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Karnataka Power Transmission Corporation Limited

No. KPTCL/ B36/33127/2012-13 | 534-39
Encl: ~~86~~ Pages

Corporate Office
Regulatory affairs
Kaveri Bhavan
Bangalore - 560 009
Dated: 04.01.2013

The Secretary
KERC
6th & 7th floor
Mahalakshmi Chamber
M G Road
Bengaluru 560 001

Sir,

Sub: Preliminary Observations of KERC on APR and MYT filing of KPTCL
Ref: Your Letter No. B/22/12/2118 dated 28.12.2012

I am directed to submit herewith the response of KPTCL for the preliminary observations of the Commission sent vide letter cited under reference. I request you to place the above response before the Hon'ble Commission for perusal and consideration.

Yours faithfully

[Signature]
2/1/13

✓ Financial Advisor
Regulatory Affairs

Copy for information to

1. The Chief Engineer, P & C/ SLDC KPTCL, Bangalore
2. The Financial Advisor (A &R) , KPTCL, Kaveri Bhavan, Bangalore
3. The PS to MD/DT/DF for placing it before MD/DT/DF
4. M/F

**KPTCL's Response to KERC's Preliminary Observations dated 28.12.2012 on
APR for FY12 MYT filing for FY14-16**

1. General Observations on ERC / Tariff filing application:

As per 2.4.2 of KERC (Terms and Conditions for Determination of Transmission Tariff) Regulations 2006, KPTCL should have submitted a Perspective Plan for Commission's approval along with MYT filing for the third control period for a period of five years commencing from FY14 to FY18. However the same has not been filed with the ERC & Tariff application. KPTCL shall submit Perspective plan for the period covering FY14 to FY18 immediately.

KPTCL's Response:

KPTCL has to file perspective plan for the 3rd control period for FY14-16.

A Presentation was made to the Commission on 08.10.2012 regarding the action taken by KPTCL in forecasting the load for all the 5 ESCOMs in the State and the future course of action to be taken for drawing up the perspective plan. During the course of Presentation, the Hon'ble Members of the Commission have been informed about the methodology adopted by Consultants (M/s. PRDCL) in forecasting the load. Hon'ble Commission has also been informed that, based on the feedback from the ESCOMs on the tentative load forecast made by the PRDCL, the action will be taken to finalize the load forecast and subsequently to draw the perspective plan for putting up the additional stations and lines in the State.

The consultants of KPTCL i.e., PRDCL have submitted load forecast details on 23.11.2012 and the same has been forwarded to respective ESCOMs for their views. The two companies namely GESCOM & CESC have submitted their views and two other ESCOMs i.e. HESCOM & MESCOM indicated that they are agreeable to load forecast projected by PRDCL and the response of BESCO is still awaited. In the absence of concurrence of the ESCOMs, consultants are unable to draw the perspective plan indicating the requirement of additional stations and lines. However the consultants have been requested to indicate

the district wise load forecast which will enable them to prepare the perspective plan. They have agreed to furnish the same within 2 months. KPTCL will submit the same to KERC as and when it is received from the consultants after reviewing the same.

2. Annual Performance Review for FY12:

KPTCL in its filing for Annual Performance Review for 2011-12 has indicated a gap of Rs.293.23 Crores by taking revenue from transmission charges at Rs.1568.61 Crores, whereas in the same filing at page No.35 KPTCL has indicated revenue of transmission of power of Rs.1568.61 Crores and other operating income of Rs.94.40 Crores and other income of Rs.22.98 Crores and therefore the gap for FY12 comes to Rs.198.83 Crores. KPTCL may explain reason for not taking Rs.94.40 Crores for arriving at the gap.

KPTCL's Response:

Due to changes in the Sixth schedule to Companies Act, the items under Revenue from Transmission of power (earlier schedule 16) have been redefined to depict items like sale of scrap, profit on sale of stores, excess found on physical verification of stocks etc which are not directly related to transmission of power. (NOTE 21 to FY 12 accounts). Therefore, Rs 1568.61 Crs being the Revenue from transmission activity is considered for working out the Gap. Also the Commission in its previous order, has considered " Other Income" while approving ARR for the respective years. Hence an amount of Rs. 22.98 Crs, which is disclosed in NOTE 22 of the accounts as "Other Income" is taken into account while working out the Gap.

3. Annual Revenue Requirement for FY14 – FY16:

Employee Cost under O & M Expenditure has been estimated by taking provision for terminal benefits at 35% on basis pay, dearness pay and dearness allowance for pension and for gratuity at 6% on basic and dearness pay for FY13 and thereafter 1% increase on above percentage year on year for the MYT period has been assumed. Reason for taking such a high percentage shall be explained to the Commission.

KPTCL's Response:

KPTCL and ESCOMs are required to get Actuarial Valuation of Terminal Benefits as per Accounting Standard 15.

On behalf of KPTCL and ESCOMs, Pension and Gratuity Trust has entrusted KPTCL and ESCOMs Actuarial Valuation of Terminal Benefits (Pension, Gratuity, Leave Surrender) as at 31.03.2012 to Mr. N. Srinivasan, Armstrong International Employee Benefit Solution vide Trust letter No. KEPGT/KCO-125/48242/2012-13/144 dated 27.04.2012. The data for Actuarial Valuation furnished by the KPTCL, MESCOM, HESCOM, BESCO and CESC were referred to Mr. N. Srinivasan, Actuary.

The Actuary vide his letter of 22.11.2012, has informed the indicative rate of Pension and Gratuity Contribution at 35% and 6% respectively.

KERC's observation on the proposed indicative rates was referred to Mr.N.Srinivasan, Actuary for furnishing the reasons. The Actuary has furnished the reasons for proposed indicative rate of Pension and Gratuity Contribution at 35% and 6% respectively vide letter dated 03.01.2013. Copy of same is enclosed and marked as Annexure 1.

Transmission Losses:

As per KPTCL filing for APR vide page No.18 the actual transmission losses for FY12 is indicated as 3.907%, whereas the same as per audited accounts on page No.39 is indicated as 4.536%. KPTCL shall furnish the details of assessment of transmission losses and also indicate the correct transmission losses. Further, having stated that the loss level for FY12 is at 3.90%, KPTCL has estimated its Transmission losses as a part of improving the efficiency (page 48) at 3.96%, 3.94% 3.92% and 3.90% for FY13, FY14, FY15 and FY16 respectively. Considering this, KPTCL shall restate its transmission losses trajectory for FY13 to FY16 taking base level of losses at 3.90%.

KPTCL's Response:

Transmission losses for the year 2011-12 was 3.907%. For the year 2012-13 it was projected as 3.96%. The energy transmitted during the year 2011-12 is 56891 MU and for the year 2012-13 the estimated energy to be transmitted is 60,638 MU. Even as of 31.12.2012, energy transmitted is 42047 MU. As there is no further addition of 400 KV network in the State and considering the 220 KV stations commissioned in the year 2012-13, the transmission losses projected is 3.96% for 2012-13. Considering the addition of 220 KV capacity and also number of stations taken up in the year 2013-14, 2014-15 & 2015-16, transmission losses have been projected so as to limit it to 3.94%, 3.92% & 3.90% respectively. Interstate transmission losses have not been accounted. Transmission losses for MYT filing period will be the same.

4. Compliance to Directives issued by the Commission:

The Commission in the tariff order dated 30.04.2012 had issued directives, KPTCL has not complied with some of the directives and partially complied with other directives which are detailed below for immediate reply.

i) Management Information System:

KPTCL has stated that they have started implementing mock exercise on intra state ABT at 220 KV level from 1st August 2012. However, the details of same is not furnished to the Commission. Further, progress in implementation of intra state ABT in total from 1st August to 2012 to till date should be furnished to the Commission.

KPTCL's Response:

KPTCL has taken measures to implement Intra State ABT from 1st August 2012. Major generators are declaring their respective schedule and all ESCOMs are declaring day ahead requirement based on the availability of the generation. All Escoms have been provided with screen displays depicting the schedule / entitlement and the actual drawal by each of the ESCOMs on real time basis. Mock exercise of billing has been generated and action has

been initiated to set right minor anomalies like validation of individual injection measurements, points of non-visibility in the SCADA system and interruptions in acquisition of data at certain instances.

ii) **Energy Audit:**

Monthly Transmission Voltage Level wise losses for FY12 shall be furnished to the Commission for further analysis. The information stated to have been submitted on 09.11.2012 is not received in the Commission office.

KPTCL's Response:

The said information was submitted to the Hon'ble Commission on 09.11.12. Acknowledged copy of the same is resubmitted along with enclosures for perusal of the Hon'ble Commission.

iii) **Prevention of Electrical Accidents:**

Action plan to effect improvements in transmission networks and implement safety measures to prevent electrical accidents is stated have been submitted vide letter dated 28.09.2012 but however the same has not been received in the Commission office till today. The same may be submitted immediately for further analysis.

KPTCL's Response:

The said information was submitted to the Hon'ble Commission on 01.10.12 vide letter dated 28.09.12. Acknowledged copy of the same is resubmitted along with enclosures for perusal of the Hon'ble Commission.

Observation

iv) The Commission in its tariff order dated 30th April 2012 has directed KPTCL to undertake a detail review of actual utilization of its capital assets with a view to optimizing the transmission capacity in the State. KPTCL is directed once again to send a detailed report pertaining to the actual utilization of its assets.

KPTCL's Response:

KPTCL has been constructing stations based on the requirement of the distribution companies. In respect of 220 KV stations KPTCL has conducted detailed load flow studies keeping in mind future load growth of 220 KV

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transmission network. In respect of 220 KV stations, KPTCL has finalized two capacities of transformers i.e. 100 MVA & 150 MVA and in respect of 110/33/11 KV stations, KPTCL has standardized 20 MVA & 10 MVA transformers and in respect of 66/11 KV stations, maximum capacity of 31.5 MVA transformers has been installed in Bangalore where loads are concentrated, 20 MVA, 12.5 MVA & 8 MVA transformers in other areas. The distribution companies are yet to construct 11 kv line for the KPTCL constructed stations. The matter has been repeatedly discussed with the distribution companies to take up the work on priority.

In respect of the transmission assets, the entire network is planned keeping the future load in mind as it will not be possible to enhance the capacity of the conductors in the near future and also it is not possible to construct the additional transmission lines.

5. Energy Balancing among ESCOMs for FY11 & FY12:

The energy balancing in terms of quantum and cost for the years FY11 & FY12 among the ESCOMs has to be finalized and submitted to the Commission. In this regard you are directed to furnish the energy balancing statement for FY11 & FY12 as per the information available with SLDC. The data should clearly indicate the adjustments in both quantum and cost among the ESCOMs.

KPTCL's Response:

Energy Balancing details for FY 11 and FY 12 are furnished and marked as Annexure 2

AM *14/13*
FINANCIAL ADVISOR
Regulatory Affairs
KPTCL, Kaveri Bhavan
Bangalore - 560 009

Annexure 1
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N.SRINIVASAN,B.SC. A.F.I.I. A.I.A.(LOND), F.I.A.I.DIP IN MANAGEMENT
CONSULTING ACTUARY

TO

KPTCL & ESCOMS PENSION & GRATUITY TRUST

KAVERY BHAVAN, BANGALORE.

DEAR SIR,

RE: INCREASE IN THE PROPOSED CONTRIBUTION RATE FOR GRATUITY RATES
AT 6% AND PENSION SCHEMES RATES AT 35%. [GESCOM-(GULBARGA) DATA
DUE].

THE FOLLOWING ARE THE REASONS FOR THE FUNDING RATE GOING UP.

1) KPTCL HAS IMPLEMENTED NDCPS PLAN SCHEME WITH EFFECT FROM 1-4-2006 FOR NEW ENTRANTS TO KPTCL & ESCOMS' SERVICE WEF 1-4-2006. AS SUCH THE EXISTING PENSION SCHEME GROUP WILL BE APPLICABLE FOR THOSE EMPLOYEES APPOINTED BEFORE 31-3-2006 ONLY.

2) THE GROUP IS A CLOSED ONE, WITH NEW ENTRANTS BEING COVERED UNDER DEFINED CONTRIBUTION PLAN. BECAUSE OF THIS LIABILITY WILL HAVE TO BE SPREAD ONLY ON THE WORKING LIFE TIME OF THE EXISTING MEMBERS, WHICH BECOME SHORTELT AFTER PASSAGE OF EACH YEAR

3) IF NEW MEMBERS ARE THERE IN THE GROUP, THEY WILL HAVE LONG FUTURE SERVICE TO SPREAD THE LIABILITY AND BECAUSE OF THAT AVERAGE RATE WOULD HAVE COME DOWN.

4) PAST SERVICE LIABILITY IS NOT BEING FULLY FUNDED . IF THAT IS FUNDED, EQUAL TO THE LIABILITY ON THE VALUATION DATE , THEN FUTURE CONTRIBUTION WILL COME DOWN.

5) IT IS ADVISED THAT THE HIGHER RATE IS ADHERED TO SO THAT PAST LIABILITY IS MET WITH IN THE IMMEDIATE COUPLE OF YEARS AND THEREAFTER THE LONG TERM RATE WILL SHOW A DECLINE.

6). THERE HAS BEEN SUBSTANTIAL INCREASE IN PENSIONARY BENEFITS (22%) FROM 1-4-2012 AND ACCORDINGLY THE CONTRIBUTION ALSO WILL GO UP TO MATCH THE INCREASED LIABILITY. THIS INCREASE IS ON ACCOUNT OF KPTCL AND ESCOMS ADOPTING THE HIKE IN PENSION BENEFITS AS HAS BEEN DONE BY GOVT OF KARNATAKA. (VIDE ORDER No.B16/7968/ 2009-10 DATED 17.10.2012.)

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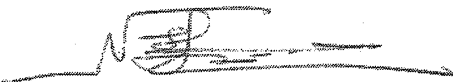
7). THE ADDITION OF 76.78% OF DEARNESS PAY TO THE BASIC PAY ALSO LEADS TO SUBSTANTIAL INCREASE IN LIABILITY. THIS IS WITH EFFECT FROM 1-4-2012 AND IS BASED ON THE ORDER No.B16/3610/2003-04 DATED 22.06.2012, THIS AFFECTS EXISTING EMPLOYEES, PENSIONERS AND FAMILY PENSIONERS AND COMMUTED VALUES.

8). DEARNESS ALLOWANCE ALSO GETS HIKE TWICE A YEAR DURING 1 JAN AND 1 JULY, LEADING TO INCREASE IN LIABILITY

9). ALL THE ABOVE POINTS EQUALLY APPLY FOR EXISTING GRATUITY SCHEME ALSO. THIS RESULTS IN INCREASING CONTRIBUTION FOR GRATUITY SCHEME ALSO.

WITH KIND REGARDS

YOURS FAITHFULLY



एन. श्रीनिवासन
N. Srinivasan
इन्स्टीट्यूट ऑफ एक्टुअरिज
ऑफ इंडिया के फेलो
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N.SRINIVASAN

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AS NEIL ARMSTRONG WAS THE FIRST TO REACH MOON, WE WILL REACH OUT TO YOU FIRST WITH OUR SOLUTIONS]Page 2

Statement showing Energy & Amount Payable/Receivable as per yearwise Energy Balance for 2010-11 & 2011-12

2010-11

Name of ESCOM	BESCOM				GESCOM				HESCOM				MESCOM				CESC				Total	
	Payable		Receivable		Payable		Receivable		Payable		Receivable		Payable		Receivable		Payable		Receivable			
	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.
BESCOM	0	0	0	0	0	0	416.022	95.013	0	0	0	0	0	0	480.500	128.540	0	0	76.775	20.308	973.297	243.861
GESCOM	416.022	95.013	0	0	0	0	0	0	101.311	23.138	0	0	0	0	0	0	0	0	0	0	-517.333	-118.151
HESCOM	0	0	0	0	0	0	101.311	23.138	0	0	0	0	0	0	117.013	31.302	0	0	18.696	4.945	237.021	59.386
MESCOM	480.500	128.540	0	0	0	0	0	0	117.013	31.302	0	0	0	0	0	0	0	0	0	0	-597.513	-159.842
CESC	76.775	20.308	0	0	0	0	0	0	18.696	4.945	0	0	0	0	0	0	0	0	0	0	-95.471	-25.253
TOTAL	973.297	243.861	0.000	0.000	0.000	0.000	517.333	118.151	237.021	59.386	0.000	0.000	0.000	0.000	597.513	159.842	0.000	0.000	95.471	25.253	0.000	0.000

2011-12

Name of ESCOM	BESCOM				GESCOM				HESCOM				MESCOM				CESC				Total	
	Payable		Receivable		Payable		Receivable		Payable		Receivable		Payable		Receivable		Payable		Receivable			
	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.
BESCOM	0	0	0	0	95.319	31.932	0	0	1288.827	431.757	0	0	0	0	0	0	83.123	27.846	0	0	-1467.270	-491.535
GESCOM	0	0	95.319	31.932	0	0	0	0	0	0	0	0	0	0	35.511	9.623	0	0	0	0	130.830	41.555
HESCOM	0	0	1288.827	431.757	0	0	0	0	0	0	0	0	0	0	480.143	130.119	0	0	0	0	1768.970	561.876
MESCOM	0	0	0	0	35.511	9.623	0	0	480.143	130.119	0	0	0	0	0	0	30.967	8.392	0	0	-546.620	-148.134
CESC	0	0	83.123	27.846	0	0	0	0	0	0	0	0	0	0	30.967	8.392	0	0	0	0	114.090	36.238
TOTAL	0	0	1467.270	491.535	130.830	41.555	0	0	1768.970	561.876	0	0	0	0	546.620	148.134	114.090	36.238	0	0	0	0

Abstract of Energy balance for 2010-11 & 2011-12

Name of ESCOM	BESCOM				GESCOM				HESCOM				MESCOM				CESC				Total	
	Payable		Receivable		Payable		Receivable		Payable		Receivable		Payable		Receivable		Payable		Receivable			
	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.	Energy in Mus	Amount in Crs.
BESCOM	0	0	0	0	95.319	31.932	416.022	95.013	1288.827	431.757	0	0	0	0	480.500	128.540	83.123	27.846	76.775	20.308	-493.973	-247.675
GESCOM	416.022	95.013	95.319	31.932	0	0	0	0	101.311	23.138	0	0	0	0	35.511	9.623	0	0	0	0	-386.503	-76.596
HESCOM	0	0	1288.827	431.757	0	0	101.311	23.138	0	0	0	0	0	0	597.156	161.421	0	0	18.696	4.945	2005.991	621.262
MESCOM	480.500	128.540	0	0	35.511	9.623	0	0	597.156	161.421	0	0	0	0	0	0	30.967	8.392	0	0	-1144.133	-307.976
CESC	76.775	20.308	83.123	27.846	0	0	0	0	18.696	4.945	0	0	0	0	30.967	8.392	0	0	0	0	18.619	10.985
TOTAL	973.297	243.861	1467.270	491.535	130.830	41.555	517.333	118.151	2005.991	621.262	0.000	0.000	0.000	0.000	1144.133	307.976	114.090	36.238	95.471	25.253	0.00	0.00

SEE, TBC,
SLDC, KPTCL. 1.1.13

M. Umavathy
CA, TBC,
SLDC, KPTCL. 1.1.13