

PUNJAB STATE POWER CORPORATION LIMITED



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To

Registrar,
Punjab State Electricity Regulatory Commission,
Site No.-3, Block-B, Sector 18-A, Madhya Marg,
Chandigarh.

Memo No. 232 /ARR/DY.CAO/268/Obj. No. 07

Dated 10-02-2025

**Subject: Petition (No. 61 of 2024) for True-up for FY 2023-24 and ARR and Determination of Tariff for FY 2025-26 filed by PSPCL:-
Objection No. 07.**

Ref: Your office email dated 13.01.2025.

Enclosed please find herewith 12 no. copies of the Response of PSPCL as desired vide above referred email.

DA:- As above.

H. Kang
10/2/25
Chief Engineer/ARR & TR,
PSPCL, Patiala.

CC:

M/s PHD Chamber of Commerce and Industry,
PHD House, Sector-31A, Dakshin Marg, Chandigarh-160031
Ph: +91-11-2685 5450, 49545451, Email: rdchd@phdcci.in

.....alongwith a copy of response of PSPCL.

DA:- As above.

Objection No. 7

Name of Objector: PHD Chamber of Commerce and Industry

(A) General

The ARR of PSPCL for the FY 2023-24 was approved by the Hon'ble Commission as Rs 41704.42 Cr (Table 7.1 of TO FY 2023-24) including Cumulative Gap of 3584.42 Cr and the same was proposed to be recovered through an appropriate increase in Tariff. Thus, the total ARR including Gap was allowed and consumers paid the higher tariff in the hope that PSPCL will be meeting its expenditure for 2023-24. However, in the True up for the FY 2023-24, PSPCL has again projected a cumulative gap of Rs 7619.06 Cr (Table 2-38 vol 1).

Now, for the FY 2025-26, PSPCL has submitted Net ARR to the tune of Rs.47916 Cr (Table 3-24 vol 1) and a revenue surplus of Rs.2528.16 Cr. After including the revenue gap Rs 7619.06 up to 2023-24, the cumulative gap up to FY 2024-25 has been worked out as Rs 5090.89 Cr (Table 4-1 vol 1. The Revenue Gap/surplus for 2024-25 is not included as these figures have not been submitted by PSPCL).

Although, revenue surplus has been presented for the FY 2025-26 but during true up for this period, as per practice, again deficit will be presented. The projections of ARR of PSPCL for the ensuing years and True Up for the same after two years clearly indicates that either the figures are being inflated or extensive exercise taken up by PSERC for determining the revenue requirement and pegging of expenditure by PSERC has no consideration for PSPCL and they are incurring expenditure at their will. Moreover, this expenditure is being incurred by PSPCL by drawing interest bearing working capital loans from various sources and incurring finance charges on arranging loans. Perusal of the above figures speaks of the total financial indiscipline.

Reply of PSPCL: PSPCL would like to submit that for filing of ARR projections for FY 2024-25, PSPCL has projected the parameters in line with the applicable clauses of the PSERC MYT Tariff Regulations, 2022. It is further submitted that the PSPCL has filed the truing-up Petition for FY 2023-24 in line to the Regulation 12 of the PSERC MYT Tariff Regulations, 2022 which stipulates that the truing-up of respective financial year shall be carried out based on the Annual Audited Accounts. Moreover, Hon'ble Commission will approve the tariff only after the prudence check of the entire submission of PSPCL based on audited balance sheet and future projections.

(B) Before commenting on the revenue requirement filed by the PSPCL for the aforesaid years, we would like to address upon certain issues on principles which have bearing on finalization of ARR by the Commission from year to year:

1). Capping of Power Supply to Agriculture Sector:

The power supplied to the agriculture sector has been growing consistently at a very high rate due to increase in capacity of tube wells, depletion of water table, lower power factor at tubewells, defective meters at the feeder end, inefficient pumps etc. Providing the power at the subsidized rate of Rs

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6.70/KWH (as per TO 2024-25), which is far less than the average cost of supply of Rs.7.16 per unit (Table 7.1, TO 2024-25) and projected Voltage wise cost of supply for 2025-26 worked out as Rs 7.34 (Reply to Deficiencies, Annexure 23, Table 2.3) is leading to serious financial crisis for the PSPCL. This will ultimately seriously affect the interest of Industrial consumers in the State as they are being charged tariff of Rs 6.82 as Variable Charges + Rs 320/- as Fixed Charges whereas Voltage wise Cost of Supply for Industry at 66 KV is Rs 6.01, Rs 5.54 at 220 KV and Rs 5.50 at 400 KV. Industry is already reeling under recession and high electricity rates for Industry are further aggravating the situation. Moreover, the Industry has also to bear 20% ED+IDF on SOP which are not applicable for Agriculture Consumers. In this regard the provisions of National Tariff Policy are extracted as under: -

8.3.4 Extent of subsidy for different categories of consumers can be decided by the State Government keeping in view various relevant aspects. But provision of free electricity is not desirable as it encourages wasteful consumption of electricity. Besides in most cases, lowering of water table in turn creating avoidable problem of water shortage for irrigation and drinking water for later generations. It is also likely to lead to rapid rise in demand of electricity putting severe strain on the distribution network thus adversely affecting the quality of supply of power. Therefore, it is necessary that reasonable level of user charges is levied.

The subsidized rates of electricity should be permitted only up to a preidentified level of consumption beyond which tariffs reflecting efficient cost of service should be charged from consumers. If the State Government wants to reimburse even part of this cost of electricity to poor category of consumers the amount can be paid in cash or any other suitable way. Use of prepaid meters can also facilitate this transfer of subsidy to such consumers.

Therefore, it is imperative to cap the maximum amount of power year wise & approved by the commission that can be supplied to the agriculture sector at the subsidized rate inclusive of additional connections projected in a year and the power supplied above that limit should be billed as per Cost of Supply for agriculture power as worked out in ARR.

Reply of PSPCL: The supply to agriculture tube wells is free as per the policy of the Government and capping of the same is at the discretion of the Government of Punjab. Moreover, supply to AP consumers is limited only up to 8 hours that too during the months of June to September for paddy cultivation. As far as supply of power to agriculture category of consumers at cost of supply rate is concerned, the said issue is under the prerogative of the Commission and PSPCL would comply with the directions of the Commission.

2). Distribution Loss Level of PSPCL:

PSPCL has stated in the ARR that it has actually achieved Distribution Loss level of 11.81% during 2023-24 against PSERC projected loss level of 12.30% and thus is eligible for incentive of Rs 83.05 Cr on this account as per Para 2.24 of ARR.

It is submitted here that as detailed in Para 2.3 of the Order dated 11.1.2023 in Petition No 49 of 2022, the Hon'ble Commission had approved Distribution Loss of 11.24%, 10.94% and 10.64% for FY 2020-21, FY 2021-22 and FY 2022-23 respectively for 2nd MYT Period. Further, for the years 2023-24, 2024-

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25 and 2025-26 of the 3rd Control Period, the Distribution Loss level was increased compared with those of 2nd MYT period and approved as 12.30%, 12.10% and 11.90% respectively with following note below Table 8: -

**The distribution loss trajectory shall be subject to revision based on actual figures for FY 2022-23 true up but will not be considered if higher than the approved trajectory. Also, the reduction trajectory of 0.20% shall remain the minimum benchmark subject to actual during true up if achievement is better than 0.20%. "*

In the Tariff Order for 2024-25, while trueing up for 2022-23, the Commission decided to consider the actual transmission losses of 1461.43 MKWH while retaining the target distribution loss of 12.04% for Truing up of FY 2022-23. Thus, no final order in the matter of Targets for the 3rd MYT has been issued and these are still provisional/subject to review. Under these circumstances, no claim of incentive for over achievement of Distribution loss is admissible Hon'ble commission is requested to review and fix the target of Distribution loss trajectory for 3rd MYT as per the actual loss levels of 2023-24.

PSPCL is being allowed loans and getting grants for system improvement works under Central schemes and capital investment plans being approved by PSERC and projecting that such investments will improve the operational efficiency and reduction in losses. Consumers are being made to bear the cost of such work directly and indirectly. However, Distribution losses are in fact increasing/decreasing at the will of PSPCL. As such, the incentive claimed is not to be allowed as per MYT Regulations as per the true up of the previous years.

Reply of PSPCL: PSPCL is striving hard for improvement in technical as well as commercial parameters to reduce losses. Further PSPCL is working on strengthening its sub transmission and distribution network under various schemes and every effort is being made to achieve the Distribution Loss trajectory approved by the Commission. Moreover, to reduce Distribution & AT&C Losses, Smart meters are being installed which will help in achieving 100% billing and also reduce human interface. Thus, it will increase billing efficiency, leading to reduction in AT&C Losses. With all collective efforts as mentioned above, PSPCL is continuously improving the system efficiency and surpassing the target loss for FY 2023-24.

Further to note that PSPCL has been transparently submitting the annual tariff petition every year in which true up of the last concluded year is filed before the Commission. The methodology adopted is in line with the regulatory principles set by the Commission and provisions of the PSERC MYT Regulations. Therefore, PSPCL prays to the Commission to approve the same which are based on the audited annual accounts.

3). Interest on Short Term Loans for Working capital:

The PSPCL has been admitting to raise short term loans to meet the revenue shortfall arising out of disallowances of ARR components, non-receipt of subsidy from the Government, incurring expenditure on unapproved schemes and delayed payments from consumers etc. It is submitted that

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interest on delayed receipt of subsidy is being loaded to the State Govt. while determining the subsidy amount in the tariff orders. Further, PSERC is allowing the carrying cost of difference in revenue and ARR amount including delay in recovery of revenue from consumers. For late payments by consumers, PSPCL is getting Late Payment Surcharge. Therefore, WC Regulations and practice being followed by the Hon'ble Commission so far.

We also request that on the same lines, GPF fund parked with PSPCL by employees (Rs 607.39 Cr ending 31.3.24 as per Format D-13 and G11 for Distribution Business and Generation Business) being used by PSPCL to meet the working capital be also reduced from normative WC and interest on WC be also reduced accordingly and only thereafter interest on GPF be allowed. Alternatively, PSPCL be asked to bear interest on GPF amount from its internal accruals and claim by PSPCL in ARR need to be rejected. It is also seen that the same figures are appearing in format D13 for distribution business and G 11 for Generation business i.e. the same interest amount has been claimed for the two businesses which is wrong.

Reply of PSPCL: It is submitted that PSPCL has been availing working capital loans to meet with its working capital requirements including cash gap arisen due to non-receipt of timely Government dues & subsidy from GOP and due to huge disallowances of expenditure by PSERC. PSPCL has been claiming interest charges on the basis of actual interest paid against the loans availed by PSPCL.

So far as ACD is concerned, it is mentioned that PSERC has already been deducting the ACD while calculating the working capital requirement. As such the interest burden of excess working capital loans is being borne by PSPCL and is not being passed on to the consumers.

Moreover, after the unbundling of PSEB, GPF Trust has been established and GPF subscription of employees is being transferred to Trust by PSPCL on monthly basis. PSPCL is making monthly repayments towards its GPF liability which has been parked to PSPCL at the time of unbundling of PSEB.

Further, it is also submitted that As per regulation 41 (a) of Provident Fund Regulation 1960 "G.P Fund balances, after deducting final payments, permanent and temporary advances as admissible under these Regulations will be available for use by the Board in meeting its Capital Expenditure under the plan. "As such the objection regarding reduction of GPF Balance for calculation of normative working capital and interest thereon is not tenable.

4). RETURN ON EQUITY:

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I) The Commission has approved 15.5% return on equity for 2012-13 to 2015-16 purportedly as per PSERC Regulations as per the FRP approved by GOP increasing the cost of assets by their revaluation and merging the Consumer Contribution, Subsidies and Grants with GOP equity leading to increase in the equity share capital of PSPCL from Rs 2617.61 Cr to 6081.43 Cr which has led to increase of ROE from 405.73 Cr to 942.62 Cr i.e. an increase of 232% in both the figures without any fresh investment or infusion of cash by GOP or PSPCL. This matter was challenged in APTEL and it has already directed PSERC to reconsider the issue vide judgment Dated 17-12-14 in Appeal No 168 and 142 of 2013 as under: -

“48. ----- We direct the State Commission to adjust the excess amount of ROE in the impugned order from the FY 2011-12 onwards in the ARR/True-up for the year to provide relief to the consumers “

“Issue No. (iii) Relating to Return on Equity, Consumers Contributions, Grants, Subsidies etc.

50.3 The findings of this Tribunal in Appeal no. 46 of 2014 shall squarely apply to the present case. The State Commission shall redetermine the ROE as per our directions and the excess amount allowed to the distribution licensee with carrying cost shall be adjusted in the next ARR of respondent no.2.

Accordingly, we request the Commission to re determine ROE for all the years w.e.f. 2011-12 onwards and adjust the same along with carrying cost to provide relief to consumers.

II) Regarding request of PSPCL to consider part of UDAY loans as equity and allowing ROE on the same, it is submitted that APTEL had observed in its order on Appeal No 168 and 142 referred to in preceding para that the Govt can hold any amount as equity in PSPCL (and PSTCL) but ROE needs to be granted only on actually subscribed and paid up equity only i.e. cash money which has been infused, only need to be counted as equity for the purpose of ROE. Further, It is also to be noted that

- a) UDAY MOU between PSPCL, GOP and MOP clearly laid down that 25% of fund taken over by GOP will be converted into equity and balance as GOP grant.
- b) PSPCL and GOP have failed to achieve the targets set in UDAY scheme and therefore, the whole amount be treated as grant of GOP. It is between PSPCL and GOP to decide on the issue between themselves and consumers cannot be made to suffer twice on the same count.
- c) The amount of Rs 15628 Cr approved under UDAY scheme includes unapproved capital and WC loans and funds diverted by PSPCL which cannot form part of funds for conversion into equity and grant.

It has become known that GOI had written to GOP to pay the 50% amount of Rs 4700 Cr (Loss for the year 2022-23) to PSPCL under UDAY scheme. All this will be subject to the outcome of appeal filed by PSPCL in APTEL.

Reply of PSPCL : It is submitted that as per clause 1.2 of the MOU under UDAY Scheme, 75% of the PSPCL's debt on 30.9.2015 amounting to Rs. 15,628.26 Crore were to be taken over by Govt. of Punjab. In compliance with the MOU, NON-SLR Bonds amounting to Rs. 15,628.26 Crore were issued by the Government of Punjab and transferred this amount to PSPCL as Government of Punjab Loan up to 2019-20 and on 31.3.2020, GOP converted its loan into equity. As such, the Capital Expenditure

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incurred through diversion of Working Capital Loans (Rs. 2,346.19 Crore) and Capex Loans (Rs. 2,246.77 Crore), which have been converted into equity, are eligible for claiming Return on Equity as these loans have been specifically used for creation of assets of PSPCL due to the fact that GOP has infused the equity by taking over these loans of PSPCL of equivalent amount. In this regard, it is also submitted that PSERC has not allowed any interest on these loans to PSPCL after conversion into equity by State Govts. As such, PSPCL's plea of claiming RoE of Rs. 1,684 Crore on equity of Rs. 10,673.96 (Rs. 6,081 + 2,346.19 + 2,246.77 Crore) is justifiable.

5). Segregation of Accounts for Generation and Distribution Business:

PSPCL is still following the short cut route of Allocation methodology for segregation of ARR between Generation, Distribution and Retail tariff segments though Electricity Act came into force in 2003 and PSEB was split on 16.4.2010.

PSPCL is submitting the same set of excuses for following the segregation methodology. Every time new regulations are drafted for Determination of tariff during the last 22 years since 2003 and 15 years since 16.4.2010.

We request the Hon'ble commission to fix the dead line (preferably from 1.4.2026) for PSPCL to start compiling separate accounts for the 3 segments when MYT regulations for next control period from 2026-27 are drafted failing which it should use its powers to advise GOP to make separate companies for Generation and Distribution.

PSPCL Reply: The company's assets, liabilities, manpower resources and funds are common and can't be suitably bifurcated. Further, the company has also been considered entity as a whole for resource allocations and decision making as per para 5(b) of Ind AS-108. Hence the mandatory condition of para 5(b) of Ind AS-108 is not met, therefore the company is not mandatorily required to disclose the segment results of generation and distribution. Further, the statement of allocation and apportionment of expenses project wise for Distribution and Generation business separately is already being furnished before the Commission which is being prepared by the professional cost accountant and duly certified by the Cost Auditor.

6). Separate Petition for Determination of Tariff for GATPL:

Vide order dated 05.12.2024 in Petition No. 25 of 2024, the Hon'ble commission had directed PSPCL that GATPL shall file a separate petition for approval of the Hon'ble commission determination of tariff on an annual basis. PSPCL has purchased GVK Power plant at a very meagre lump sum cost of Rs 1080 Cr. (Capital cost of Rs 2 Cr/MW) and is making available cheap coal from its own Pachwara mine to this plant and all the claims/disputed amounts have been brought to NIL. As such, the Consumers should be benefited from the investment to be borne by the consumers. Further, filing of separate Petition for ARR will ensure healthy competition between PSPCL's own thermal plants at Lehra and Ropar vis a vis GATPL owned Goindwal Sahib.

Reply of PSPCL: It is intimated that PSPCL has acquired GVK Thermal Power Plant of GVK Power (Goindwal Sahib) Limited through a SPV named Guru Amardas Thermal Power Limited in Feb-2024.

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Being a separate legal entity, GVK Power (Goindwal Sahib) Limited shall submit a separate petition for determination/true-up of Annual Fixed Charges before Hon'ble PSERC. After adjudication of the same by the Hon'ble PSERC, the benefit of reduction in fixed cost (if any) shall be duly passed on to the consumers of Punjab through Power Purchase Cost of PSPCL.

7). COST OF SUPPLY / HT REBATE:

In compliance to APTEL orders, PSPCL has carried out the study on Cost of Supply, which was a part of ARR 2013-14 and PSERC accepted methodology II of the study. While submitting the comments on cost of supply study, we had pointed out that the study is based on lot of assumptions and sample feeders taken are quite inadequate.

- I. 3619 feeders were identified initially out of 6000+ feeders of PSPCL for study.
- II. Sample size was reduced to 30% i.e.1800 by mutual consent of PSPCL and TERI
- III. PSPCL could supply data for 200 feeders only.
- IV. These were further filtered and finally data of only 166 feeders was used for the study.

The study indicated that even with this data, assumptions had to be taken at every step due to absence of one or other parameter required for the study.

Further, even the assumptions had been so taken that HT/EHT consumers were loaded with unjustified costs and made to share big burden of the ARR.

The T&D losses for 220 and 132 KV consumers had been taken as 6.6% against 2.5% assumed by the commission in the tariff order. T&D losses for agriculture had been taken as 22% whereas these should have been more than 30% as it is well known that these consumers do not install Capacitors, use high wattage bulbs against CFLs permitted free with pump set, use of non- ISI motors and theft of power during paddy season.

It was also pointed out as to how a consumer connected at 220 KV level has been equated with that at 400V LT domestic consumers, this is beyond justification.

Even some figures worked out like cross subsidy figure for 132 and 33 KV looked very unconvincing compared with other voltage levels.

It is evident from the above that cost of supply as worked out in methodology II is not representing the ground realities and needs to be made realistic and finetuned with more data collection on actual basis.

PSERC accepted methodology II and had worked out Voltage wise and category wise Cost of supply for 2013-14 in TO 2013-14. The Commission had further observed in para 5.2.10 of TO as under: -

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5.2.10 It would be ideal to fix electricity tariff for all consumers on cost to serve basis. But historically, there has been extensive cross subsidization in electricity sector. The tariff for consumers, who pay less than the cost to serve, will need to be hiked significantly to cover the gap between the tariff of subsidized consumers and cost to serve these consumers. As such, the Commission is raising tariff of subsidized consumers gradually to reduce such gap, and at the same time avoiding tariff shock to subsidized consumers and bringing the tariffs of various consumers within reasonable difference as compared to cost to serve these consumers

Accordingly rebate for EHT consumers was reintroduced. The practice was continued in 2014-15 and PSERC ordered in the TO as under: -

7.5.3 On the basis of data submitted by PSPCL in its Petition for ARR and Determination of Tariff for FY 2014-15 and the ARR approved by the Commission for FY 2014-15, the Commission has determined the indicative voltage-wise, category-wise cost of supply for the year 2014-15, using Methodology II (Appendix II, Volume-I). Further, in order to move further in the direction of cost of supply, the Commission decides to give rebate as mentioned in para 9.2.2 [Note (vii) under Table 9.1].

The same voltage rebate has been continued in 2015-16 and 2016-17 though the gap of cost of Supply is much more. The Hon'ble commission is therefore requested to: -

- I. Direct the PSPCL to be transparent on the cost of supply and make the complete calculations a part of ARR.
In the ARR for the FY 2025-26, PSPCL has considered the same losses as 2.21% for 400, 220 and 132 KV (page 157 Annexure 23 of replies to deficiencies) but in the ARR of PSTCL for the FY 2025-26 (Form T 33 Losses in the Transmission System and Form T 34 Voltage Wise System Losses), the losses at 400 KV work out as 0.27%, 1.39% at 220 KV and 0.58% at 132 KV. Thus, the Cost of Supply as worked out by PSPCL is not realistic and reliable.
- II. The cost of supply study be made more realistic and reliable by firming up the data required for the study since lot of computerization/digitization has taken place and IT practices have been introduced under APDRP schemes in PSPCL/PSTCL.
- III. As per recent orders of APTEL in an appeal filed by the Objector, it has been ordered that Cross Subsidy Levels worked out on the basis of Cost of supply should be kept less than that of last year. Further cross subsidy levels based on average cost of supply basis should not exceed 20% limit.
- IV. Till the tariffs are determined based on cost of supply, voltage rebate be further enhanced to make it commensurate with the cost of supply.

Reply of PSPCL: PSPCL submits that since the determination of tariff to any category of consumers comes under the purview of the PSERC & it mainly depends upon cost of power being charged to PSPCL by the generators.

Accordingly, Hon'ble the Commission may take considerate decision

8). Issue concerning Electricity tariff for registered units under the Tourism Policy for the Homestay and Bed-and-Breakfast (BnB) Scheme in Punjab:

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As per DO letter No. PHTPB/2023/1222 dated 03.05.2023 from Secretary, Govt. of Punjab, Department of Tourism and Cultural Affairs regarding charging of Domestic Schedule of Tariff to the residential units registered under the Tourism Policy of Govt. of Punjab for the Homestay and Bed-and-Breakfast (BnB) scheme in Punjab and orders of the Hon'ble CM Punjab vide file no. 2615 dated 04.10.2023, as conveyed to Principal Secretary/Power, Govt. of Punjab, vide Director/Tourism & Cultural Affairs letter No. PHTPB/2023/R & S/107-109, Domestic rates for electricity would be charged from the registered Homestay/BnB/Farm Stay units.

There are currently around 100 Homestay and Bed & Breakfast (BnB) units registered under the Tourism Department, Government of Punjab which play a significant role in promoting the rich heritage and culture of Punjab while also creating sustainable employment opportunities for the local population. These Homestay and BnB units operate in the residential areas and sometimes within the owner's home. However presently PSPCL is charging commercial electricity tariffs to these Homestay and Bed & Breakfast (BnB) units which is against the Tourism policy of the Govt. of Pb for such units.

As per Schedule of Tariff for Domestic Supply (SVI specifically SVI.1.2) under Tariff Order for the FY 2024-25, issued by the Hon'ble commission "Paying Guest" are also included under the Domestic Supply (DS) schedule along with others. It is requested that as per policy of Govt. of Punjab, as detailed above, the registered Homestay and Bed & Breakfast (BnB) units may also be covered under the Domestic Supply (DS) schedule.

It is also pointed out here that as per the tourism policies of various other states such as Gujarat, Himachal Pradesh, Maharashtra, Mizoram, Madhya Pradesh, Uttar Pradesh, Uttarakhand, and West Bengal, all Homestay and Bed & Breakfast (BnB) accommodations are charged Domestic Schedule Tariff.

Reply of PSPCL: It is submitted that as per Tariff Order of FY 2023-24, tariff for Home Stay/BnB Units are of a commercial nature, similar to hotels/motels, guest houses etc. and the residential premises are regularly being used for conducting commercial activities. Home Stay/BnB Units distinctly falls under the NRS category.

The States like Himachal Pradesh, Uttarakhand, Haryana and Maharashtra are providing electricity tariff at domestic rates to the Home Stay/ BnB units registered under Tourism Department of the respective States that are located in Rural areas, Tourist destinations and religious places only.

Moreover, the Determination of tariff to any category of consumers comes under the preview of Hon'ble PSERC & it is mainly depended upon cost of supply being charged to PSPCL by the generators, accordingly Hon'ble PSERC may take considerate decision.

C - Comments on True up 2023-2024 (Chapter 2 and Formats)

1. The Total Energy requirement of 70125 MUs were projected by PSPCL in its ARR for the year 2023-24 against which 69077 Mus were approved by PSERC. Accordingly, the Revenue requirement of power purchase was approved in the tariff order. However, now PSPCL has submitted the energy requirement for true up of 2023-24 as 70771 Mus. This shows that there is no scientific forecast of

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the requirement of energy and consumers were made to pay excess tariff worked out on the basis of lower sales of energy figures and PSPCL is now coming out with profit for 2023-24. Further, PSPCL had sought Net Revenue Requirement in the ARR as 42753 Cr against which PSERC approved 39808 Cr. Now in the True up, Net Revenue Requirement has been indicated as 43324 Cr. This needs to be thoroughly studied particularly when the previous years up to 2022-23 ended with a revenue Gap of 4072.27 Cr.

Reply of PSPCL: It is submitted that the actual energy requirement for FY 2023-24 exceeds the approved quantum, driven by a 1.5% increase in the state's overall energy consumption. A notable trend is observed in the energy sales under the Low Tension (LT) network, where Domestic and Commercial (Non-Renewal Subsidy) categories have shown significant growth, whereas the Agricultural (AP) category has registered a decline of approximately 7%. This decrease in Agricultural sales can be attributed to the favorable rainfall during the Peddy season, which reduced the dependence on electricity for irrigation purposes.

In this context, it is argued that the characterization of the forecast as "unscientific" is unwarranted, given that the actual increase in energy consumption is relatively modest at 1.5% above the projected/approved sales. Furthermore, the Net Aggregate Revenue (ARR) of Rs. 43,324 crore for FY 2023-24 is based on audited accounts and actual figures, ensuring a high degree of accuracy. It is worth noting that the Commission's approval of the ARR is contingent upon a thorough prudence check, which provides an additional layer of validation.

2. It is worth noting that the power purchase cost plus Fuel cost for thermal plants in the ARR of 2023-24 was presented as Rs 30033 Cr for Energy requirement of 70125 Mus which works out as Rs 4.28/unit. Now in the true up, the Power Purchase cost + Fuel Cost is indicated as Rs 29717.99 Cr and energy requirement as 70771 Mus i.e. Rs 4.20/unit. This shows that there was saving of 8 paise per unit of PP cost plus fuel cost. This needs to be trued up after prudence check and passed on to the consumers.

Reply of PSPCL: It is submitted that saving in fuel and power purchase cost is passed on the state consumers while truing up of FY 2023-24. It is worth noting that the Commission's approval of the ARR is contingent upon a thorough prudence check, which provides an additional layer of validation.

3. The ARR for true up 2023-24 indicates in Format G 21 that there is no consistency in the actual and projected parameters vis a vis those fixed by PSERC for PSPCL own thermal plants at Ropar and Lehra. The better actual parameters at Lehra and bad actual parameters at Ropar lack any credible justification. Such figures also create problems for fixing base line data for MYT period. PSPCL has claimed actual or normative figures for these thermal plants as per its suitability. As such we request that the revenue for these be allowed strictly as per MYT regulations 2023 applicable for 2023-24.

Reply of PSPCL: Regarding this, the GHTP units are running since year 1999 for more than 24 years and no major R&M has been carried out so far. These units are often operated on partial load due to cyclic power demand conditions of the state of Punjab and many a time, have to be stopped. These factors like high Nos. of Start/ stops, part load operation of units badly affects the efficiency of equipment hence the performance of the units drops. This type of operation is beyond the control of GHTP.

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So the actual parameters vary from the projected values due to the above factors like high Nos. of Start/stops, part load operation of units. However if the plant is allowed to run on optimum load then the performance parameters would be as per projected values and meet the PSERC targets.

Also it is intimated that the parameters are projected keeping in view the probable betterment over the running values by making all out efforts to achieve efficient performance by undertaking regular repair and maintenance of the equipment.

4. ARR indicates the approved power purchase cost for 2023-24 as Rs 5.10 per unit (per Table 2-19). The True up figure submitted for 2023-24 indicate in this table that the actual average cost of purchase is Rs 5.15/unit. If prior period expenses as per para 2.8.5 of ARR are also included, the power purchase cost works out as Rs 5.34/unit. Thus, PSPCL has claimed power purchase cost much above the approved rates whereas it has claimed that the power purchase from power exchange is very cheap and also solar power is being purchased at a very cheap rate. This needs to be checked.

Reply of PSPCL: The prices in the power exchange are highly dynamic and fluctuate significantly based on market conditions, demand-supply scenarios, and other factors. While solar power may be cheaper, the overall average power purchase cost can vary due to these market dynamics and prior period adjustments, as reflected in the ARR.

5. Format D-15 and G-8 titled Fixed Assets and Provision for Depreciation are showing that no segregation has been done for the GFA, Depreciation and NFA for Distribution and Generation business. However, figures in the Table 2-25 show that this segregation is being done. Further, the opening balance for 1.4.2023 is Rs 58119.54 Cr as per D15/G-8 whereas the opening balance on 1.4.2023 in Table 2.25 of ARR 2025-26 has been taken as Rs 57314.62 Cr. Still Further, in the true up of 2022-23 as per table 3-47 of TO 24-25, the closing balance on 31.3.2024 is indicated as 55191.3 Cr. These figures need to be reconciled.

Reply of PSPCL: In this regard it is submitted that PSPCL submitted data related to gross fixed asset and depreciation with segregation of generation business (Format G-8) and distribution business (including common offices) (Format D-15). As per these formats the opening balance (01-04-2023) of GFA is amounting to Rs.58,119.54 Cr and closing balance of GFA is Rs. 60,286.46 Cr, which tallies with figures of approved financial statements. It is brought to the kind notice that opening balance of GFA in format G-8 and D-15 of ARR petition is amounting to Rs. 58,199.54 Cr which includes "Assets not in use" of Rs. 967.94 Cr and excludes the "intangible assets" of Rs. 163.01 crore.

6. Interest on Loans be allowed as per MYT Regulations after disallowing the excess loans taken to meet the unapproved expenditure and diversion of loans to working capital.

Reply of PSPCL : It is submitted that Interest on loans for FY 2023-24 are on actual basis only.

7. As per Para 2.18, Interest on Security Deposit has been claimed as Rs 226.03 Cr and the amount of Security Deposit as per Format D22 A, is 4728.64 Cr. Thus, the rate of interest works out as 4.78% against 6.75% approved by PSPCL as per CC 25 of 2023. This shows that interest might not have been paid to many consumers.

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Reply of PSPCL : The actual expenses incurred on interest on consumer security deposit for FY 2023-24 by PSPCL is Rs. 226.03 Crore during FY 2023-24. The increase in interest cost is due to interest rate hike in FY 2023-24 over FY 2022-23 and also due to increase in the amount of security deposit in FY 2023-24. It is therefore requested that the Hon'ble Commission may kindly allow the actual interest on consumer security deposit to PSPCL for FY 2023-24.

8. Regarding ROE pl refer to para (B)(4) above.

Reply of PSPCL: Please refer to PSPCL reply to para-B (4).

9. Regarding Non-Tariff income depicted in Table D-21, Claim of PSPCL in respect of Sr No 6 (Interest subsidy for REC), 7 (Carrying cost on delayed payments of Subsidy), 8 (Financing cost of LPS from consumers) for reduction from Non-Tariff Income needs to be explained as to why these are being loaded on to consumers. Further Para 27.1 of MYT Regulations provides that Non-Tariff Income will be worked out under 13 (a to i) distinct heads but these details in Table 2-31 and Format D 21 are not given. These may be provided in Reply to Deficiencies

PSPCL Reply: PSPCL submits that the reduction of Interest subsidy for REC, Carrying cost on delayed payments of Subsidy, Financing cost of LPS from consumers from Non-Tariff Income is not meant to load it on to the consumers but, is done as it is the legitimate cost borne by PSPCL on account of the interest paid by PSPCL due to non-availability of funds/ timely subsidies.

D) Comments on Projections 2025-26 (Chapter 3 and Formats)

1) With regard to Distribution Loss for the year 2025-26 in Para 3.7.2, kind attention is invited to Para B (2) above as per which PSERC has already ordered that the target distribution loss levels for the 3rd MYT period of 2023-24 to 2025-26 are subject to review. No review could be undertaken in 2023-24 since PSPCL could not achieve the target loss levels in 2022-23 and base line could not be finalized. In this Para 3.7.2, PSPCL has now requested to retain the approved Target of 11.9% whereas for 2023.24, the actuals are 11.81%. With this PSPCL will again demand

Incentive for over achievement of Targets while truing up the ARR for 2025-26. PSERC is requested to consider the whole position in a holistic prospective and decide the targets for MYT period afresh as per the loss level actually achieved in 2023-24.

Reply of PSPCL: PSPCL has been transparently submitting the annual tariff petition every year in which true up of the last concluded year as per the audited annual accounts is filed before the Commission. The methodology adopted is in line with the regulatory principles set by the Commission and provisions of the PSERC MYT Regulations. Further it is submitted that PSERC allows distribution loss on a normative basis and review the next year trajectory losses based on last year achieved target and as per the MYT regulations only.

2) Para 3.8.9 indicates Levelized tariff of Subansisri project as Rs 5.60/unit whereas in the ARR of last Year 2024-25, the levelized tariff was indicated as Rs 5.38/unit. How the levelized tariff is being changed time and again is not understandable.

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Reply of PSPCL: In this regard it is submitted that the Subansiri Lower HEP project is yet to be completed and commissioned. Further, NHPC has not yet finalized the relevant data for filing of tariff petition before CERC as the anticipated COD might get delayed. NHPC has last intimated the revised Levelized Tariff for Subansiri Lower HEP project is Rs. 5.60/unit. Therefore, at the time of finalization of data of Projections for FY 2025-26, the latest data available toward Subansiri Lower HEP was taken into consideration for the projections. It is further submitted that Levelized tariff is only an indicative tariff and the actual tariff may vary at the time of commissioning of the Subansiri Lower HEP.

3) It is also pointed out here that during bidding of Jalkheri project, the lowest tariff was determined as Rs 5.74/unit The current tariff is not disclosed in the formats which may be checked.

Reply of PSPCL: PSPCL submits that the current tariff for FY 2024-25 of M/s SAEL Ltd. 10 MW Biomass based power plant at Jalkheri is Rs. 5.77/unit.

4) In para 3.8, PSPCL has indicated that the charges for power purchase for many projects have been taken as per the actuals of H1 of 2024-25 + projections of H2 of 2024-25 or as per rates prevailing in Sept 2024 with 5% increase. We submit here that the data of the current year i.e. Revised Estimates for 2024-25 are not available as the practice of submitting RE of ARR for the current year has been discontinued in line with the MYT regulations. The authenticity of such data relating to actuals of H1 of 2024-25 and projections of H2 of 2024-25 may be checked by the Hon'ble Commission as per MYT Regulations.

Reply of PSPCL: It is submitted that as per the PSERC MYT Regulations 2022, only true up of concluded year and determination of ARR of forthcoming year is to be filed. The regulations have ceased the process of reviewing the performance of the current year in which the petition has been filed. Hence, the data for FY 2024-25 has not been included in the current petition. However the projections for ensuing year is made keeping in view and in line with the PSERC MYT Regulations specified by the Commission & Electricity Act, 2003. Further, the Commission approves the same only after its prudence check.

5) Regarding Para 3.8.16 of GVK Plant, it is submitted that this plant has now been purchased by PSPCL but PSPCL has claimed Fixed Charges as approved by PSERC in Petition No 17 of 2023 when the project was being operated as IPP. Thus, Depreciation has been worked out on the basis of GFA of Rs 3072.81 Cr as per Table 17 of the order dated 1.11.2023 in Petition No 17 of 2023 whereas the purchase cost of the project in the hands of PSPCL is only Rs. 1080 Cr. Similarly, Interest is also being claimed on this investment instead of capital cost as per purchase price. This is clearly not permissible. Therefore, AFC needs to be revised for 2025-26 in view of the takeover of plant by PSPCL and PSPCL be asked to explain for these wrong claims.

Reply of PSPCL: It is intimated that PSPCL has acquired GVK Thermal Power Plant of GVK Power (Goindwal Sahib) Limited through a SPV named Guru Amardas Thermal Power Limited in Feb-2024. The AFC for FY 2025-26 in respect to GVK Thermal Power Plant has been considered as Rs 559.54 Crore, the same has been considered as Hon'ble PSERC's Order dated 01-11-2023 in Petition 17 of 2023. The Variable Rate of GVK for FY 2025-26 has been considered same as for Sept 2024. It is

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further submitted that being a separate legal entity, GVK Power (Goindwal Sahib) Limited shall submit a separate petition for determination/true-up of Annual Fixed Charges before Hon'ble PSERC. After adjudication of the same by the Hon'ble PSERC, the benefit of reduction in fixed cost (if any) shall be duly passed on to the consumers of Punjab through Power Purchase Cost of PSPCL.

6) As per Para 3.8.22 to 3.8.24, PSPCL has proposed availability of 1364 MW of solar power and 40 MW of Cogen power at a rate of around Rs 2.50 to Rs 3.00/unit. This will bring down the overall rate of power purchase which should be passed on to the consumers.

Reply of PSPCL: The figures of solar power & Co-gen power along with tariff have already been submitted in the True-up petition. The benefit for lower cost of power purchase will automatically be passed to consumers.

7) PSPCL is referring to the fixed and variable cost of H1 and H2 of FY 2024-25 in many sub-paras of para 3.8. However, the power purchase data of FY 2024-25 is not provided in the ARR and the authenticity of the figures of FY 2024-25 cannot be checked without the availability of corresponding figures of FY 2024-25.

Reply of PSPCL: It is submitted that as per the PSERC MYT Regulations 2022, only true up of concluded year and determination of ARR of forthcoming year is to be filed. The regulations have ceased the process of reviewing the performance of the current year in which the petition has been filed. Hence, the data for FY 2024-25 has not been included in the current petition. However the projections for ensuing year is made keeping in view and in line with the PSERC MYT Regulations specified by the Commission & Electricity Act, 2003. Further, the Commission approves the same only after its prudence check.

8) With regard to Para 3.8.26, it is submitted that power is being purchased and payments are being made by PSPCL to M/s Indian Sucrose Ltd though on interim basis. These need to be counted in the ARR as per interim rates allowed by Court as per practice being adopted for Central Generating Stations (CGS projects) where court cases are pending. Non counting of energy injected into the grid will lead to distortion of figures of Energy and Distribution losses.

Reply of PSPCL: The power purchase cost and energy of M/s Indian Sucrose Ltd. Co-gen plant has not been taken in FY 2025-26, as PSPCL is currently procuring power from M/s Indian Sucrose Ltd. on interim basis as per the orders of Hon'ble APTEL till the disposal of the Appeal only.

9) Similarly, regarding Para 3.8.27, if the injection of power is being accepted by PSPCL then the same should be reflected in the ARR for proper accounting of energy. The ad hoc payments being made as per orders of Competent authority be also indicated accordingly.

Reply of PSPCL: The Power Purchase Agreement (PPA) with M/s Punjab Hydro Power Pvt. Ltd. has already expired. The current procurement of power from Punjab Hydro is being carried out as an interim arrangement in compliance with the Hon'ble APTEL's interim order dated 21.11.2024. This arrangement, priced at Rs. 3.50/kWh, will remain in effect only until the final decision in Appeal No. 474 of 2024, which may be issued at any time in the future. Considering the uncertainty surrounding the continuation of this power injection, its inclusion in the ARR at this stage would not be appropriate, as it may lead to discrepancies in energy accounting. Once a final decision is reached and a permanent arrangement is established, the necessary adjustments can be made accordingly.

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10) Para 3.8.28: The cost of RECs should be disallowed. According to PSERC order dated 21.11.2024 in Petition No 44 of 2024, PSPCL is surplus of 1684 MUs of RE energy ending 2023-24 which have been allowed to be carried forward to meet RPO liability in 2024-25 onward. As PSPCL rarely purchase RECs in spite of provision in the ARR and always files Petition to carry forward the RPO liability, the cost may be allowed only on the actual expenses basis.

Reply Of PSPCL : In this regard, it is submitted that the cost of RECs for FY 2025-26 has been considered as Rs. 53.54 Crore because after considering long term arrangements of RE, there is expected shortfall in RPOs in FY 2025-26. To achieve the targets for FY 2025-26, either PSPCL has to purchase short term RE power or to purchase Renewable Energy Certificates (RECs). The short term power will be purchased as per its availability and viability. Therefore, keeping in view the RPO status of PSPCL for FY 2025-26, provision for the cost of purchase of RECs may be kept. However, the actual expenses incurred for such purchases, if any may be allowed while True-up of specific financial year, as also the market prices of RECs are very much volatile.

11) Para 3.8.31: PSPCL has indicated that it is surplus in power and has shown power to be surrendered in Format D2 as 7810.47 Mus in 2023-24 and 2744.22 Mus in 2025-26. However, In the TO 2024-25 Table 5.2, the surrendered power was indicated as 7531 Mus in 2023-24 and 204 Mus in 2024-25. On these projections, PSERC discontinued the Threshold rebate of industries but now the surplus scenario is again being presented in 2025-26 . We request the honorable Commission to check the figures being presented by PSPCL thoroughly so that consumers are not unduly burdened. We request that Threshold rebate may be allowed in 2025-26 onward as such power is used in winter months when system is heavily under loaded and PSPCL's thermal plant are underutilized this acts as an incentive for industry to increase the consumption of energy and reduces overall rate of power purchase of PSPCL.

Reply of PSPCL: In the post-COVID era, PSPCL has experienced a sustained rise in energy demand, creating significant challenges in power planning and resource optimization. While some power surrender is projected in the upcoming year, surplus availability remains uncertain due to seasonal variations, unexpected demand surges, and evolving system dynamics. Since surplus power is not consistently available across years, the tariff structure should continue aligning with future demand patterns while ensuring efficient resource utilization. Therefore, the threshold rebate should not be reintroduced.

12) One unit of Lehra Mohabbat (Unit No 2) is lying idle due to damaged ESP since 13.5.2022. Had this been available, the power availability would have further increased, and more power could be sold. Now PSPCL is taking action to revive the unit after 2.5 years (As per orders dated 11.12.2024 in Petition No 59 of 2023) and thus the actual surplus would be more than projected. Further the period taken by PSPCL to revive the unit is abnormally high and not justified in any way. Therefore, the expenditure approved in ARR for the years 2022-23, 2023-24 and 2024-25 be disallowed proportionately for unit 2.

PSPCL Reply: It is submitted that GHTP Unit-2 is under shutdown due to ESP breakdown since 13-05-2022. Period taken for revival of Unit-2 is more than 2.5 years. But during this period GHTP put up Agenda No. 07/MM-1/O&M dated 17-10-2022 for dismantlement & disposal of damaged ESP of

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Unit-2. In the 271st WTD meeting held on 20-10-2022, a committee was formed for recommending the disposal of damaged ESP of Unit-2. After accepting the recommendation of the committee to 273rd WTD meeting held on 09-12-2022 again Agenda was placed on 22-03-2023 for accepting the H1 rates discovered by e-auction for dismantlement and disposal of ESP of Unit-2 in the WTD meeting . The sale order has been issued on 03-04-2023 for dismantling & disposal of damaged ESP of Unit-2 and this was completed on 23-08-2023.

After the approval of the WTD meeting against agenda no. 07/MM-1/O&M dated 17-10-2022 for revival of Unit-2 GHTP for restoration of ESP then Agenda no. 08/MM-1/O&M/GHTP dated 09-03-2023 was placed in the BOD for allocation of capital funds. BOD approved the restoration of ESP of Unit-2 GHTP in its 99th meeting held on 14-03-2023 & allocate the capital funds. Then work order no 395/PCM-452/23-24 dated 16-08-2023 & work order no.48/MM-1/BMC-376 dated 16-08-2023 for different type of works have been placed to M/s BHEL. In reference to the above, it is intimated that after the incident 4 agendas were put up to WTD's and 1 agenda was put up to BOD for dismantlement, disposal of damaged ESP of Unit-2 and for the restoration of damaged ESP/revival of Unit-2. All the above activities were completed in 2.5 years.

13) Para 3.8.34: The variable rate of power from Mundra has been taken in Table D3 as Rs 3.91 at Sr No 54 whereas Rate as per Sept, 24 MOD is Rs 3.88/unit i.e. increase of only 0.03 paisa. However, the rate as per Para 3.8.34 has been increased by 5% over Sept 2024 prices. Thus, either of the two statements is wrong.

Reply of PSPCL: It is submitted that the actual rate was Rs. 3.728/unit in MOD for the month of Sep-24. Escalation of rate@5% has been increased over Sep-24 i.e. 3.91/unit.

14) The Capital Expenditure proposed by PSPCL as per Table 3.14 for the year 2025-26 is 5657.15 Cr including Generation and Distribution business. However, Hon'ble commission has approved an amount of Rs 2173.29 Cr vide table 54 of PSERC order dated 11.1.2023 in Petition No 49 of 2022. In spite of instructions of the Hon'ble Commission that the capital Expenditure of Shahpur Kandi Dam shall be considered after the COD, still the capital investment and interest is being claimed by PSPCL for Shahpur Kandi in the ARR just to inflate the ARR and load the consumers. As such Hon'ble Commission may approve the Capital expenditure strictly as per the Business plan already approved.

Reply of PSPCL : It is submitted that PSPCL proposed the capital expenditure for the FY 2025-26 is 5657.15 Cr (Generation and Distribution business combined) against the approved an amount of Rs 2173.29 Cr (vide table 54 of PSERC order dated 11.1.2023 in Petition No 49 of 2022). The detailed reasons for the same (project wise) are already submitted to the Hon'ble commission in reply to deficiency in order dated 20.01.2024 in Petition No 61 of 2024 (details of the same are available in PSPCL website). It is further submitted that the capital expenditure of Shahpurkandi project shown in formats is just for the purpose of information only and is not claimed by the PSPCL. The same will be claimed after the COD only.

15) No comments can be offered on depreciation (Table 3-15) as the opening GFA figures are not available due to non-disclosure of RE for the FY 2024-25 in the ARR.

Reply of PSPCL: The Current petition filed by PSPCL is for the true up of FY 2023-24 and determination of ARR for FY 2025-26 and does not include review of FY 2024-25 as per the

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provisions of MYT Regulations 2022. Further PSPCL has been transparently submitting the annual tariff petition every year & the methodology adopted is in line with the regulatory principles set by the Commission and provisions of the PSERC MYT Regulations.

16) Regarding Para 3.11 for ROE, pl refer to para (B)(4) above.

Reply of PSPCL: Please refer PSPCL reply for the point No. B(4) above.

17) Interest on Long term Loans Para 3.12, we submit as under:

- I. Claim of Rs 158.63 Cr towards interest for long term loan for Shahpur Kandi in Format G14 is IDC and should be capitalized at the time of COD of the project. Therefore, this interest item is not admissible here. Similarly, the Capital Works in Progress Format G-13, Sr No 8 shows investment for Shapur kandi Project which should also be considered after COD. The figures in Table 3-17 be also corrected accordingly.

Reply of PSPCL: As per PSERC Order, the Capital investment and Capitalization shall be considered after the COD of the project

- II. The Long-term loans are being taken against DPRs in which the payback period is also worked out based on the savings through such capital works. However, no such statement of improvement in performance is enclosed with the demand of long-term loans and interest thereupon in ARR. It is evident that in-spite of loans and grants being approved by the Hon'ble Commission and State/Central agencies, PSPCL has been not following the trajectory of T&D losses and repeatedly changing its stance on the loss trajectory levels being fixed by the Commission. Similarly, in-spite of huge year on year expenditure on System improvement works, the quality of power supply has not improved. As such, the proposals of PSPCL and PSTCL need to be scrutinized appropriately so that investments being made at the cost of Consumers achieve the goals and the tariff to consumers is reduced.

Reply of PSPCL: It is submitted that PSPCL is working hard and made all efforts to improve and achieve the Distribution Loss trajectory approved by the Commission. In line to this PSPCL has taken concrete steps to increase its Billing and Collection Efficiency, timely replacement of defective meters and strengthening of its sub transmission and distribution network under various schemes. Moreover, to reduce Distribution & AT&C Losses, Smart meters are being installed which leads to 100% billing and also reduces human consumer interface. For precise monitoring of losses, reconciliation of energy with losses, smart meters will be installed at Distribution Transformers and Feeders under Modernization Works and will also do various Infrastructure works to strengthen the Transmission and Distribution network under RDSS Scheme to bring down the losses

18. The amount of Security (Consumption) and Interest on Security for 202526 (Para 3.13) has been shown as same of 2023-24 indicating that there is / will be no increase in Load by consumers and no new connections have been / are to be released by PSPCL in 2024-25 and 2025-26. However, Format D-25 (B) shows the no. of consumers in 2023-24 as 93.56 Lakhs and in Format D26 (A) for 2025-26 as 99.85 Lakh. The Connected load for 2023-24 is 36241 MW whereas for 2025-26,

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connected load is 36675 MW i.e. increase of 434 MW. This aspect has been ignored by PSPCL while preparing the ARR.

Reply of PSPCL: Interest on consumer security deposit for FY 2025-26 is calculated in accordance with Regulation 24.2 of MYT Regulations 2022. The relevant excerpt of the regulation is reproduced as under:

"Interest on security deposits made by the consumers with a Licensee, if any, shall be considered at the rate specified by the Commission from time to time and allowed as an item of expense in the ARR of the Distribution Licensee."

Expenditure on account of interest on consumer security deposit is estimated to be Rs. 226 Crore, same as that incurred in FY 2023-24. PSPCL requests the Hon'ble Commission to kindly allow the interest on consumer security deposit.

19. The demand for Rs 6.5 Cr towards DSM Fund is excessive keeping in view the meager 0.04 Cr expenditure in the true up of 2023-24. Therefore, there should be no provision for the DSM fund in the ARR and it should be approved based on actual basis during true up after prudence check.

Reply of PSPCL: Demand Side Management (DSM) has been traditionally recognized as one of the major interventions to achieve reduction in energy demands while ensuring continuous development. In recent past, DSM has gained unprecedented importance and has become an integral part of almost all the central and state missions on promotion of Energy Efficiency. DSM interventions have helped utilities not only to reduce the peak electricity demands but also to defer high investments in generation, transmission, and distribution networks. So, it is utmost important to have a budget for DSM works.

Further, Hon'ble Commission will approve the expenses only after the prudence check of the entire submission of PSPCL based on audited balance sheet and future projections.

20. The non tariff income under true up of 2023-24 is Rs 1098.70 Cr whereas for the 2025-26, it has been reduced to Rs 1065 Cr. This needs to be checked up as full details are not given. Further comments given at Para 10 above are also applicable here and may be considered accordingly.

Reply of PSPCL: PSPCL has been transparently submitting the petition for the True up for FY 2023-24 and as per the audited account of balance sheet for F.Y. 2023-24. For filing ARR of FY 2025-2026 the methodology adopted by PSPCL is in line with the regulatory principles set by Hon'ble Commission and provisions of the PSERC MYT Regulation, 2022. The Commission does a thorough scrutiny of the Petition filed by PSPCL and grant approval following the transparent process

E) Revenue Realized

It is observed that as per table 2.37, the tried-up figures of 2023-24 reveal that revenue recovered at existing tariff is indicated as Rs 42293.42 Cr against the approved figure of Rs 41704.42 Cr (Table 7.1 of Tariff Order for the FY 2023-24). Thus, the increase in revenue is 589 Cr. Correspondingly, the actual sales are depicted as 61313 MUs against approved sales of 59211 MUs (Table 2-21 of ARR Sr.

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No. 3 + 11 +12). Accordingly, the increase in sale of power is 2102 MUs which indicates that additional power has been sold @ Rs 2.80 per unit only. Thus, the revenue realization figures are not correct.

PSPCL Reply : It is submitted that PSPCL has filed a detailed petition for the True up for FY 2023-24. The methodology adopted by PSPCL for filing the petition is very well elaborated in the Petition and is in line with the regulatory principles set by Hon'ble Commission and provisions of the PSERC MYT Regulations, 2022. The revenue figures are as per the audited accounts, which have been audited by the statutory auditors & the CAG. Moreover, Hon'ble Commission will approve the expenses only after the prudence check of the entire submission of PSPCL based on audited balance sheet.

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