformer losses within the generating station, expressed as a percentage of the sum of gross energy generated at the generator terminals of all the units of the generating station;*
> *Provided that auxiliary energy consumption shall not include energy consumed for supply of power to a housing colony and other facilities at the generating station and the power consumed for construction works at the generating station and integrated coal mine;*
> *Provided further that auxiliary energy consumption for compliance of revised emission standards, sewage treatment plant and external coal handling plant (jetty and associated infrastructure) shall be considered separately.*"

iii. As per the above definition, Auxiliary Energy Consumption includes the transformer losses (which was earlier transformation losses as per CERC Tariff Regulations 2004).

So, in the 2019 regulations, Auxiliary Energy Consumption and Transformation losses are not defined separately, rather these are defined as Auxiliary Energy Consumption or AUX (which is inclusive of transformation losses). The norms for the same as per clause (C) of Regulation 50 of 2019 regulations are reproduced as under:

Type of Station	**AEC**	
	Installed Capacity above 200 MW	**Installed Capacity upto 200 MW**
Surface		
Rotating Excitation	0.7%	0.7%
Static	1.0%	1.2%
Underground		
Rotating Excitation	0.9%	0.9%
Static	1.2%	1.3%

iv. As per the above norms, the Auxiliary Energy Consumption for various Hydel Projects of PSPCL works out as under:

Project Name	**Installed Capacity (MW)**		**Type of Station**	**Type of Excitation**	**Auxiliary Energy Consumption**
ASHP	PH-I (Ganguwal)	2 x 33.5 = 67	Surface	Rotating	0.7%
	PH-II (Nakkian)	2 x 33.5 = 67			
	Total	**134**			
MHP	PH-I, Rouli	3 x 15 = 45	Surface	Static	1.2%
	PH-II, Sandhwal	3 x 15 = 45			
	PH-III, Railly	3 x 19.5 = 58.5			
	PH-IV, Pandori	3 x 19.5 = 58.5			
	PH-V, Terkiana	2 x 9 = 18			
	Total	**225**			
RSD	4 x 150 = **600**		Surface	Static	1.0%
UBDC	(3 x 15 + 3 x 15.45) = **91.35**		Surface	Static	1.2%
Shanan	1 x 50 4 x 15 Total = **110**		Surface	Static/ Rotating	1.0%*

* *At Shanan Power House 4 x 15 MW machines have rotating excitation whereas 1 x 50 MW machine has static excitation system. But the auxiliary consumption of the project is being accessed as a whole. As such on an average basis, the auxiliary energy consumption should be assumed as 1.0% for the Power Project as a whole instead of 0.7% as has been approved by Hon'ble Commission.*

v. From the data mentioned in the above table, it is ample clear that all the rotating excitation system installed at the machines of various projects have been changed with the static excitation system except the 4 x 33.5 MW machines of ASHP Anandpur Sahib and 4 x 15 MW machines of Shanan Power House. Therefore, in the case of Mukerian Hydel Project, Shanan Power House & UBDC Hydel Project, Auxiliary Energy Consumption may be allowed as mentioned in the above table on the basis of prevailing norms of the Central Commission.

Commission's Analysis:

i. Regulation 35 of PSERC MYT Regulations 2019 specifies that:

"35. NORMS FOR PERFORMANCE PARAMETERS:

The norms for performance parameters for a Generating Company i.e. availability, load factor, station heat rate, specific oil consumption, auxiliary consumption etc. shall be as per the CERC norms or as determined by the Commission:

ii. The Commission has considered the norms in the Tariff Orders as under:

**Transformation losses @0.5%, auxiliary consumption @0.5% for RSD & UBDC stage-1 (having static exciters) and @0.2% for others.*

The Commission notes that PSPCL has never raised this issue in any of the previous Tariff Orders

iii. Further PSPCL has now submitted that its power stations MHP, UBDC and Shanan (50MW unit) are having static excitors. PSPCL needs to submit the OEM documents specifying Static excitors based on which the Commission may consider higher auxiliary consumption. The Commission, vide Interim Order dated 14.09.2023 directed PSPCL to submit the OEM documents specifying Static Excitors based on which the higher auxiliary consumption is being claimed in the Review Petition. Further, as pointed out earlier also, PSPCL did not submit the financial impact / calculation of its claim. PSPCL vide reply dated 3.10.2023 submitted the requisite documents. In view of the same, the Commission has re-calculated the auxiliary consumption based on the CERC norms which works out as 31.60 MkWh instead of 27.41 MkWh considered by the Commission while doing the True-up of FY 2021-22 in the Tariff Order of FY 2023-24. With the revised figures of auxiliary consumption as 31.60 MkWh, the total hydel availability from PSPCL's own sources including BBMB works out to be 6960.36 MkWh against 6964.55 MkWh approved by the Commission in the True-up of FY 2020-21. Since, PSPCL has not submitted any calculations/working of the financial implications of the increased auxiliary consumption, the Commission decides to allow an additional 4.19 MkWh units of power purchase at the short term rate of Rs. 3.83/kWh (as per Table 23 of the Tariff Order for FY 2023-24).

Accordingly, the Commission allows an additional amount of Rs. 1.60 Crore alongwith carrying cost as calculated below:

Table 10: Carrying cost on Auxiliary consumption (Rs. Crore)

Sr.no	Particulars	FY 2021-22
I	Auxiliary Consumption for own Hydel Power Station	1.60
II	**Carrying cost**	
	for 6 months FY 2021-22 @8.01%	0.07
	for 1 year FY 2022-23 @7.6522	0.12
	for 1 year FY 2023-24 @7.6522	0.12
	for 6 months FY 2024-25 @7.6522	0.06
	TOTAL Carrying cost	**0.37**
III	**Total Impact (I+II)**	**1.97**

Therefore, the Commission allows Rs. 1.97 Crore inclusive of carrying cost.

The impact of the same will be considered in the Tariff Order of FY 2024-25. For Hydel generation of FY 2022-23 and FY 2023-24 the same will be considered while doing the Truing of the respective years.

F. TARIFF RELATED ISSUES

PSPCL's submission:

a) Time of Day (TOD) Tariff

At the outset, PSPCL is grateful to the Commission for reducing the rebate offered under the Time of Day (ToD) tariff mechanism for the period 1st April to 31st May and 1st October to 31st March. It is submitted that, PSPCL had also prayed to the Commission to increase the surcharge levied during evening peak hours of 6 p.m. to 10 p.m. for the period 1st June to 30th September from Rs. 2/kVAh to Rs. 2.50/kVAh. During the paddy season, the demand of the state is at a peak level, which is increasing every year. To manage such demand is a huge task and also the market prices during the summer and monsoon season are abrupt in nature as seen in the previous year where the prices were frequently touching the limit of Rs. 12/unit. Therefore, it is again prayed that the Commission review its order to this extent.

PSPCL has prayed to the Commission to amend the ToD Tariff by making it applicable during the month of October from 16th October instead of 1st October. The reason as submitted in the petition also was that it has been observed during the past few years that the paddy season invariably spills over till about 15th October, it was suggested that the ToD period be made applicable from 16th October. The same is again prayed, to be allowed in this review.

b) Introduction of morning peak hours during winter months in TOD tariff

PSPCL has also prayed that in the ToD tariff, a separate slab for the winter months from 1st December to 28th February may be introduced and a surcharge of Rs. 2.50/kVAh over the normal tariff for the period 6 a.m. to 9 a.m. be levied.

This is due to the reason that during winter months, foggy weather coupled with delayed availability of solar power makes the task of meeting demand more challenging, especially with high rate of rise of demand during this period. To manage such a sharp rise in demand, it is proposed to introduce a surcharge for this period. Therefore, the Commission is prayed to review this matter.

c) Special Night Tariff for industrial consumers who use electricity exclusively during the night

PSPCL has prayed that for the Special Night Tariff consumers also, the ToD slab for the morning peak hours of the winter months, as proposed in para b) above, may be made applicable. The same is again prayed for the Commission's consideration.

d) Reduced energy charges for industrial consumers consuming power above the threshold limit

PSPCL has prayed to the Commission to discontinue the threshold rebate for industrial consumers, as PSPCL has to stack all generating sources at its disposal in order of their cost i.e., cheapest cost at the bottom. Therefore, to meet with higher demand PSPCL will have to rope in higher cost sources. In the previous year, due to unprecedented rise in demand & higher market prices, adverse financial impact of the same had been felt by PSPCL.

Commission's Analysis:

i. The Commission observes that PSPCL has submitted these additional submissions/ suggestions after the due date for submission of suggestions/objections and after the public hearings in this regard have already been completed. The Commission in Para 1.4 of the Tariff Order for FY 2023-24 has decided that since the additional submissions by PSPCL have been made at a very belated stage, as such, the same are not being considered now and will be considered in the next ARR.

ii. **The Commission observes that no new or important matter or evidence has been produced (which was not within the knowledge of the PSPCL at the time when the decision/order was passed by the Commission) nor is there any mistake or error apparent on the face of the record. As such, the prayer with regard to review of the**

earlier Order on the various tariff related issues as requested by PSPCL is not tenable or admissible and is hence rejected.

G. Summary of expenses allowed by the Commission

The Commission allows the following along with carrying cost. The impact of the same will be considered in the Tariff Order of FY 2024-25.

Table No.11: Expenses allowed by the Commission

(Rs. Crore)

Sr. No	Particulars	Amount allowed	Carrying cost allowed	Total
1.	Power Purchase: Payment to BBMB SLDC charges and liquidation charges to NPL (para A(III))	30.12	6.97	37.09
2	Interest on Long Term Loans and Finance charges: (para A(IV))	7.51	0.96	8.47
3	Station Heat Rate (SHR): Auxiliary Consumption for own Hydel Power stations (para E)	1.60	0.37	1.97
4	**TOTAL**	**39.23**	**8.30**	**47.53**

The Review Petition is disposed of in terms of the above.

Sd/-
(Paramjeet Singh)
Member

Sd/-
(Viswajeet Khanna)
Chairperson

Chandigarh

Date: 06.06.2024