

**CHAPTER – 5****ANNUAL REVENUE REQUIREMENT FOR FY24****5.1 Approved ARR for FY24:**

KPTCL in its application dated 30<sup>th</sup> November, 2022, has requested the Commission to allow recovery of the proposed overall gap of Rs.2803.46 Crores from ESCOMs w.e.f., 01.04.2023. To arrive at the gap, KPTCL has considered the following amounts:

<b>Amount in Rs. Crores</b>		
1	Revenue Gap as per application for APR for FY22	64.03
2	Add: Amount disallowed in respect of works which were identified as imprudent for FY20 and FY21, which are now prudent.	5.33
3	Add: Consequent to G.O. dated 15.11.2022 and corrigendum dated 24.11.2022, additional employee cost towards GoK portion of Pension and Gratuity Expenditure. a) Towards arrears from FY21-22 to FY22-23 to be collected in three equal instalments. (i.e., Rs. 3,357.27 Crores / 3 =1,117.76 Crores) b) Amount towards estimated contribution for FY23-24 i.e. Rs.1,616.34 Crores.	2,734.10
<b>4</b>	<b>Overall Gap</b>	<b>2,803.46</b>

KPTCL has also prayed for modifying the short-term open access charges and to allow recovery of actual SLDC charges of Rs.30.35 Crores for FY22.

The Commission in its Tariff Order dated 4<sup>th</sup> April, 2022 had approved ARR and Transmission Tariff for the control period FY23 to FY25. In the said Tariff Order, the Commission had approved an ARR of Rs.5415.75 Crores for FY24 as tabulated below:

TABLE – 5.1

## Approved ARR FY24

Amount in Rs. Crores		
Sl. No	Particulars	As approved
	Expenditure	
1	Total O&M Expenses	2,263.89
2	Depreciation	1,250.20
3	Interest & Finance Charges	680.88
4	Interest on working capital	120.67
5	Return on Equity with MAT at 21.5488% (19.7575% on allowable equity)	1,027.69
6	Amortized Regulatory Assets as per KERC Order dated 19.10.2020	331.41
	<b>Less:</b>	
7	Interest & Finance Charges capitalized	-106.27
8	Other Expenses capitalized	-69.72
9	Other Income	-82.99
	<b>NET ARR</b>	<b>5,415.75</b>

KPTCL, in its application has sought to add the revenue gap of FY22 of Rs.64.03 Crore to the approved ARR of FY24.

The Commission notes that, KPTCL in its filing, for Annual Performance Review for FY22, has also claimed an amount of Rs. 2,734.10 Crores towards additional employee cost on account of arrears of Pension & Gratuity Contributions (P & G Contributions) from FY21-22 to FY22-23, being the Government's portion of P & G contribution, payable by the Government. KPTCL has submitted that, consequent to the issue of Government Order dated 15.11.2022 and Corrigendum dated 24.11.2022, the arrears of Government portion of P & G Contribution payable by GoK, amounting to Rs.3357.27 Crores is ordered to be recovered through tariff in three equal instalments of Rs.1117.76 Crores each. Along with this amount, KPTCL has also claimed Rs.1616.34 Crores towards estimated Government portion of contributions to P&G Trust for FY23-24. Based on this, KPTCL has claimed the total amount of Rs.2734.10 Crores as an additional expense in its application for approval of revised ARR as per Annual Performance Review for FY22.

The Commission further notes that, KPTCL has also claimed Rs.5.33 Crores being the amount disallowed in respect of works which have identified as imprudent for FY20 and FY21, which are now prudent (Rs.1.51 Crores + Rs.3.82 Crores).

### **Commission's Preliminary Observations:**

In the preliminary observations to the KPTCL's APR filing, the Commission has observed that KPTCL in its filing, has claimed Rs.2734.10 Crores towards GoK portion of Pension and Gratuity Expenditure (contribution to be made to P&G Trust) in contravention of the existing provisions of Karnataka Electricity Reforms (Transfer of Undertakings of KPTCL and its Personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002, as per the GO dated 15.11.2022 and 24.11.2022. The Commission, in its earlier Tariff Orders, while approving the ARR of the KPTCL & ESCOMs has made its stand very clear on the issue that, the same has to be borne by the Government. Despite this, KPTCL has claimed a huge amount to be passed on to the consumers, without proper justification. KPTCL shall furnish the reasons for claiming the past arrears pertaining to GoK portion of P&G contribution, in its APR for FY22, which is in contravention of the existing provisions of KER Rules, 2002.

### **KPTCL Reply:**

KPTCL in its reply dated 19<sup>th</sup> December, 2022 by enclosing the copy of the Government Order and submitted that:

The GoK vide G.O. dated 15.11.2022 has directed following:

1. To amend the existing provision of Karnataka Electricity Reforms (Transfer of Undertakings of KPTCL and its Personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002, for Rule 4(3)(1).
2. To claim GoK portion of pension and gratuity from FY2023-24 onwards in KPTCL and ESCOMs Tariff and transfer the same to P & G Trust.
3. To claim the arrears of GoK portion of pension and gratuity contributions of Rs.3357.27 Crores for the 2021-22 and 2022-23 in three equal instalments in the

tariff. Further, GoK vide its amendment dated 24.11.2022 stated that, point no. 2 and 3 may be read as below:

- 2) To claim GoK portion of pension and gratuity from FY2023-24 on wards in KPTCL's Tariff and transfer the same to P & G Trust.
- 3) To claim the arrears of GoK portion of pension and gratuity contribution of Rs.3353.27 Crores for the year 2021-22 and 2022-23 in three equal instalments and transfer the same to P & G Trust.

### **Commission's Analysis and Decision:**

**P & G Contributions payable by Government:** The Commission notes that at the time of filing the APR application by KPTCL dated 30.11.2022, for revision of transmission tariff for FY24, the Government was expected to pay the P & G contribution as per the existing Rules. The decision to claim the same in retail supply tariff was based on the Government Order dated 15.11.2022, which was not supported by any Rules.

Rule 4 (13) (1) of the "Karnataka Electricity Reforms (Transfer of Undertakings of KPTCL and its personnel to Electricity Distribution and Retail Supply Companies) Rules, 2002" stipulates as under:

***"(13)(1) The State Government, and not the Escoms, shall be liable for and shall make appropriate arrangements in regard to, the funding of the pension funds and all the statutory and other personnel related funds for the services rendered by the Specified Personnel to Karnataka Electricity Board and KPTCL prior to the Effective Date of Second Transfer of the Specified Personnel and to the extent they are unfunded as at the respective Effective Date of the Specified Personnel. Until such arrangements are made by the State Government, the discharge of all such unfunded liabilities for Specified Personnel who retire after the Effective Date of Second Transfer of such Specified personnel shall be arranged by KPTCL".***

The Commission also notes that, the GoK has added a proviso to the above Rule, vide Notification dated 31.12.2022, which was published in the official Gazette on 6<sup>th</sup> January, 2023, which reads as follows:

**“Provided that the Government whenever deems it fit, may by an order direct KPTCL to claim the Government portion of Pension Contribution through tariff by filing an application before the State Regulatory Commission”.**

As per the clause-1 sub-rule 2) of the Notification dated 31.12.2022, the amended Rules shall come into force from the date of its publication in the Official Gazette of Karnataka. **The amended rules were published in the Official Gazette on 06.01.2023.**

**Further, as per Rule 4(13(1), which is an absolute Rule, it is the State Government, and not the Escoms which is responsible for funding the Pension and Gratuity payment of the Specified Personnel. The Government’s responsibility cannot be shifted to the KPTCL by issue of a Proviso to the ‘Absolute Rule’.**

**Hence, the Commission is unable to accept the claim of KPTCL to pass on a sum of Rs.2,734.10 Crores in the tariff. The Commission reiterates that the said amount shall be provided by the Government.**

**Amount Disallowed towards Imprudent Works:** As regards the claim of Rs.5.33 Crores being the amount disallowed towards imprudent works of FY20 and FY21, the Commission would like to point out that the disallowance will remain in force as long as the works continue to be imprudent. After the works are put to use, and after the same is treated as prudent, the disallowance is discontinued from the year in which the imprudent work is treated as prudent. Hence, the disallowance of Rs.5.33 Crores for earlier period, in which the works were imprudent, cannot be claimed back from a retrospective period.

As discussed in the previous chapter, the Commission has decided to carry forward the net surplus of Rs.34.90 Crores based on the APR for FY22, discussed in Chapter-4 of this Order.

Further, KPTCL vide its letter dated 23.03.2023 has submitted that consequent to the GoK approval KPTCL has issued Board Order dated 20<sup>th</sup> March, 2023, for revision of pay scale of employees with effect from 1<sup>st</sup> April 2022. Accordingly, has submitted the KPTCL / ESCOM wise details of additional employee cost

including the P&G contribution of existing employees to be incurred for FY23 and FY24 as under:

**TABLE – 5.2**

**Additional Employee Cost on Account of Pay Revision**

Amount in Rs.Crores

Name of the Company	2022-23	2023-24
KPTCL	184.00	195.00
BESCOM	248.00	259.00
MESCOM	82.00	86.00
CESC	99.00	107.00
HESCOM	142.00	156.00
GESCOM	111.00	116.00
<b>TOTAL</b>	<b>867.00</b>	<b>918.00</b>

The Commission notes that, the some of the ESCOMs in their filing of revision of ARR for FY24 have included additional employees cost likely to be incurred and some of the ESCOMs have requested for consideration of the additional employees cost to be incurred on the issue of Board Order on pay revision by KPTCL in connection with the approval accorded by the Board of Director.

The Commission further notes from the Order issued by the KPTCL on revision pay scale Board that, the revised pay and allowance shall be drawn from the month of April, 2023 and onwards and separate orders will be issued for the payment arrears due on 01.04.2022 to 31.03.2023. As the orders on the payment for FY23 are not yet issued by the KPTCL, the additional employee cost on account of pay revision for FY23, shall be claimed after actual payment and accounting the same for FY23, at the time of filing application for approval of APR for FY23.

As regards the payment of amount towards pay revision for FY24, to be made from 1<sup>st</sup> April 2023 onwards, the Commission decides to allow f Rs.195.00 Crores being the KPTCL portion in the revised ARR of KPTCL, to be approved for FY24. The amounts pertaining to other ESCOMs are considered in the revised ARR of ESCOMs for FY24.

Thus, the revised ARR for FY24 is as follows:

**TABLE – 5.3**  
**Revised ARR for FY24**

Particulars	Amount in Rs. Crores	
		FY22
Approved ARR for FY24 as per Tariff Order dated 4 <sup>th</sup> April, 2022		5,415.75
Less: Surplus as per the approved ARR, as per APR for FY22.		-34.90
Additional employee cost on account of revision of Pay for FY24		195.00
<b>Revised ARR for FY24</b>		<b>5575.85</b>

Accordingly, the Commission decides to approve the revised ARR of Rs.5575.85 Crores for FY24.

**i) Revised Transmission Tariff for FY24:**

The Commission in its Tariff Order dated 4<sup>th</sup> April, 2022 had considered the ESCOM-wise transmission capacity for FY24 are under:

**TABLE - 5.4**  
**ESCOM-wise capacity Allocation for FY24-**  
**As per MYT Tariff Order dated 04.04.2022**

ESCOMs	Capacity Allocation in MW
BESCOM	13,373
MESCOM	1,935
CESC	2,800
HESCOM	4,875
GESCOM	3,120
<b>TOTAL (MW)</b>	<b>26,103</b>

The transmission tariff approved by the Commission, in its MYT Order mentioned above, was Rs.1,72,897 per MW per Month for FY24 based on the approved ARR of Rs.5415.75 Crores.

The Commission has re-estimated the transmission capacity as 28,501 MW for FY24, keeping in view actuals for FY22, and the achievement made so far during FY23, the proposed capital investment plan. The following is the revised transmission capacity projections:

**TABLE - 5.5**  
**ESCOM- wise capacity Allocation**  
**for FY24**

ESCOMs	Capacity Allocation in MW
BESCOM	14,644
MESCOM	2,170
CESC	3,147
HESCOM	5,450
GESCOM	3,090
<b>TOTAL (MW)</b>	<b>28.501</b>

The Commission notes that, the above projected transmission capacity for FY24 is based on the actual transmission capacity of 25,500.50 MW in FY22.

Considering the above estimated transmission capacity for FY24, the revised transmission charges to be recovered from the ESCOMs and long-term users of transmission network for FY24, are determined as under:

**TABLE – 5.6**  
**Approved Transmission Charges**  
**Payable by ESCOMs for FY24**

Particulars	Capacity Allocation (MW)	Transmission charges for FY24 (Rs. Crores per annum)	Transmission charges for FY24 (Rs. Crores per Month)
BESCOM	14644	2864.9084	238.742
MESCOM	2170	424.5323	35.378
CESC	3147	615.6697	51.306
HESCOM	5450	1066.2217	88.852
GESCOM	3090	604.5184	50.377
<b>TOTAL (MW)</b>	<b>28501</b>	<b>5575.8505</b>	<b>464.654</b>

The revised transmission charge for FY24 works out to Rs.1,63,031 per MW per month.

**ii) SLDC Charges:**

The Commission, in its Tariff Order dated 4<sup>th</sup> April, 2022 had approved the ESCOM-wise SLDC charges for FY24 as follows:



TABLE – 5.7

## SLDC charges – Approved for FY24 in Tariff Order 2022

Amount in Rs. Crores

ESCOMs	Capacity Allocation In MW	Share of SLDC Charges Approved for FY22
BESCOM	13373	16.404
MESCOM	1935	2.374
CESC	2800	3.435
HESCOM	4875	5.980
GESCOM	3120	3.827
<b>TOTAL</b>	<b>26103</b>	<b>32.02</b>

The Commission, as discussed in Chapter-4 of this Order has decided to allow the net surplus in SLDC charges of Rs.4.28 Crores among the ESCOMs for FY22 out of the SLDC charges of Rs.32.02 Crores approved for FY24.

The revised SLDC charges, considering the APR for FY22 and approved ARR for FY24 as per the Commission's Order dated 4<sup>th</sup> April, 2021 (duly considering the revised transmission capacity), to be collected from ESCOMs during FY24 are as follows:

TABLE – 5.8

## Approved Revised SLDC charges of FY24

Amount in Rs. Crores

Particulars	Actual Capacity Allocation for FY22 (MW)	SLDC Charges for FY22 as per APR	SLDC Charges for FY22 as approved in Order dated 04 <sup>th</sup> April, 2021	Difference to be adjusted in FY24	Revised Transmission Capacity for FY24	Approved SLDC Charges for FY24	Net SLDC Charges to be collected in FY24
1	2	3	4	5	6	7	8 (7-5)
BESCOM	13043.50	15.524	17.548	-2.023	14644	16.404	14.381
MESCOM	1870.00	2.226	2.585	-0.359	2170	2.374	2.015
CESC	2847.00	3.388	3.982	-0.594	3147	3.435	2.841
HESCOM	4850.00	5.772	6.389	-0.616	5450	5.980	5.364
GESCOM	2890.00	3.440	4.128	-0.688	3090	3.827	3.139
<b>TOTAL</b>	<b>25500.50</b>	<b>30.35</b>	<b>34.630</b>	<b>-4.280</b>	<b>28501</b>	<b>32.02</b>	<b>27.740</b>

Thus, the Commission decides to allow the revised SLDC charges of Rs.27.74 Crores recoverable from ESCOMs for FY24.

### iii) Transmission Charges and SLDC Charges for all Open Access Consumers:

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

Apart from the applicable transmission charges payable to KPTCL, earlier the Commission in its Tariff Order dated 4<sup>th</sup> April, 2022 had decided to allow the SLDC to collect **Rs.33.61 per MW per day for all open access transactions from 1<sup>st</sup> of April, 2023** onwards, as charges towards SLDC expenditure based on the total transmission capacity and the allowable SLDC expenses for FY24.

As determined above, the transmission charge of **Rs.1,63,031 per MW** per month is applicable for all long-term open access consumers for FY24 (excluding RE projects for which separate Orders issued by the Commission would be applicable).

Further, the revised transmission charges for short term open access consumers for FY24 are as follows:

**TABLE – 5.9**

**Revised transmission & SLDC charges  
for short term open access consumers – FY24**

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	1339.98	26.67
More than 6 hrs & up to 12 hrs in a day in one block	669.99	
Up to 6 hrs in a day in one block	334.99	

**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 FY22 and determines and hereby notifies the revised Annual Revenue Requirement and Transmission Tariff of KPTCL and SLDC charges for FY24 as approved in this Order.
2. The tariff determined in this Order shall come into effect from 1<sup>st</sup> April, 2023.
3. This Order is signed dated and issued by the Karnataka Electricity Regulatory Commission at Bengaluru, this day, the 12<sup>th</sup> of May, 2023.

Sd/-  
(P. Ravi Kumar)  
Chairman

Sd/-  
(H.M. Manjunatha)  
Member (Legal)

Sd/-  
(M.D. Ravi)  
Member