

CHAPTER – 5

ANNUAL REVENUE REQUIREMENT FOR FY21

5.1 Approved ARR for FY21:

KPTCL in its application dated 27th November, 2019, has requested the Commission to carry forward the proposed revenue deficit of Rs.436.71 Crores of FY19 to the approved ARR of FY21, and to determine the revised transmission tariff for FY21.

Commission's Analysis and Decision:

The Commission in its Tariff Order dated 30th May, 2019 had approved ARR and Transmission Tariff for FY20 – FY22. As per this Tariff Order, the Commission had approved an ARR of Rs. 3,645.17 Crores for FY21 as detailed below:

TABLE – 5.1
Approved ARR FY21

Amount in Rs. Crores		
Sl. No	Particulars	As approved
	Expenditure	
1	Total O&M Expenses	1,661.30
2	Depreciation	839.59
3	Interest & Finance Charges	541.51
4	Interest on working capital	97.56
5	Return on Equity with MAT at 21.5488% (19.7575% on allowable equity)	843.36
	Less	
6	Interest & Finance Charges capitalized	-77.41
7	Other Expenses capitalized	-46.42
8	Other Income	-214.33
	NET ARR	3,645.17

KPTCL, in its application has sought to add the revenue gap of FY19 to the approved ARR of FY21 without any changes in the existing approved ARR for FY21 as per the Commission's Order dated 30th May, 2019.

As discussed in the previous chapter, the Commission has decided to carry forward the net deficit amount of Rs.436.71 Crores based on the APR for FY19.

Thus, considering the above deficit of Rs.436.71 Crores of FY19, the revised ARR for FY21 would be as follows:

TABLE – 5.2
Revised ARR for FY21

Particulars	Amount in Rs. Crores	
		FY21
Approved ARR for FY21 as per tariff order dated 30 th May, 2019		3645.17
Add Deficit as per approved ARR for FY19 after APR for FY19		436.71
Revised ARR for FY21		4081.88

5.2 Implementation of the Orders dated 05.10.2020 of Hon'ble ATE in Appeal No.97/2020:

The Commission has implemented the Order dated 05.10.2020 of the Hon'ble ATE in Appeal No.97/2020, vide its Order No. N/33/2020 dated 19.10.2020. In the said Order, the Commission has allowed an amount of Rs.1657.07 Crores (Rs.545.87 Crores towards power purchase claims of Tanir Bhavi Power Company plus carrying cost of Rs.1111.20 Crores for the period from FY02 to FY20). As per the directions of the Hon'ble ATE, the KPTCL shall create a regulatory asset for the above amount, for facilitating gradual increase in tariff. Accordingly, as per its Order dated 19.10.2020, the Commission decides to recognise the regulatory asset to be amortized over a period of 5(Five) years and recover the same through tariff payable by the consumers. The yearly amortized amount of Regulatory Asset, to be included in the ARR of KPTCL over a period of five years works out to Rs.331.414 Crores. The amount of regulatory asset to be recovered during FY21, for five month's period from November'20 to March'21, in FY21, works out to Rs.138.09 Crores ($331.414 \times 5/12$). Hence, an amount of Rs.138.09 Crores is considered for recovery in tariff along with the approved ARR for FY21.

The Hon'ble ATE, in its Order dated 05.10.2020 has also upheld the Truing up of ARR of KPTCL for FY06-07 as approved by the Commission as per its order dated

16.01.2020. Therefore, the revenue deficit of Rs. 72.90 found out during the said truing up exercise for FY06-07, shall have to be considered for recovery in tariff along with the approved ARR for FY21.

Thus, an amount of Rs. 138.09 Crores and Rs.72.90 Crores are considered for the purpose of computation of total revised ARR and transmission tariff for FY21, as under:

	<u>Rs. Crores</u>
1. Total Approved ARR for FY21 as per the MYT Order dated 30 th May, 2019	Rs.3645.17
2. Add: Carry forward of deficit for FY19	Rs. 436.71
3. Amortized Regulatory Asset (for five months)	Rs. 138.09
4. Revenue Deficit for FY06-07 found out during truing up	<u>Rs. 72.90</u>
Total ARR for FY21	<u>Rs.4292.87</u>

Accordingly, the Commission decides to approve the revised ARR of Rs.4292.87 Crores for FY21.

i) Revised Transmission tariff for FY21:

The Commission in its Tariff Order dated 30th May, 2019 had considered the following ESCOM-wise transmission capacity for FY21:

TABLE - 5.3

**ESCOM wise capacity Allocation for FY21-
As per Tariff Order dated 30.05.2019**

ESCOMs	Capacity Allocation in MW
BESCOM	11,523
MESCOM	1,715
CESC	2,600
HESCOM	4,425
GESCOM	2,800
TOTAL (MW)	23,063

The transmission tariff determined for FY21 was Rs.1,31,711 per MW per Month.

The Commission in its preliminary observations had directed KPTCL to recast and furnish the estimated installed transmission capacity for FY20, FY21 and FY22

based on actual installed transmission capacity of 20826 MW for FY19. KPTCL, in its reply to the preliminary observations, had submitted that the transmission capacity of 21420 MW as indicated in its filing was the Commission approved capacity based on which transmission tariff for FY19 was determined and actual recovery happened. KPTCL has also submitted the revised transmission capacity for FY20, FY21 and FY22 based on the actual capacity for FY19 i.e. 20826 MW created in the system. For FY21, the following is the revised transmission capacity projections:

TABLE - 5.4
ESCOM wise capacity Allocation for FY21 – KPTCL's Submission

ESCOMs	Capacity Allocation in MW
BESCOM	12737.50
MESCOM	1785.00
CESC	2762.00
HESCOM	4425.00
GESCOM	3060.00
TOTAL (MW)	24769.50

The Commission notes that, the above said projected transmission capacity for FY21 is based on the actual transmission capacity of 20826 MW in FY19. However, as per the annual report / audited accounts (Annexure-1 of replies) of KPTCL for FY19, the following is the ESCOM- wise transmission capacity in FY19:

TABLE - 5.5
ESCOM wise capacity Allocation for FY19

ESCOMs	Capacity Allocation in MW
BESCOM	10323.50
MESCOM	1615.00
CESC	2252.00
HESCOM	4085.00
GESCOM	2550.00
TOTAL (MW)*	20825.50

*As per the Annual Audited Accounts

Considering, the above said actual transmission capacity of 20826 MW in FY19 and considering the various ongoing central projects and the proposed capital works and the actual transmission capacity added during the previous years, the projections proposed by KPTCL for FY20 & FY21, are abnormally on a higher side.

There is a wide gap between the approved capacity and the actual achievement in the previous years. The Commission by considering the actual addition of transmission capacity in previous years and also the ongoing and proposed capital works during ensuing years, has considered a moderate transmission capacity addition. Thus, the Commission by considering the above aspects, approves the ESCOM-wise transmission capacity in MW for FY21 as under:

TABLE - 5.6**ESCOM-Wise Approved Transmission Capacity for FY21**

ESCOMs	Capacity Allocation in MW
BESCOM	11708
MESCOM	1715
CESC	2505
HESCOM	4335
GESCOM	2800
TOTAL (MW)	23063

Considering the above estimated transmission capacity for FY21, the transmission charges to be recovered from the ESCOMs and long-term users of transmission network are determined as follows:

TABLE – 5.7**Transmission Charges payable by ESCOMs for FY21**

Particulars	Capacity Allocation (MW)	Transmission charges for FY21 (Rs. Crores per annum)	Transmission charges for FY21 (Rs. Crores per Month)
BESCOM	11708	2179.29	181.61
MESCOM	1715	319.22	26.60
CESC	2505	466.27	38.86
HESCOM	4335	806.90	67.24
GESCOM	2800	521.18	43.43
TOTAL (MW)	23063	4292.87	357.74

The revised transmission charge for FY21 works out to Rs.1,55,114 per MW per month. Prior to consideration of Hon'ble ATE's Order dated 05.10.2020, the transmission charges would have worked out to Rs.1,36,127 per MW per month.

ii) SLDC Charges:

The Commission in its Tariff Order dated 30th May, 2019 had approved the ESCOM-wise SLDC charges for FY21 as follows:

TABLE – 5.8
SLDC charges – Approved for FY21 in Tariff Order 2019
Amount in Rs. Crores

ESCOMs	Capacity Allocation In MW	Share of SLDC Charges included in ARR of ESCOMs
BESCOM	11,523	12.89
MESCOM	1,715	1.92
CESC	2,600	2.91
HESCOM	4,425	4.95
GESCOM	2,800	3.13
TOTAL	23,063	25.79

The Commission as discussed in para 4.3 (xv) at Table – 4.16 in Chapter-4 of this Order has decided to allow KPTCL to adjust the net excess amount of Rs.0.36 Crores collected from the ESCOMs towards SLDC charges for FY19 with respect to the approved SLDC charges of Rs.27.96 Crores for FY19.

Accordingly, the revised SLDC charges, considering the APR for FY19 and approved ARR for FY21 as per the Commission's Order dated 30th May, 2019 (duly considering the revised transmission capacity), to be collected from ESCOMs during FY21 are as follows:

TABLE – 5.9
Approved Revised SLDC charges of FY21
Amount in Rs. Crores

Particulars	Actual Capacity Allocation for FY19 (MW)	SLDC Charges for FY19 as per APR	SLDC Charges for FY19 as approved in Order dated 14 th May, 2018	Difference to be adjusted in FY21	Revised Transmission Capacity for FY21	Revised SLDC Charges for FY21	Net SLDC Charges to be collected in FY21
1	2	3	4	5	6	7	8 (7-5)
BESCOM	10324	13.86	15.03	-1.17	11708	13.092	11.923
MESCOM	1615	2.17	2.09	0.08	1715	1.918	1.996
CESC	2252	3.02	3.01	0.01	2505	2.801	2.815
HESCOM	4085	5.48	5.30	0.18	4335	4.848	5.032
GESCOM	2550	3.42	2.89	0.53	2800	1.131	3.665
TOTAL	20826	27.96	28.32	-0.36	23063	25.790	25.430

Thus, the Commission decides to allow the net SLDC charges of Rs.25.43 Crores recoverable from ESCOMs for FY21.

Transmission Charges and SLDC Charges for all Open Access Consumers:

The Commission notes that, apart from the ESCOMs, the open access consumers are also availing the services of the SLDC and hence they should also bear the expenses incurred by the SLDC.

Based on the total transmission capacity and the allowable SLDC expenses for FY21, the Commission decides to allow the SLDC to collect **Rs.30.21 per MW per day for all open access transactions from 1st of November, 2020** as charges towards SLDC expenditure. This is apart from the transmission charges payable to KPTCL. The KPTCL and SLDC are also directed to account this income separately and report to the Commission while submitting its proposal for APR of FY21.

As determined above, the transmission charge of **Rs.1,55,114 per MW** per month is applicable for all long-term open access consumers for FY21.

Further, the revised transmission charges for short term open access consumers for FY21 are as follows:

TABLE – 5.10
Revised transmission charges
for short term open access consumers – FY21

Duration of Open Access (Rs/MW)	Transmission Charges Amount in Rs/MW	SLDC Charges in Rs/MW/Day
More than 12 hrs & up to 24 hrs in a day in one block	1274.49	30.21
More than 6 hrs & up to 12 hrs in a day in one block	637.45	
Up to 6 hrs in a day in one block	318.73	

Commission's Order:

1. In exercise of the powers conferred on the Commission under Sections 62 and 64 and other enabling provisions of the Electricity Act 2003, the Commission hereby approves the revised ARR as per Annual Performance Review for FY19 and determines and hereby notifies the revised ARR and Transmission Tariff of KPTCL for FY21 as approved in this Order.
2. The tariff determined in this Order shall come into effect from 1st November, 2020.
3. This Order is signed dated and issued by the Karnataka Electricity Regulatory Commission at Bengaluru, this day, the 4th of November, 2020.

Sd/-
(Shambhu Dayal Meena)
Chairman

Sd/-
(H.M. Manjunatha)
Member

Sd/-
(M.D. Ravi)
Member