



COMMISSION'S ORDER

ON

**ANNUAL REVENUE REPORT FOR TRANSMISSION
BUSINESS & SLDC FOR FY 2008- 09 AND TRANSMISSION
TARIFF & SLDC CHARGES**

April 23, 2008

**HARYANA ELECTRICITY REGULATORY COMMISSION
Bay No. 33-36, SECTOR - 4, PANCHKULA - 134 112, HARYANA
www.herc.nic.in**

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HERC/PRO - 3 OF 2008

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PANCHKULA

HARYANA ELECTRICITY REGULATORY COMMISSION
BAY No. 33-36, SECTOR - 4, PANCHKULA - 134 112, HARYANA

CASE NO. HERC / PRO - 3 OF 2008

Date of Order: 23.04.2008

In the matter of applications filed by Haryana Vidyut Prasaran Nigam Limited (HVPNL) for approval of Annual Revenue Requirement for Transmission business and operating cost of SLDC for FY 2008-09 and determination of Transmission Tariff and SLDC Charges.

PRESENT:	Shri. Bhaskar Chatterjee, Chairman Er. T.R. Dhaka, Member Shri. T.S. Tewatia, Member
On behalf of HVPNL	Shri. P.K. Das, M.D Shri. A. K. Tandon, Director/Technical Sh. S. K. Mittal, Director Projects Shri. T. K. Dhingra, Chief Engineer/P&D Sh. A. K. Gupta, General Manager/RA
On behalf of HERC Staff	Shri Surjeet Singh, Secretary Shri Sanjay Varma, Director/Tariff Shri Balbir Singh, Director/Tech. Smt. Surbhi Jain, Deputy Director Shri S. K. Goyal, Deputy Director Shri Gulshan Aggarwal, Deputy Director

ORDER

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1. PROCEDURAL ASPECTS OF THE ARR FILING

In exercise of the powers vested under section 62 of the Electricity Act, 2003 and section 26 of the Haryana Electricity Reform Act, 1997 and all other powers enabling it in this behalf, the Haryana Electricity Regulatory Commission passes this order and determines Annual Revenue Requirement (ARR) for Transmission of electricity and State Load Dispatch Centre (SLDC) business of Haryana Vidyut Prasaran Nigam Ltd (HVPNL) for the Financial Year 2008-09.

1.1 Enactment of the Electricity Act 2003

The Electricity Act, 2003 (the Act), enacted in June 2003, repealed the Indian Electricity Act, 1910, the Electricity (Supply) Act, 1948 and the Electricity Regulatory Commissions Act, 1998. It provides for a liberal framework for development of the power sector and increased competition by facilitating open access (permission to use the existing power transfer facilities) for transmission and distribution, power trading, and allows setting up of captive power plants without any restriction.

Section 185 (3) of the Act states that “The provisions of the enactments specified in the ‘Schedule’, not inconsistent with the provisions of this Act, shall apply to the States in which such enactments are applicable”. The Haryana Electricity Reforms Act, 1997 has been listed under this proviso at serial No. 2 of the schedule of the Act.

Therefore, from this provision of the Act, it is interpreted that the provisions of Haryana Electricity Reforms Act, 1997 that are not inconsistent with the provisions of the Act shall continue to be applicable to the State of Haryana. The Commission while analyzing the instant ARR and Tariff application and while issuing this order has duly considered the provisions of the Act and has dealt with the matters accordingly.

1.2 Procedure envisaged in the Act for Tariff Order

Section 64 of the Act lays down the procedure to be followed for issuance of a tariff order. Sub-sections (1) & (3) of Section 64 of the Act provide as under:

Sub-section (1): “An application for determination of tariff under section 62 shall be made by a generating company or licensee in such manner and accompanied by such fee, as may be determined by regulations”.

Sub section (3): “The Appropriate Commission, shall within one hundred and twenty days from receipt of application under sub-section (1) and after considering all suggestions and objections received from the public:-

- (a) issue a tariff order accepting the application with such modifications or such conditions as may be specified in that order;
- (b) reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of this Act and the rules and regulations made there under or the provisions of any other law for the time being in force:

Provided that an applicant shall be given a reasonable opportunity of being heard before rejecting his application.”

1.3 Procedural History

Government of Haryana vide notification No. 1/10/2003-1/Power dated 9/12/2003 notified HVPNL to be “Haryana State Transmission Utility” for the purpose of the Act w.e.f. 10th December, 2003.

Section 31 (1) of the Act provides “the State Government shall establish a Centre to be known as State Load Dispatch Centre (SLDC) for the purpose of exercising the powers and discharging the functions under this Act”. while sub section 31(2)

provides that the “State Load Dispatch Centre (SLDC) shall be operated by a Government company or any other authority or corporation established or constituted by or under any State Act, as may be notified by the State Government:

Provided that until a Government company or any authority or corporation is notified by the State Government, the State Transmission Utility (STU) shall operate the State Load Dispatch Centre.

Provided further that “no State Load Dispatch Centre shall engage in the business of trading in electricity”.

The Government of Haryana vide their notification No. 1/11/2003-1/Power notified that the SLDC at Sewah (Panipat) established for the purpose under Section 31(1) of the Act is to be operated by the Haryana State Transmission Utility w.e.f 10th December 2003.

Further, Section 39 (1) of the Act provides that “the State Government may notify the Board or a Government company as the State Transmission Utility; Provided that the State Transmission Utility shall not engage in the business of trading in electricity”.

The above-mentioned provisions of the Act were deferred by the Government of India notification dated 9th June 2004 for a period of one year. Resultantly HVPNL continued to be the Transmission and Bulk Supply Licensee till 9th June 2005 functioning under the Transmission & Bulk Supply License (License No. 1 of 1998) granted by the Commission.

Clause 21.2 of the transmission license states that if the report referred to in Clause 21.1 indicates a significant difference between its expected aggregate revenues and its expected cost of service, the Licensee shall also submit with its

report an explanation of the measures it proposes to take, including any proposed tariff amendments, to eliminate the difference.

HVPNL, Vide its memo no. Ch- 119/SE/RAU /F - 72 / Vol. I dated 30th November, 2007 filed its ARR for FY 2008-09 and Tariff in respect of its Transmission Business and SLDC. The Commission vide memo No. 3567 / HERC dated 4th February, 2008 pointed out deficiencies in the filing and directed HVPNL to file reply to the deficiencies on or before 14th February, 2008.

The instant filing is for recovery of transmission charges by way of transmission tariff and SLDC charges from the distribution licensees UHBVNL & DHBVNL and other long term / short term open access customers, if any. The tariff / charges proposed by HVPNL are presented in table 1.1.

Table1.1 HVPNL proposal for Transmission Tariff & Charges

Monthly Transmission Charges (Rs. million)	UHBVNL	DHBVNL	Total
	343.626	266.941	610.567
Transmission Tariff for Short term Customers (Rs / MW per day)	6 hours per day	6 to 12 hrs per day	Above 12 hrs
	277.50	555.00	1109.00
SLDC Charges (Rs. million / month)	6.282	4.880	11.162

Transmission tariff for short-term customers has been proposed at 25% of the normal rate.

The Commission in Chapter - 2&3 of this order, has dealt with HVPNL's proposal as presented in table 1.1.

Section 64 (1) of the Act provides that an application for determination of tariff under Section 62 is required to be made by a generating company or licensee in such manner and accompanied by such fee as may be determined by regulations. The Commission vide its notification (No. HERC / 2004 / 16 dated

14th May 2004 notified that the Haryana Electricity Regulatory Commission (Tariff) Regulations, 1999 notified in Haryana Government Gazette (Extra), dated 30th July, 2002, in so far as not inconsistent with the provisions of the Act will be applicable as such until further amendment. As per the regulation 2(2) (c) of the HERC (Tariff) Regulation 1999, the ARR & tariff application should contain a calculation of the licensee's estimated costs of providing the service required by the level of demand indicated in the ARR for each consumer class and under regulation 2(2) (d) of the said regulation the application should contain the licensee's general explanation of how it proposes to deal with any significant divergence between the revenue and cost figures provided in the ARR filing.

Under Section 64(3) (b) of the Act, the Commission can reject the application for reasons to be recorded in writing if such application is not in accordance with the provisions of the Act and the rules and regulations made there under or the provisions of any other law for the time being in force.

HVPNL inserted public notice in two newspapers; The Tribune and Dainik Bhaskar, in respect of their filing of ARR & tariff application with HERC inviting the public objections up to 07/02/2008. The set of documents related to ARR and tariff were made available for public consultation during office hours on any working day at the head quarter of HVPNL and offices of SEs (Operation) of UHBVNL and DHBVNL. A complete set of these documents was made available on payment of Rs.1000/-, copy of main ARR without Annexure at Rs.300/- and copy of condensed summary at Rs.50/- in cash or through demand draft, from the office addresses mentioned in the public notice. The condensed summary was also available on the website of Haryana Power Utilities i.e. at www.haryanaelectricity.com.

It was also mentioned in the public notice that any person, who intended to submit objections, should submit seven copies of his written objections along with supporting material, if any, to the Secretary, Haryana Electricity Regulatory Commission, with a copy to the licensee through special messenger or by

registered post so as to reach before 5 pm of 7th February 2008. Any interested person, who wanted to be heard in person, should mention so. Incomplete filings and filings received after the due date may not be entertained.

The salient features of the ARR's for Transmission business and SLDC as filed by HVPNL, on a projected basis for FY 2008-09, for consideration and approval of the Commission are discussed in the following paragraphs.

1.4 Salient features of the Transmission ARR

HVPNL has projected an Annual Revenue Requirement (ARR) for FY 2008-09 at Rs. 7326.80 million consisting of total expenditure in respect of transmission business amounting to Rs. 6873.93 million, return on equity @ 8% on a paid up equity for Transmission business of Rs. 6443.46 million, amounting to Rs. 515.48 million less non-tariff income of Rs. 62.61 million, to be deducted to arrive at net aggregate revenue requirement.

As per the Annual Revenue Requirement proposal for FY 2008-09 in respect of the transmission business, there is an uncovered revenue gap of Rs. 579.91 million. The Licensee has proposed to bridge this revenue gap through suitable increase in transmission tariffs for which they have filed the tariff proposal under consideration. The proposed transmission tariff is a single part tariff based on the respective share of UHBVNL and DHBVNL to the total transformation capacity.

1.5 Salient features of SLDC ARR

The ARR has been projected at Rs. 133.938 million; this includes an expenditure of Rs. 134.28 million, a return on equity of Rs.44.86 million less other income (fee etc.) of Rs.0.342 million. SLDC charges are to be recovered on monthly basis in the ratio of transformation capacity (as on 31/3/2008) allocation in respect of UHBVNL (56.28%) & DHBVNL (43.72%). The proposed SLDC charges to be recovered on a monthly basis from UHBVNL is Rs. 6.282 million and Rs. 4.880 million from DHBVNL. HVPNL has proposed to charge a

composite fee and charges from a short-term customer for each transaction as per the rates approved by the CERC from time to time for the SLDC. The present rate notified by the CERC is @ Rs. 1000 per day or part of the day. Application fee as specified in the Commission's order dated 19.05.2005 on intra-state open access shall be applicable to both short term and long term open access customers.

After preliminary review of the filing, the Commission brought out a number of issues and additional data requirements. HVPNL provided clarification and additional information sought by the Commission.

The list of waivers requested by the Transmission Licensee and granted by the Commission is given in **Annexure - 1**.

The Commission issued public notice inviting comments / objections by 10th February, 2008 on the application filed by the HVPNL for approval of ARR & tariff and charges for FY 2008-09 in 'The Times of India' (English) Delhi & Chandigarh edition and 'Dainik Bhaskar' (Hindi) Haryana on 28th January, 2008. All the documents relating to ARR filings were made available to the public on payment of a nominal fee so that interested person / organizations could examine and comment on the ARR filings of the Licensee.

The public hearing on the ARR of HVPNL for FY 2008-09 was scheduled for 26th February 2008 at 11.30 A.M. in the courtroom of the Commission and was held as per the schedule.

1.6 Interveners / Objectors

In response to the public notice issued by HVPNL and subsequently by the Commission, written objections / comments were received only from two long term customers of HVPNL viz. UHBVNL and DHBVNL. The HVPNL submitted replies to the objections / comments.

Most of the objections raised by the two distribution licensees are on the same issues. Therefore, the objections and replies have been dealt with together and a summary of the objections raised by the Discoms, replies of HVPNL and Commission's view thereto are presented below:-

1. Recovery of transmission charges based on transformation capacity:

Objection: It has been requested by the discoms that transmission charges should be recovered on the basis of transformation capacity instead of coincidental peak basis because on the basis of coincidental peak they end up paying more charges as compared to the transformation capacity based charges:

On the above issue HVPNL replied that in its ARR of 2008-09 they have also requested for recovery of transmission charges on transformation capacity basis. As such, the request of discoms may be considered by the Commission.

The Commission is of the view that on the basis of 'cost causation principle' and the fact that transmission capacity is planned to meet peak demand, the 'coincidental peak' is an appropriate and pro-active method of determining / recovering the allowed cost of transmission.

2. Over-Recovery of transmission and SLDC charges by HVPNL:

The discoms have submitted that HVPNL has recovered transmission charges more than those approved by the Commission during 2006-07. They have requested to recover the over charged amount from HVPML

In reply to the above, HVPNL has submitted that they have recovered charges on the basis of tariff approved by the Commission on the actual coincidental peak and not the fixed charges approved for the two utilities. The coincidental peak method has been approved by the Commission to incentivize the discoms so that

they may take advantage of the methodology by managing their peak load efficiently and pay reduced transmission charges.

The Commission notes that the deviation between the projected system peak for FY 2006-07 is only 0.4% which cannot result in over-recovery of Rs. 401.61 million from UHBVNL and DHBVNL (based on audited accounts) as it represents as high as 7.4% of the approved ARR for FY 2006-07. **The Commission directs HVPNL, UHBVNL and DHBVNL to re-examine their relevant records and report back to the Commission about this discrepancy within 3 months of this order.**

3. Actuarial Valuation Methodology:

The discoms have submitted detailed procedure for making contributions towards provident fund, pension and other retirement liabilities of all the employees allocated to the three companies i.e. HVPNL, DHBVNL and UHBVNL on actuarial valuation methodology to the master pension trust fund. They have requested that the terminal benefits in ARR may be allowed only after verifying the methodology adopted by HVPNL in respect of the discoms.

HVPNL in its reply has submitted that the difference is due to different assumptions made by the actuary while calculating the liabilities of terminal benefits. It was decided in the year 2001-02 that all three companies shall engage the same actuary for determining the liability of pensionary benefits so as to have uniformity in various assumptions/other parameters while working out the liability of terminal benefits and they were having the same actuary till 2004-05, but DHBVNL and UHBVNL has appointed their independent actuaries in FY 2004-05. The claim includes the pensionary liabilities for employees on roll, pensioners/family pensioners and employees of composite HSEB.

The Commission agrees with HVPNL that it would be in fitness of things to have uniformity in the valuation process and the discounting rate considered for the purpose.

4. Interest not accounted for

The discoms have pointed out that the HVPNL has not taken into account the interest earned by the pension fund while calculating liability on account of terminal benefits. The amount of liability on this account should be reduced by the amount of interest earned. The proposed methodology of giving credit to interest earned is also in line with the Accounting Standard – 15 and has also been supported by the actuary as well as auditors.

In reply the HVPNL has submitted that the interest amount is being utilised for incremental liability on account of merger of DA with basic pay, increase in DA rate or any other factors. As per the revised AS-15, the actuary while carrying out the valuation of pensionary benefits for the FY 2007-08 will disclose the details of the contribution to be made by each entity to the trust which will automatically answer the observation raised by discoms.

HVPNL have further maintained that if the credit of interest is given to the discoms then the pensionary liability of HVPNL shall increase to the extent of incremental liability which will again be passed to the discoms. Therefore, overall impact shall remain the same.

5. Overstated Employee Cost

The discoms have submitted that employee cost in ARR for FY 2008-09 of HVPNL includes an amount towards pension liability of the employees including the pensioners / family pensioners who have retired from the services of the HVPN / UHBVN / DHBVN. It has further been submitted that since contribution towards pension fund is made regularly during the service of an employee no expenses on this account should be allowed in case of retired employees because their dues are to be met from the pension fund.

In its reply the HVPNL has submitted that amount has been worked by actuary who has informed that after transfer of liability to HVPNL a set of stringent revised valuation assumptions were used. Further taking into account the longevity of human life, increase in DA rates over and above considered in the assumption, future upward revision of pension and DA on last pay basis etc. has resulted in increased liability. The HVPNL has submitted that the Commission may allow the proposed expenses with the condition of truing up on actual basis.

The Commission agrees with HVPNL on this issue and accordingly “true up” on actual basis shall be done in subsequent ARR.

6. Debt redemption obligation of provident fund and pension bonds

The discoms have submitted that as per second transfer scheme “all obligation in respect of payment of pension and other retirement benefit including provident fund, leave encashment, commutation of pension, medical facilities, superannuation and gratuity to the personnel who have retired from services of HPVN and/or the board on or prior to the effective date shall be discharged by HPVN and neither transferee shall have any obligation with respect to such retired personnel. Corresponding asset were also available with HVPN in the opening balance sheet equal to the amount of this liability Therefore, HVPN should not be allowed to recover the repayment of liabilities (debt redemption) as it would amount to double payments especially when all the liabilities have already been matched by way of corresponding assets, out of which fixed assets

are being recovered in the shape of depreciation and the current assets are being paid by the discoms. Expenses on this account were disallowed prior to FY 2007-08 which practice may be maintained.

Discoms have further submitted that this amount also attracts income tax liability as it is part of the revenue from wheeling charges for HVPNL. Therefore it is a factor contributing to additional financial burden to the distribution companies

In its reply the HVPNL has submitted that it has issued PF & Pension Bonds against its liability which are due for redemption from 2016 onward. It is correct that the total liabilities assigned to each company were matched with the total assets allocated to it. HVPNL was given assets in the form of investment in UHBVNL & DHBVNL on which HVPNL is not earning any interest or income.

To avoid steep hike in tariffs when bonds are redeemed, making a provision from now onwards will result in a negligible impact on the tariff. Further, UHBVNL & DHBVNL will also be able to even out the impact of the amount due for redemption in the ARR of concerned years. The Commission was not allowing interest on PF Bonds & Pension Bonds to HVPNL as expenditure prior to Financial Year 2006-07, against which HVPNL had gone into appeal before the Hon'ble Appellate Tribunal which was decided in favour of HVPNL.

Commission's observations on point 4, 5 and 6: The Commission agrees with the views of the Discoms that the valuation of liability as on the date of the transfer scheme provided for an adequate amount of assets to fund it. In the last 7 years, the Commission has observed that there has been a substantial increase in the terminal benefits on actuarial valuation which does not bear out the valuation as on the date of transfer. It implies that the consumers again paying for the increase in liability even though they have already paid for the liability as on the date of "transfer" by way of depreciation and interest and now return on equity and advance against depreciation. Thus, to make them pay for the redemption of

the same liability at this stage would therefore amount to double charge. The Commission would like to study the matter in depth and then pronounce its view on the same.

Meanwhile any amount earned by way of sale of assets or utilization of assets for other business would be used for balancing the deficit arising in the pension fund. In case of utilization of assets for other business, minimum earnings should be more than the RBI bank rate earned on the notional market value of the assets.

7. Profit from Sale / Supply of Electricity (from shared generation) and Income Tax thereon:

The discoms have pointed out that the actual / expected profit from the sale / supply of power generated by the shared projects of HVPN is being recovered from the discoms because the power generated by these shared projects is purchased by HPGCL and the cost of same is considered in the determination of Bulk Supply Tariff. This profit element on the sale/ supply of power generated by the shared power projects is also contributing to the increase of annual revenue requirement for HVPN by increasing the income tax burden.

The discoms have requested that the profit generated from the sale/ supply of electricity generated from the shared project along with the income tax thereon be deducted from the annual revenue requirement of HVPN for FY 2008-09.

In its reply the HVPNL has submitted that transmission and generation of power are entirely two distinct activities performed by HVPNL and cannot be intermingled with each other by claiming expenditure / income of one business from other business and that in case the income of generation business and tax on that income is claimed from HPGCL, the same would also have been passed to Discoms through the tariff of HPGCL.

HVPNL has further submitted that profit before income tax for its generation business for the FY 2008-09 projected earlier in the original ARR has now been revised to Rs. 148.50 million due to re-allocation of loans. A copy of revised loan abstract and revised segregated P&L Accounts for the 2008-09 is enclosed herewith as Annexure 'A' & 'B'. The Hon'ble Commission is requested to consider the ARR amended to the above extent.

The Commission has worked out the cost of power from BBMB power stations and the same will be used for calculating the ARR for FY 2008-09.

8. Non Tariff Income

The discoms have submitted that the projection for non tariff income has been made on the lower side by HVPNL in comparison to the actual audited amount of non tariff income for FY 2006-07. The under projection of non tariff income shall result in transfer of higher transmission charges to distribution companies as such it has been requested that the projection of non tariff income made by HVPNL should be revised and based on the actual audited amounts of FY 2007-08.

In its reply the HVPNL has submitted that in line with the ruling of the Commission's previous orders the HVPNL has excluded the rental income, excess found on physical verification of stock, interest on loans and advances to employees, income from staff welfare activities, rebate/penalty charged from suppliers etc. from the non-tariff income. HVPNL has further requested that an amount of Rs. 61.58 million may also be excluded from its non-tariff income as the same is on account of rental from the residential buildings from UHBVN & DHBVNL & HPGCL as the income earned from rents on its properties is not part of the licensed business of Transmission.

The Commission's view on the above issue is that the rental income was excluded when the repair and maintenance and depreciation on these buildings was excluded from the ARR of transmission business. Now that the ARR includes these charges, therefore the income would also form part of the ARR by the same principle. The income from treasury operations alone can be excluded from the ARR as the interest on working capital is allowed on normative basis. However, HVPNL has proposed to recover the discount it allows to the discoms on prompt payment from the discoms themselves through ARR as part of other expenses which is accordingly disallowed as being part of treasury operations.

All other incomes that the licensee has earned as part of non tariff income in FY 2006-07 over and above that was accounted for in the ARR for FY 2006-07 are adjusted in the ARR for FY 2008-09 as all expenses of HVPN have been collected from the discoms.

9. Prior Period (Charges)/ Credits

The discoms have submitted that if the prior period charges of the HVPNL are to be allowed then credit for its prior period income should also be given in the ARR

In response to the above HVPNL has submitted that prior period charges represent the unforeseen expenditure incurred by the licensee on account of employees cost due to payment of arrears because of court case, allowing deemed date of promotion, interest charges and other prior period expenditure during the Financial Year 2006-07 which was not allowed by the Commission in the previous order and as such are claimed now. So far as prior period income is concerned the same is due to non recurring nature of income and has not been taken into account on the basis of ruling given by the Commission in its previous orders.

The Commission is of the view that the expenses of HVPNL prior to 1.4.2006 have been trued up in the Commission's order dated 1.12.2006 in accordance

with the orders of the Hon'ble Appellate Tribunal for Electricity and the Commission has ordered a recovery of Rs. 160.20 crore. Now that HVPNL has reported prior period recovery amounting to Rs 31.52 crores relating to the same period, the amount needs to be adjusted in accordance with the same principles.

10. Tax Liability on FSA included in revenue from transmission charges.

The discoms have submitted that the income on account of arrears of FSA has formed part of the total income of the HVPNL and accordingly has also attracted income tax. In its order on FSA the Commission has allowed recovery of arrears from discoms but has not allowed to recover income tax on arrears income from the discoms as such. The Income from FSA should be considered as income relating to the previous years and should not be considered as current income for calculating profit and tax thereon. The tax should be allowed only in respect of the reasonable return on equity claimed for FY 2008-09.

In response the HVPNL has submitted that HVPNL shall have to account for Rs. 1200 million as its Income in FY 2008-09 with corresponding amount recoverable from the Discoms. Due to accrual of above income in FY 2008-09, the income tax liability @ 11.33% shall arise. As per HERC guidelines as well as CERC (Terms and conditions of Tariffs) Regulations, 2004 Income Tax on profit earned is a legitimate expense and is to be recovered from the beneficiaries.

The Commission is of the view that its order on FSA does not include any recovery on account of Income Tax. Therefore no recovery of income tax can take place without any explicit order of the Commission.

11. Rebate on timely payment of transmission charges:

The discoms have submitted that in its ARR for FY 2008-09, HVPNL has claimed rebate offered to DHBVN and UHBVN for timely payment of transmission charges which should not be the part of ARR, because timely payment reduces the working capital requirements of HVPNL and subsequently interest on working capital shall also reduce proportionately as such the same should be adjusted from the allowed cost of working capital and be disallowed from the ARR.

In response the HVPNL has submitted that Commission is allowing interest on working capital on normative basis which is less than the actual interest. To cover the gap the rebate amount has been claimed in ARR which will be used against working capital requirement and in turn will reduce the gap in normative and actual interest on working capital. Further as per HERC ARR guidelines of 12/98 surcharge for late payments is treated as non-tariff income as such the rebate for early payment shall be considered as allowable expenditure.

Commission's view: The issue is already addressed at point no. 8 above.

12. Truing up of charges

UHBVNL submitted to the Commission to true up the expenses on account of tax actually paid / MAT claimed and allowed in the ARR and terminal benefits actually incurred / claimed and allowed in the ARR of the HVPNL since 1999.

In its reply the HVPNL has submitted that the present guidelines of the Commission do not provide for true-up mechanism and as such no truing up can be done.

Commission's view: HERC order dated 1.12.2006 in accordance with the orders of the Hon'ble Appellate tribunal was in fact a truing up exercise wherein the expenses and incomes of HVPNL were trued up as on 31.3.2006. Also, all statutory levies are subject to truing up in the ensuing years. The Commission regrets to point out that HVPN has asked for truing up of terminal benefits and also fringe benefit tax in its review petition on the ARR for FY 2007-08 which the Commission allowed in its order dated 26.9.2007. And now in its reply to the objections raised by UHBVNL, it has argued against truing up. The Commission advises HVPNL to be consistent in its approach / views.

2. ANALYSIS OF THE ARR FILING AND COMMISSION'S

ORDER

In this chapter, various elements of ARR filing namely operating expenditure, capital expenditure, capital base, reasonable return, non-tariff income and incidence of taxation are analyzed and the Commission's order on each item is presented.

HVPNL's proposal refers to the ARR & Tariff application dated 30/11/2007; additional information provided in response to HERC memo No. 3567 dated 4.2.2008, oral submissions made by HVPNL during the public hearing held on 26/2/2008 and subsequent discussions.

2.1 Legal Issue (BBMB)

As the issue is sub judice, the Commission continues to hold its view on the subject as per its order dated 26th July 2006 (Para 3.1 Page No. 31).

2.2 Operating and Maintenance Expenditure (O&M)

Employees' cost, administration and general expenses and repair and maintenance expenses are analyzed under this sub-head. HVPNL has estimated its O&M related expenditure for FY 2008-09 at Rs. 2761 million in its ARR submitted to the Commission. The details of proposed O&M expenses sought for by HVPNL for FY 2008-09 vis-à-vis the corresponding amounts for FY 2007-08, as approved by the Commission and the corresponding expenditure in FY 2006-07 as per their audited accounts is presented in Table 2.1.

Table 2.1 O&M expenses (Rs. million)

Particulars	HVPNL audited (FY 2006-07)	HERC Order FY (2007-08)	HVPNL Proposal (FY 2008-09)
Wages, salaries & related costs	2045.15	1860.95	2549.56
Repair & Maintenance Expenses	87.40	83.41	211.42
Administration & General Expenses	69.51	82.55	76.64
Total	2202.06	2026.91	2837.62

The Commission has considered the latest available audited accounts i.e. FY 2006-07 of HVPNL with appropriate adjustments / changes for calculating the allowable expenses as part of the ARR for FY 2008-09. The expenses that form part of the ARR are discussed in detail in the paragraphs below.

2.3 Employees' cost

Employees' cost includes cost incurred for the working employees as well as the retirees. The cost of working employees comprises of salary and dearness allowance payable to them and other allowances such as HRA, CCA, LTC, medical reimbursement, etc. In the case of retired employees and those retiring during the financial year under consideration, HVPNL has to discharge their liability towards pension, gratuity, and leave encashment benefit / payments applicable to them.

The employees' cost is an important constituent of the ARR and it is possible to project the same with fair degree of accuracy.

2.3.1 Salary, DP and DA

The Commission has allowed 2% increase each year in basic salary over the audited figures of FY 2006-07; dearness pay is estimated at 50% of the basic pay; DA rate for calculating employee cost has been considered as 53% as proposed by HVPNL. The approved expenditure on account of salary, dearness

pay and dearness allowance works out to Rs. 872.87 million for FY 2008-09 as compared to Rs. 1090.24 million proposed by HVPNL. The licensee had proposed additions in number of employees at 1576 for FY 2007-08 and 550 for FY 2008-09. However, the Commission has considered the supplementary information filed by HVPNL wherein the addition to their cadre during FY 2007-08 is only 82 and proposed addition during FY 2008-09 is 936, which has resulted in lower estimates of the salary, dearness pay and dearness allowance. In addition to this, the Commission approves Rs. 120.26 million as other allowances at 22.10% of basic salary as proposed by the licensee for FY 2008-09 as per the rate reflected in the audited expenditure for FY 2006-07.

2.3.2 Salary wages of employees through contractor

The expenditure on account of salary/ wages of employees outsourced through contractors has been approved as proposed by HVPNL.

2.3.3 Terminal benefits

The Commission approves terminal benefits of Rs. 1531.73 million on accrual basis as proposed by the licensee. For future ARR's, the licensee may explore the possibility of actuarial valuation on an estimated basis from a certified actuary for the ensuing year in order to accurately project its expenses.

2.3.4 Employees' Cost Capitalised

The amount of employees' cost capitalized ought to relate to the cost of the employees who are engaged in capital projects. The Commission is allowing capitalization of employees cost in the same ratio as the actual expenditure incurred in the construction divisions bear to total expenditure as per the audited accounts of the licensee for FY 2006-07. Consequently, the employees cost capitalized works out to Rs. 186.80 million. The rate of capitalization being 18.16%.

2.3.5 SLDC Cost

The total employee cost for the transmission business for FY 2008-09 as worked out earlier includes the cost of employees engaged in SLDC activities. The licensee has estimated this cost at Rs. 19.65 million for FY 2008-09, which is being allowed by the Commission. This amount is to be reduced from the total employee cost as estimated above in order to arrive at the employee cost for the transmission business.

The employees' cost approved by the Commission is Rs. 2354.16 million, net of the amount capitalized of Rs. 186.80 million. The computation of employee cost is presented in table 2.2.

Table 2.2 Employees' cost for FY 2008- 09 (Rs. million)

Particulars	HVPNL Proposal	HERC approval
Basic+DA+DP	1090.24	872.87
Other allowances	141.21	120.26
Contract employees	35.75	35.75
Terminal benefits	1531.73	1531.73
Total	2798.91	2560.61
Employee cost capitalised	229.69	186.80
Net Employee Cost Expended	2569.21	2373.81
SLDC Cost	19.65	19.65
Total (Transmission)	2549.56	2354.16

The Commission reiterates that HVPNL shall not divert any subscription received from employees towards provident fund to its business.

2.4 Repairs and Maintenance Expenses (R&M)

Repair and maintenance (R&M) expenditure is essential for the upkeep of the transmission system. The Commission in the earlier years had approved the repair and maintenance expenditure as proposed by the licensee. The licensee has proposed an expenditure of Rs. 211.42 million as R&M expenditure for FY

2008-09, a 253% jump over the expenditure proposed and allowed for FY 2007-08. The licensee has justified the increase on the ground that in the past it has been unable to spend adequate amount on maintenance on account of shortage of funds. However, it may be seen that in FY 2006-07, the Commission had approved Rs. 100.01 million as gross R&M expenses but the actual amount spent by the licensee as per audited accounts is only 87.40 million. Also, if the licensee is able to meet the projected investment in new transmission works, in FY 2008-09, 1/3 of the total assets would be less than 2 years old and therefore such a quantum jump in R&M expenditure is uncalled for. In case the licensee is planning some major maintenance work, it must provide proper justification, in the absence of which a 253% hike in expenditure in one year cannot be allowed. The Commission, therefore allows the licensee to recover Rs. 117.59 million as R&M expenses for FY 2008-09 @ of 0.5% of average GFA, this being the average rate of R&M expenses for the latest 3 audited accounts. This is an increase of 45% over expenditure proposed and allowed for FY 2007-08. Repair and maintenance expenditure for SLDC is approved for Rs. 4.19 million as proposed by HVPNL.

2.5 Administrative and General Expense (A&G)

The Commission approves A&G expenses as proposed by HVPNL amounting to Rs. 76.64 million net of capitalization and SLDC expenses.

2.6 Interest on Loans

In line with the orders of the Hon'ble Appellate Tribunal for Electricity, the Commission is allowing working capital borrowings equivalent to 2 months ARR for the Transmission business. Interest @ 9.85 % (being the average rate of interest on working capital as proposed by the licensee) on the allowed borrowings works out to Rs. 98.49 millions as against Rs. 128.22 million proposed by the licensee for the Transmission business and Rs. 1.29 million for SLDC business.

As far as capital expenditure (projects) related borrowings are concerned, the Commission has allowed interest on all borrowings for which HVPNL has provided source wise details. However, in view of the additions to CWIP for FY 2007-08 and FY 2008-09 as allowed by the Commission consequent to filings and discussions held with the utility, the Commission is constrained to restrict the interest cost to the borrowings corresponding to the approved capital works. This has resulted in reduction of borrowings amounting to Rs. 2194.59 million for FY 2007-08 and Rs. 2285.80 million for FY 2008-09. Interest on these borrowings amounting to Rs. 329.41million is reduced from Rs. 1519.14 million proposed by HVPNL. The Commission has also excluded interest of Rs. 60.90 million on account of generation and Rs. 61.06 million on account of SLDC business. The residual amount of interest cost for transmission business is further reduced by amount of interest capitalized i.e. Rs. 446.17 million as against Rs.573.26 million projected by HVPNL. On the new capital works started during 2008-09, interest is capitalized for a period of six months only as the loans are assumed to be received evenly during the full year. Consequently, Commission allows Rs. 621.60 million as interest on borrowings for capital works for FY 2008-09.

In case of SLDC business, interest is recalculated in view of the revised investment plan submitted by HVPNL. The additions to CWIP are assumed to be capitalized during the year as proposed by HVPNL and thus interest on new loans used to fund these assets is also capitalised. Interest as per ARR filing for SLDC and as per transmission business are different. The Commission has therefore relied on details on loans for Capital expenditure as per transmission ARR filing.

Interest on PF bonds and pension bonds is allowed as proposed by HVPNL.

The computations of interest expenses are presented in table 2.3 & 2.4.

**Table 2.3 Transmission - Interest Cost for FY 2008-09
(Rs. million)**

Particulars	HVPNL Proposal	HERC approval
Interest on Loans for Capital Expenditure		
Total borrowings for Capex	1519.14	1519.14
Less borrowings related to generation	60.90	60.90
Less borrowings related to SLDC	61.06	61.06
Less interest on borrowings for disallowed capital works		329.41
Gross Interest for Transmission Works	1397.18	1067.77
Less: Interest Cost Capitalized	573.26	446.17
Interest cost net of capitalization (1)	823.92	621.60
Interest on Pension bonds	673.00	673.00
PF Bonds	245.51	245.51
Interest on Loans for Working Capital	128.22	98.49

**Table 2.4 SLDC - Interest Cost for FY 2008-09 (Rs.
million)**

Particulars	HVPNL (Proposal)	HERC (approval)
Interest on Loans for Capital Expenditure	76.755	42.45
Less: Interest Cost Capitalized	0.00	19.08
Interest cost net of capitalization (1)	76.755	23.37
Interest on Loans for Working Capital		
Working Capital Borrowings limited to two Month of ARR	22.323	13.05
Interest on working capital borrowings (2)	2.344	1.29
Total Interest cost(1+2)	79.099	24.66

2.7 Depreciation

The amount of depreciation as per CERC norms (Terms & Conditions of Tariff) Regulations, 2004 for FY 2008-09 has been estimated at Rs. 632.16 million by HVPNL. As the Commission's estimate of GFA as on 1.4.2008 is lower, the same rate of 3.25% when applied gives a reduced depreciation amounting to Rs. 630.08 million approved by the Commission. This is after excluding Rs. 22.212 million on account of depreciation on SLDC assets as proposed by HVPNL.

Table 2.5 Depreciation for FY 2008-09 (Rs. million)

Particulars	HVPNL (Proposal)	HERC (approval)
Gross fixed Assets (Excluding land) at the beginning of the year including SLDC	20897.46	20661.33
Depreciation Rate	3.25%	3.25%
Depreciation for FY 2008-09	672.97	670.89
Less depreciation against Capital reserve	18.60	18.60
Less Depreciation against SLDC assets	22.21	22.21
Net depreciation for FY 2008-09 for Transmission Business	632.16	630.08

2.8 Other expenses

The licensee has claimed other expenses amounting to Rs. 183.96 million out of which the licensee has now reduced Rs. 107.10 million on account of capital expenditure for the proposed Haryana Power Training Institute. The licensee has proposed to recover proposed rebate of timely payments to be given to UHBVNL and DHBVNL amounting to Rs. 73.27 million from these utilities only. The Commission fails to appreciate the logic behind this. Since the Commission has excluded earning from rebate on timely payment from non tariff income, the same item is excluded herein also. The licensee has proposed to recover Rs. 2.35 million towards actual expenses incurred during FY 2006-07 which were not part of ARR for the year on account of loss of material by pilferage and sundry balances written off. How can the licensee expect to recover cost of such type to be borne by its consumers? Also, the licensee has actually incurred lower A&G expenses during FY 2006-07 by almost Rs. 10 million. The licensee can meet out these expenses out of the excess already allowed to it in the ARR. The remaining amount of cost being the running cost of HPTI Rs. 1.37 million is allowed to it and the **Commission directs the licensee to maintain a separate head of account for this expenditure and set off all incomes received from other utilities on account of this expenditure.** Out of this, Rs. 0.128 million is allocated to SLDC business as proposed by HVPNL.

2.9 Fringe Benefit Tax (FBT)

Commission allows FBT amounting to Rs. 6.22 million as proposed by the licensee. In addition, the Commission allows the licensee to recover Rs. 9.42 million as interest on borrowings to fund Rs. 95.64 million till the resolution of dispute. The expenditure on account of fringe benefit tax is allowed subject to the following conditions:

- a) The licensee will provide proof of payment of the amount of fringe benefit tax along with the next filing;
- b) The provision being allowed in the ARR will be adjusted against actual liability on account of fringe benefit tax on final assessment.

2.10 Income Tax

The Commission allows Rs. 58.41 million as income tax on allowed return on equity for FY 2008-09 for the Transmission business. The Commission had allowed Rs. 71.91 million as income tax for FY 2006-07, which is reduced from this as no income tax has been paid by the licensee during FY 2006-07.

For SLDC business, the Commission approves income tax amounting to Rs. 0.508 million for FY 2008-09. However, Income tax allowed during FY 2006-07 but not paid Rs. 1.31 million is recovered from this leaving a net recovery amounting to Rs. 0.80 million.

2.11 Instalment of written down amount

The Commission allows Rs.0.79 million as proposed by HVPNL to write off the installment of preliminary expenses yet to be written off. Commission has allowed installment of written down amount in each year as proposed by the licensee. **However, the Commission is dismayed to point out that the licensee has proposed to recover the amount allowed in the ARR for FY 2006-07 in FY 2008-09 again as part of other expenses.**

2.12 Advance against Depreciation (AAD)

The licensee has proposed to recover Rs. 485.92 million as advance against depreciation for FY 2008-09.

The Commission allows depreciation and AAD in line with CERC regulations. Regulation 56 (ii) b of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004, provides for Advance against depreciation as below:

Advance Against Depreciation

In addition to allowable depreciation, the transmission licensee shall be entitled to Advance against Depreciation, computed in the manner given hereunder:

*AAD = Loan repayment amount as per regulation 56 (i) subject to a ceiling of 1/10th of loan amount as per regulation 54 minus depreciation as per schedule
Provided that Advance Against Depreciation shall be permitted only if the cumulative repayment up to a particular year exceeds the cumulative depreciation up to that year;*

Provided further that Advance Against Depreciation in a year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation up to that year.

The licensee may note that this treatment is available only for those capital works that are approved by the Commission.

In accordance with the above regulation, the advance against depreciation comes to Rs. 270.15 million, the difference between loan repayments for transmission business (Rs. 1617.43 million) , limited to 1/10th of loans (Rs. 900.23 million) and the amount of depreciation allowed by the Commission. The Commission had directed the licensee to create an AAD reserve. In future, when depreciation amount exceeds loan repayment amount, the reserves is to be drawn down to meet depreciation requirement, thereby reducing the cost passed

on to the consumers. However, the licensee has not reported the compliance of this direction.

In the order dated 8.5.2007, HVPNL was directed to ensure that the proposed repayments are made on time. In case the licensee did not make the proposed repayments during FY 2007-08, any excess amounts allowed during the year shall be recovered in the subsequent ARR with interest. The licensee is also required to ensure that the depreciation and AAD allowed for repayment of Capex loans are not diverted and to provide documentary support of payment in the next ARR. The licensee was further directed to file a compliance report on timely repayment of loan during 2006-07 by 30th April 2007.

Licensee was also directed to submit a report showing year wise cumulative depreciation and instrument wise cumulative repayment of loans for capital works upto 31.3.2007 within 3 months of this order to ensure compliance of the 1st proviso to Regulation 56 (ii) b of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004.

The filing by the licensee was incomplete in many areas and was asked to revise and reconcile the filing which has not been done till date. **The Commission directs the licensee to ensure that the compliance is done within one month of the order or else the Commission will be compelled to order recovery of AAD provided till date in its orders with interest.**

2.13 Contribution to Contingency Reserve

The Commission is not allowing any contribution towards contingency reserves for FY 2008-09 as it feels that the current reserve of Rs. 282.87 million has not been utilized and it is not necessary to burden the consumer additionally. **The Commission directs that any drawl from the Contingency Reserve shall be made only with the explicit approval of the Commission.**

2.14 Total Expenditure

The total expenditure approved by the Commission with respect to the transmission business for the financial year 2008-09 is Rs. 5573.29 million and SLDC charges of Rs. 74.04 million. Table 2.6 & 2.7 presents the details of HVPNL's proposed expenditures in respect of their Transmission business & SLDC charges viz-a-viz those approved by the Commission.

**Table 2.6 Transmission Business Approved
expenditure for FY 2008-09 (Rs. million)**

Description	HVPNL Proposal (Revised)	HERC Approval
Expenditure		
Employees' cost	2549.56	2354.16
R&M expenses	211.42	117.55
A & G Expenses	76.64	76.64
Interest on Capital Expenditure Borrowings	822.29	621.60
Debenture Interest (PF Bonds)	245.51	245.51
Debenture Interest (Pension Bonds)	673.00	673.00
Interest on Working Capital	128.22	98.49
Depreciation	632.16	630.08
Advance against depreciation	485.92	270.15
Other expenses	183.96	1.24
Fringe Benefit Tax	6.22	6.22
Total Expenditure	6014.90	5094.65
Special Appropriations		
Tax on Income & Profit	297.96	-13.50
Instalments of written down amounts	0.79	0.79
Interest on FBT Rs. 95.64 million	10.04	9.42
Debt redemption obligation (PF and Pension Bonds)	481.93	481.93
Contribution to Contingency Reserve	68.32	0.00
Total Special Appropriations	859.04	478.64
Total "expenditure" (including special appropriation)	6873.94	5573.29

**Table 2.7 SLDC Approved expenditure for FY 2008-09
(Rs. million)**

Description	HVPNL Proposal (Revised)	HERC Approval
Expenditure		
Employees' cost	19.651	19.651
R&M expenses	4.192	4.192
A & G Expenses	4.004	4.004
Interest & Finance Charges on Capital Expenditure	79.099	23.37
Interest on Working Capital		1.29
Depreciation	22.212	22.212
Other Expenses	0.128	0.128
Total Expenditure	129.288	74.841
Special Appropriations		
Tax on Income & Profit	0.508	-0.80
Contribution to Contingency Reserve		
Total "expenditure" (including special appropriation)	129.794	74.041

The methodology for working out the various components of SLDC ARR are the same as discussed in respect of the transmission ARR.

2.15 Return on Equity (ROE)

The Commission approves HVPNL proposal of ROE of Rs. 515.49 million and Rs.4.486 million for its Transmission and SLDC business respectively at 8% p.a. However, the Commission would like to point out that the licensee was allowed a ROE amounting to Rs. 854.61 million in FY 2006-07 ostensibly to improve its financial condition. The licensee had proposed that due to better financial position, it would be able to access loans at cheaper rates and would also be able to fund part of its own capital expenditure. However, the audited accounts of the licensee do not reflect the return that has been allowed. In case the licensee is unable to maintain the principle behind allowing a return, it turns out to be an additional burden on the consumer.

2.16 Capital Base & CWIP

Capital Works in Progress (CWIP)

The opening balance of CWIP as on 1.4.2007 is as per the audited accounts of HVPNL for FY 2006-07. The additions during FY 2007-08 are dependent on the planned additions as well as availability of funds during FY 2007-08. The Licensee had proposed investments of Rs. 4060.78 million in its filing for FY 2007-08. However, HVPNL vide its memo No. Ch 34/SE/RAU/ F-66/ Vol-I dt 30.1.2008 has proposed to incur an expenditure of Rs. 5417.577 million (Rs. 5410 million as per ARR filing for FY 2008-09) during FY 2007-08 on various works comprising spill-over works of FY 2006-07, works to be completed during FY 2007-08 and works to be completed during FY 2008-09 and FY 2009-10. The Licensee did not think it proper to consult the Commission and to seek its approval for change in the capital investment plan. The Commission is therefore not allowing any impact on account of additional investment of FY 2007-08 on the ARR for FY 2008-09.

As per details provided by the licensee during the course of discussions with the officers of the Commission it has been observed that only Rs.3215.41 millions is likely to be spent during FY 2007-08 on the works included in the Capital Investment Plan of ARR for FY 2007-08 taking into account actual expenditure upto February 2008 as filed and Commission's estimate of likely expenditure during the balance period of the year. Therefore only the borrowings corresponding to the Commission's estimate of allowed investment of Rs. 3215.411 million is approved and corresponding interest cost is allowed to be recovered in the ARR. This has resulted in a reduction of Rs.2194.59 million (Rs.5410 million-3215.41 million) from the funds borrowed for capital works during FY 2007-08.

Out of the expenditure for works added during FY 2007-08, the Commission estimates that works amounting to Rs. 543.317 represent commissioning of works covered in the ARR for FY 2007-08. Apart from this, investment in capital works forming part of opening CWIP as on 1.4.2007 is capitalised as per norms adopted by the Commission in its earlier orders.

As per Commission's order dated 6.8.2001 on ARR for transmission and bulk supply business for FY 2001-02, it was directed that the licensee shall include only that portion of capital investment in the ARR which has been approved by the Commission before September of the year in which the ARR is due. While submitting the capital investment plan vide memo No. Ch.32/SE/RAU/F-66/Vol I dated 27.11.2007, HVPNL has given reference to the said order of the Commission without following it. Even the revised capital investment plan amounting to Rs. 9613.982 million which was submitted by HVPNL as late as 31.1.2008, i.e. 4 months after the dead-line as per said order of the Commission, continue to have un-approved works to the tune of Rs. 2633.177 million. It is quite strange that HVPNL expects the Commission to approve such works which they themselves have not been able to approve that far. However, as a special case, the Commission allows 50% of these unapproved works to be included in the ARR for FY 2008-09. The capital investment plan for FY 2008-09 being approved by the Commission includes HUDA works amounting to Rs. 1055.19 million out of which HUDA will contribute Rs. 927.683 million. Rs. 768.3 million proposed to be spent on SLDC works is excluded from Transmission CWIP for FY 2008-09. As a result of these deductions, the approved additions to capital works amounts to Rs. 6601.41 million for FY 2008-09 to be funded by equity of Rs. 1352 million and the balance Rs. 5249.41 million through loan funds. The reduction in proposed investment plan leads to a consequent reduction in funds amounting to Rs. 2285.80 million from additional borrowings during FY 2008-09.

The licensee had proposed an investment of Rs. 768.3 million on SLDC during FY 2008-09 which has been revised to Rs. 350 million vide its memo. No. Ch. 37/SE/RAU/F-66 dated 3.4.2008. The revised amount (Rs. 350 million) is approved by the Commission.

The Commission has had to resort to reduction in investment plan on account of inadequate information in regard to progress of capital works, inconsistency(ies) in the submitted data and unapproved status of a large number of capital works

planned for FY 2008-09 and 2009-2010. **The Commission directs that HVPNL may take immediate steps to approve all the 'unapproved' works included in their investment plan by September, 2008 in close co-ordination with Discoms and also, ensure matching expansion of the sub-transmission and distribution / supply system by UHBVNL & DHBVNL so that the end-user of electricity in Haryana can be benefited by the massive investments planned by it.** However, the impact of any additional cost will only be allowed in the ARR for FY 2009-10 as adequate time was provided to HVPNL to rectify the deficiencies in the data during the process of deciding the ARR for FY 2008-09.

The Commission has considered the capitalization schedule of 30:60:10 meaning that 30% of the works included in the ARR for FY 2008-09, 60% of works included in the ARR for FY 2007-08 and 10% of works included in the ARR for FY 2006-07 will be completed and hence transferred to GFA during FY 2008-09 except for the lower estimate of capitalization for FY 2007-08 as explained earlier. Resultantly, the transfer to GFA and closing balance of CWIP for FY 2008-09 works out to Rs. 4633.78 million and Rs. 4842.53 million respectively as per the details presented in table 2.8

Table 2.8 Calculation of CWIP for FY 2008-09 (Rs. million)

Description	HVPNL Proposal	HERC Approval	
	FY 2008-09	FY 2007-08	FY 2008-09
Opening balance of CWIP	4503.58	2723.67	2974.90
Additions during the year	9613.98	3215.41	6601.41
Transfer to GFA	6309.34	2964.18	4633.78
Closing balance of CWIP	7808.22	1974.90	4942.53
Funding of CAPEX :			
Equity	1352.00	747.30	1352.00
Loan funds	8261.98	2468.11	5249.41
Total Funds (Including IDC and Expenses Capitalised)	9613.98	3215.41	6601.41

2.17 Gross Fixed Assets (GFA)

The opening balance of GFA as on 1.4.2007 is based on the closing balance of GFA as on 31.3.2007 as per the audited accounts of HVPNL. The additions to GFA are derived from the CWIP workings. The computation of gross fixed assets for FY 2008-09 is presented in table 2.9

Table 2.9 Determination of GFA for FY 2008-09 (Rs. million)

	HVPNL Proposal	HERC Approval
Opening Balance of gross fixed assets	21858.07	21192.16
Add: Additions to GFA	6309.34	4633.78
Less: Retirement	0.00	0.00
Closing balance	28167.41	25825.94
Consumers Contribution	462.72	462.72
SLDC	1198.08	779.78

2.18 Working Capital (Capital Base Purpose)

2.18.1 Cash and Bank Balances

HVPNL has projected average cash and bank balance of Rs. 65.72 million based on closing balance as on 31/03/2007. The Commission is concerned that HVPNL is maintaining varying cash and Bank balance during the period from April 2006 to March 2007 ranging from Rs. 36 million in April 2006 to Rs. 314.21 million in January 2007.

2.18.1 Stores

HVPNL has projected Rs. 540.80 million towards average cost of stores for FY 2008-09 based on closing balance of stores as on March 2007 which is 20% over the average balance in the previous years.

2.19 Amount of Compulsory Investment

The amount allowed as Contingency Reserves is required to be invested by HVPNL in the specified securities.

2.20 Non Tariff Income

HVPNL has proposed that it will earn Rs. 90.09 million on account of non - tariff income during FY 2008-09. Out of this the licensee proposes to recover prior period expenses amounting to Rs.27.48 million. A perusal of the audited accounts of the licensee shows that it has also earned prior period credits amounting to Rs. 338.05 million. The Commission adjusts both the items in the current year ARR, as these credits are on account of expenses that have been allowed to be recovered from the consumers in the previous years. The licensee has also earned Rs. 328.61 million as non tariff income in FY 2006-07 as against Rs. 62.48 million proposed and allowed in the ARR. After exempting income from treasury operations Rs.29.71 million and Rs. 62.48 million allowed in the ARR order for FY 2006-07, the balance amount of Rs. 236.42 million is added to the non tariff income for FY 2008-09. All these incomes have been earned on expenses which have been incurred by the consumers of HVPNL at one time or the other. Also, the licensee has asked for truing up of expenses, thereby truing up of income is also required. The computation of other income is presented in table 2.10.

Table 2.10 Non- tariff income for FY 2008-09 (Rs. million)

Description	HVPNL Proposal	HERC Approval
Investment income	24.71	19.19
Ancillary and incidental income	65.38	68.84
Prior period credits/ (Charges)	-27.48	546.99
Total of "Non-tariff Income"	62.61	635.02

For SLDC, the Commission allows a non-tariff income of Rs. 0.295 million which licensee has proposed in its filing.

2.21 Aggregate Revenue Requirement

In light of the above analysis, the Commission approves Rs. 5453.76 million as the net aggregate revenue requirement of the Transmission business and Rs. 78.18 million as SLDC charges for FY 2008-09. The details are presented in table 2.11 & 2.12.

Table 2.11 Transmission ARR for FY 2008-09 (Rs. million)

Description	HVPNL Proposal	HERC Approval
Return on equity	515.48	515.48
Total expenditure	6873.94	5573.29
<i>Minus</i> Non-tariff income	-62.61	-635.02
Total Aggregate Revenue Requirement	7326.81	5453.76

Table 2.12 SLDC ARR for FY 2008-09 (Rs. million)

Description	HVPNL Proposal	HERC Approval
Return on Investments	4.49	4.49
Total expenditure	129.79	74.04
<i>Minus</i> Non-tariff income	-0.34	-0.34
Total Aggregate Revenue Requirement	133.94	78.18

2.22 Transmission Losses

The Commission vide its order dated 8th May 2007 in respect of ARR for Transmission business & SLDC for FY 2007-08 and transmission tariff & SLDC charges (Para 5, Page No. 34 & 35) directed HVPNL “The Commission notes with concern the aberrations in the transmission loss data vis-a-vis energy transmitted and directs HVPNL to examine the same and submit its analysis within one month of the issue of this order” However, the Commission notes with regret that the needful was not done with the result that the contradictions in the reported transmission losses and energy flow continues. An analysis of the recent transmission loss data filed by HVPNL again establishes the fact that

there is no consistency in the Transmission Loss data. An example each of the inconsistency in Inter – State & Intra – State Transmission losses during FY 2007-08 is sufficient to drive home the fact. The figures of scheduled energy imported and inter–state losses (%) for the months of May 2007 and October 2007 are compared in the table below.

Month	Scheduled Energy Imported (MUs)	Inter – State Losses (%)
May, 2007	1124.938	2.68
October, 2007	865.815	6.01
<i>% Change</i>	(23.03)	124.25

It is noted from the table above that the scheduled energy imported in October, 2007 has declined by 23.03% as compared to May, 2007, whereas the inter–state losses have gone up by a whopping 124.25%.

As far as intra – state transmission loss is concerned, the figures of total energy transmitted and intra–state loss percent for the months of April 2007 and November 2007 are compared in the table below.

Month	Total Energy transmitted (MUs)	Intra – State Losses (%)
April, 2007	1928.097	1.7
November, 2007	1850.138	2.73
<i>% Change</i>	(4.04)	60.58

It is seen from the table above that the total energy transmitted in November, 2007 has declined by a meagre 4.04% as compared to April, 2007 while the intra – state transmission losses have gone up by a whopping 60.58%.

Technically the percentage transmission loss is a function of the quantum of energy transmitted and should increase (or decrease) almost in proportion to the

energy transmitted whereas the figures established as per the table above totally defy it.

In the light of the above the Commission notes with concern the contradictions in the transmission loss data which makes the integrity of the data doubtful. The Commission reiterates that HVPNL should critically examine **the above mentioned aberrations in the transmission losses data vis-à-vis energy transmitted and submit a report within three months of the issue of this order. HVPNL is further directed to critically analyse the relevant filings and reason out the inconsistency (ies) before submitting any such data to the Commission.**

As per data filed with the Commission, the month – wise inter – state transmissions losses for FY 2007-08 vary from 2.68% to 6.01% with an overall transmission losses figure of 4.43% (upto November 2007). This does not take into account the effects of inter – regional losses. If the inter – regional losses are also clubbed with the inter – state losses after taking into account the UI draws, the overall inter – state transmission loss works out to 3.82% (upto November 2007). Consequently, the Commission, for the purpose of working out bulk supply cost for FY 2008-09, determines inter-state transmission loss at 3.85%.

Similarly the month-to-month figures of intra – state losses for FY 2007-08 vary from 1.7% to 2.73% with an overall figure of 2.17% upto November 2007. Considering a declining trend, the Commission pegs intra – state transmission loss at 2.1% for FY 2008-09.

2.23 Damage of Power Transformers

The State Transmission Utility has reported that as on 30/09/2007 it has 606 power transformers installed. The number of power transformers gone defective between 1/04/2007 and 30/09/2007 is 14 against 7 during the same period i.e 1/04/2006 to 30/09/2006. It represents about 2.31% of the total power

transformers as on 30.9.2007 as against 1.25% damage of power transformers during the corresponding period of FY 2006-07. The rate at which power transformers have gone defective has doubled and call for an analysis and corrective actions by HVPNL. **The Commission has voiced its concern in its previous order and reiterates its direction to the utility to strictly enforce & implement the preventive maintenance schedule for all sub – station equipments including the power transformers.**

2.24 Fatal & non – fatal accidents

There was one fatal & three non – fatal accidents involving human beings in FY 2007-08 (upto 9/2007) as against two fatal & six non – fatal accidents during FY 2006-07. The situation has shown much improvement over the years. The Commission has noted the plans for improvement submitted by HVPNL including its intentions to avoid any accidents in the system and expects zero tolerance on this front.

3. TRANSMISSION TARIFF & SLDC CHARGES

3.1 Background Information on Tariff Filing

The Haryana Electricity Regulatory Commission in its previous orders determined a single part transmission tariff (Rs/kW of Max demand/month). This was because of the fact that the entire cost of transmission business (including SLDC cost) was considered of a 'fixed' nature, hence the Commission considered it reasonable to allow recovery of entire cost through a 'demand charge'. The single part tariff consisted of per kW fixed charge based on the contributions of the two distribution companies i.e. UHBVNL and DHBVNL to the coincidental system peak (per kW of maximum demand per month). In the absence of detailed voltage wise data including assets and voltage wise desegregation of transmission losses, the Commission had no option but to continue with the existing tariff design.

**Table 3.1 – HERC approved transmission tariff & SLDC charges for
FY 2007-08)**

Tariff	
Transmission (Rs/kW of Max Demand / Month)#	134.909
SLDC Charges (Rs. Million / Month)	7.91

as per review order dated 26th September 2007.

Besides the transmission tariff the Commission also determined transmission tariff for short term customers' i.e Rs. 252/MW/Day for Open Access customers' upto 6 hrs, Rs. 504/KW/Day from 6 hrs to 12 hrs a day and Rs. 1007/KW/Day for Open Access above 12 hrs. a day. As per the Commission's review order dated 26th September 2007 on review petition filed by HVPNL these would be revised to Rs. 278, Rs. 555 and Rs. 1109/MW/Day.

The transmission tariff design in previous orders with reference to calculating Fixed Charge was constrained, as sufficient time series of system peak data for accurately projecting average system peak demand was not available. The projected average annual system peak based on the methodology adopted by the Commission during the last six financial years have shown less than 1.5% deviation from the actual reported / HVPNL's projection for the respective years. Thus, for working out the fixed cost component of transmission tariffs for FY 2008-09 the Commission has considered Average Annual Coincidental System Peak of 3982 MW.

3.2 Tariff Proposed by HVPNL

HVPNL has proposed a revision in the existing tariff & charges on the following grounds:

- The aggregate revenue requirement representing the costs to be recovered for the transmission business for the financial year 2008-09 is different from the aggregate revenue requirement for FY 2007 -08.
- The individual parameters used for calculation of tariffs such as the transformation capacity, the average demand are different for the two financial years.
- In the instant tariff application, HVPNL has contended that so far as transmission business is concerned all the expenses contribute towards fixed cost only and as such the transmission tariff for FY 2008-09 would be a single part tariff consisting of fixed charge based on the transformation capacity (MVA) at the interconnection points. HVPNL would levy a fixed charge based on the contribution of each long-term customer to the total transformation capacity at the interconnection points.

- A customer who contracts firm transmission capacity on short term basis should pay open access charges on the lines of open access charges notified by CERC for using the central transmission facility / State transmission facility from time to time.
- HVPNL has also submitted that the long term open access customers shall submit details of capacity needed, on the prescribed formats and will sign the bulk power transmission agreement as per provision in HERC Regulations on open access. The charges to be levied on long term open access customers shall be apportioned between all long term customers including Discoms on the basis of requirement of transmission capacity at inter- connection points and shall be recovered on monthly basis accordingly from all long term open access customer including DISCOMs.
- In respect of short term open access customer(s) CERC has already notified transmission tariff to be levied.
- HVPNL has also submitted that the transmission charges can be determined on MW per circuit kilometre basis, zonal postage stamp basis or some other pragmatic variant, the ultimate objective being to get the transmission system users to share the total transmission cost in proportion to their respective utilisation of the transmission system. The overall tariff framework should be such as not to inhibit planned development / augmentation of the transmission system, but should discourage non – optimal transmission investment.

In addition to the above HVPNL has proposed that besides recovery of fixed costs, they will also be entitled to incentive on achieving annual availability beyond the target availability of 98% (target availability). The proposed transmission tariff is single part comprising fixed cost component only. The tariff proposed by HVPNL is presented in table 3.2

**Table 3.2 HVPNL's proposed Transmission Tariff for FY
2008-09**

Tariff	Fixed Charge (Rs. million / month)
UHBVNL	343.63
DHBVNL	266.94
Total	610.57

In respect of short-term customers having intra state / interstate power transactions, HVPNL has proposed to charge as per provisions of CERC regulations. It is also proposed that 50% of the charges collected from short – term customer(s) for use of intra –state transmission system shall be retained by the State Transmission Utility and the remaining part of these charges shall be adjusted towards reduction in the transmission charges payable by the long-term customers.

The proposed tariff rates for short-term customers are presented in table 3.3.

**Table 3.3 Transmission tariff for Short Term Customers
for FY 2008-09**

Description	
Net ARR for FY 2007-08 (Rs. million)	6066.05
Approved System Peak for FY 2007-08 (MW)	3747
Transmission Tariff (Rs per MW/day) 25% of normal rate	1516.5125
For Open Access upto 6 hrs a day (Rs/MW per day)	277.5
For Open Access upto 6 to 12 hrs a day (Rs/MW per day)	555
For Open Access above 12 hrs a day (Rs/MW per day)	1109

HVPNL has also proposed a rebate of 1% for payment of bills of transmission charges within 7 days of presentation of bills. Where payments are made subsequently but within a period of 14 days of presentation of bills, a rebate of 0.75% would be allowed. The rebate shall be 0.5% and 0.25% when payments

are made between 14 to 21 days and 21 to 30 days respectively from the date of presentation of bills.

However, in case payment of bills of transmission charges is delayed beyond a period of 30 days (1 month) from the date of billing the transmission licensee shall levy a late payment surcharge at the rate of 1.25% per month or part thereof on the beneficiary who has delayed the payment.

HVPL has also proposed to charge the Discoms and all short/long term Open Access Customers reactive energy charge at the rate of 5.50 paisa / KVARh from 1/04/2008 on the basis of recording made by existing SEMs and individual ABT compliant meters of short term and long term open access customers.

3.3 Public Comments

In response to the public notice inviting objections / suggestions with respect to the proposed transmission tariffs and SLDC charge, no comments / objections were received from the public on the issue of tariff / SLDC charges.

3.4 Analysis of the Tariff Proposal

The Commission, in line with its previous order, accepts the plea of HVPL for considering all transmission related cost as fixed for the purpose of this order. The Commission is of the view that 'transmission' needs to be seen as a 'pure wire / carrier' business. Consequently, almost the entire cost structure will be of 'fixed' nature and will not vary with the volume of energy transported in any given year. The Commission reiterates the need to refine the transmission tariff design based on voltage differentiation i.e. segregating 'costs' and losses at 220 KV, 132 KV and 66 KV. However, in the absence of reliable and adequate data on voltage wise fixed assets, sales and loss levels and sharing of system peak by consumers at different voltages etc. the Commission has no option but to continue with the existing tariff design.

3.4.1 Transmission Cost

HVPNL has proposed Rs. 7326.8 million as their net aggregate revenue requirement for transmission business for FY 2008-09. The Commission as per the details presented in Chapter-2 of this order determines Rs. 5453.76 million as net aggregate revenue requirement for transmission business.

3.4.2 Tariff Design

The Commission does not agree with HVPNL's proposal of recovery of cost of transmission charges based on the transformation capacity at the inter – connection points (MVA). The Commission believes that recovery of transmission charges based on the coincidental peak, which has been in vogue since FY 2002-03, is appropriate. The transmission tariff based on co-incident peak of the users of the transmission system viz. UHBVNL and DHBVNL ensures optimum investments and efficient utilization of the transmission system as well as maximum availability of the system. HVPNL in the instant petition has also submitted that the tariff framework 'should discourage non – optimal transmission investment'. This objective is aptly met by tariff design based on coincidental peak derived from 'cost causation principle'.

The Commission's projection of the average annual system peak for FY 2002-03, FY 2003-04, FY 2004-05, FY 2005-06 and FY 2006-07 and FY 2007-08 (anticipated) were quite close to the actual subsequently reported for the respective years as is borne out by the details presented in the table 3.4

**Table 3.4 Projection of Average System Peak (MW)
based on the Coincidental Peak (MW)**

Year	Average Annual System Peak (MW)			HERC allowed	Difference (MW)	Difference (%)
	UHBVNL	DHBVNL	HVPNL			
FY 2002-03	1424	1236	2660	2599	61	2.29
FY 2003-04	1532	1322	2854	2873	-19	-0.67
FY 2004-05	1578	1436	3014	3052	-38	-1.26
FY 2005-06	1735	1543	3278	3233	45	1.36
FY 2006-07	1805	1652	3457	3471	14	0.40
FY 2007-08 upto January 2008	1987	1761	3748	3747	1	0.03

It shall be noted that the deviation in the last three years has been less than 2%. FY 2002-03 was an aberration as only three months field data was available.

The Commission's projection of average annual system peak based on CAGR of the actual average annual system peak for the last four years (FY 2002-03 to FY 2007-08) works out to 3982 MW (UHBVNL & DHBVNL contribution being 2023 MW & 1958 MW respectively). As neither HVPNL nor the Distribution licensees have submitted any projection of average system peak for FY 2008-09, the Commission has considered an average system peak of 3982 MW for the purpose of determining transmission tariff for FY 2008-09.

3.5 Transmission tariff

The Commission, for determining transmission tariff, has considered the fact that entire cost allocated to the transmission business is of 'fixed' nature. Hence, it would be reasonable to recover the entire cost through a demand charge based on projected simultaneous maximum demand of the distribution licensees.

Considering the above factors, the Commission has arrived at a fixed charge for the transmission of power as Rs 114.13 per kW per month of the maximum demand.

The rates as mentioned above will be applicable for power transmitted to the distribution business. Table 3.5 provides the details of the calculation.

Table 3.5 - Determination of transmission tariff

Particulars	
Transmission Cost (Rs. Million)	5453.76
Average System Peak (MW)	3982
Approved rate (Rs. Per KW of coincidental peak per month)	114.13
Energy sales approved for FY 2008-09 (MU)	28431.08
Wheeling charge for third party sale (Rs./kWh)	0.19

The transmission charges shall be levied on the Distribution licensee. The wheeling customers will be subject to single rate as determined for the short term customers. In line with the CERC regulations the Commission allows 25% of the charges collected from the short – term customers for use of intra – state transmission system to be retained by HVPNL and the remaining shall be adjusted towards reducing the transmission charges payable by the existing long term customers viz. UHBVNL & DHBVNL in proportion to their co-incident peak.

3.6 Billing

The billing of transmission tariff shall be on a monthly basis in accordance with the respective contribution of the distribution licensees to the coincidental system peak recorded during the month.

The single rate for wheeling, as determined by the Commission, shall be recoverable from the short term & long term ‘open access’ customers availing HVPNL’s transmission system. The wheeling charges recovered from such customers, subject to 25% retention by HVPNL, shall be reduced from the transmission charges to be recovered from the distribution licensees.

3.7 Recovery of SLDC Expenses

The SLDC charge determined by the Commission for FY 2008-09 is Rs. 78.18 million. A monthly recovery of Rs. 6.515 million shall be made from the two distribution licensees i.e. UHBVNL & DHBVNL and long term open access customers (if any) in the ratio of their contribution to the system coincidental peak during the month.

3.7.1 Short Term Open access Customers

The short-term open access customers (if any) shall be charged a composite fee & charge for each transaction @ Rs. 1000 / day or part thereof, as proposed by HVPNL.

3.7.2 SLDC application fee

The application fee shall be as per the Haryana Electricity Regulatory Commission (Terms and conditions for Open Access for Intra – state Transmission and Distribution System) Regulation, 2005 notified on 19th May 2005. 25% of the charges collected from the short – term customer for use of SLDC shall be retained by HVPNL and the balance 75% shall be adjusted towards reduction in SLDC charges to be recovered from UHBVNL, DHBVNL and other long term open access customer.

3.8 Incentive

HVPNL, for its proposed transmission business has claimed incentive on achieving annual availability beyond 98% (Target availability). The Commission, for the time being, has not considered any availability-linked incentive. The Commission would determine the benchmark availability for the purpose of incentive while finalising the regulations on terms and conditions for determining transmission tariff.

The Commission acknowledges the need for a system of rebate and penalty in order to reduce the ‘cash cycle’ and ‘defaults’ for better realisation of ‘book debt’,

thereby minimising the need for expensive working capital borrowings. Resultantly, the Commission for FY 2008-09 approves the schedule of rebate(s) as proposed by HVPNL. The details are presented in table 3.6.

Table 3.6 - Rebates

(Days) from the date of receipt of bills of transmission charges.	%
7 days	1
8 –14 days	0.75
15 – 21 days	0.50
22 – 30 days	0.25

3.9 Late Payment Surcharge

In case payment of bill of transmission charges is delayed beyond 30 days from the date of billing a late payment surcharge of 1% per month shall be levied by HVPNL.

CONCLUSION

The Commission, under Section 62 read with Section 64(3) (a) and Section 64(6) of the Act, issues this tariff order with modification of the calculation of expected revenue requirement and transmission tariff & SLDC charges proposal of the licensee i.e. HVPNL and hereby determines the same as under:

- a) The net ARR for FY 2008-09 of HVPNL, for its transmission business, has been determined as Rs 5453.76 million.
- b) SLDC charges of Rs. 78.18 million for FY 2008-09 (Rs. 6.515 million per month).
- c) The tariff for transmission of Rs. 114.13 per kW per month of coincidental system peak.
- d) Transmission tariff for short-term customers shall be Rs. 0.19/ kWh.
- e) The inter – state transmission loss has been pegged at 3.85% while intra – state transmission losses has been pegged at 2.1% for FY 2008-09.
- f) The licensee shall implement the tariff and charges contained in this order with effect from 1st April 2008.**

This order is signed, dated and issued by the Haryana Electricity Regulatory Commission on 23rd April, 2008.

Date: April 23, 2008.

Place: Panchkula.

T.S. Tewatia
(Member)

T.R. Dhaka
(Member)

Bhaskar Chatterjee
(Chairman)

ANNEXURE – 1 : LIST OF WAIVERS GRANTED

1. The Commission in its order dated 12/08/2003 directed HVPNL to provide the details of periods when voltage and / or frequency were beyond the prescribed limits on transmission network.

HVPNL, while requesting waiver from complying with the above mentioned directive has stated that data of voltage profile for few representative sub-stations scattered all over the State has been collected for measuring voltage variation at different voltage levels. Since the data is logged at all sub-stations in the field manually, it will be difficult to submit such voluminous data in respect of all sub-stations (more than 200 sub-stations in number).

ANNEXURE - 2 : LIST OF DIRECTIVES NOT FULLY

COMPLIED WITH

1. The Commission directs HVPNL to wipe out the backlog of installation / commissioning of SEMs by 31/07/2005 and report compliance immediately thereafter.

2. A plan to enhance the access of SLDC to all 220 KV sub - stations and other important 132/66 KV sub – stations be formulated and submitted to the Commission by 30th September 2005.

3. The Commission directs HVPNL to file transmission loss reduction trajectory, enabling it in fixation of incentives / penalties (Chapter 4, Para 4.4.2.1).

ANNEXURE – 3: LIST OF NEW DIRECTIVES

1. The Commission notes that the deviation between the projected system peak for FY 2006-07 is only 0.4% which cannot result in over-recovery of Rs. 401.61 million from UHBVNL and DHBVNL (based on audited accounts) as it represents as high as 7.4% of the approved ARR for FY 2006-07. The Commission directs HVPNL, UHBVNL and DHBVNL to re-examine their relevant records and report back to the Commission about this discrepancy within 3 months of this order. (Para 1.6, page 15)
2. The remaining amount of cost being the running cost of HPTI Rs. 1.37 million is allowed to it and the Commission directs the licensee to maintain a separate head of account for this expenditure and set off all incomes received from other utilities on account of this expenditure. (Para 2.8, page 32)
3. Licensee was also directed to submit a report showing year wise cumulative depreciation and instrument wise cumulative repayment of loans for capital works upto 31.3.2007 within 3 months of this order to ensure compliance of the 1st proviso to Regulation 56 (ii) b of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004.

The filing by the licensee was incomplete in many areas and was asked to revise and reconcile the filing which has not been done till date. The Commission directs the licensee to ensure that the compliance is done within one month of the order or else the Commission will be compelled to order recovery of AAD provided till date in its orders with interest. (Para 2.12, page 35)
4. The Commission directs that HVPNL may take immediate steps to approve all the 'unapproved' works included in their investment plan by September, 2008 in close co-ordination with Discoms and also, ensure matching expansion of the sub-transmission and distribution / supply

system by UHBVNL & DHBVNL so that the end-user of electricity in Haryana can be benefited by the massive investments planned by it. (Para 2.16, page 48)

5. The Commission notes with concern the aberrations in the transmission losses data vis-à-vis energy transmitted and directs HVPNL to examine the same and submit its analysis within three months of the issue of this order. HVPNL is further directed to critically analyse the relevant filings in future and reason out the inconsistency (ies) for appreciation of the Commission (Para 2.22, Page No.45).