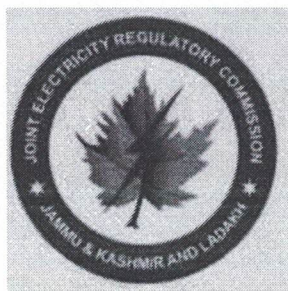


Joint Electricity Regulatory Commission for UT of Jammu & Kashmir and UT of Ladakh



**Order
On**

**True-Up of FY 2019-20, Annual Performance Review of FY 2020-21,
Annual Performance Review of FY 2021-22,
Aggregate Revenue Requirement of FY 2022-23 and Tariff Proposal for FY 2022-23.**

September 2022

JAMMU AND KASHMIR POWER TRANSMISSION CORPORATION LIMITED

Joint Electricity Regulatory Commission for UT of J&K and UT of Ladakh

Regd. Office: Railway Road, Ambedkar (Panama) Chowk,
Jammu-180016

Phone No. (0191) 295 9191, 247 0160

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Website: <http://jercjkl.nic.in/>

Before the
Joint Electricity Regulatory Commission for UT of Jammu & Kashmir & UT of Ladakh
Petition No.: JERC/P/06 of 2022

In The Matter of:

Petition for Approval of True-up of FY 2019-20, APR of FY 2020-21, APR of FY 2021-22 and ARR of FY 2022-23; and Tariff Proposal for FY 2022-23 for the Jammu and Kashmir Power Transmission Corporation Limited under Sections 45, 46, 61, 62, 64 and 86 of the Electricity Act, 2003 (EA 2003).

And

In The Matter of:

Jammu and Kashmir Power Transmission Corporation Limited
Office of the Chief Engineer (Transmission), JKPTCL
220 kV Grid Station Complex, Narwal Bala, Gladni, Jammu

Coram:

Shri. Lokesh D Jha, Chairman,
Shri. Ajay Gupta, Member (Technical),
Shri. Mohd. Rafi Andrabi, Member (Finance)

ORDER No. JERC/ 4 of 2022
(Passed on 22nd September 2022)

1. This Order relates to the Petition for True-up of FY 2019-20, APR of FY 2020-21, APR of FY 2021-22 and ARR of FY 2022-23; and Tariff Proposal for FY 2022-23 filed by the Jammu & Kashmir Power Transmission Corporation Limited (JKPTCL) for its transmission business (hereinafter referred to as JKPTCL or the Petitioner or the Licensee) before the Joint Electricity Regulatory Commission (hereinafter referred to as JERC or the Commission). The Petition was filed as per the provisions contained in Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Generation, Transmission and Distribution) Regulations, 2018 (hereinafter referred to as MYT Regulations), which was adopted by the Commission vide gazette notification dated 31st March 2021.
2. The Commission through a suo-motu order dated 01.12.2021 extended the control period of JERC Goa and UTs Regulations 2018 (FY 2019-20 to FY 2021-22) to 5 years control period w.e.f FY 2021-22 to FY 2025-26 so as to make it applicable for tariff determination for FY 2021-22 and FY 2022-23.
3. As specified in Regulation 11.2 of MYT regulations, JKPTCL submitted the petition for true-up of FY 2019-20, annual performance review of FY 2020-21 and FY 2021-22 and aggregate revenue requirement and transmission tariff for FY 2022-23.
4. Consequent to the extension of the control period of MYT regulations, the Commission issued

letters to the utilities for submission of tariff petition. The Commission vide letter no. JERC/TECH-/2021-22/46-54 dated 22 February 2022, directed all the utilities in the UT of J&K and UT of Ladakh to submit Tariff Petitions. The Petitioner submitted the Petition on 25.05.2022.

5. On detailed analysis of the Petition, the Commission observed several information gaps and discrepancies in it for which additional information for meeting data gaps was sought from the Petitioner vide Commission's letters Nos. JERC/Law-S/P/2021-22/F-17/227 dated 30.05.2022. The Petitioner submitted its replies to the data gaps pointed out by the Commission through email dated 03.06.2022 and vide letter no: CE/Trans/J/JKPTCL/T/3289-92 dated 02.07.2022.
6. A technical validation session was conducted on 06.06.2022 with the Petitioner. The Petition was admitted on 08.06.2022 subject to furnishing of additional information sought by the Commission.
7. The Commission vide its letter no. JERC/Law-S/P/2022/F-16/258-60 dated 08.06.2022 directed the Petitioner to publish the gist of the Petition as public notice and invite comments/objections/suggestions from the stakeholders on the petition filed.
8. The approved gist of the Petition was published by the Petitioner in several widely read newspapers namely Daily Excelsior, Daily Uddan & Amar Ujala dated 13.06.2022. A copy of the Petition was also made available on the websites of the Commission and the Petitioner. The stakeholders were requested to submit their written comments/suggestions/objections on the petition filed by JKPTCL.

Public Hearings

9. In order to maintain transparency in the process for approval of the Petition, the Commission involved the stakeholders by initiating a public consultation process and published the notice for public hearing. Accordingly, the public hearing on the Petition, filed by JKPTCL, was held at the office of the Commission at Jammu on 5.07.2022.

Meeting of the State Advisory Committee

10. The Commission convened a meeting with the members of the State Advisory Committee (SAC) on 19.07.2022 in the Conference Hall of the Public Works Department at Gandhinagar, Jammu to discuss the Petition filed by JKPTCL.
11. Some issues were discussed during the SAC meeting which have been noted by the Commission and suggestions made by the members of the Committee and other points discussed have been considered by the Commission in this Order.

Approved Aggregate Revenue Requirement (ARR) and Transmission Tariff

12. The Commission analyzed the cost for each of the items of the ARR in detail in this Order and accordingly approved the ARR and transmission tariff for FY 2022-23. Each component of ARR of FY 2022-23 shall be reviewed by the Commission based on actual data to be submitted by

the Petitioner at the time of True Up/Annual Performance Review. The approved Aggregate Revenue Requirement for FY 2022-23 is given in the table below.

Table 1: Approved ARR for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Amount
1	Operation & Maintenance Expenses	135.24
2	Depreciation	-
3	Interest and Finance Charges	-
4	Interest on Working Capital and Deposits from TSUs	4.41
5	Contribution to Contingency Reserves	
6	Total Revenue Expenditure	139.65
7	Return on Equity Capital	
8	Aggregate Revenue Requirement	139.65
9	Less: Non-Tariff Income	-
10	Less: Income from Other Business	-
11	Less: Revenue from Short-term Transmission Charges	-
12	Aggregate Revenue Requirement from Transmission Tariff	139.65

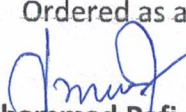
13. Based on the approved ARR, the Commission has approved transmission charges of Rs.11.64 Crores/month as long term/medium term transmission charges for FY 2022-23. For short term transmission charges the approved amount is Rs.1090/MW/day based on the allotted transmission capacity. **The transmission loss level for FY 2022-23 is approved at 3.20%.**


Implementation of the Order

14. In exercise of the powers vested in the Electricity Act, 2003 and relevant provisions given under MYT Regulations, the Commission hereby passes this Order after thorough scrutiny and prudence check of the submissions made by the Petitioner.
15. The Commission, in exercise of the powers vested in it under Sections 61, 62 and 86 of the Electricity Act, 2003 (EA, 2003) and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by the Petitioner JKPTCL, and in the public consultation process, and all other relevant material, has approved the provisional Truing-up of ARR for FY 2019-20, APR for FY 2020-21 and FY 2021-22 and ARR and transmission Tariff of FY 2022-23 in this Order. This tariff order shall come into effect from 1st September 2022. This transmission tariff shall remain valid until replaced by a subsequent transmission tariff order and/or is amended or modified or reviewed by an order of the Commission.

Thus, the Commission directs that this Order be implemented along with directions given and conditions mentioned in the detailed Order.

Ordered as above, read with attached detailed reasons, grounds and conditions.


(Mohammad Rafi Andrabi)
MEMBER - Finance


(Ajay Gupta)
MEMBER - Technical


(Lokesh D. Jha)
CHAIRMAN

JERC/LAW-S/P/2022/F-17/

Dated:22.09.2022
Place: Jammu

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ABBREVIATIONS

Acronym	Definition
A&G Expenses	Administrative & General Expenses
ARR	Annual Revenue Requirement
AoA	Article of Association
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CPI	Consumer Price Index
CWIP	Capital Works in Progress
Ckt-km	Circuit Kilometers
C&S (J&K)	Commercial & Survey (Jammu and Kashmir)
DCP	Development Commissioner (Power), Jammu & Kashmir
TTIC (J&K)	Training, Testing, Inspection and Commissioning, Jammu & Kashmir
EM & RE (J)	Electric Maintenance & Rural Electrification. Jammu
EM & RE (K)	Electric Maintenance & Rural Electrification. Kashmir
ERS	Emergency Restoration Systems
FAR	Fixed Asset Registers
Fin. Org	Financial Organization
GFA	Gross Fixed Assets
GoJK	Government of Jammu & Kashmir
GoI	Government of India
JKSERC	Jammu & Kashmir State Electricity Regulatory Commission
JKPDD	Jammu & Kashmir Power Development Department
JKPDD - D	Jammu & Kashmir Power Development Department – Distribution
JKPDD - T	Jammu & Kashmir Power Development Department – Transmission
JPDCL	Jammu Power Distribution Corporation Limited
JKSPDC	Jammu and Kashmir State Power Development Corporation
JKPCL	Jammu and Kashmir Power Corporation Limited
JKPTCL	Jammu and Kashmir Power Transmission Corporation Limited
KPDCL	Kashmir Power Distribution Corporation Limited
MU	Million Units
MoA	Memorandum of Association
MYT	Multi-Year Tariff
O&M	Operations and Maintenance
P&D (J&K)	Planning & Design, Jammu & Kashmir
PGCIL	Power Grid Corporation of India Limited
PMDP	Prime Minister's Development Package
PMRP	Prime Minister Reconstruction Plan
PSDF	Power System Development Fund
P&MM (J&K)	Procurement & Material Management, Jammu & Kashmir
PWD	Public Works Department
R&M Expenses	Repair & Maintenance Expenses
RoE	Return on Equity
TCC	Total Contracted Capacity
T&D	Transmission and Distribution
TR	Transmission Rate
SAC	State Advisory Committee
SERC	State Electricity Regulatory Commission
S&O (J)	System & Operations, Jammu
S&O (K)	System & Operations, Kashmir
WPI	Wholesale Price Index

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CHAPTER 1: INTRODUCTION

Joint Electricity Regulatory Commission

1.1. In exercise of the powers conferred by sub-section (5) of section 83 of the Electricity Act 2003 (36 of 2003), the Central Government constituted Joint Electricity Regulatory Commission for the Union Territories of Jammu and Kashmir and Ladakh (hereinafter referred as "Commission") vide S.O. 1984(E) dated 18th June 2020.

1.2. As per Section 83 of the Electricity Act, 2003:

"Section 83. (Joint Commission): ---- **(1)** Notwithstanding anything to the contrary contained in section 82, a Joint Commission may be constituted by an agreement to be entered into –

(a) by two or more Governments of States; or

(b) by the Central Government, in respect of one or more Union territories, and one or more Governments of States,

and shall be in force for such period and shall be subject to renewal for each further period, if any, as may be stipulated in the agreement:

Provided that the Joint Commission, constituted under section 21 A of Electricity Regulatory Commissions Act, 1998 and functioning as such immediately before the appointed day, shall be the Joint Commission for the purposes of this Act and the Chairperson, Members, Secretary and other officers and employees thereof shall be deemed to have been appointed as such under this Act and they shall continue to hold office, on the same terms and conditions on which they were appointed under the Electricity Regulatory Commissions Act, 1998.

(2) The Joint Commission shall consist of one Member from each of the participating States and Union Territories and the Chairperson shall be appointed from amongst the Members by consensus, failing which by rotation.

(3) An agreement under sub-section (1) shall contain provisions as to the name of the Joint Commission, the manner in which the participating States may be associated in the selection of the Chairperson and Members of the Joint Commission, manner of appointment of Members and appointment of Chairperson by rotation or consensus, places at which the Commission shall sit, apportionment among the participating States of the expenditure in connection with the Joint Commission, manner in which the differences of opinion between the Joint Commission and the State Government concerned would be resolved and may also contain such other supplemental, incidental and consequential provisions not inconsistent with this Act as may be deemed necessary or expedient for giving effect to the agreement.

(4) The Joint Commission shall determine tariff in respect of the participating States or Union Territories separately and independently.

(5) Notwithstanding anything contained in this section, the Central Government may, if so, authorized by all the participating States, constitute a Joint Commission and may

exercise the powers in respect of all or any of the matters specified under sub-section (3) and when so specifically authorized by the participating States".

1.3. The Commission is empowered under Section 86 of the Electricity Act, 2003 to discharge the following functions, namely:

A. Determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be:

Provided that where open access has been permitted to a category of consumers under section 42, the Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;

B. Regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;

C. Facilitate intra-state transmission and wheeling of electricity;

D. Issue licenses to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;

E. Promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution license;

F. Adjudicate upon the disputes between the licensees and generating companies and to refer any dispute for arbitration;

G. Levy fee for the purposes of this Act;

H. Specify State Grid Code consistent with the Grid Code specified under clause (h) of sub-section (1) of section 79;

I. Specify or enforce standards with respect to quality, continuity and reliability of service by licensees;

J. Fix the trading margin in the intra-State trading of electricity, if considered, necessary;

K. Discharge such other functions as may be assigned to it under this Act.

1.4. The Commission shall ensure transparency while exercising its powers and discharging its functions.

1.5. In discharge of its functions, the Commission shall be guided by the National Electricity Policy, National Electricity Plan and Tariff Policy published under section 3 of the Act.

Jammu & Kashmir Reorganization Act, 2019

1.6. The J&K Reorganization Act, 2019 was enacted by the Parliament of India on 9th August 2019 wherein the State of Jammu and Kashmir was divided into the Union Territory of Jammu and Kashmir & Union Territory of Ladakh. Upon the reorganization, the distribution of electricity supply underwent changes. The relevant portion of Section 85(1) of J&K Reorganization Act, 2019 is given below:

“The Central Government may by order, establish one or more Advisory Committees within a period of 90 days from the appointed day, for the purposes of apportionment of assets, rights and liabilities of the companies and corporations constituted for the existing State of Jammu and Kashmir between Union territory of Jammu and Kashmir and Union territory of Ladakh; issues relating to Continuance of arrangements in regard to generation and supply of electric power and supply of water”.

- 1.7.** Consequent to the enactment of the Jammu and Kashmir Reorganization Act, 2019 (herein after “J&K Reorganization Act” or “Reorganization Act”) and repeal of the Jammu and Kashmir Electricity Act, 2010, the Central Electricity Act, 2003 was applicable to the Union territory of Jammu and Kashmir and Union territory of Ladakh. The relevant portion of J&K Reorganization Act, 2019 is given below.

“95. (1) All Central laws in Table - 1 of the Fifth Schedule to this Act, on and from the appointed day, shall apply in the manner as provided therein, to the Union territory of Jammu and Kashmir and Union territory of Ladakh.”

Unbundling of Erstwhile JKPDD

- 1.8.** The erstwhile state of Jammu and Kashmir consisted of unbundled utility Jammu and Kashmir Power Development Department (JKPDD) which was responsible for Trading, Transmission and Distribution of electricity within the whole state of Jammu and Kashmir.
- 1.9.** Further, as per Section 85(1) of J&K Reorganization Act, 2019 a Committee vide Government Order No: 164 PDD of 2019 dated 20.09.2019 was constituted by Commissioner/Secretary, Power Development Department, Govt. of J&K for the purpose of preparing and presenting a comprehensive proposal for apportionment/reorganization of J&K Power Development Department, J&K State Power Development Corporation and J&K State Trading Company between Union Territory (UT) of J&K and UT of Ladakh.
- 1.10.** Consequent to the approval of State Administrative Council of J&K, the Power Development Department was unbundled into several power corporations on 23rd October 2019 vide Government Order No. 191-PDD of 2019 and JKPTCL was created on 23.10.2019 as Transmission Licensee for UT of J&K. The relevant extract from the Government Order No. 191 - PDD of 2019, is given below.

“Sanction is hereby accorded to the:

(ii) Transfer all the shares, held by Hon'ble Governor, Jammu and Kashmir in Jammu and Kashmir State Power Development Corporation Limited, Jammu and Kashmir State Power Trading Company Limited (renamed as Jammu and Kashmir Power Corporation Limited) and Jammu and Kashmir State Power Transmission Company Limited (renamed Jammu and Kashmir Power Transmission Corporation Limited) to the Administrative Secretary to the Govt., Power Development Department.....)

(iii) Jammu and Kashmir State Power Trading Company Limited (renamed as Jammu and Kashmir Power Corporation Limited) shall control the composition of the Board of Directors of the following companies:

- a) Jammu and Kashmir State Power Development Corporation Limited (renamed Jammu and Kashmir Power Development Corporation Limited).*
- b) Jammu and Kashmir State Power Transmission Company Limited, (renamed Jammu*

- and Kashmir Power Transmission Corporation Limited).*
- c) *Jammu Power Distribution Company Limited (renamed Jammu Power Distribution Corporation Limited).*
- d) *Kashmir Power Distribution Company Limited (renamed Kashmir Power Distribution Corporation Limited).*
-
- (v) *Change in the name of Jammu Power Distribution Company Limited to Jammu Power Distribution Corporation Limited. Accordingly, all necessary changes shall be made in the MOA and AOA with regard to functions and name of the Corporation.*
- (vi) *Change in the name of Kashmir Power Distribution Company Limited to Kashmir Power Distribution Corporation Limited. Accordingly, all necessary changes shall be made in the MOA and AOA with regard to functions, name and jurisdiction of the Corporation. The jurisdiction of Ladakh shall be deleted from the mandate of the Corporation.*
-
- (xi) (A) *Apportionment, re-organisation and transfer scheme of JKPDD, JKSPDC, as given in the report submitted by the Committee constituted vide Government Order No. 164-PDD of 2019 dated 20-09-2019.*
-
- (D) *Wherever in this report, framing of new rules, policies, modification/amendment in the existing rules etc., is required, the approval of the competent authority shall be sought before notification. Accordingly, sanction is also granted to the following:*
-
- (i) *Transfer of Assets and Liabilities of DCP office to Jammu and Kashmir Power Transmission Corporation Limited on 'as is where is' basis.*
- (j) *Transfer of Assets and Liabilities of System & Operation Wing and Planning and Design Wing to Jammu and Kashmir Power Transmission Corporation Limited on 'as is where is' basis...."*

Jammu and Kashmir Power Development Department (Re-organisation) First Transfer Scheme 2020

1.11. The Lt. Governor of Jammu and Kashmir made and gave effect to the "Jammu and Kashmir Power Development Department (Re-organisation) First Transfer Scheme 2020" vide Notification dated 20th March 2020. The key provisions from the First Transfer Scheme 2020 are as follows:

"5. Transfer of Undertakings by Department:

- (a) *The Undertakings of the Department classified in the following schedules shall stand transferred to and vested in the Transferee on and from Appointed Date subject to the terms and conditions specified in the Act and the Scheme:*
- (i) *Trading cum Holding Undertakings for UT of J&K as set out in Schedule-A';*
- (ii) *Distribution Undertakings for Jammu Province, UT of J&K as set out in Schedule-B;*
- (iii) *Distribution Undertakings for Kashmir Province, UT of J&K as set out in Schedule-C;*
- (iv) *Generation and Distribution Undertakings for Ladakh Region, UT of Ladakh as set out in Schedule-D.*

- (v) *Transmission Undertaking with Load Dispatch Centre function for Jammu as well as Kashmir Province, UT of J&K as set out in Schedule-E.*
- (vi) *The transfer to and vesting of the undertaking to the transferee in terms of this Scheme shall take effect immediately on the appointed date notwithstanding that the value of Undertakings have not been determined and shall be determined at a later date.*

.....

15. Government Support:

- (1) *The Transferees shall be eligible for and shall continue to receive support from the Government in the form of revenue support, equity support, capital subsidies, loans, interest subsidies and other such monetary and financial assistance, whether under a Central or State scheme or otherwise, as may be necessary for the due and effective performance of their functions until the time Transferees achieve commercial viability on their own.*
- (2) *The Government support indicated in sub section (1) above shall be conditional upon the Transferees submitting a detailed and time-bound financial feasibility plan within 6 (six) months of the Appointed date and duly complying with the same. The feasibility plan shall be reviewed at least once every year to assess and evaluate the fulfilment of the performance targets set out therein. The financial feasibility plan would include projections related to reduction in various losses, revenue requirement and capital support, per capita availability of electricity in the UT and matters incidental thereto."*

- 1.12.** The functions of JKPDD comprising transmission and distribution were unbundled into one transmission company, i.e., JKPTCL and two distribution companies, i.e., JPDCL and KPDCL. The unbundling also involved the incorporation of a new company in Ladakh for handling generation and distribution functions, i.e., Ladakh Power Company Limited (LPCL). All the functions of generation, transmission, distribution and trading are now being handled separately to make the power sector in Jammu and Kashmir commercially more viable and competitive.

Procedural History

- 1.13.** Prior to unbundling, as per the provisions in the prevalent JKSERC Multi Year (Distribution Regulations), 2012, the erstwhile JKSERC has carried out Annual Performance Review (APR) for FY 2015-16, Aggregate Revenue Requirement (ARR) for MYT Control Period from FY 2016-17 to FY 2020-21 and transmission tariff for FY 2016-17 for the transmission business of Jammu and Kashmir Power Development Department vide Commission's Order No. 17-JKSERC of 2016 dated 31.03.2016.
- 1.14.** After the constitution of the Joint Electricity Regulatory Commission, the Commission vide Gazette Notification No. JERC-JKL/Tech-13/2021 dated 31st March 2021, notified "JERC for UT of J&K and UT of Ladakh (Adoption of various Regulations of JERC for the state of Goa and UTs) Regulations, 2021". Vide these regulations, the Commission adopted various Regulations of JERC for the state of Goa and UTs with amendments up to date for one year or till replacement of corresponding regulation framed by the Commission. Along with other Regulations, the Commission adopted "JERC for the State of Goa and Union Territories

(Generation, Transmission and Distribution) Regulations, 2018” applicable for determination of tariff for all the Generation companies, Transmission Licensees and Distribution Licensees in UT of J&K and UT of Ladakh.

- 1.15.** Subsequently, the Commission through a suo-motu order No 57 of 2021 dated 01.12.2021 extended the control period of JERC Goa and UTs Regulations 2018 (FY 2019-20 to FY 2021-22) to 5 years control period w.e.f FY 2021-22 to FY 2025-26 so as to make it applicable for tariff determination for FY 2021-22 and FY 2022-23.
- 1.16.** After adoption of the regulations, the Commission issued letters to the utilities for submission of tariff petition. The Commission vide letter no. JERC/TECH-/2021-22/46-54 dated 22nd February 2022, directed all the utilities in the UT of J&K and UT of Ladakh to submit Tariff Petitions for True-Up of FY 2019-20 and FY 2020-21, Annual Performance Review for FY 2021-22 and Aggregate Revenue Requirement and determination of Tariff for FY 2022-23 in line with Commission’s Suo-Motu Order No. 57 of 2021.
- 1.17.** Ultimately, the Petitioner submitted the petition on 25.05.2022. On detailed analysis of the Petition, the Commission observed several information gaps and discrepancies in it for which additional information for meeting data gaps was sought from the Petitioner vide Commission’s letters Nos. JERC/Law-S/P/2021-22/F-17/227 dated 30.05.2022. The Petitioner submitted its replies to the data gaps pointed out by the Commission through its email dated 03.06.2022 and vide letter no: CE/Trans/J/JKPTCL/T/3289-92 dated 02.07.2022.
- 1.18.** A technical Validation Session was conducted on 06.06.2022 with the Petitioner. The Petition was admitted on 08.06.2022 subject to furnishing of additional information sought by the Commission.
- 1.19.** The Commission vide its letter no. JERC/Law-S/P/2022/F-16/258-60 dated 08.06.2022 directed the Petitioner to publish the gist of the Petition as public notice and invite comments/objections/suggestions from the stakeholders on the petition filed.

Inviting Public Comments

- 1.20.** The approved gist of the Petition indicating its salient features and inviting objections and suggestions from consumers and other stakeholders was published by the Petitioner in several widely read newspapers on 13.06.2022 as given in the table below.

Table 1: List of Newspapers

S. No.	Newspaper	Date of Publication
1	Daily Excelsior	13.06.2022
2	Daily Udaan	13.06.2022
3	Daily Amar Ujala	13.06.2022

- 1.21.** The copies of the Petition were made available to consumers for purchase on all working days. The copy of Petition was also made available on the websites of the Commission and the Petitioner. The public notice advised respondents to submit suggestions /comments

/objections in person or through the post to the Petitioner along with copies to the Commission. The last date for submitting the comments/suggestions/objections was 04.07.2022.

- 1.22.** Subsequently, the Commission issued notice for public hearing to be held at Jammu on 18.06.2022. The notice was published in Greater Kashmir, Greater Jammu, State Times, Srinagar Times, Aftab and the Himalayan Mail on 18.06.2022. Respondents were given the option to be heard in person during the public hearings.
- 1.23.** The Commission held public hearing in the Conference Hall, Joint Electricity Regulatory Commission Office, at Jammu on 05.07.2022, to hear the response and comments /suggestions /objections of stakeholders /public on the Petition filed by JKPTCL. The Commission has not received any comments from the stakeholders. The list of participants who attended the Public Hearing is attached as **Annexure 1**.

Meeting of the State Advisory Committee

- 1.24.** The Commission convened a meeting with the members of the State Advisory Committee (SAC) on 19th July 2022 in the Conference Hall of the Public Works Department at Gandhinagar, Jammu to discuss the Petition filed by JKPTCL.
- 1.25.** The Commission has presented the summary of the Petition submitted by the Petitioner. The SAC members expressed their concern over high transmission losses reported by the transmission licensee. The issues have been noted by the Commission and have been considered by the Commission in this Order. The participants of the SAC meeting are listed in **Annexure 2**.

Scope of the Present Order

- 1.26.** The ambit of the present Order extends to approval of provisional true-up for FY 2019-20, Annual Performance Review (APR) for FY 2020-21 and FY 2021-22, Aggregate Revenue Requirement (ARR) for FY 2022-23 and transmission tariff for FY 2022-23 for JKPTCL (hereinafter referred to as the Petitioner).

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CHAPTER 2: SUMMARY OF THE PETITION FILED BY JKPTCL

The summary of the Petition for True-up of FY 2019-20, annual performance review of FY 2020-21, annual performance review of FY 2021-22, aggregate revenue requirement of FY 2022-23; and tariff proposal for FY 2022-23 by JKPTCL is as under.

2.1 Infrastructure of JKPTCL

2.1.1. JKPTCL submitted that its assets consist of transmission sub-stations and transmission lines. The region-wise details of JKPTCL's assets as on 1 March 2022 are summarized below:

Table 2: Details of JKPTCL's Grid Stations

Grid Stations	Jammu Region		Kashmir Region	
	Nos.	Installed Capacity (in MVA)	Nos.	Installed Capacity (in MVA)
220/132 & 220/66 & 220/33 kV Grid Station	8	2550	7	2495
132/66 kV Grid Station	3	320	NA	NA
132/33 kV Grid Station	28	2384.50	31	3026

Table 3: Details of JKPTCL's Transmission Lines

Transmission Lines	Jammu Region		Kashmir Region	
	Line Length (km)	Line Length (ckt km.)	Line Length (km)	Line Length (ckt km.)
220 kV Transmission Lines	404.296	636.722	203.27	405.64
132 kV Transmission Lines	844.338	1375.483	506.08	972.16

2.1.2. JKPTCL submitted that the present installed generation capacity in UT of J&K and UT of Ladakh is 1360.98 MW comprising of 1230 MW of hydropower-based generation capacity and 130.98 MW of renewable energy-based generation (small hydro and solar). The power supply position in terms of peak demand vis-à-vis peak met for UT of J&K and UT of Ladakh as per the CEA Load Generation report for the past 3 years and anticipated for 2021-22 is given below:

Table 4: Actual Power supply position in UT of J&K and UT of Ladakh as per CEA's LGBR reports

Year	Peak Demand (MW)	Peak Met (MW)	Surplus (+)/ Deficit (-)	
			(MW)	(%)
2018-19 (actual)	3080	2464	-616	-20.0
2019-20 (actual)	3405	2724	-681	-20.0
2020-21 (actual)	3280	2680	-600	-18.3
2021-22 (anticipated)	3460	4190 ¹	730	21.1

(Source: CEA, Load Generation Balance Report)

¹ Peak Availability as projected by CEA in its LGBR Report.

2.1.3. The actual peak load reported for the past few years is given below, as per submission made by JKPTCL.

Table 5: Actual Peak Demand (MW) in Last Few Years

Calendar Year	Actual peak demand (MW)
2018	3080
2019	3104
2020	3405
2021	3280
2022 (till March 2022)	3095

2.1.4. Based on the above, the load growth projection for FY 2022-23 as per JKPTCL submission is given in the table below:

Table 6: Load Growth Projection for FY 2022-23

	FY 2020-21 (Actual)	FY 2022-23 (Projected)
Projected Peak Load (MW)	3280.00	3506.83

2.2 Truing-Up of FY 2019-20

2.2.1. The O&M expense incurred by JKPTCL for the period November 2019 to March 2020 of FY 2019-20 is summarized below:

Table 7: O&M Expenses for FY 2019-20

Sr. No.	Particulars	Amount (in Rs. crore)
1	Employee expenses	58.87
2	Administrative and General Expenses	2.41
3	Repairs and Maintenance Expenses	9.20
4	Total Operation and Maintenance Expenses	70.48

2.2.2. Capital Expenditure and Capitalization: The details of capital expenditure and capitalization during FY 2019-20, as submitted by JKPTCL, are given below:

Table 8: Details of Capital Expenditure and Capitalization during FY 2019-20 (Rs. Crores)

Name of the Schemes	Capital Expenditure During the Year			Capitalization
	Jammu Region	Kashmir Region	Total	
Languishing Projects	0.00	12.74	12.74	10.29
PMDP	67.90	15.06	82.96	20.56
PMRP	5.63	36.95	42.60	222.21
PM's Package for Restoration of Flood affected Infrastructure in J&K	0.97	4.01	4.99	11.38
PSDF	23.53	35.35	58.90	91.63
UT Capex	2.49	4.67	7.17	5.50
Total	100.52	108.78	209.36	361.56

2.2.3. The ARR for FY 2019-20 (November 2019 to March 2020) of JKPTCL is tabulated as follows:

Table 9: True-up of Expenses of JKPTCL for FY 2019-20 (Nov 2019-March 2020)

Sr. No.	Particulars	Amount (Rs. Crore)
1	Operation & Maintenance Expenses	70.48
2	Depreciation	-
3	Interest on long term loans	-
4	Interest on Working Capital and Deposits from TSUs	2.69
5	Contribution to Contingency Reserves	-
6	Return on Equity Capital	-
7	Aggregate Revenue Requirement	73.17
8	Less: Non-Tariff Income	-
9	Less: Income from Other Business	-
10	Less: Revenue from short-term transmission charges	-
11	Aggregate Revenue Requirement from Transmission Tariff	73.17

2.3 Annual Performance Review of FY 2020-21 and FY 2021-22

2.3.1. Operation and Maintenance Expenses: JKPTCL has submitted the estimated O&M expenses during FY 2020-21 and FY 2021-22 and details are given below.

Table 10: Operation and Maintenance Expenses for FY 2020-21 and FY 2021-22 (Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1	Employee Expenses	142.15	150.68
2	Administrative and General Expenses	3.66	3.88
3	Repairs and Maintenance Expenses	9.59	9.83
4	Total Operation and Maintenance Expenses	155.41	164.39

2.3.2. Capital Expenditure and Capitalization: The details of projected capital expenditure in FY 2020-21, and FY 2021-22 are given in the table below. The proposed capitalization is Rs.584.59 crore and Rs.401.73 crore for FY 2020-21 and FY 2021-22, respectively.

Table 11: Details of Capex during FY 2020-21 (Rs. Crore)

Name of Capex Scheme	Jammu Region	Kashmir Region	Total
Languishing Projects	0.07	7.10	7.17
PMDP	0.18	29.61	29.79
PMRP	12.02	29.23	41.26
PM's Package for Flood restoration September 2014	0.00	0.19	0.19
PSDF	11.14	37.23	48.38
UT Capex	28.84	22.54	51.38
Total	52.26	125.90	178.18

Table 12: Details of Capex during FY 2021-22 (Rs. Crore)

Name of Capex Scheme	Jammu Region	Kashmir Region	Total
Languishing Projects	0.02	2.90	2.92
PMDP	13.70	38.13	51.83
PMRP	9.21	0.35	9.57
PM's Package for Flood restoration September 2014	0.00	0.11	0.11
PSDF	5.57	10.55	16.13
UT Capex	57.42	85.11	142.53

Name of Capex Scheme	Jammu Region	Kashmir Region	Total
Total	85.92	137.15	223.09

2.3.3. Aggregate Revenue Requirement for FY 2020-21 and FY 2021-22: JKPTCL has submitted the ARR for FY 2020-21 and FY 2021-22, as follows:

Table 13: ARR for FY 2020-21 and FY 2021-22 (Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1	Operation & Maintenance Expenses	155.41	164.39
2	Depreciation	-	-
3	Interest on long term loans	-	-
4	Interest on Working Capital and Deposits from TSUs	5.90	6.24
5	Contribution to Contingency Reserves	-	-
6	Return on Equity Capital	-	-
7	Aggregate Revenue Requirement	161.30	170.63
8	Less: Non-Tariff Income	-	-
9	Less: Income from Other Business	-	-
10	Less: Revenue from short-term transmission charges	-	-
11	Aggregate Revenue Requirement from Transmission Tariff	161.30	170.63

2.4 Aggregate Revenue Requirement for FY 2022-23

2.4.1. The details of O&M expenses for FY 2022-23, as submitted by JKPTCL, are summarized below:

Table 14: Projected Operation and Maintenance Expenses for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Amount
1	Employee Expenses	159.72
2	Administrative and General Expenses	4.12
3	Repairs and Maintenance Expenses	10.06
	Total Operation and Maintenance Expenses	173.90

2.4.2. The details of capital expenditure projected for FY 2022-23 are given below. Further, JKPTCL submitted the projected capitalization during FY 2022-23 as Rs.207.04 crore.

Table 15: Details of Capital Expenditure during FY 2022-23 (Rs. Crores)

Name of Capex Scheme	Jammu Region	Kashmir Region	Total
Creation of New 220 kV Grid Stations	209	-	209
Construction of Transformation Capacity at existing 220kV Grid Stations	-	138	138
Augmentation of Transformation Capacity at existing 220kV Grid Stations	77	24	101
220kV Transmission Lines	172	99	271
Creation of New 220kV Line Bays	6	164	170
Creation of New 132/66-33 kV Grid Stations	59	23	82
Augmentation of 132/66-33kV level at existing Grid Stations	17	32	49
132kV Transmission Lines	135	61	196
Creation of New 132kV Line Bays	1	12	13
Creation of New 66kV or 33kV line bays for evacuation of power	10	-	10

Name of Capex Scheme	Jammu Region	Kashmir Region	Total
Reactive Compensation at 33 kV or 66 kV level	13	-	13
Other Miscellaneous Works	2	-	2
Total	701	553	1254

2.4.3. JKPTCL has projected the ARR for FY 2022-23, as given below:

Table 16 ARR Summary of JKPTCL for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Amount (Rs. Crore)
1	Operation & Maintenance Expenses	173.90
2	Depreciation	-
3	Interest on long term loans	-
4	Interest on Working Capital and Deposits from TSUs	6.60
5	Contribution to Contingency Reserves	-
6	Return on Equity Capital	-
7	Aggregate Revenue Requirement	180.50
8	Less: Non-Tariff Income	-
9	Less: Income from Other Business	-
10	Less: Revenue from short-term transmission charges	-
11	Aggregate Revenue Requirement from Transmission Tariff	180.50

2.4.4. Tariff Proposal for FY 2022-23: JKPTCL submitted that the cumulative Aggregate Revenue gap along with carrying cost is considered for recovery from the transmission tariff. Accordingly, JKPTCL has considered the cumulative revenue gap over the years including the carrying cost as given below.

Table 17: Computation of Cumulative Revenue Gap including Carrying (Rs. Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23 Projected
Opening Revenue Gap (A)	-	76.67	251.74	449.33
Net Aggregate Revenue Requirement (B)	73.17	161.30	170.63	180.50
Total Revenue Realised (C)	0.00	0.00	0.00	0.00
Net Revenue Gap/ Excess (D = B-C)	73.17	161.30	170.63	180.50
Closing Gap at end of the Year (E= A+D)	73.17	237.97	422.36	629.83
Interest rate for carrying cost (F)	9.55%	8.75%	8.00%	8.00%
Carrying Cost on Opening Balance (G= A*F)	-	6.71	20.14	35.95
Carrying cost on Additional Gap Created during the Year (H= E*F/2)	3.49	7.06	6.83	7.22
Total Gap including carrying cost (G= E+G+H)	76.67	251.74	449.33	672.99

2.4.5. The Petitioner has submitted total gap including carrying cost equal to Rs.672.99 crore which has been submitted to be recovered from the transmission system users in FY 2022-23. JKPTCL has projected to make available 10612.84 MW of transmission system capacity in FY 2022-23. Further, it is estimate that JKPTCL will receive 18720.86 MUs of energy from various sources (JKPCL's contracted sources) for wheeling using transmission network. Considering these estimates, the proposed transmission tariff of JKPTCL is as follows:

Table 18: Calculation of Proposed Transmission Tariff for FY 2022-23

Particulars	Legend	Details
Cumulative Aggregate Revenue Requirement including carrying cost (Rs. crores)	F	672.99
Transmission capacity in FY 2022-23 (MW)	G	10612.84
Energy Estimated to be received by JKPTCL from various Generating Stations (in MU)	H	18720.86
Long/Medium Term Transmission charges (Rs./ MW/ month)	$I = F/G/12*10^7$	52844.16
Short Term Open Access Transmission charges (Rs. /MW/ day)	$J = I/30$	1761.47
Transmission charges (Rs./unit)	$K = F/H*10$	0.36
Long/Medium Term Transmission charges (Rs. Crore/ month)	$L = F/ 12$	56.08

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CHAPTER 3: PUBLIC CONSULTATION PROCESS

- 3.1** After receipt of the Petition from the Petitioner, the Commission reviewed the submission and identified certain data gaps which were communicated to the Petitioner. Afterwards, a Technical Validation Session (TVS) was organized and the Petition was admitted. After admittance of the Petition filed by the Petitioner pertaining to true-up for FY 2019-20, APR for FY 2020-21 and FY 2021-22, and ARR and Transmission tariff for FY 2022-23, the Commission directed the Petitioner to invite comments/objections from the stakeholders and public on the subject matter of the Petition and also directed to make available copies of the Petition to the general public.
- 3.2** The Commission, vide letter No JERC/S-Law/2022/F-17/228-30 dated 30.05.2022 directed the Petitioner to publish notice detailing the salient features and facts of the ARR Petition & Proposal filed in at least three daily newspapers (Urdu, English and Hindi) widely circulated in the area of its operation for comments by the stakeholder and public at large.
- 3.3** As directed by the Commission, the Petitioner published Public Notice in widely read English, Hindi and Urdu newspapers indicating the salient features of its Petition and inviting objections and suggestions from the stakeholders and public. The Public Notice appeared in the various newspapers as per the details tabulated below:

Table 19: Details of Publication of Notice Inviting Comments/Objections

Newspaper	Date of publication
Greater Kashmir	18.06.2022
Aftab	18.06.2022
Srinagar Times	18.06.2022
State Times	20.06.2022
Greater Jammu	20.06.2022
Himalayan Mail	20.06.2022

- 3.4** The copies of the Public Notice and the Tariff Petition were made available on the website of the Commission as well as on the Petitioner's website and at its office address mentioned in the public notice. The last date for submitting the comments/objections on the Tariff Petition was 04.07.2022. The public notice advised the stakeholders to submit their objections to the Commission and to the Petitioner.
- 3.5** Subsequently, the Commission published the notice for public hearing, where interested stakeholders were given the option to be heard in person during the public hearing conducted by the Commission.
- 3.6** The Commission held public hearing at Conference Hall, JERC office, Jammu on 05 July 2022 to discuss the matters pertaining to the Petition filed by the Petitioner. The list of persons who attended the public hearings held at Jammu is provided in **Annexure 1**.
- 3.7** However, the Commission has not received any comments/suggestions from the stakeholders. During the public hearing the Petitioner presented the details of the Petition submitted. The Commission enquired about certain issues, which the Petitioner clarified. The Commission directed the Petitioner to submit its response to the issues highlighted by the Commission.

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CHAPTER 4: TRUING-UP OF FY 2019-20

4.1. INTRODUCTION

4.1.1. The Commission, in exercise of the powers conferred by Section 62, Section 86 and Section 92 read with Section 181 of the Electricity Act, 2003 (No. 36 of 2003), vide gazette notification dated 31st March 2021 issued JERC for UT of J&K and UT of Ladakh (Adoption of various Regulations of JERC for the state of Goa and UTs) Regulations, 2021. The Commission adopted various regulations for one year or till replacement of corresponding regulation framed by the Commission. For the purpose of tariff determination, the Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Generation, Transmission and Distribution) Regulations, 2018 (henceforth, MYT Regulations) are adopted by the Commission. Further, through its suo-motu Order No. 57 of 2021, dated 1.12.2021, the Commission extended the control period of the MYT Regulations to 5 years (FY 2021-22 to FY 2025-26).

4.1.2. As specified in the Regulation of 11.2 of the MYT Regulations, JKPTCL submitted true-up petition for the purpose of truing-up exercise and a relevant excerpt of the Regulations is reproduced here as follows:

"The Generating Company, Transmission Licensee and Distribution Licensee shall file an application for the annual performance review of the current year, truing-up of the previous Year or the Year for which the audited accounts are available and determination of tariff for the ensuing Year on or before 30th November of each Year, in formats specified by the Commission from time to time:

Provided that the Generating Company, Transmission Licensee or Distribution Licensee, as the case may be, shall submit to the Commission information in such form as may be specified by the Commission, together with the audited accounts, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and Expected Revenue from Tariff and Charges."

4.1.3. JKPTCL has to submit the application for truing-up of the previous year or the year for which audited accounts are available along with audited accounts, extract of books of account and other details as the Commission may require to assess the reasons for variation from the approved forecasts at the time of ARR for the applicable year.

4.1.4. The Petitioner submitted that JKPTCL was incorporated on 23.10.2019 and financial accounts of JKPTCL for FY 2019-20 can only be available for the period from November 2019 to March 2020 and so, JKPTCL submitted the true-up based on the financial Accounts of FY 2019-20 for the purpose of truing-up exercise for FY 2019-20. The Petitioner also submitted that, all the components of ARR are covered only from the date JKPTCL was formed and expenses incurred by JKPDD prior to formation of JKPTCL are not covered in the instant Petition.

4.1.5. The Commission, while reviewing the Petition, noticed that the submitted Audited Annual Accounts was not signed by any officials of the Petitioner. The Commission asked the Petitioner to clarify whether the audited annual account is approved by the Board of JKPTCL.

The Petitioner submitted that the Annual Accounts of JKPTCL for FY 2019-20 are audited, however same are not approved by the Board of Directors of JKPTCL. Therefore, the same have not been signed by any authorised official of JKPTCL.

4.1.6. As the Annual Accounts of JKPTCL for FY 2019-20 are yet to be approved by the Board of Directors of JKPTCL, the Commission cannot consider the same as final. Hence, the Commission has reviewed the components of ARR on a provisional basis and directed the Petitioner to submit the final accounts after approving the same by the Board of Directors of JKPTCL.

4.1.7. The following sections summarize the actual expenses, corresponding revenue, and resultant revenue gap for FY 2019-20 as submitted by the Petitioner.

4.2. Operations and Maintenance Expenses

Petitioner's Submission:

4.2.1. As specified in Regulation 41 of the JERC Goa and UTs (Generation, Transmission and Distribution) Regulations 2018, operation, and maintenance expenses of a Transmission licensee comprises of employee expenses, administrative and general expenses and repairs and maintenance expenses. The excerpts from the Regulation are as follows:

"41. Operation and Maintenance (O&M) expenses for Transmission Licensees

41.1 Operation and Maintenance (O&M) expenses shall comprise of the following:

- a) Employee expenses - salaries, wages, pension contribution and other employee costs.*
- b) Administrative and General expenses including insurance charges if any.*
- c) Repairs and Maintenance expenses."*

4.2.2. JKPTCL submitted that in line with above provisions, the O&M expense incurred by JKPTCL during the period November 2019 to March 2020 of FY 2019-20 are as follows:

Table 20: O&M Expenses for FY 2019-20

Sr. No.	Particulars	Amount (Rs. crore)
1	Employee Expenses	58.87
2	Administrative and General Expenses	2.41
3	Repairs and Maintenance Expenses	9.20
4	Total Operation and Maintenance Expenses during Nov '19 to Mar '20	70.48

Commission's view:

4.2.3. The Petitioner submitted the O&M expenses from the date of inception of JKPTCL, i.e., 23 October 2019 to 31 March 2020, i.e., almost five months' period. As per Regulation 41 of MYT Regulations, the O&M expenses comprises of:

- a) Employee expenses, i.e. salaries, wages, pension contribution and other employee costs.
- b) Administrative and General expenses including insurance charges if any.

c) Repairs and Maintenance expenses.

Further, as provided in the MYT Regulations, the base year for O&M expenses shall be approved by the Commission taking into account the latest available audited accounts, business plan filed by the transmission Licensee, estimates of the actuals for the base year, prudence check and any other factors considered appropriate by the Commission. The relevant provisions of Regulation 41.2 of MYT Regulation are reproduced below.

“41.2 The Transmission Licensee shall submit the required O&M expenses for the Control Period as a part of Multi Year Tariff Petition. O&M expenses for the base year shall be approved by the Commission taking into account the latest available audited accounts, business plan filed by the transmission Licensee, estimates of the actuals for the base year, prudence check and any other factors considered appropriate by the Commission.”

- 4.2.4.** As submitted by the Petitioner, the O&M expenses were submitted only from the date of inception of JKPTCL, i.e., 23rd October 2019. Also, the audited account of the Petitioner is not available for FY 2019-20. Therefore, the Commission shall review the expenses after finalization of audited accounts. As mandated under the MYT regulations, aggregate gain or loss to the Transmission Licensee on account of controllable factors, and the amount of such gains or such losses may be shared in accordance with Regulation 14 of MYT Regulations.

4.3. Capital Expenditure, Capitalization and CWIP

Petitioner's Submission:

- 4.3.1.** The details of Capital Expenditure made in FY 2019-20 by JKPTCL are given below:

Table 21: Details of Capital Expenditure Incurred by JKPTCL during FY 2019-20 (Rs. Crore)

Name of Capex Scheme	Jammu Region	Kashmir Region	Total
Languishing Projects	0.00	12.74	12.74
PMDP	67.90	15.06	82.96
PMRP	5.63	36.95	42.60
PM's Package for Restoration of Flood affected Infrastructure in J&K	0.97	4.01	4.99
PSDF	23.53	35.35	58.90
UT Capex	2.49	4.67	7.17
Total	100.52	108.78	209.36

Commission's view:

- 4.3.2.** The Commission noted the submission made by the Petitioner. The capital expenditure incurred during FY 2019-20 and asset capitalized during the year can be ascertained after submission of audited statement of accounts for FY 2019-20. The Commission take note of the total capital investment of Rs.209.36 Cr, i.e., Rs.100.52 Cr for Jammu and Rs.108.78 Cr. for Kashmir as per the submission made by the Petitioner. The Petitioner has submitted the details of capital works in progress (CWIP), capital expenditure and capitalization as follows:

Table 22: Details of Capitalization during FY 2019-20, as Submitted by JKPTCL (Rs. Crore)

Scheme Title	Opening CWIP	Investment during the Year	Works Capitalised	Closing CWIP
UT Capex	10.17	7.17	5.50	11.84
Languishing Projects	45.17	12.74	10.29	47.62
PM's Package for Flood restoration September 2014	29.37	4.99	11.38	22.98
PMRP	1178.52	42.60	222.21	998.90
PMDP	98.78	82.96	20.56	161.18
PSDF	91.63	58.90	91.63	58.90
Total	1453.64	209.36	361.56	1301.43

- 4.3.3.** The Commission, provisionally approves the capitalisation during FY 2019-20 as submitted by the Petitioner. The same shall be reviewed on the basis of approved annual account to be submitted by the Petitioner in future. However, it is pertinent to mention that in the last tariff order for FY 2016-17 of Jammu & Kashmir Power Development Department (Transmission), the erstwhile JKSERC, provisionally adopted Rs.707.32 Cr as capital expenditure during FY 2019-20. Against the same, the capital expenditure now submitted by the Petitioner is considerably less. Also, the observation of erstwhile JKSERC in this regard is produced below:

"Since the sources of funding for the envisaged capital investment of Rs.4,873.07 are not firm and are yet to be tied up by the Petitioner, the Commission, while provisionally adopting the projections of the capital investment and its year-wise phasing as proposed by the Utility for the MYT Control Period, does not find it prudent to approve any capitalisation for the 2nd MYT Control Period, at this moment. The Commission directs the Petitioner to submit a detailed scheme-wise plan for funding of the capital investment, clearly indicating year-wise firm/tied-up sources of funds along with the revised capitalisation schedule/milestones for completion of each project, within six (6) months of issuance of this Tariff Order. The Commission shall approve the capitalisation for the 2nd MYT Control Period, at the time of Annual Performance Review for FY 2016-17 based on the above information sought by the Commission."

- 4.3.4.** The Commission directs the petitioner to submit the details of capital expenditure and capitalization with detailed scheme-wise information of each project for FY 2019-20.

4.4. Depreciation

Petitioner's Submission:

- 4.4.1.** The Petitioner submitted that gross fixed asset (GFA) transferred to JKPTCL as well as additions during FY 2019-20 are funded through grant only and JKPTCL has not taken any capital loan and/or infused equity to create assets till FY 2019-20. As specified in regulation 25.4 (c) and proviso of Regulation 30.1 of MYT Regulations, depreciation on assets created from grant is not allowed. Relevant excerpts are given below:

Regulation 25.4 (c)

“c) depreciation to the extent of works performed through consumer contribution, deposit work, capital subsidy or grant shall not be allowed as specified in Regulation 30;”

Regulation 30.1

“30.1 - The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission:

Provided that the depreciation shall be allowed after reducing the approved original cost of the retired or replaced or decapitalized assets.

Provided also that the no depreciation shall be allowed on the assets financed through consumer contribution, deposit work, capital subsidy or grant.”

- 4.4.2.** In line with the above said provisions, JKPTCL has claimed nil depreciation (Depreciation as per regulatory accounts) on assets during FY 2019-20.

Commission’s view:

- 4.4.3.** The Commission has noted the submission of the Petitioner, as submitted, the assets were funded through grant only. As per Regulation 25.4 (c) and second proviso of Regulation 30.1 of MYT Regulations, no depreciation has been considered in this regard.

4.5. Interest on Long Term Loans

Petitioner’s Submission:

- 4.5.1.** The Petitioner submitted that assets created/capitalized by JKPTCL in FY 2019-20 are not financed by way of capital loans of long-term nature. As specified in regulation 25.4 (e) and regulation 28.7 of the JERC Goa and UTs (Generation, Transmission and Distribution) Regulations 2018, the relevant excerpt related to interest on loan capital on financial support corresponding to grant, is reproduced below.

“Regulation 25.4 (e)

“e) provisions related to interest on loan capital, as specified in Regulation 28, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant.”

Regulation 28.7

“The above interest computation shall exclude the interest on loan amount, normative or otherwise, to the extent of capital cost funded by consumer contribution, deposit work, capital subsidy or grant, carried out by Transmission Licensee or Distribution Licensee.”

- 4.5.2.** As per above provision, JKPTCL in its Petition claimed nil interest on loan capital for FY 2019-20 as the capital cost is funded by capital subsidy or grant.

Commission's view:

- 4.5.3.** The Commission has considered the submission made by the Petitioner. It is clear that as per provision mentioned in regulation 25.4 (e) and regulation 28.7 of the MYT Regulation, provisions related to interest on loan capital shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, **capital subsidy or grant**. Therefore, no interest on loan amount shall be allowed for FY 2019-20.

4.6. Interest on Working Capital

Petitioner's Submission:

- 4.6.1.** The Petitioner submitted that as per Regulation 42.1 of the JERC Goa and UTs (Generation, Transmission and Distribution) Regulations 2018, the transmission licensee shall be allowed interest on the estimated level of working capital for the Financial Year in accordance with prevalent CERC Tariff Regulations. Regulation 34 (1) (c) of the CERC (Terms and conditions of Tariff) Regulations, 2019 specifies the following components of working capital for transmission licensee:

*"(c) For Hydro Generating Station (including Pumped Storage Hydro Generating Station) and **Transmission System**:*

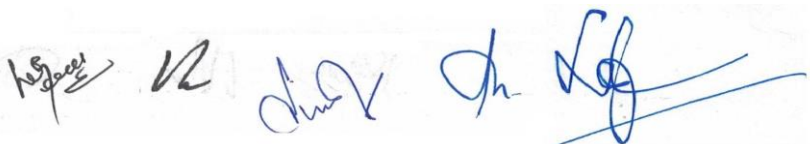
- (i) Receivables equivalent to 45 days of annual fixed cost*
- (ii) Maintenance spares @ 15% of operation and maintenance expenses including security expenses*
- (iii) Operation and maintenance expenses, including security expenses for one month."*

- 4.6.2.** The Petitioner considered the components of normative working capital to arrive at the normative working capital requirement. Further, Regulation 34 (2) of the CERC (Terms and Conditions of Tariff) Regulations, 2019 specifies the rate of interest to be considered for calculating interest on working capital. The excerpts of the Regulation are given below.

"(3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2019 or as on 1st April of the year during the tariff period 2019-24 in which the generating station or a unit there of or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later:

Provided that, in case of truing-up, the rate of interest on working capital shall be considered at bank rate as on 1st April of each financial year during the tariff period 2019-24."

- 4.6.3.** JKPTCL submitted that they have not availed of any actual loan towards working capital. However, Regulation 34 (4) of the CERC (Terms and conditions of Tariff) Regulations, 2019 specifies that the interest on working capital shall be payable on normative basis notwithstanding actual loan to fund the working capital requirement.



- 4.6.4.** Further, the CERC Tariff Regulations 2019 defines Bank rate as 1 year SBI MCLR as on 1st April of Financial year plus 350 basis points. The Petitioner has considered the SBI MCLR of 7% as on 1st April 2021² and accordingly, bank rate of 10.50% (7%+3.5%) is considered. The normative interest on working capital for FY 2019-20 is as follows:

Table 23: Normative Working Capital for FY 2019-20

Sr. No.	Particulars	Amount (Rs. crore)
1	O&M Expenses equivalent to 1 month	14.10
2	Maintenance Spares @ 15% of the O&M Expenses including Security Deposit	25.37
3	Receivables equivalent to 45 days of AFC	21.95
4	Working Capital Requirement	61.42
5	Less: Amount of security deposit from Transmission System users	0.00
6	Net Working Capital Requirement (Yearly)	61.42
7	Interest Rate (%)	10.50%
	Normative Interest on Working Capital (pro-rated for 5 months)	2.69

- 4.6.5.** The Petitioner requested the Commission to approve the normative interest on working capital (pro-rated for 5 months) for FY 2019-20.

Commission's view:

- 4.6.6.** The Commission noted that the provisions related to working capital requirement of transmission licensee are mentioned in Regulation 42.1 of MYT Regulations. The excerpt of the same is given below.

"42.1 The Transmission Licensee shall be allowed interest on the estimated level of working capital for the Financial Year computed in accordance with prevalent CERC Tariff Regulations."

- 4.6.7.** As per the above provision, prevalent CERC Tariff Regulations would be the guiding regulations for determination of the interest on working capital. Further, Regulation 34 (4) of the CERC (Terms and conditions of Tariff) Regulations, 2019, mentions that interest on working capital shall be payable on normative basis. The relevant part is reproduced below.

"(4) Interest on working capital shall be payable on normative basis notwithstanding that the generating company or the transmission licensee has not taken loan for working capital from any outside agency."

- 4.6.8.** The Commission at this stage not prefer to approve the interest on working capital. The Commission shall approve the interest on working capital at the time of truing up of ARR for FY 2019-20 after receipt of audited statement of accounts for FY 2019-20 from petitioner.

² Source: <https://sbi.co.in/web/interest-rates/interest-rates/mclr-historical-data>

4.7. Return on Equity

Petitioner's Submission:

- 4.7.1.** The Petitioner submitted that the assets created/capitalized by JKPTCL in FY 2019-20 are not financed by way of equity. As specified in regulation 25.4 (d) of the JERC Goa and UTs (Generation, Transmission and Distribution) Regulations 2018, return on equity is not applicable on financial support corresponding to grant. Relevant excerpt is reproduced below.

"d) provisions related to return on equity, as specified in Regulation 27, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant."

- 4.7.2.** JKPTCL claims no Return on Equity (RoE) for FY 2019-20 as per the above provision.

Commission's view:

- 4.7.3.** The Commission considers the submission made by the Petitioner and notes that the assets capitalized by JKPTCL in FY 2019-20 are not financed by way of equity. Hence, as per Regulation 25.4 (d) of MYT regulations, return on equity is not applicable on financial support provided through capital subsidy or grant.

4.8. Contribution to Contingency Reserves

Petitioner's Submission:

- 4.8.1.** JKPTCL has submitted that they have no sources of revenue of their own and currently are completely dependent on grant-in-aid revenue from Government for its functioning. Therefore, no contribution has been made to contingency reserves in FY 2019-20. Therefore, there is no interest income from contribution to contingency reserves in FY 2019-20.

Commission's view:

- 4.8.2.** The Commission has noted the submission of the Petitioner. No interest income from contribution to contingency reserves is considered.

4.9. Transmission Losses

Petitioner's Submission:

- 4.9.1.** In FY 2019-20, JKPTCL recorded total transmission system level losses at 3.78%.

Commission's view:

- 4.9.2.** The Petitioner submitted the monthly transmission loss for FY 2019-20 as given in the table below.

Table 24: Monthly Transmission Loss for FY 2019-20, as submitted by JKPTCL

Particulars	True-Up Year (FY 2019-20)		
	Energy Input (Actual)	Energy Output (Actual)	Loss in %
April	12806.87	12402.58	3.16
May	14033.91	13534.31	3.56
June	13516.92	12966.08	4.08
July	13020.18	12542.8	3.67
August	12787.94	12225.13	4.40
September	12631.1	12062.98	4.50
October	12619.74	12091.27	4.19
November	11668.92	11249.54	3.59
December	14844.98	14271.87	3.86
January	15226.69	14705.57	3.42
February	13973.02	13443.93	3.79
March	14098.41	13632.73	3.30
Total	161228.68	155128.79	3.78

4.9.3. The Commission has noted the submission and directs the Petitioner to submit voltage-wise losses of its network while submitting the final true-up Petition. Also, the Petitioner is directed to submit the detailed energy accounting data as per interface meter data, certified by SLDC, while submitting the final true-up Petition for FY 2019-20.

4.10. Transmission System Availability

Petitioner's Submission:

4.10.1. The Petitioner has submitted that during FY 2019-20 JKPTCL's transmission system was available for 98% of the time as per records available with the Petitioner.

Commission's view:

4.10.2. In the data-gap communication, the Commission enquired about the certifying agency for the transmission system availability and methodology followed for the same. In response, the Petitioner submitted that transmission system availability is estimated by the Petitioner considering that the transmission system of JKPTCL was not available for approximately 7 days to 8 days every year during FY 2019-20, FY 2020-21 and FY 2021-22. The Commission directs the Petitioner to establish a mechanism to calculate the transmission system availability and submit the same in its next Petition. The system availability shall not be a mere estimation based on assumption.

4.11. Non-Tariff Income

Petitioner's Submission:

4.11.1. The Petitioner has submitted that during FY 2019-20, JKPTCL earned nil income from non-tariff sources.

Commission's view:

4.11.2. The Commission notes that no non-tariff income has been earned by the Petitioner.

4.12. Aggregate Revenue Requirement for FY 2019-20

4.12.1. The Petitioner submitted summary of expenses of JKPTCL during FY 2019-20 as per the JERC Goa and UTs (Generation, Transmission and Distribution) Regulations 2018 adopted by the Commission vide JERC for UT of J&K and UT of Ladakh (Adoption of various Regulations of JERC for the state of Goa and UTs) Regulations, 2021. The details of ARR for Nov 2019-March 2020 period are given below.

Table 25: True-up of Expenses of JKPTCL for FY 2019-20 (Nov 2019-March 2020)

Sr. No.	Particulars	Amount (Rs. Crore)
1	Operation & Maintenance Expenses	70.48
2	Depreciation	-
3	Interest on Long Term Loans	-
4	Interest on Working Capital and Deposits from TSUs	2.69
5	Contribution to Contingency Reserves	-
6	Return on Equity Capital	-
7	Aggregate Revenue Requirement	73.17
8	Less: Non-Tariff Income	-
9	Less: Income from Other Business	-
10	Less: Revenue from Short-term Transmission Charges	-
11	Aggregate Revenue Requirement from Transmission Tariff	73.17

Commission's view:

4.12.2. The Commission notes the details of ARR submitted by the Petitioner. As mentioned earlier, the Commission shall finalize the ARR after receiving the final audited account and corresponding Petition from the Petitioner. Also, as per Regulation 11.5 of MYT Regulations, the gain or loss on account of controllable factors shall be calculated at the time of finalization of true-up of FY 2019-20. The provision of Regulation 11.5 of MYT Regulations are reproduced below.

“Approved aggregate gain or loss to the Transmission Licensee or Distribution Licensee on account of controllable factors, and the amount of such gains or such losses that may be shared in accordance with Regulation 14 of these Regulations:”

■ ■ ■

CHAPTER 5: Annual Performance Review of FY 2020-21 and FY 2021-22

5.1. INTRODUCTION:

- 5.1.1.** The Commission vide gazette notification dated 31st March 2021 notified JERC for UT of J&K and UT of Ladakh (Adoption of various Regulations of JERC for the state of Goa and UTs) Regulations, 2021. Along with other regulations, the Commission has adopted JERC Goa and UTs (Generation, Transmission and Distribution) Regulations, 2018, up to one year or till replacement of corresponding regulations are framed by the Commission.
- 5.1.2.** As specified in the Regulation of 11.2 of the MYT Regulations, JKPTCL submitted annual performance review of FY 2020-21 and FY 2021-22 as part of the instant petition for the purpose of annual performance review exercise, relevant excerpt of Regulation 11.2 has been reproduced below:

“The Generating Company, Transmission Licensee and Distribution Licensee shall file an application for the annual performance review of the current year, truing-up of the previous Year or the Year for which the audited accounts are available and determination of tariff for the ensuing Year on or before 30th November of each Year, in formats specified by the Commission from time to time.

Provided that the Generating Company, Transmission Licensee or Distribution Licensee, as the case may be, shall submit to the Commission information in such form as may be specified by the Commission, together with the audited accounts, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and Expected Revenue from Tariff and Charges.”

- 5.1.3.** The Petitioner submitted that approved ARR for JKPTCL for FY 2020-21 and FY 2021-22 is not available. Further, at the time of filing of the petition, FY 2020-21 is already over and JKPTCL's audited accounts for those years are under preparation. Therefore, JKPTCL filed Annual Performance Review for FY 2020-21 based on provisional data/information. The details of consolidated expenditure of JKPTCL as on 31.03.2021 are the basis for provisional figures of expenditure considered for bifurcation of O&M expenses. Similarly, the APR for FY 2021-22 is filed based on data/information for FY 2020-21, actual data as on 28th February 2022, estimates and certain assumptions.

5.2. Operations and Maintenance Expenses

Petitioner's Submission:

- 5.2.1.** JKPTCL has incurred expenses to the tune of Rs.155.41 crore towards O&M during FY 2020-21. The actual O&M expenses incurred by JKPTCL during FY 2020-21 are as follows:

Table 26: Operation and Maintenance Expenses for FY 2020-21

Sr. No.	Particulars	Amount (Rs. Crore)
1	Employee Expenses	142.15
2	Administrative and General Expenses	3.66
3	Repairs and Maintenance Expenses	9.59
4	Total Operation and Maintenance Expenses	155.40

5.2.2. Further, the Operations and Maintenance Expenses (O&M Expenses) are estimated for FY 2021-22 based on Regulation 41 of the JERC Goa and UTs (Generation, Transmission and Distribution) Regulations, 2018.

5.2.3. The Petitioner submitted that, the Employee expenses for FY 2021-22 are estimated by escalating the Employee expenses for FY 2020-21 by average of CPI Inflation of the past 3 years. The Administration and General Expenses (A&G Expenses) for FY 2021-22 are estimated by escalating the A&G expenses for FY 2020-21 by average of CPI Inflation of the past 3 years. The Repair and Maintenance Expenses (R&M Expenses) for FY 2021-22 are estimated by escalating by average of WPI Inflation of the past 3 years.

5.2.4. The Petitioner submitted that WPI has been considered as per the WPI Index available on the official website of Office of Economic Advisor of Government of India. CPI has been considered as per the CPI for Industrial Workers (all India) available on the official website of Labour Bureau, Government of India. Further, Labour Bureau, Government of India has revised the base year of CPI from 2001 to 2016 from the month of September 2020 onwards. In this regard, Shri D.P.S. Negi, Director General, Labour Bureau, Government of India through Press Information Bureau, Government of India release dated 22.10.2020 has commented the following on the issue of revised base and its linking factor.

"....Shri Negi said the All-India Consumer price Index Numbers for Industrial Workers (CPI-IW) for the month of September 2020 is released on New Base: 2016=100. The maiden index on new base for September 2020 stands at the level of 118 and linking factor for the conversion of new series index to previous series on base 2001=100 is 2.88...."

5.2.5. Accordingly, CPI from Sept '20 to Mar '21 has been determined for base 2001=100 from the CPI as available on the official website of Labour Bureau, Government of India with base 2016=100 by multiplying the same with the linking factor 2.88.

5.2.6. The values of WPI and CPI for past 3 years considered for escalation by the Petitioner are as follows:

Table 27: Wholesale Price Inflation (WPI) Escalation Factor

Particulars	Past Years				
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Annual Average WPI Index	114.88	119.79	121.80	123.38	
Increase (%)		4.28	1.68	1.2	2.42

Table 28: Consumer Price Inflation (CPI) Escalation Factor

Particulars	Past Years				
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22
Annual Average CPI Index	284.42	299.92	322.50	338.69	
Increase (%)		5.45	7.53	5.02	6.00

5.2.7. Considering the above WPI and CPI factors, total O&M expenses during FY 2021-22 as submitted by the Petitioner are given below.

Table 29: Projected Operation and Maintenance Expenses for FY 2021-22 (Rs. Crore)

Sr. No.	Particulars	Amount
1	Employee Expenses	150.68
2	Administrative and General Expenses	3.88
3	Repairs and Maintenance Expenses	9.83
	Total Operation and Maintenance Expenses	164.39

Commission's view:

5.2.8. The Commission noted the O&M expenses submitted by the Petitioner for FY 2020-21 and FY 2021-22. As per Regulation 41 of MYT Regulations, the O&M expenses comprises of: a) Employee expenses, i.e. salaries, wages, pension contribution and other employee costs; b) Administrative and General expenses including insurance charges if any; c) Repairs and Maintenance expenses. Further, it has been mentioned that base year O&M expenses shall be approved by the Commission taking into account the latest available audited accounts, business plan filed by the Transmission Licensee, estimates of the actuals for the base Year, prudence check and any other factors considered appropriate by the Commission. The relevant provisions of Regulation 41.2 of MYT Regulations, is reproduced below.

"41.2 The Transmission Licensee shall submit the required O&M expenses for the Control Period as a part of Multi Year Tariff Petition. O&M expenses for the base Year shall be approved by the Commission taking into account the latest available audited accounts, business plan filed by the Transmission Licensee, estimates of the actuals for the base Year, prudence check and any other factors considered appropriate by the Commission."

5.2.9. Further, Regulation 41.3 of MYT Regulations, outlines the methodology to be followed for estimation of O&M expense during the control period. However, FY 2020-21 and FY 2021-22 are already over and actual O&M expenses of the Petitioner can only be ascertained after receipt of audited accounts for FY 2020-21 and FY 2021-22. Aggregate gain or loss to the Transmission Licensee on account of controllable factors, and the amount of such gains or such losses, may be shared in accordance with Regulation 14 of MYT Regulations.

5.3. Capital Expenditure, Capitalization and CWIP

Petitioner's Submission:

5.3.1. The details of Capital expenditure in FY 2020-21 and FY 2021-22 as submitted by the Petitioner are given in the table below.

Table 30: Details of capital expenditure during FY 2020-21 (Rs. Crores)

Name of Capex Scheme	Jammu Region	Kashmir Region	Total
Languishing Projects	0.07	7.10	7.17
PMDP	0.18	29.61	29.79
PMRP	12.02	29.23	41.26
PM's Package for Flood restoration September 2014	0.00	0.19	0.19
PSDF	11.14	37.23	48.38
UT Capex	28.84	22.54	51.38
Total	52.26	125.90	178.18

Table 31: Details of capital expenditure during FY 2021-22 (Rs. Crores)

Name of Capex Scheme	Jammu Region	Kashmir Region	Total
Languishing Projects	0.02	2.90	2.92
PMDP	13.70	38.13	51.83
PMRP	9.21	0.35	9.57
PM's Package for Flood restoration September 2014	0.00	0.11	0.11
PSDF	5.57	10.55	16.13
UT Capex	57.42	85.11	142.53
Total	85.92	137.15	223.09

5.3.2. The Petitioner submitted the capitalisation during the year as Rs.84.59 Cr and Rs.401.73 Cr for FY 2020-21 and FY 2021-22. The Commission has been requested to approve the above said capital expenditure, works capitalized and CWIP of JKPTCL during FY 2020-21 and FY 2021-22.

Commission's view:

5.3.3. The Commission has noted the total capital investment of Rs.178.18 Cr. and Rs.223.09 Cr. for FY 2020-21 and FY 2021-22, respectively, as per the submission made by the Petitioner. The Petitioner has submitted the details of capital works in progress (CWIP), capital expenditure and capitalization as follows.

Table 32: Details of CWIP, capital expenditure and capitalization (FY 20-21 and FY 21-22) (Rs. Crores)

Scheme Title	Opening CWIP	Investment during the year	Total Capitalisation	Closing CWIP
FY 2020-21				
UT Capex	11.84	57.13	68.98	0.00
Languishing Projects	47.62	7.17	3.61	51.18
PM's Package for Flood restoration September 2014	22.98	0.19	10.15	13.02
PMRP	998.90	41.26	450.98	589.18

Scheme Title	Opening CWIP	Investment during the year	Total Capitalisation	Closing CWIP
PMDP	161.18	29.79	10.22	180.76
PSDF	58.90	48.38	40.65	66.63
Total	1301.43	183.93	584.59	900.77
FY 2021-22				
UT Capex	0.00	41.33	16.96	24.37
Languishing Projects	51.18	2.93	30.74	23.37
PM's Package for Flood restoration September 2014	13.02	0.11	10.26	2.88
PMRP	589.18	9.56	242.51	356.23
PMDP	180.76	51.83	72.62	159.97
PSDF	66.63	16.13	28.63	54.13
Total	900.77	121.89	401.73	620.94

5.3.4. The Commission shall review the capital expenditure and capitalization proposed by the Petitioner after reviewing the actual capital expenditure and capitalization data as per the audited annual accounts to be submitted by the Petitioner in due course of time.

5.4. Depreciation

Petitioner's Submission:

5.4.1. The Petitioner submitted that asset additions/capitalized during FY 2020-21 and FY 2021-22 are projected to be funded through capital grants from the Government only and JKPTCL has not taken any capital loan and/or infused equity to create assets during FY 2020-21 and FY 2021-22. As specified in Regulation 25.4 (c) and proviso of Regulation 30.1 of the JERC Goa and UTs (Generation, Transmission and Distribution) Regulations 2018, depreciation on assets created from grant is not allowed. Relevant excerpts are reproduced below:

Regulation 25.4 (c)

"c) depreciation to the extent of works performed through consumer contribution, deposit work, capital subsidy or grant shall not be allowed as specified in Regulation 30"

Regulation 30.1

"30.1 The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission:

Provided that depreciation shall be allowed after reducing the approved original cost of the retired or replaced or decapitalized assets.

Provided also that the no depreciation shall be allowed on the assets financed through consumer contribution, deposit work, capital subsidy or grant."

5.4.2. In line with the above said provisions, JKPTCL has claimed nil depreciation (depreciation as per regulatory accounts) on assets during FY 2020-21 and FY 2021-22. The Commission has been requested to approve nil depreciation by JKPTCL.

Commission's view:

- 5.4.3.** The Commission notes the submission made by the Petitioner. As the assets were financed through capital grant only, the claim of nil depreciation is accepted by the Commission, which is in line with Regulation 25.4 (c) and second proviso of Regulation 30.1 of MYT Regulations for FY 2020-21 and FY 2021-22.

5.5. Interest on Long Term loans

Petitioner's Submission:

- 5.5.1.** The Petitioner projected that, the assets created/capitalized by JKPTCL during FY 2020-21 and FY 2021-22 are not funded by capital loans of long-term tenure. As specified in Regulation 25.4 (e) and Regulation 28.7 of the JERC Goa and UTs (Generation, Transmission and Distribution) Regulations 2018, no interest on loan capital can be claimed on financial support corresponding to grant. Relevant excerpt is reproduced below.

Regulation 25.4 (e)

"e) provisions related to interest on loan capital, as specified in Regulation 28, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant."

Regulation 28.7

"The above interest computation shall exclude the interest on loan amount, normative or otherwise, to the extent of capital cost funded by consumer contribution, deposit work, capital subsidy or grant, carried out by Transmission Licensee or Distribution Licensee."

- 5.5.2.** Accordingly, JKPTCL in the present Petition claimed nil interest on loan capital for FY 2020-21 and FY 2021-22 and requested to approve the same.

Commission's view:

The Commission observes that as per Regulation 25.4 (e) and Regulation 28.7 of MYT regulations, provisions related to interest on loan shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant. Therefore, no interest on loan is considered as capital cost is funded through capital subsidy or grant, as submitted by the Petitioner.

5.6. Interest on Working Capital

Petitioner's Submission:

- 5.6.1.** The Petitioner submitted that as per Regulation 42.1 of the JERC Goa and UTs (Generation, Transmission and Distribution) Regulations 2018, the transmission licensee shall be allowed interest on the estimated level of working capital for the Financial Year in accordance with prevalent CERC Tariff Regulations. Regulation 34 (1) (c) of the CERC (Terms and conditions of Tariff) Regulations, 2019 specifies following components of working capital for transmission licensee:

“(c) For Hydro Generating Station (including Pumped Storage Hydro Generating Station) and Transmission System:

- (i) Receivables equivalent to 45 days of annual fixed cost;*
- (ii) Maintenance spares @ 15% of operation and maintenance expenses including security expenses;*
- (iii) Operation and maintenance expenses, including security expenses for one month.”*

5.6.2. Further, the Petitioner considered rate of interest to be considered for calculating interest on working capital as per Regulation 34 (2) of the CERC (Terms and Conditions of Tariff) Regulations, 2019. The excerpts of the Regulation are reproduced below:

“(3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2019 or as on 1st April of the year during the tariff period 2019-24 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case maybe, is declared under commercial operation, whichever is later.

Provided that in case of true-up, the rate of interest on working capital shall be considered at bank rate as on 1st April of each of the financial years during the tariff period 2019-24.”

5.6.3. Accordingly, the Petitioner submitted interest on working capital as 10.50% (7%+3.5%), as SBI MCLR was 7% as on 1st April 2021³. The normative interest on working capital for FY 2020-21 and FY 2021-22 is given below.

Table 33: Normative Working Capital for FY 2020-21 and FY 2021-22 (Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1	O&M Expenses equivalent to 1 month	12.95	13.70
2	Maintenance Spares @15% of the O&M expenses including security deposit	23.31	24.66
3	Receivables equivalent to 45 days of AFC	19.89	21.04
4	Working Capital Requirement	56.15	59.39
5	Less: Amount of security deposit from Transmission System Users	0.00	0.00
6	Net Working Capital Requirement (Yearly)	56.15	59.22
7	Interest Rate (%)	10.50	10.50
	Normative Interest on Working Capital	5.90	6.24

5.6.4. The Petitioner requested the Commission to approve the normative interest on working capital for FY 2020-21 and FY 2021-22 as per provision given in Regulation 34 (4) of the CERC (Terms and conditions of Tariff) Regulations, 2019, which specifies that interest on working capital shall be payable on normative basis notwithstanding that the transmission licensee has not taken loan for working capital.

³ Source: <https://sbi.co.in/web/interest-rates/interest-rates/mclr-historical-data>

Commission's view:

5.6.5. The Commission observes that as per Regulation 42.1 of MYT Regulations, interest on working capital for Transmission Licensee shall be computed in accordance with prevalent CERC Tariff Regulations. Further, Regulation 31 of MYT Regulations, specifies methodology for determination of interest on working capital. Considering that FY 2020-21 and FY 2021-22 are already over, the Commission prefers to approve the interest on working capital at the time of true-up exercise to be carried over for FY 2020-21 and FY 2021-22.

5.7. Return on Equity

Petitioner's Submission:

5.7.1. The Petitioner submitted that the assets created/capitalized by JKPTCL in FY 2020-21 and FY 2021-22 are not financed by way of equity. As specified in Regulation 25.4 (d) of the JERC Goa and UTs (Generation, Transmission and Distribution) Regulations 2018, return on equity is not applicable on financial support corresponding to grant. Relevant provisions are reproduced below.

"d) provisions related to return on equity, as specified in Regulation 27, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant."

5.7.2. Accordingly, JKPTCL claimed nil Return on Equity (RoE) for FY 2020-21 and FY 2021-22.

Commission's view:

5.7.3. The Commission has noted the submission of the Petitioner. As the capital assets were funded through capital grant only and there was no equity infusion in creating capital assets, no RoE has been considered for FY 2020-21 and FY 2021-22.

5.8. Contribution to Contingency Reserves

Petitioner's Submission:

5.8.1. JKPTCL has submitted that no contribution has been made towards contingency reserves in FY 2020-21 and FY 2021-22. Therefore, there is no interest income from contribution to contingency reserves.

Commission's view:

5.8.2. The Commission accepts the submission of the Petitioner and has not considered any interest income from contribution to contingency reserves.

5.9. Non-Tariff Income

Petitioner's Submission:

5.9.1. As per the provisional Accounts information in FY 2020-21, JKPTCL submitted that they have not earned any income from non-tariff sources. Further, JKPTCL has projected nil income

from non-tariff sources in FY 2021-22. JKPTCL submitted that they would submit the actual value of non-tariff income (if any) at the time of True-up of FY 2020-21 and FY 2021-22.

Commission's view:

5.9.2. The Commission observes that no income has been considered by the Petitioner as non-tariff income. The Petitioner submitted that details in this regard shall be submitted at the time of true-up. The Commission prefers to deal with this matter at the time of true-up based on as per their annual audited account of corresponding financial years.

5.10. Transmission Losses

Petitioner's Submission:

5.10.1. In FY 2020-21, JKPTCL recorded total transmission system level losses at 3.06%. In FY 2021-22, JKPTCL estimated total transmission system level losses at 3.38% which was based on actual data until December 2021 and estimate for 3-month period. The month-wise details of transmission system losses were provided by the Petitioner. The Petitioner submitted that actual transmission system loss level will be submitted at the time of True-up of FY 2021-22.

Commission's view:

5.10.2. The Commission notes that the month-wise details of transmission losses are submitted by the Petitioner. The details are given below.

Table 34: Monthly Transmission Losses as Submitted by the Petitioner

Particulars	True-Up Year (FY 2020-21)			True-Up Year (FY 2021-22)		
	Energy Input (Actual)	Energy Output (Actual)	Loss	Energy Input (Actual)	Energy Output (Actual)	Loss
April	13031.11	12434.46	4.58%	14840.52	14398.4	2.98%
May	13517.83	13022.92	3.66%	14843.57	14305.43	3.63%
June	13146.8	12733.89	3.14%	14057.71	13552.01	3.60%
July	13280.44	12935.31	2.60%	14067.04	13604.86	3.29%
August	12993.98	12578.39	3.20%	14659.8	14170.23	3.34%
September	13612.04	13225.00	2.84%	13850.87	13377.2	3.42%
October	13871.2	13589.14	2.03%	14109.64	13608.44	3.55%
November	14360.35	14010.03	2.44%	15670.39	15067.67	3.85%
December	16196.76	15727.41	2.90%	17270.12	16765.81	2.92%
January	16037.83	15511.97	3.28%	Projected as average losses for the last 2 years.		3.35%
February	14448.10	13979.13	3.25%			3.52%
March	15161.08	14713.75	2.95%			3.13%
Total	169657.52	164461.4	3.06%	133369.66	128850.05	3.38%

5.10.3. The Commission observes that for FY 2020-21 actual transmission loss figures are available, whereas, for FY 2021-22, the Petitioner submitted that transmission loss is based on actual data until December 2021 and estimate for remaining 3-month period. As directed earlier, the Petitioner shall submit the detailed energy accounting data as per interface meter data, certified by SLDC, while submitting the final True-up Petition for FY 2020-21 and FY 2021-22 to ascertain the transmission loss level.

5.11. Transmission System Availability

Petitioner's Submission:

5.11.1. In FY 2020-21, JKPTCL's transmission system recorded availability was of 98%. For FY 2021-22, JKPTCL's transmission system recorded availability was projected as 98%. The Petitioner submitted that actual transmission system availability for FY 2021-22 will be submitted to the Commission at the time of True up of FY 2021-22.

Commission's view:

5.11.2. The Commission has dealt with this matter under Para 4.10.1 of this order in true-up section. The Petitioner is directed to establish a mechanism to ascertain the transmission system availability and submit the same in next tariff filing with supporting data.

5.12. Annual Performance Review (APR) for FY 2020-21 and FY 2021-22**Petitioner's Submission:**

5.12.1. The Petitioner submitted the summary of expenses of JKPTCL during FY 2020-21 and FY 2021-22 as per the JERC Goa and UTs (Generation, Transmission and Distribution) Regulations 2018. The details of ARR are tabulated below.

Table 35: APR Summary of JKPTCL for FY 2020-21 and FY 2021-22 (Rs. Crore)

Sr. No.	Particulars	FY 2020-21	FY 2021-22
1	Operation & Maintenance Expenses	155.40	164.39
2	Depreciation	-	-
3	Interest on Long Term Loans	-	-
4	Interest on Working Capital and Deposits from TSUs	5.90	6.24
5	Contribution to Contingency Reserves	-	-
6	Return on Equity Capital	-	-
7	Aggregate Revenue Requirement	161.30	170.63
8	Less: Non-Tariff Income	-	-
9	Less: Income from Other Business	-	-
10	Less: Revenue from Short-term Transmission Charges	-	-
11	Aggregate Revenue Requirement from Transmission Tariff	161.30	170.63

5.12.2. The Petitioner requested to approve APR of JKPTCL for FY 2020-21 and FY 2021-22.

Commission's view:

5.12.3. The Commission notes the submission of the Petitioner with respect various components of APR for FY 2020-21 and FY 2021-22. The Commission shall review and approve the components after receipt of audited annual account of the corresponding financial years at the time of true-up.

■ ■ ■

CHAPTER 6: Aggregate Revenue Requirement of FY 2022-23

6.1. INTRODUCTION:

6.1.1. The Commission, in exercise of the powers conferred by Section 62, Section 86 and Section 92 read with Section 181 of the Electricity Act, 2003 (No. 36 of 2003), vide gazette notification dated 31st March 2021 issued by JERC for UT of J&K and UT of Ladakh (Adoption of various Regulations of JERC for the state of Goa and UTs) Regulations, 2021. The Commission adopted various regulations for one year or until replacement of corresponding regulations framed by the Commission. For tariff determination purposes, JERC Goa and UTs (Generation, Transmission and Distribution) Regulations, 2018 are adopted by the Commission. Further, through its suo-motu Order No. 57 of 2021, dated 1.12.2021, the Commission extended the control period of the MYT Regulations to 5 years (FY 2021-22 to FY 2025-26).

6.1.2. As provided under Regulation of 11.2 of the MYT Regulations, JKPTCL submitted ARR and Tariff petition for FY 2022-23. The relevant excerpt of the said Regulations is reproduced below.

*“The Generating Company, Transmission Licensee and Distribution Licensee shall file an application for the annual performance review of the current year, truing up of the previous Year or the Year for which the audited accounts are available and **determination of tariff for the ensuing Year on or before 30th November of each Year**, in formats specified by the Commission from time to time:*

Provided that the Generating Company, Transmission Licensee or Distribution Licensee, as the case may be, shall submit to the Commission information in such form as may be specified by the Commission, together with the audited accounts, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and Expected Revenue from Tariff and Charges.”

6.1.3. Further, the scope in this regard is given in Regulation 11.3 of the MYT Regulations, which is reproduced below.

“The scope of the annual performance review, truing up and tariff determination shall be a comparison of the performance of the Generating Company, Transmission Licensee or Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and Expected Revenue from Tariff and Charges and shall comprise of the following:

*a) **True-up:** A comparison of the audited performance of the Applicant for the Financial Year for which the true up is being carried out with the approved forecast for such previous Financial Year, subject to the prudence check.*

*b) **Annual Performance Review:** A comparison of the revised performance targets of the Applicant for the current Financial Year with the approved forecast in the Tariff Order corresponding to the Control Period for the current Financial Year subject to prudence check.*

*c) **Tariff determination** for the ensuing Year of the Control Period based on the revised forecast of the Aggregate Revenue Requirement for the Year.*

d) Review of compliance with directives issued by the Commission from time to time.

e) Other relevant details, if any.”

6.1.4. The Petitioner submitted that ARR for FY 2022-23 has been projected based on data/information available for FY 2021-22, estimates and certain assumptions that were specified in the Petition.

6.2. Operations and Maintenance Expenses

Petitioner’s Submission:

6.2.1. The Petitioner submitted that Operations and Maintenance Expenses (O&M Expenses) are estimated based on Regulation 41 of MYT Regulations. Further, Regulation 41.5 of the MYT Regulations specifies that, for the purpose of estimation, Consumer Price Index (CPI) inflation and Whole Price Index (WPI) inflation factors shall be used for all years of the Control Period. Accordingly, CPI inflation and WPI inflation, as mentioned in Section 5.2 of this order, are considered by the Petitioner for projecting ARR of FY 2022-23.

6.2.2. The Petitioner submitted estimated O&M expenses as Rs.173.90 Cr during FY 2022-23. The details are given in the table below.

Table 36: Projected Operation and Maintenance Expenses for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Amount
1	Employee Expenses	159.72
2	Administrative and General Expenses	4.12
3	Repairs and Maintenance Expenses	10.06
	Total Operation and Maintenance Expenses	173.90

Commission’s view:

6.2.3. The Commission refers the relevant provisions related to O&M expenses as mentioned in MYT Regulations. As per Regulation 41 of MYT Regulations, the O&M expenses comprises: a) Employee expenses, i.e. salaries, wages, pension contribution and other employee costs; b) Administrative and General (A&G) expenses including insurance charges if any; and c) Repairs and Maintenance (R&M) expenses. It is provided that the base year O&M expenses shall be approved by the Commission taking into account the latest available audited accounts, business plan filed by the Transmission Licensee, estimates of the actuals for the base Year, prudence check and any other factors considered appropriate by the Commission. The relevant provisions of Regulation 41.2 of MYT Regulations, are reproduced below.

“41.2 The Transmission Licensee shall submit the required O&M expenses for the Control Period as a part of Multi Year Tariff Petition. O&M expenses for the base Year shall be approved by the Commission taking into account the latest available audited accounts, business plan filed by the transmission Licensee, estimates of the actuals for the base Year, prudence check and any other factors considered appropriate by the Commission.”

6.2.4. Further, Regulation 41.3 of MYT Regulations has mentioned about the methodology to be followed for estimation of O&M expenses during the control period. The same is reproduced below.

“O&M expenses for the n^{th} Year of the Control Period shall be approved based on the formula given below:

$$O\&M_n = (R\&M_n + EMP_n + A\&G_n) \times (1 - X_n) + \text{Terminal Liabilities}$$

Where,

$$R\&M_n = K \times GFA_{n-1} \times (WPI_{inflation})$$

$$EMP_n = (EMP_{n-1}) \times (1 + G_n) \times (CPI_{inflation})$$

$$A\&G_n = (A\&G_{n-1}) \times (CPI_{inflation})$$

‘K’ is a constant (expressed in %). Value of K for each Year of the Control Period shall be determined by the Commission in the Multi Year Tariff Order based on Licensee’s filing, bench marking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;

CPI_{inflation} – is the average increase in Consumer Price Index (CPI) for immediately preceding three (3) Years before the base Year;

WPI_{inflation} – is the average increase in the Wholesale Price Index (WPI) for immediately preceding three (3) Years before the base Year;

EMP_n – Employee expenses of the Transmission Licensee for the n^{th} Year;

A&G_n – Administrative and General expenses of the Transmission Licensee for the n^{th} Year;

R&M_n – Repair and Maintenance expenses of the Transmission Licensee for the n^{th} Year;

GFA_{n-1} – Gross Fixed Asset of the transmission Licensee for the $n-1^{th}$ Year;

X_n is an efficiency factor for n^{th} Year. Value of X_n shall be determined by the Commission in the Multi Year Tariff Order based on Licensee’s filing, benchmarking, approved cost by the Commission in past and any other factor the Commission feels appropriate;

G_n is a growth factor for the n^{th} Year. Value of G_n shall be determined by the Commission for each Year in the Multi Year Tariff Order for meeting the additional manpower requirement based on Licensee’s filings, benchmarking, approved cost by the Commission in past and any other factor that the Commission feels appropriate.”

6.2.5. The Commission has noted that the Petitioner has projected the employee expenses, A&G expenses and R&M expenses for FY 2022-23, as per estimated expenses for FY 2021-22 projected by JKPTCL and the relevant WPI and CPI inflation factors derived based on the data published by Government of India. While deriving the WPI and CPI inflation factors, the index value was considered for FY 2017-18 to FY 2020-21 period by the Petitioner.

6.2.6. The Commission has noted that as per the Regulation 41.3 of MYT Regulations, ensuring year expenses have to be determined on the basis of previous years’ audited O&M expenses and relevant inflation factor. The Commission observes that the expenses for the past years (FY 2019-20, FY 2020-21, FY 2021-22) have been submitted by the Petitioner; however, the same is not as per audited account. Therefore, the Commission at this moment cannot verify the O&M expenses for past years as the same are not supported with statement of audited account. In view of this, the only option available before the Commission is to consider O&M expenses for FY 2020-21 approved by erstwhile JSKERC in Transmission Tariff order (Petition

No.: JKSERC/ 61 of 2016, dated 31st March 2016). It is to be noted that in the previous tariff order, the O&M expenses were derived on the basis of expenses per Ckt-km of lines and per bay of substation and details are not available in the form of employee expenses, A&G expenses and R&M expenses. However, as per MYT regulations, O&M expenses are to be derived on the basis of employee expenses, A&G expenses and R&M expenses. The O&M expenses approved by erstwhile JKSERC for FY 2020-21 have been bifurcated in terms of employee expenses, A&G expenses and R&M expenses in proportionate to the ratio derived based on the O&M expenses in terms of employee expenses, A&G expenses and R&M expenses projected by the Petitioner for FY 2020-21 in the Petition submitted with the Commission, as given below.

Table 37: O&M expenses for FY 2020-21 derived by the Commission (base year)(Rs Crore)

Particulars	Petitioner's submission for FY 20-21	Approved by JKSERC in FY 2016-17 order for FY 20-21	Approved by the Commission for FY 20-21
Employee	142.15 (91.5%)	120.68	110.39
A&G	3.66 (2.36%)		2.84
R&M	9.59 (6.1%)		7.45

6.2.7. O&M expenses as derived for FY 2020-21 are escalated as per inflation factor to arrive at O&M expenses for FY 2022-23. For deriving the escalation factors, the Commission has considered WPI and CPI index for FY 2018-19 to FY 2020-21. It has been observed that Labour Bureau, an attached office of Ministry of Labour & Employment, Government of India, has released the new series of Consumer Price Index for Industrial Worker (CPI-IW) with base year 2016. The new series of CPI(IW) with base 2016=100 has replaced the existing series with base 2001=100. In the Press Information Bureau (PIB) release dated 22nd October 2020⁴, it was mentioned that the linking factor for new series would be 2.88 for the new series. The relevant section is reproduced below.

"Shri D.P.S.Negi, Director General, Labour Bureau said that the linking factor of new series 2016=100 to old series of CPI-IW (2001=100) is 2.88."

6.2.8. The average of CPI and WPI inflation factor for past three years is given in the table.

Table 38: Derived CPI and WPI Inflation Factor

Particulars	FY 18-19	FY 19-20	FY 20-21	FY 21-22	Average
Consumer Price Index (CPI)	300	323.0	333.0	356.1*	
CPI inflation (%)		7.67	3.10	6.93	5.90
Wholesale Price Index (WPI)	119.8	121.8	123.4	139.4	
WPI inflation (%)		1.67	1.31	12.97	5.32
* converted the values available in 2016 series to 2001 series by linking factor					

6.2.9. Considering the above inflation factors, as per Regulation 41.3 of MYT Regulations, employee expenses and A&G expenses have been escalated as per CPI inflation and R&M expenses as

⁴ <https://pib.gov.in/PressReleasePage.aspx?PRID=1666782>

per WPI inflation for FY 2022-23. Based on this analysis, the Commission approves Rs.135.24 Cr as O&M expenses for FY 2022-23. The details of approved values are given below.

Table 39: Approved O&M Expenses for FY 2022-23 (Rs Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23
R&M	7.21	7.60	8.00
Employee	110.61	117.14	124.04
A&G	2.85	3.02	3.20
O&M Expenses	120.68	127.8	135.24

6.3. Capital Expenditure, Capitalization and CWIP

Petitioner's Submission:

6.3.1. The details of capital expenditure proposed by the Petitioner in FY 2022-23 are as follows:

Table 40: Details of Capital Expenditure during FY 2022-23 (Rs. crores)

Name of Capex Scheme	Jammu Region	Kashmir Region	Total
Creation of New 220 kV Grid Stations	209	-	209
Construction of Transformation Capacity at existing 220 kV Grid Stations	-	138	138
Augmentation of Transformation Capacity at existing 220 kV Grid Stations	77	24	101
220kV Transmission Lines	172	99	271
Creation of new 220 kV Line Bays	6	164	170
Creation of New 132/66-33 kV Grid Stations	59	34	82
Augmentation of 132/66-33 kV level at existing Grid Stations	17	32	49
132 kV transmission lines	135	61	196
Creation of new 132 kV Line Bays	1	12	13
Creation of new 66 kV or 33 kV line bays for evacuation of power	10	-	10
Reactive compensation at 33 kV or 66 kV level	13	-	13
Other Miscellaneous Works	2	-	2
Total	701	564	1265

6.3.2. The Petitioner projected Rs.207.04 Cr as capitalization during FY 2022-23. The Petitioner requested to approve the capital expenditure, works capitalized and CWIP of JKPTCL during FY 2022-23.

Commission's view:

6.3.3. The Commission notes the details submitted by the Petitioner. The Petitioner has submitted the following details with respect to CWIP, capital expenditure and capitalization during FY 2022-23.

Table 41: CWIP, Capital Expenditure and Capitalisation Proposed by JKPTCL for FY 2022-23 (Rs Crore)

Particulars	Opening CWIP	Capital expenditure	Capitalization	Closing CWIP
Overall schemes	620.94	1265.33	207.04	1679.23

6.3.4. The Petitioner has submitted the project-wise details with respect to capital expenditure and capitalization. The same is reproduced in the table below.

Table 42: Scheme-wise Capital Expenditure and Capitalization for FY 2022-23 (Rs Crore)

Sr. No.	Details of the scheme	Capital expenditure	Capitalization
	<u>Jammu Region</u>		
A	Creation of New 220 kV Grid Stations	209	0
B	Augmentation of Transformation Capacity at existing 220 kV Grid Stations	77	91
C	220 kV Transmission Lines	172	11
D	Creation of new 220 kV Line Bays	6	0
E	Creation of New 132/66-33 kV Grid Stations	59	0
F	Augmentation of 132/66-33 kV level at existing Grid Stations	17	30
G	132 kV transmission lines	135	0
H	Creation of new 132 kV Line Bays	1	0
I	132 kV Bus bar capacity Enhancement/Reconductoring	0	0
J	66 kV or 33 kV Bus Bar Capacity Enhancement	0	0
K	Creation of new 66 kV or 33 kV line bays for evacuation of power	10	6
L	Reactive compensation at 33 kV or 66 kV level	13	0
M	Other Miscellaneous Works	2	4
	<u>Kashmir Region</u>		
A	Construction of 220/132 kV Grid substations	138.23	0
B	Augmentation of 220/132 kV Grid substations	23.95	0
C	Construction of 220/33 kV Grid substation	163.75	0
D	Construction of new 220 kV Transmission lines	99.4	0
E	Construction of 132/33 kV Grid substations	34.34	0
F	Augmentation of 132/33 kV Grid substations	31.62	24.04
G	Construction of additional 132 kV Line bays at existing Grid substations	11.82	0
H	Construction of new 132 kV Transmission lines	61.22	41
	Total	1265.33	207.04

6.3.5. The Petitioner submitted that projects undertaken by JKPTCL are funded through Capital Grants from the Government. The Commission has noted the capital expenditure and capitalization proposed by the Petitioner. It has been noticed that capital expenditure proposed during FY 2022-23 is very much on the higher side compared to the capital expenditure of the earlier years. The Commission also noted that the Petitioner has not provided the details of the necessity of such schemes and the benefits that may occur to the sector. The Petitioner shall be judicious while initiating any transmission scheme. The schemes should be approved by a competent authority and the cost-benefit of such schemes should be ascertained at the beginning. The relevant provisions related to capital investment fund to be submitted under Business Plan is given in Regulation 8.5 of MYT regulations. The same is given below.

“a) The Capital Investment Plan to be submitted as part of Business Plan shall include details of New Projects planned during the Control Period, purpose of investment, capital structure, implementation schedule, quarter-wise capital expenditure and capitalization

schedule, financing plan, cost-benefit analysis, improvement in operational efficiency envisaged in the Control Period owing to proposed investment and such details for ongoing projects that will spill over into the Control Period under review along with justification;

b) The Capital Investment Plan proposed by the Transmission Licensee shall be in conformity with the plans made by the Authority/Central Transmission Utility and with the Capital Investment Plan of the Distribution Licensee."

6.3.6. The Commission directs the Petitioner to submit the future Business Plan Petition as per the above provisions and with all details like purpose of investment, capital structure, implementation schedule, quarter-wise capital expenditure and capitalization schedule, financing plan, cost-benefit analysis, along with improvement in operational efficiency envisaged in the Control Period.

6.3.7. In absence of requisite details as stated above, the Commission provisionally accepts the submission made by the Petitioner with respect to capital expenditure and capitalization during FY 2022-23. However, the same shall be reviewed at the time of APR and True-up.

6.4. Depreciation

Petitioner's Submission:

6.4.1. The Petitioner submitted that asset additions/capitalized assets during FY 2022-23 are projected to be funded through capital grants from the Government only and JKPTCL has not taken any capital loan and/or infused equity to create assets until FY 2022-23. As specified in Regulation 25.4 (c) and second proviso of Regulation 30.1 of MYT Regulations, depreciation on assets created from grant is not allowed.

6.4.2. In line with the above said provisions, JKPTCL has claimed nil depreciation (Depreciation as per regulatory accounts) on assets during FY 2022-23. The Commission has been requested to approve nil depreciation during FY 2022-23 for JKPTCL.

Commission's view:

6.4.3. The Commission observes that depreciation should be calculated as per provisions given in Regulation 25.4 (c) and Regulation 30.1 of MYT Regulations. The details are given below.

Regulation 25.4 (c)

"(c) depreciation to the extent of works performed through consumer contribution, deposit work, capital subsidy or grant shall not be allowed as specified in Regulation 30."

Regulation 30.1

"30.1 The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission.

Provided that the depreciation shall be allowed after reducing the approved original cost of the retired or replaced or decapitalized assets:

Provided also that the no depreciation shall be allowed on the assets financed through consumer contribution, deposit work, capital subsidy or grant."

- 6.4.4.** As the capital assets are proposed to be financed through capital grant only, as per submission made by the Petitioner, no depreciation has been considered by the Commission for FY 2022-23.

6.5. Interest on Long Term Loans

Petitioner's Submission:

- 6.5.1.** The Petitioner projected that the assets created/capitalized by JKPTCL during FY 2022-23 are not funded by capital loans of long-term tenure. As specified in Regulation 25.4 (e) and Regulation 28.7 of MYT Regulations, interest on loan capital shall not be applicable to that created through grant.
- 6.5.2.** Accordingly, JKPTCL claims nil interest on loan capital for FY 2022-23. The Commission has been requested to approve nil interest on loan capital during FY 2022-23.

Commission's view:

- 6.5.3.** The Commission notes that Regulation 28 of MYT Regulations, has detailed provisions related to interest on loan. Specifically, Regulation 25.4 (e) and Regulation 28.7 of MYT Regulations, have the following provisions related to treatment to be given to interest on loan in case of extent of capital cost funded by consumer contribution, deposit work, capital subsidy or grant.

"Regulation 25.4 (e)

"e) provisions related to interest on loan capital, as specified in Regulation 28, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant."

Regulation 28.7

"The above interest computation shall exclude the interest on loan amount, normative or otherwise, to the extent of capital cost funded by consumer contribution, deposit work, capital subsidy or grant, carried out by Transmission Licensee or Distribution Licensee."

- 6.5.4.** Considering the above and as submitted by the Petitioner, no interest on loan is considered for FY 2022-23 as the projected capital cost is funded through grant only.

6.6. Interest on Working Capital

Petitioner's Submission:

- 6.6.1.** The Petitioner submitted that as per Regulation 42.1 of MYT Regulations, the transmission licensee shall be allowed interest on the estimated level of working capital for the financial year in accordance with prevalent CERC Tariff Regulations. Regulation 34 (1) (c) of the CERC (Terms and Conditions of Tariff) Regulations, 2019 specifies following components of working capital for transmission licensee:

"(c) For Hydro Generating Station (including Pumped Storage Hydro Generating Station)

and Transmission System:

- (i) *Receivables equivalent to 45 days of annual fixed cost.*
- (ii) *Maintenance spares @ 15% of operation and maintenance expenses including security expenses.*
- (iii) *Operation and maintenance expenses, including security expenses for one month."*

6.6.2. The Petitioner has considered the components of normative working capital to arrive at the normative working capital requirement. Further, Regulation 34 (2) of the CERC (Terms and Conditions of Tariff) Regulations, 2019 specifies the rate of interest to be considered for calculating interest on working capital. The excerpts of the CERC Regulations are reproduced below:

"(3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2019 or as on 1st April of the year during the tariff period 2019-24 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case maybe, is declared under commercial operation, whichever is later:

Provided that in case of truing-up, the rate of interest on working capital shall be considered at bank rate as on 1st April of each of the financial year during the tariff period 2019-24."

6.6.3. Further, CERC Tariff Regulations 2019 defines Bank rate as 1-year SBI MCLR as on 1st April of Financial year plus 350 basis points. Accordingly, the Petitioner has considered the SBI MCLR of 7% as on 1st April 2021⁵ and accordingly, bank rate of 10.50% (7%+3.5%) is proposed. The details regarding normative interest on working capital for FY 2022-23 is given below.

Table 43: Normative Working Capital for FY 2022-23

Sr. No.	Particulars	Amount (Rs. Crore)
1	O&M Expenses equivalent to 1 month	14.49
2	Maintenance Spares @15% of the O&M Expenses including Security Deposit	26.09
3	Receivables equivalent to 45 days of AFC	22.25
4	Working Capital Requirement	62.83
5	Less: Amount of Security Deposit from Transmission System Users	0.00
6	Net Working Capital Requirement (Yearly)	62.83
7	Interest Rate (%)	10.50
	Normative Interest on Working Capital	6.60

6.6.4. Further, Regulation 34 (4) of the CERC (Terms and Conditions of Tariff) Regulations, 2019 specifies that the interest on working capital shall be payable on normative basis notwithstanding actual loan to fund the working capital requirement. The excerpt of the Regulations is given below:

"(4) Interest on working capital shall be payable on normative basis notwithstanding that the generating company or the transmission licensee has not taken loan for

⁵ Source: <https://sbi.co.in/web/interest-rates/interest-rates/mclr-historical-data>

working capital from any outside agency.”

6.6.5. Accordingly, JKPTCL requested the Commission to approve the normative interest on working capital for FY 2022-23.

Commission’s view:

6.6.6. The Commission has noted the submission made by the Petitioner. The provisions related to interest on working capital is mentioned under Regulation 31 of the MYT Regulations. The relevant excerpts are reproduced below.

“31.1 The norms for working capital for Transmission Licensee shall be as specified in Chapter 5 of these Regulations.

.....

31.3 The interest on working capital shall be payable on normative basis notwithstanding that the Licensee has not taken working capital loan from any outside agency nor has exceeded the working capital loan based on the normative figures.

31.4 The rate of interest on working capital shall be equal one (1)Year State Bank of India (SBI) MCLR /any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the Financial Year in which the Petition is filed plus 200 basis points.”

6.6.7. Further, Regulation 42 of MYT Regulations, mentions that interest on the estimated level of working capital for the financial year shall be computed in accordance with prevalent CERC Tariff Regulations. Regulation 34(c) of CERC Tariff Regulations, 2019 mentions that working capital requirement should be based on: (i) Receivables equivalent to 45 days of annual fixed cost; (ii) Maintenance spares @ 15% of operation and maintenance expenses including security expenses; and (iii) Operation and maintenance expenses, including security expenses for one month.

6.6.8. As per Regulation 31.4 of MYT regulation, the interest should be calculated on the basis of one year State Bank of India (SBI) MCLR, as may be applicable as on 1st April of the financial year in which the Petition is filed plus 200 basis points. The Commission observes that one-year SBI MCLR as on 1st April 2022 was 7%. Hence, interest on working capital is considered as 9% (i.e. 7% + 200 basis point). Also, as mentioned in Regulation 31.3 of MYT regulation, the interest on working capital shall be payable on normative basis notwithstanding that the Petitioner has not taken working capital loan from any outside agency. So, the Commission approves Rs.4.41 Cr as interest on working capital for FY 2022-23. The detailed calculation is given in the table below.

Table 44: Interest on Working Capital approved by the Commission for FY 2022-23 (Rs. Crore)

Particulars	Details	Amount
O&M expenses	1 Month O&M Expenses	11.27
Maintenance Spares	@15% of O&M expenses including Security Expenses	20.29
Receivables	Equivalent to 45 days of AFC	17.46
Total Working Capital		49.02

Particulars	Details	Amount
requirement		
Interest rate		9.00%
Interest on working capital		4.41

6.7. Return on Equity

Petitioner's Submission:

6.7.1. The Petitioner projected that, the assets to be created/ capitalized by JKPTCL in FY 2022-23 will not be financed by way of equity. As specified in Regulation 25.4 (d) of MYT Regulations 2018, return on equity is not applicable on financial support corresponding to grant. Relevant excerpt is given below.

"d) provisions related to return on equity, as specified in Regulation 27, shall not be applicable to the extent of financial support provided through consumer contribution, deposit work, capital subsidy or grant."

6.7.2. Accordingly, JKPTCL claims nil Return on Equity (RoE) for FY 2022-23.

Commission's view:

6.7.3. The Commission has noted the submission of the Petitioner. As the capital assets are projected to be funded through capital grant only and there is no equity infusion in creating capital assets projected by the Petitioner, no RoE has been considered for FY 2022-23.

6.8. Contribution to Contingency Reserves

Petitioner's Submission:

6.8.1. JKPTCL submitted that, it being a new Corporation has no sources of revenue of its own and currently it is completely dependent on Grant-in-aid revenue from Government for its functioning. JKPTCL has submitted that no contribution has been made towards contingency reserves in FY 2022-23. Therefore, there is no interest income claimed from contribution to contingency reserves in FY 2022-23.

Commission's view:

6.8.2. The Commission accepts the submission of the Petitioner and has not considered any interest income from contribution to contingency reserves.

6.9. Non-Tariff Income

Petitioner's Submission:

6.9.1. JKPTCL has projected nil income from non-tariff sources in FY 2022-23. JKPTCL submitted that they would submit the actual value of non-tariff income (if any) at the time of True-up of FY 2022-23.

Commission's view:

- 6.9.2.** The Commission observes that no income has been proposed by the Petitioner as non-tariff income in FY 2022-23. Further, the Petitioner has submitted that details in this regard shall be submit at the time of True-up. Hence, the Commission considers nil non-tariff income for FY 2022-23 and directs the Petitioner to submit the details of non-tariff income at the time of True-up. The Petitioner shall follow the provisions related to non-tariff income as given in Regulation 43 of MYT Regulations.

6.10. Aggregate Revenue Requirement for FY 2022-23

- 6.10.1.** The Petitioner submitted the ARR for FY 2022-23 as Rs.180.50 Cr calculated as per provisions given in MYT regulations. The detailed proposal of the Petitioner in this regard is given in the table below.

Table 45: Summary of JKPTCL's ARR Projection for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Amount
1	Operation & Maintenance Expenses	173.90
2	Depreciation	-
3	Interest on Long Term Loans	-
4	Interest on Working Capital and Deposits from TSUs	6.60
5	Contribution to Contingency Reserves	-
6	Return on Equity Capital	-
7	Aggregate Revenue Requirement	180.50
8	Less: Non-Tariff Income	-
9	Less: Income from Other Business	-
10	Less: Revenue from Short-term Transmission Charges	-
11	Aggregate Revenue Requirement from Transmission Tariff	180.50

Commission's view:

- 6.10.2.** Based on the various components of ARR allowed in the foregoing sections, the ARR for JKPTCL for FY 2022-23 is approved as follows.

Table 46: Approved ARR for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Amount
1	Operation & Maintenance Expenses	135.24
2	Depreciation	-
3	Interest and Finance Charges	-
4	Interest on Working Capital and Deposits from TSUs	4.41
5	Contribution to Contingency reserves	-
6	Total Revenue Expenditure	139.65
7	Return on Equity Capital	-
8	Aggregate Revenue Requirement	139.65
9	Less: Non-Tariff Income	-
10	Less: Income from Other Business	-
11	Less: Revenue from Short-term Transmission Charges	-
12	Aggregate Revenue Requirement from Transmission Tariff	139.65

6.11. Transmission Losses

Petitioner's Submission:

- 6.11.1.** In FY 2022-23 JKPTCL has estimated total transmission system level losses at 3.38% that are same as FY 2021-22. Further, the Petitioner submitted that the actual transmission system loss level will be submitted to the Commission at the time of True-up of FY 2022-23.

Commission's view:

- 6.11.2.** The Commission observes that the Petitioner has not projected any reduction in transmission loss in FY 2022-23 in comparison with loss in FY 2021-22. Moreover, the transmission loss in FY 2021-22 is reported to be higher than the losses reported for FY 2020-21. The Commission notes that the Petitioner has submitted the expenses for planned expenditure for several projects in its licensed area. The Commission feels that the proposed investment to be made in the transmission projects should be useful in reducing current loss level and transmission congestion, so that the corresponding benefit can be accrued to the end consumers. The Petitioner therefore, carry-out cost benefit analysis of such scheme before undertaking the work.
- 6.11.3.** It is worthwhile to take note of the findings of erstwhile JKSERC from FY 2016-17 tariff order. The relevant part is given below.

"5.51 In the absence of any system study conducted by the Utility and owing to lack of authentic information, the Commission is constrained to provisionally approve the transmission loss of 4.00% for FY 2016-17 as submitted by the Petitioner. The Commission also observes that if the Utility is planning a capital investment to the tune of over Rs.4,800 Cr, then there is bound to be a reduction in the transmission loss in the system. The Utility is directed to furnish a loss reduction trajectory backed up by an appropriate study, to the Commission for the 2nd MYT Control Period along with the next APR/ Tariff Petition.

5.52 Thus, the Commission approves transmission loss of 4.00% for the first year of the Control Period i.e. FY 2016-17. The loss trajectory for the remaining years of the Control Period shall be approved by the Commission on submission of the findings of the study to be undertaken by the Petitioner.

- 6.11.4.** The erstwhile JKSERC had given clear direction for system study and observed that the huge investment planned by the transmission licensee should result in reduction in transmission loss. Considering the 4% loss level approved for FY 2016-17, the loss level proposed by the Petitioner is not accepted.
- 6.11.5.** Further, the Commission directed the Petitioner to submit the loss level of some other neighboring transmission utilities. In response, the data provided by the Petitioner is given below.

Table 47: Transmission Losses of Neighboring States.

State	Transmission losses for FY 2022-23	Source
UT of J&K	3.38%	As per the Petition.
Himachal Pradesh	0.75%*	https://hperc.org/new1/File/HPPTCL19.pdf
Haryana	2.10%	https://www.herc.gov.in/WriteReadData/Orders/O20220302c.pdf
Punjab	2.44%	https://pserc.gov.in/pages/PSTCL-Tariff-Order-FY-2022-23.pdf

State	Transmission losses for FY 2022-23	Source
Uttarakhand	1.10%	https://uerc.gov.in/Tariff%20Orders%20for%20FY%202022-23/Tariff%20Order%20of%20PTCUL%20for%20FY%202022-23.pdf

6.11.6. From the above, it has been observed that transmission losses are well below 3% in neighboring states. However, considering the present projected loss level of 3.38%, the Commission approves transmission losses as 3.20% for FY 2022-23. Nevertheless, the Petitioner is directed to conduct the system study and submit the report to the Commission. Although, the interface meter status has been submitted by the Petitioner, it has not submitted the losses at different voltage levels. If the interface meters are working, then proper energy accounting and voltage-wise losses should be estimated by the Petitioner. Hence, the Petitioner shall submit the loss level after considering the energy inputs into the system from various generating stations and from central grid and output received by the distribution utilities.

6.12. Transmission System Availability

Petitioner's Submission:

6.12.1. In FY 2022-23, JKPTCL estimated the transmission system availability as 98%. The Petitioner submitted that actual transmission system availability for FY 2022-23 will be submitted to the Commission at the time of True-up of FY 2022-23.

Commission's view:

6.12.2. The Commission notes the submission of the Petitioner with respect to transmission system availability. The Petitioner has projected transmission system availability as 98% for past years also. As per Regulation 44 of MYT Tariff Regulations, norms of operation for transmission licensee shall be governed by relevant CERC regulations. Normative Annual Transmission System Availability Factor is 98% as considered by CERC in its Tariff Regulations, 2019 under norms of operation. Hence, the Commission approves 98% as transmission system availability.

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CHAPTER 7: Tariff Proposal for FY 2022-23

Petitioner's Submission:

- 7.1.** The Petitioner in its petition submitted that erstwhile Power Development Department, Government of J&K (JKPDD) was responsible for transmission, distribution, and related activities in the Power Sector in the entire state of Jammu & Kashmir. JKPDD as an integrated utility would file tariff petition at erstwhile JKSERC. JKSERC vide its Order dated 31st March 2026 (Order on Annual Performance Review for FY 2015-16, Aggregate Revenue Requirement for 2nd MYT Control Period from FY 2016-17 to FY 2020-21 and Transmission Tariff for FY 2016-17 for Jammu and Kashmir Power Development Department - Transmission) had approved intra-state transmission ARR for JKPDD-T. The approved intra-state transmission ARR charges are as follows:

Table 48: Approved Intra-state Transmission Charges by JKSERC for JKPDD

Sr. No.	Financial Year	Approved Intra-state Transmission ARR (in Rs. crore)
1	FY 2016-17	101.60
2	FY 2017-18	107.90
3	FY 2018-19	115.20
4	FY 2019-20	123.10
5	FY 2020-21	133.60

- 7.2.** The Petitioner submitted that no transmission tariff was approved by the erstwhile JKSERC as transmission was the function of the integrated utility JKPDD. The approved ARR for transmission function was added to the total ARR for JKPDD for determination of retail supply tariff. However, considering the unbundling of utilities with separate functions for Generation, Transmission, Distribution and Trading, the need for determination of Transmission tariff is felt.
- 7.3.** Further, for the period from FY 2019-20 (since the incorporation of JKPTCL) till the date of submission of ARR petition, no transmission tariff is being charged by JKPTCL to its beneficiaries. Therefore, the cumulative aggregate revenue gap along with carrying cost is considered by the Petitioner for recovery from the transmission tariff.
- 7.4.** The Petitioner submitted that Regulation 11.5 (c) of the JERC Goa and UTs (Generation, Transmission and Distribution) Regulations 2018 allows for calculation of carrying cost at simple interest basis at one (1) Year State Bank of India (SBI) MCLR as on 1st April of the relevant Year plus 100 basis points. The relevant excerpts of the Regulations are given below.

"c) Carrying cost shall be allowed for a Generating Company, Transmission Licensee or Distribution Licensee on the amount of revenue gap for the period from the date on which such gap has become due, i.e., from the end of the Year for which true-up has been done, till the end of the Year in which it is addressed, on the basis of actual rate of loan taken by the Licensee to fund the deficit in revenue.

Provided that carrying cost on the amount of revenue gap shall be allowed subject to prudence check and submission of documentary evidence for having incurred the carrying cost in the years prior to the year in which the revenue gap is addressed.

Provided also that if no loan has been taken to fund revenue deficit, the Commission shall allow Carrying Cost on simple interest basis at one (1) Year State Bank of India (SBI) MCLR /any replacement thereof as notified by RBI for the time being in effect applicable for 1 Year period, as may be, applicable as on 1st April of the relevant Year plus 100 basis points.....”

- 7.5. Accordingly, the Petitioner has considered the cumulative revenue gap over the years including the carrying cost while projecting the ARR for FY 2022-23, the details of which are as given below.

Table 49: Computation of Cumulative Revenue Gap including Carrying Cost for Recovery (Rs. Crores)

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23 Projected
Opening Revenue Gap (A)	-	76.67	251.74	449.33
Net Aggregate Revenue Requirement (B)	73.17	161.30	170.63	180.50
Total Revenue Realised (C)	0.00	0.00	0.00	0.00
Net Revenue Gap/ Excess (D = B-C)	73.17	161.30	170.63	180.50
Closing Gap at end of the Year (E= A+D)	73.17	237.97	422.36	629.83
Interest rate for carrying cost (F) (%)	9.55	8.75	8.00	8.00
Carrying Cost on Opening Balance (G= A*F)	-	6.71	20.14	35.95
Carrying cost on Additional Gap Created during the Year (H= E*F/2)	3.49	7.06	6.83	7.22
Total Gap including carrying cost (G= E+G+H)	76.67	251.74	449.33	672.99

- 7.6. As seen from above table, Rs.672.99 crore of cumulative aggregate revenue gap along with carrying cost is required to be recovered from the transmission system users in FY 2022-23. JKPTCL has projected to make available 10612.84 MW of transmission system capacity in FY 2022-23. Further, it is estimated that JKPTCL will receive 18720.86 MUs of energy from various sources (JKPCL's contracted sources) for wheeling using transmission network. Considering these estimates, the proposed transmission tariff is arrived as given below.

Table 50: Calculation of Proposed Transmission Tariff

Particulars	Legend	Value
Cumulative Aggregate Revenue Requirement including Carrying Cost (Rs. crores)	F	672.99
Transmission capacity in FY 2022-23 (MW)	G	10612.84
Energy Estimated to be received by JKPTCL from various Generating Stations (in MU)	H	18720.86
Long/ Medium Term Transmission charges (Rs./MW/ month)	$I = F/G/12*10^7$	52844
Short Term Open Access Transmission charges (Rs. /MW/ day)	$J = I/30$	1761.47
Transmission charges (Rs./unit)	$K = F/H*10$	0.36
Long/ Medium Term Transmission charges (Rs. Crore/month)	$L = F/ 12$	56.08

- 7.7. Considering the above, the Petitioner requested the Commission to approve the above Long/Medium Term Transmission charges, Short Term Open Access Transmission Charges and per unit transmission charges for recovery of intra-state transmission charges from the transmission system users. Further, the Petitioner requested the Commission to allow the

Petitioner to recover the transmission charges from the transmission system users as determined and approved by the Commission.

Commission's View:

- 7.8.** The Commission has noted the submission made by the Petitioner with respect to transmission tariff to be recovered on the basis of cumulative aggregate revenue requirement including carrying cost. The provisions related to carrying cost are given in Regulation of 11.5 (c) of MYT regulations. The same is reproduced below.

"Carrying cost shall be allowed for a Generating Company, Transmission Licensee or Distribution Licensee on the amount of revenue gap for the period from the date on which such gap has become due, i.e., from the end of the Year for which true-up has been done, till the end of the Year in which it is addressed, on the basis of actual rate of loan taken by the Licensee to fund the deficit in revenue:

Provided that carrying cost on the amount of revenue gap shall be allowed subject to prudence check and submission of documentary evidence for having incurred the carrying cost in the years prior to the year in which the revenue gap is addressed:"

- 7.9.** As per the above provisions, carrying cost on the amount of revenue gap shall be allowed subject to prudence check by the Commission. Further, the Commission cannot ascertain the revenue gap or surplus quantum of past years as the same has not been finalized by the Commission due to non-availability of audited accounts.
- 7.10.** The Petitioner claimed that no transmission tariff was approved by the erstwhile JKSERC as transmission was the function of the integrated utility JKPDD. Further, since the incorporation of JKPTCL until the date of submission of ARR Petition, no transmission tariff is being charged by JKPTCL to its beneficiaries. In this regard, it is worthwhile to refer the observation of JKSERC as given in Transmission Tariff order of JKPDD-T, which is reproduced below.

"5.61 The Petitioner has not projected the contracted capacity of the transmission system for the remaining years of the Control Period i.e. from FY 2017-18 to FY 2020-21. Moreover, in view of the growth in demand as well as capital investments being undertaken by the Petitioner, the contracted capacity is expected to increase in subsequent years. Therefore, the Commission has not determined the transmission tariff/charges for the entire MYT Control Period (FY 2016-17 to FY 2020-21) but has approved transmission charges for the first year of the MYT Control Period i.e. FY 2016-17 only. The transmission charges (in Rs./KW/month) for subsequent years shall be approved at the time of the Annual Performance Review."

- 7.11.** It is absolutely clear from the above that the transmission tariff was determined by JKSERC for FY 2016-17. Since JKPDD-T in the petition had not projected the contracted capacity of the transmission system for the remaining years of the control period, JKSERC prefer not to determine the tariff for remaining years during the control period. However, the same required to be determined at the time of Annual Performance Review exercise, but same has not taken place thereafter. Further, the initiatives undertaken by the Petitioner post unbundling of JKPDD in to various utilities including the JKPTCL (the Petitioner) with respect to recovery of transmission charges is not clear to the Commission. The Petitioner submitted that there is no agreement in place between JKPTCL and the beneficiary – JKPCL. Without a

proper agreement in place, JKPTCL cannot recover the charges. Thus, the responsibility rests with JKPTCL entirely.

- 7.12.** Further, the Petitioner in its reply to data-gaps submitted that JKPTCL is running its business based on Grant-in-aid received from the Government. The quantum of the grant made available from government to the petitioner is not submitted by the petitioner. Therefore the Commission decides to examine the petitioner submission with respect to past years gap at the time of trueing up exercise based on audited statement of Accounts to be submitted by the petitioner .
- 7.13.** Considering the same, the Commission decided the transmission tariff on the basis of ARR approved for FY 2022-23 without considering any past revenue gap. To recover the transmission tariff, the Commission follows the Regulation 46 of MYT Regulations. The relevant excerpts are given below.

“Sharing of charges for Intra-State Transmission Network:

46.1 The Aggregate Revenue Requirement of the Transmission Licensee, as approved by the Commission, shall be shared by all long-term users and medium-term users of the transmission system on a monthly basis in the ratio of their respective Allotted Transmission Capacity to the total Allotted Transmission Capacity, in accordance with the following formula:

$$ATC_n = (\text{Transmission ARR} / 12) \times (CC_n / SCC)$$

Where:

ATC_n = annual transmission charges payable by the nth long-term user or medium-term user of the transmission system;

Transmission ARR = Aggregate Revenue Requirement of the Transmission Licensee, determined in accordance with these Regulations;

CC_n = Allotted Transmission Capacity by the nth long-term user or medium-term user of the transmission system;

SCC = sum of Allotted Transmission Capacity by all long-term users and medium-term users of the transmission system:

Provided that the ATC_n shall be payable on a monthly basis by each long-term user or medium-term user of the transmission system and shall be collected by the State Transmission Utility (STU).

46.2 The short-term Open Access Consumers shall pay transmission charges on Rs./MW/day basis determined in accordance with Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Connectivity and Open Access in Intra-State Transmission and Distribution) Regulations, 2017, as amended from time to time.”

- 7.14.** The Petitioner projected to make available 10612.84 MW of transmission system capacity, however, the details of the same have not been provided by the petitioner . Regulation 2.1 of MYT Regulations defines Allotted Transmission Capacity, as:

“Allotted Transmission Capacity” shall mean the power transfer in MW between the specified point(s) of injection and point(s) of drawal allowed to a Long-term Consumer or a Medium-term Consumer on the intra-state transmission system under the normal circumstances and the expression “allotment of transmission capacity” shall be construed accordingly.”

7.15. The Commission has noted that present installed capacity including allocated Central share is around 3511.10 MW⁶ as per the data furnished by Central Electricity Authority. The Petitioner submitted that for the past 3- year period from 2018 to 2020, the actual peak demand has been increased from 3080 MW to 3405 MW which is 10.55% absolute increase (point to point). A 3-year CAGR of actual peak demand from year 2018 to 2020 is worked out to be 3.40%. The Petitioner projected the peak demand for FY 2022-23 as 3506.83 MW, considering actual peak demand in 2021 i.e. 3280 MW as base and growth rate of 3.40%. On the basis of above observation, the Commission considers the allotted transmission capacity as 3511 MW for FY 2022-23.

7.16. Therefore, as per Regulation 46 of MYT Regulations, the Commission decides the transmission tariff for FY 2022-23, as per details given below.

Table 51: Approved Transmission Tariff for FY 2022-23

Particulars	Unit	Legend	Value
Cumulative Aggregate Revenue Requirement approved	(Rs. Crores)	A	139.65
Long/ Medium Term Transmission Charges	(Rs. Crores/ month)	$B = (A/12) \times (C/D)$	11.64
Allotted Transmission capacity in FY 2022-23 to JKPTCL*	(MW)	C	3511
Total Allotted Transmission Capacity in FY 2022-23	(MW)	D	3511
Short Term Open Access Transmission Charges	(Rs. / MW/ day)	$E = A \times 10^7 / D / 365$	1090

Note 1: *The Petitioner submitted that currently there is only one beneficiary – JKPTCL and the entire transmission network capacity of JKPTCL is made available to it.

Note 2: Government of J&K vide their letter dated 31.08.2022 and 16.09.2022 informed the Commission that budgetary provision of Rs.185.04 Crores in the form of grant-in-aid under revenue head has been made for JKPTCL for FY 2022-23, out of which an amount of Rs.76.31 Crores has been released to JKPTCL till July-2022. Since at present there is no transmission utility in business in UT of J&K and only JKPTCL the state transmission utility is in business, the Commission has decided to factor-in the grant-in-aid provided to JKPTCL while approving ARR of JPDCL and KPDCL for their distribution business. The Commission shall also review the actual grant-in-aid provided to JKPTCL during true-up exercise for FY 2022-23.

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⁶ https://cea.nic.in/wp-content/uploads/executive/2022/06/Executive_Summary_Jun_2022-1.pdf

CHAPTER 6: DIRECTIVES

- 6.1** The erstwhile JKSERC in FY 2016-17 tariff order No 17-JKSERC of 2016 dated 31.03.2016 issued various directives to the JKPDD-T, the earlier transmission utility. The Commission has taken note of the directives issued. Consideration of the earlier directives and the examination of record presented in instant Petition, the Commission issues the following set of directives to the Petitioner .

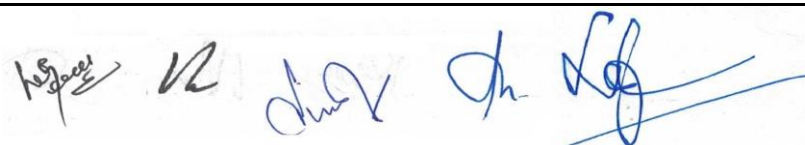
DIRECTIVE	
Directive 1	TIMELY FILING OF TARIFF PETITION
	<p>The Commission observes that even after following up with the Petitioner, the Petitioner has not filed the Petition in time. The Petitioner should follow the timeline strictly as mentioned in MYT regulations. The Petitioner is directed to adhere to the timelines of Regulatory filings before the Commission, in future. Next MYT Petition with Business Plan Petition should be submitted by 30th November, 2022.</p> <p>The Petitioner is also directed to institutionalize the arrangements and seek necessary clearances, as may be required, in advance for ensuring timely submission of tariff petition in future.</p>
Directive 2	CAPITAL INVESTMENT AND CAPITALIZATION PLAN ALONG WITH DETAILS OF SOURCE OF FUNDING
	<p>The Commission has observed that the Petitioner has not been able to undertake works as planned. The Commission noted wide variation in the data related to capital expenditure and capitalization submitted for FY 2019-20 and FY 2020-21 in the instant petition and the submission made by petitioner on same matter during FY 2016-17 transmission order. For better monitoring of the perspective plan drawn by the Petitioner, the Commission directs the Petitioner to submit copy of the detailed capital investment/perspective plan along with the communications made with CEA along with approval of competent authority. The details of the physical and financial milestones/targets along with progress achieved vis-à-vis the action plan on strengthening of transformation/transmission capacity shall be submitted to the Commission in the next Petition.</p> <p>In this context, provisions given under Regulation 8.5 of MYT Regulations shall be strictly followed by the Petitioner. The relevant excerpts are given below:</p> <p><i>“The Capital Investment Plan to be submitted as part of Business Plan shall include details of New Projects planned during the Control Period, the purpose of investment, capital structure, implementation schedule, quarter-wise capital expenditure and capitalisation schedule, financing plan, cost-benefit analysis, improvement in operational efficiency envisaged in the Control Period owing to proposed investment and such details for ongoing projects that will spill over into the Control Period under review along with justification:.....</i></p> <p><i>b) The Capital Investment Plan proposed by the Transmission Licensee shall be in conformity with the plans made by the Authority/Central Transmission Utility and with the Capital Investment Plan of the Distribution Licensee.</i></p> <p><i>c) During the Annual Performance Review, the Commission shall monitor the progress of the actual capital expenditure incurred by the Licensee vis-à-vis the approved capital expenditure. The Licensees shall submit the actual capital expenditure incurred along with the annual performance review, true-up and determination of tariff filing;”</i></p> <p>The Petitioner shall submit a detailed report on physical and financial progress of the transmission projects in every six months before the Commission.</p>

DIRECTIVE	
Directive 3	VERIFICATION OF METERING STATUS, ENERGY ACCOUNTING AND ENERGY AUDIT
	<p>The Commission notes that the Petitioner has submitted a list giving present status of availability of meters on JKPTCL transmission system interfaces. However, the same was not prepared as directed by the Commission. The Petitioner is directed to submit the metering details according to interfaces of (a) generator and transmission system; (b) Inter-state system with Intra-state transmission system and (c) Intra-state transmission system with DISCOMs network at system operating voltage levels (i.e. 66 kV, 132 kV, 220 kV), within one month of issuance of this order.</p> <p>The Commission directs the Petitioner to submit a comprehensive plan for verification of metering and to conduct energy audit, within a period of three months after issuance of this Tariff Order.</p> <p>The Petitioner shall ensure that the copy of monthly energy accounts (Energy Accounting) and transmission losses at various voltage levels is submitted to the Commission on quarterly basis. The methodology to be followed by the Petitioner shall be submitted for approval of the Commission.</p> <p>The Petitioner shall also display the voltage-wise energy loss data on a monthly basis on its website.</p>
Directive 4	TRANSMISSION LOSS TRAJECTORY
	<p>The Commission is of the view that with the envisaged capital investment there should be reduction in the transmission loss in the system. The Petitioner is directed to furnish a loss reduction trajectory along with systematic study in its Business Plan Petition.</p>
Directive 5	EVACUATION OF POWER
	<p>The Commission directs the Petitioner to coordinate with JKPDCL, JKPCCL and other concerned generators in ensuring that transmission infrastructure is available to evacuate power from upcoming generating projects. Also, the Petitioner is directed to submit to the Commission, the project-wise details regarding the arrangements being made for evacuation of power from various upcoming projects, within six (6) months of issuance of this Tariff Order. The Petitioner should also review its transmission plan with respect development of renewable energy.</p>
Directive 6	GIS MAPPING ASSET MONITORING
	<p>The Commission directs the Petitioner to take appropriate measures for bringing transmission system under the ambit of GIS mapping. The system, if developed, can help to monitor and control the assets of the petitioner in better way.</p>
Directive 7	TRANSMISSION SYSTEM AVAILABILITY
	<p>The Commission directs the Petitioner to develop mechanism for determining transmission system availability. The procedure as specified in the CERC Tariff Regulations, 2019, for this purpose may be referred.</p> <p>The Commission also directs that in future APR/Tariff Petitions, the Transmission System Availability should invariably be supported by detailed computations and supporting data as per the procedure to be developed.</p>
Directive 8	TRAINING AND CAPACITY BUILDING

DIRECTIVE	
	The Commission is of the view that training and capacity building of the employees of the Petitioner at all levels is of prime importance. The Petitioner should ensure that trainings become an integral part of the system and a plan should be chalked out to ensure employees are trained adequately. The employees should be trained in new emerging areas.
Directive 9	PEAK AND AVERAGE LOADING OF TRANSMISSION ELEMENTS
	The Commission directs the Petitioner to adhere to the Manual of CEA on Transmission Planning Criteria to avoid any overloading operation of transmission elements. The Commission directs the Petitioner to submit report on peak and average loading of various sub-stations installed in its jurisdiction.
Directive 10	RECOVERY OF TARIFF
	The Petitioner submitted that there is no agreement in place between JKPTCL and the beneficiary – JKPCCL to recover the tariff and they are operating on the basis of grant-in aid received from the Government. It is very astonishing to note that the Petitioner has not made any effort to recover its dues. Without a formal agreement in place with the transmission system users how the petitioner would recover the cost is not clear to the Commission. The Petitioner is directed to take the necessary steps and execute the formal agreements with all users on immediate basis and furnish the information in this regard to the Commission.
Directive 11	INDEPENDENT OPERATION OF LOAD DISPATCH CENTER (LDC)
	<p>The Petitioner submitted that currently, Load dispatch center for the UT of J&K (LDC-J&K) is a department within JKPTCL and it operates as a unit within JKPTCL. Further, there is no bifurcation of assets of the LDC-J&K, costs/expenses incurred by JKSLDC and no separate budget for LDC-J&K. As per the Government Order No. 191 – PDD of 2019 regarding the restructuring and unbundling of JKPDD, JKSPDCL and JKSPCL there is no provision for establishing a separate entity for load despatch.</p> <p>It is pertinent to mention that Sections 31 to 33 of the Act clearly mentions the roles and responsibility of LDCs. LDCs shall be the apex body to ensure integrated operation of the power system, having wide responsibility. Therefore, the Petitioner shall do the planning in this regard including discussion with the Government.</p>

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A series of handwritten signatures in blue ink, including a name that appears to be 'H. S. Grewal' and several other stylized signatures.

Annexures 1:

List of participants in Public Hearing

Venue: Conference Hall, Joint Electricity Regulatory Commission Office, Jammu

Date and time: 05.07.2022, 11 AM

S.No.	Name	Designation
JOINT ELECTRICITY REGULATORY COMMISSION		
1.	Shri. Lokesh D Jha	Chairman
2.	Shri. Ajay Gupta	Member Technical
3.	Shri. V K Dhar	Secretary
4.	Shri. Rakesh Sharma	Ex. Engineer
5.	Shri. Jaswinder Singh	JE
6.	Shri. Gurpreet Singh	Jr Assistant
7.	Shri. Utkarsh Gautam	Consultant, WISE
J&K POWER REANSMISSION CORPORATION LIMITED (JKPTCL)		
8.	Shri Bashir Ahmed Dar	Managing Director
9.	Shri. Bavinder Kundel	Chief Engineer
10.	Shri. K.K.Thappa	SE, Cr-I
11.	Shri. Mohd. Ayub Khwaja	XEN, TLMD-IV
12.	Shri. Sandeep Gupta	TO to MD
13.	Shri. Umesh Sharma	XEN, TLMD-V
14.	Shri. Ashok Kesar	XEN, TLMD-I
15.	Shri. Surjeet Singh	XEN, TLMD-II
16.	Shri. S.K.Anand	XEN, TLMD-III
17.	Shri. Ajay Kaul	XEN to CE
18.	Smt. Apurwa Karse	Sr Consultant
19.	Shri. R.K.Potedar	JE
20.	Smt. Reema	XEN , TLMD-VIII

Annexure 2:

List of participants of the State Advisory Committee Meeting

Venue: Conference Hall of the Public Works Department at Gandhinagar, Jammu

Date and time: 19th July 2022, 11 AM.

S.N..	Name of the Member/Officers	Department/Organization
OFFICERS OF JERC		
1	Shri. Lokesh D Jha	Chairman, JERC
2	Shri. Ajay Gupta	Member Technical, JERC
3	Shri. V K Dhar	Secretary, JERC
4	Shri. Rakesh Sharma	Ex Engineer, JERC
5	Shri. Surender Pimparkhedkar	Sr Fellow (WISE), Consultant, JERC
6	Shri. Satadru Chakraborty	Fellow (WISE), Consultant, JERC
7	Shri. Utkarsh Gautam	Consultant (WISE), JERC
8	Shri. Abhimanyu Verma	Sr. Asstt., JERC
9	Shri. Gurpreet Singh	Jr. Asstt., JERC
MEMBERS OF THE STATE ADVISORY COMMITTEE (SAC), JERC		
10	Dr. Sanjeev Anand	Asst. Professor, Dept of Energy Management, SMVDU, Katra
11	Shri. Jugal Kishore	Addl. Secy, FCS&CA
12	Shri. Shiv Kumar Sharma	President, Jammu Kashmir Indian Trade Union Congress, Jammu.
13	Dr. Ankit Dubey,	Asst. Professor, IIT Jammu
14	Shri. Tsering Mutup	Director, FCS&CA (Rep. Secy. Ladakh)
15	Shri. Arun Gupta	President, Chamber of Commerce & Industries, Jammu
16	Shri. Ashok Kumar	General Secretary, Helpage Welfare Society, Transport Nagar, Jammu.
OFFICERS/REPRESENTATIVES OF JKPCL/ JPDCL/KPDCL/ JKPTCL/ JKPDC		
17	Shri. Shiv Anant Tayal	MD, JPDCL
18	Dr. Basharat Qayoom	MD, KPDCL
19	Shri. Raja Vaaqors Farooq	MD, JKPDC
20	Shri. Bashir Ahmad Dar	MD, JKPTCL
21	Shri. Javed Dar	CE, KPDCL
22	Shri. Mohammad Yousuf Baba	Sr. General Manager, JKPDC
23	Shri. Ghulam Ahmad Mir	CE, PDD Ladakh
24	Shri. AK Chibber	Technical Officer to MD, JPDCL
25	Shri. S.K. Gupta	Technical Officer to MD, JKPTCL
26	Shri. Rakesh Kumar Sood	REC, Project Manager Hand holding, Ladakh
27	Shri. Amit Raj Gaur	Sr. Manager Tata Power

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