

# Analysis of OPTCL's ARR and Transmission tariff for FY 2013-14

By:

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# Proposal of OPTCL

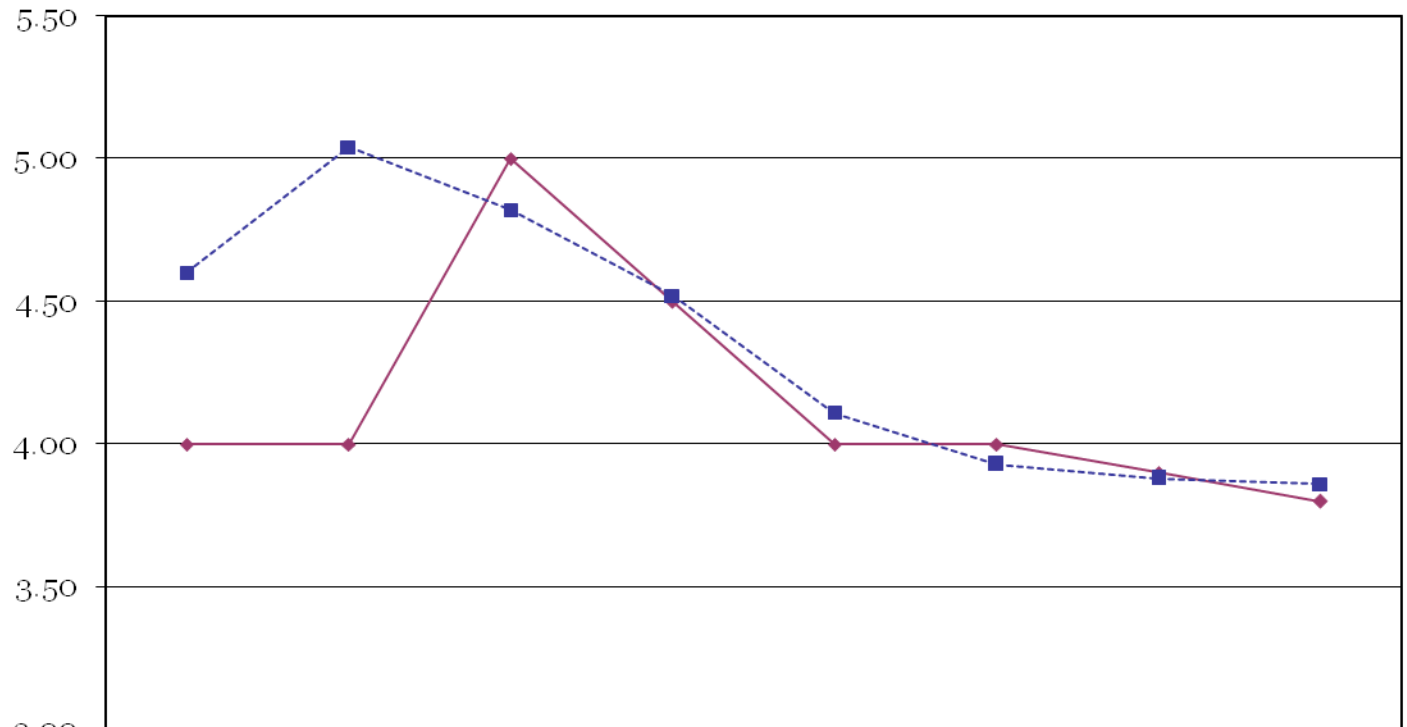
# Proposed Revenue Requirement for FY 13-14 (Rs crore)

Employee Cost	341.20
R&M Cost	108.91
A&G Cost	23.09
Interest on loan	121.11
Interest on Working Capital	31.46
Depreciation	172.85
Return on Equity	49.04
<b>Sub-total</b>	<b>847.67</b>
Contingency Reserve	16.73
GCC Expense	0.30
Incentive	10.05

Total ARR: Rs 874.75 Cr; after Misc receipt of Rs 12 Cr, the net ARR to be recovered: Rs 862.75 Cr.

# Analysis of ARR and Transmission Tariff

# Transmission loss



◆ Approved (%)	4.00	4.00	5.00	4.50	4.00	4.00	3.90	3.80
■ Actual audited (%)	4.60	5.04	4.82	4.52	4.11	3.93	3.88	3.86

Proposed for FY 2013-14 : 3.80%

# Employee cost incl. terminal benefits (Rs Cr.)

Item	Proposed for 2011-12	Approved 2011-12	Proposed 2012-13	Approved 2012-13	Proposed for 2013-14	Proposed 13-14 vs Approved 12-13	Remarks
Gross amount	961.66	347.74	664.9	323.1	349.48		* Terminal benefit -FY 11-12: Rs 176.36 cr and FY 12-13: Rs 129.80 cr
capitalization	9.60	9.6	9.54	4.64	8.28		
Net employees cost	952.06	338.14 *	655.4	318.5 *	341.2	7.13%	
		<b>12-13 approved</b>		<b>13-14 proposed</b>		<b>% increase</b>	
Basic pay +GP			62.69		69.74	11.25%	
DA			45.14		59.98	32.88%	
HRA			9.40		13.95	48.40%	
Medical Expenses			3.13		3.49	11.50%	
Stipend			3.39		2.68	-20.94%	
Provision towards arrear pay revision			49.04		14.09 (wage revision)	-71.27%	
Terminal benefit			129.80		144.13	11.04%	
Payment of differential pension			10.00		23.00	130.00%	
Others			10.53		18.42	74.93%	
Less capitalization			4.64		8.28	78.45%	
<b>Total</b>			<b>318.48</b>		<b>341.20</b>	<b>7.13%</b>	

# Employee cost incl. terminal benefits (contd.)

## Submission

- OPTCL has requested 7.13% rise in employee cost including terminal benefit.
- Basic Pay + GP: Yearly escalation of 3% shall be allowed over the approved/actual amount of 2012-13 and actual number of employee.
- DA: The DA proposed for 2013-14 (86% of basic + GP) should be as per prevailing rate decided by Govt of Odisha.
- HRA: The HRA proposed for 2013-14 (@ 20% of basic + GP ) may be reviewed according to norms and audited data.
- Provision towards wage revision, enhanced in salary and stipend to new recruited may be reviewed.
- Terminal benefit and differential pension: may be reviewed considering the valuation report of the Independent actuary appointed by OERC and Govt directives.
- Further, OPTCL in its additional submission projected Rs 3 cr over employee cost towards outsourcing: needs to be reviewed.

# R&M Expenses (Rs crore)

Year	R&M Expenses approved by OERC	Actual R&M Expenditure
2006-07	36.00	11.31
2007-08	47.00	16.52
2008-09	53.88	15.66
2009-10	47.00	26.14
2010-11	60.00	28.31
2011-12	75.00	45.70 (Provisional)
2012-13	95.02	37.86 (Upto Nov 12) 95.02 (Estimated)
2013-14		108.91 (Proposed)

Particulars	Proposed FY 2013-14
a) O&M	83.08
b) Telecom	14.59
c) Civil Works	6.00
d) IT	5.24
<b>Total R&amp;M</b>	<b>108.91</b> <b>(14.62% increase over approved in FY 12-13)</b>

## Submission

Comparison of the approved and actual R&M expenses in last few years reveals that OPTCL actually incurred less expenditure than approved; therefore, consumer should not be burdened with excessive projected R&M expenses. In actual cash flow towards R&M upto Nov 12, OPTCL has made an expenditure of Rs 37.86 cr only.



# A&G Expenses (Rs crore)

	10-11 approved	11-12 Projection	11-12 approved	12-13 projection	12-13 approved	13-14 proposed
A&G Expenses	15.14	38.34	18.00	39.11	21.25	23.09
% increase over last year			18.89%		18.06%	8.66%

## Submission

- Hon'ble Commission have linked the yearly escalation in A&G expenses with growth in WPI.
- Average WPI increase in 2012-13 (April-Dec) over 2011-12 period is 6.74%. So, **allowable A&G may be Rs 19.24 crore plus inspection fee and licensee fee.**

# O&M Expenses as per CERC

Segregation of Bays	No. of Bays	O&M expenses Rs. Lakh / bay	Total O&M Expenses (Rs. in Cr)
765 kV	0	91.64	0.00
400 kV	32	65.46	20.95
220 kV	229	45.82	104.93
132 kV and below	1413	32.73	462.47
<b>TOTAL O&amp;M EXPENSES FOR BAYS =</b>			<b>588.35</b>
Segregation of EHT lines	ckt. km of line	O&M expenses Rs. Lakh / km	Total O&M Expenses (Rs. in Cr)
Single Circuit (Bundled conductor with four or more sub-conductors)	0.00	0.671	0.000
Single Circuit (Twin & Triple Conductor)	241.50	0.447	1.080
Single Circuit (Single Conductor)	3984.45	0.224	8.925
Double Circuit (Bundled conductor with four or more sub-conductors)	0.00	1.174	0.000
Double Circuit (Twin & Triple Conductor)	276.73	0.783	2.167
Double Circuit (Single Conductor)	6841.51	0.336	22.987
<b>TOTAL O&amp;M EXPENSES FOR LINES =</b>			<b>35.16</b>
<b>AGGREGATE O&amp;M EXPENSES FOR BOTH LINES &amp; BAYS =</b>			<b>623.51</b>

Projected O&M: Rs 473.20 Crore (Employee:341.20, R&M:108.91, A&G:23.09);  
whereas as per CERC Regulation it is Rs 623.51 Crore.

# Loan liability

## **Observation:**

- OPTCL has reported State Govt (cash loan) balance of the tune of Rs 2 crore and requested to allow Rs 0.26 crore as a interest component of state Govt loan in the ARR.
- OPTCL has proposed new loans of Rs 351.11 crore (during 12-13) and Rs 543.82 crore (during 13-14) at interest rate of 12.25%.

## **Submission:**

- Interest on State Govt. (Cash loan) should be kept in abeyance as per Govt directive and earlier OERC orders.
- Interest of Rs 54.81 crore on new loan shall not be allowed in the ARR of FY 2013-14.
- The loans availed from REC and PFC need review.

# Capex Plan

<b>Capex Projected:</b>	<b>Capex plan given in ARR for 2013-14 (Rs Cr.)</b>
O&M	67.96
Telecom	48.05
Information Technology	14.51
TP & Con. (Excluding Deposit Works)	485.11
Civil Works	24.16
<b>Total Capital Expenditure</b>	<b>639.79</b>

# Gross fixed asset and depreciation

Gross fixed asset	As on 1-4-2011 (actual)	Addition in 2011-12	As on 1-4-2012	Addition in 12-13 (Given in ARR 13-14)	As on 1-4-2013
Option 1:	2302.15	135.58 (Given in ARR of 13-14)	2437.73	416.57	2854.30
Option2:	2302.15	227.34 (approved by Commission)	2529.49	416.57	2946.06

## Submission:

- Consumer counsel has calculated the Gross Fixed Asset by taking reference of actual and approved GFA as on 1.04.2011 and 1.04.2012 respectively.
- Summing the yearly asset addition (FY 11-12 & FY 12-13 as given in ARR), the GFA arrived is lower than that claimed by OPTCL.
- Commission may review the corresponding GFA and adjust the depreciation claimed accordingly.

# Gross fixed asset and depreciation (contd.)

Particulars	Depreciation Rate prescribed by CERC Regln. 2009	Depreciation @ Pre-92 Rate as per GoI Notification	Gross Block (01.04.12) (Prov.)	Gross Block (01-04-13) (Projected)	Deprcn. for FY 13-14 as per CERC Regln.	Deprcn. for FY 13-14 @Pre-92 Rate
Land and Rights	0.00%	0.00%	36.48	41.67	0	0.00
Buildings	3.34%	1.80%	78.64	89.82	3.00	1.62
Plant & Machinery (Other Civil works)	3.34%	1.80%	4.79	5.47	0.18	0.10
Plant & Machinery	5.28%	3.80%	1387.20	1584.48	83.66	60.21
Plant & Machinery (Lines, Cables & Network Assets)	5.28%	2.57%	1405.92	1605.87	84.79	41.27
Vehicles	9.50%	12.86%	1.50	1.71	0.16	0.22
Furniture, Fixture	6.33%	4.55%	2.57	2.94	0.19	0.13
Office Equipment	6.33%	9.00%	12.02	13.73	0.87	1.24
<b>TOTAL</b>			<b>2929.12</b>	<b>3345.69</b>	<b>172.85</b>	<b>104.79</b>

# Return on equity, Reserve & others

## Observation:

- Equity share capital claimed by OPTCL: Rs 253.07 Crore = Rs 60.07 crore (time of de-merger) + Rs 143 crore (received upto FY 11-12) + Rs 50 crore (during FY 12-13).

## Submission:

- Commission shall not allow RoE on equity available at the time of de-merger.
- Rs 50 crore equity share capital and rate of return @ 19.38% need to be verified.
- Disallow the claim for further Contingency reserve and interest on working capital.
- Incentive claimed by OPTCL should be verified.

# Summary of ARR (2013-14)

ITEMS	Approved for 2011-12	Approved for 2012-13	OPTCL's Proposal for FY 2013-14	12-13 vs. 11-12	13-14 vs 12-13
Employees Cost including Terminal Benefits	338.14	318.48	341.20	-5.81%	7.13%
R&M Cost	75.00	95.00	108.91	26.67%	14.64%
A&G Cost	18.00	21.25	23.09	18.06%	8.66%
Interest on Loan Capital	61.33	35.33	121.11	-42.39%	242.80%
Depreciation	79.42	78.57	172.85	-1.07%	119.99%
Return on Equity	7.45	22.17	49.04	197.58%	121.20%
Interest on Working Capital			31.46		
<b>Sub-Total</b>	579.34	570.80	847.66	-1.47%	48.50%
Special Appropriation	33.93	38.71		14.09%	-100.00%
Contingency Reserve			16.73		
GCC Expense including SLDC charges	1.00	1.02	0.30	2.00%	-70.59%
Incentive for system availability	2.00	2.00	10.05	0.00%	402.50%
<b>Total</b>	616.27	612.53	874.74	-0.61%	42.81%
<b>Less Misc. Receipts</b>	43.77	25.51	12.00	-41.72%	-52.96%
<b>Annual Revenue Requirement</b>	572.50	587.02	862.74	2.54%	46.97%
<b>Transmission Charges (paise/unit)</b>	25.00	25.00	33.80	0.00%	35.20%



# Proposed Transmission tariff

Sl.No	Customer	Commission's approval for FY 12-13 (MU)	MU to be handled in FY 13-14	Rate (P/U)	Tr. Loss (%)	Energy handled including Loss	Amount (Rs. Crore)
1	CESU	8236	8854	25	0	8854	221.35
2	NESCO	5306	6100	25	0	6100	152.50
3	WESCO	6496	6821	25	0	6821	170.53
4	SOUTHCO	3047	3350	25	0	3350	83.75
	<b>Total DISCOMs</b>	<b>23085</b>	<b>25125</b>			25125	<b>628.13</b>
5	Emergency Sale to CGPs	100	100	25	0	100	2.50
6	Wheeling to industries from CGPs	300	300	25	3.8	312	7.80
	<b>Total</b>	<b>23485</b>	<b>25525</b>			<b>25537</b>	<b>638.43</b>

Total Annual Revenue Requirement for FY 2013-14 (Rs crore)	862.75
Total Units proposed for Wheeling (in MU)	25525
Less: Revenue to be earned from LTOA Customers (Rs crore)	638.43
Deficit in ARR for FY 13-14 at the existing Transmission Charge @ 25 P/U	-224.32
<b>Proposed transmission tariff (P/U)</b>	<b>33.80</b>

# Open access charges

	<b>2012-13</b>	<b>2013-14</b>	
Long term OA charges (Rs / MW/ Day)	6000	8112	Proposed increase of 35.20%
Short term OA charges (Rs / MW/ Day)	1500	2028	

# Summary

- OPTCL has proposed a hike of 35.20% in transmission tariff .
- The increase in transmission tariff is resulted due to higher claim of OPTCL in following components:  
Employee cost incl. terminal benefits and pension/R&M expenses/ A&G expenses/ Interest on new loan and old state govt. loans/ Gross fixed asset and depreciation/ RoE, Contingency reserve, and Interest on working capital.
- Hon'ble Commission may consider the submission of consumer counsel and finalize the transmission tariff at appropriate level.

Thank you