

Transmission Corporation of Andhra Pradesh Limited (State Transmission Utility)

True up for Transmission Business for Second Control Period (FY 2009-10 to FY 2013-14)



16th March 2015

BEFORE THE HONOURABLE ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

AT ITS OFFICE AT IVth FLOOR, SINGARENI BHAVAN, RED HILLS, HYDERABAD

FILING NO. _____/2015

CASE NO. _____/2015

In the matter of:

Filing of the True-up for the Second control period (FY 2010-2014) for its Transmission Business under Section 26(5) of the Andhra Pradesh Electricity Reform Act, 1998 (hereinafter referred to as 'the Act') and under Part VII (Section 61 to Section 64) of the Electricity Act, 2003 read with the relevant APERC Guidelines and Regulations till date, by the Transmission Corporation of Andhra Pradesh Limited ('APTransco' or 'the Licensee') as the Transmission Licensee and as SLDC operator.

In the matter of:

TRANSMISSION CORPORATION OF ANDHRA PRADESH LIMITED


... Applicant

AFFIDAVIT OF APPLICANT VERIFYING THE APPLICATION ACCOMPANYING FILING OF TRUE-UP FOR TRANSMISSION BUSINESS FOR 2nd CONTROL PERIOD

I, K. VIJAYANAND, S/o Dr. K. Narasimhulu, working for gain at the Transmission Corporation of Andhra Pradesh Limited do solemnly affirm and say as follows:


1. I am the Chairman and Managing Director (FAC) of APTransco, the licensee company operating and controlling the Transmission Business & SLDC Activity of electricity in Andhra Pradesh pursuant to the license granted by the Hon'ble Commission. I am competent and duly authorised by APTransco to affirm, swear, execute and file this affidavit in the present proceedings.
2. I have read and understood the contents of the accompanying Filing of True-up for 2nd Control period. The statements made in the paragraphs of the accompanying application

now shown to me are true to my knowledge derived from the official records made available to me and are based on information and advice received which I believe to be true and correct.


DEPONENT

VERIFICATION:

I, the above named Deponent solemnly affirm at Hyderabad on this 16th March, 2015 that the contents of the above affidavit are true to my knowledge, no part of it is false and nothing material has been concealed there from.


DEPONENT

Solemnly affirmed and signed before me.


COMPANY SECRETARY
APTRANSCO, HYDERABAD.

BEFORE THE HONOURABLE ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

AT ITS OFFICE AT IVth FLOOR, SINGARENI BHAVAN, RED HILLS, HYDERABAD

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In the matter of:

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In the matter of:

TRANSMISSION CORPORATION OF ANDHRA PRADESH LIMITED

... Applicant

The Applicant respectfully submits as under: -

1. Pursuant to the applicable provisions of the Andhra Pradesh Electricity Reform Act, 1998, the Government of Andhra Pradesh undertook the reform and restructuring of the erstwhile Andhra Pradesh State Electricity Board ('APSEB'). APTransco was formed as a successor entity of the erstwhile APSEB through the First statutory transfer scheme notified in the official gazette on February 1, 1999 to manage the Transmission and Distribution business of erstwhile APSEB. Subsequently, the State Government notified the Second Transfer Scheme on March 31, 2000 ('the Second Transfer Scheme') wherein APTransco retained the Transmission, SLDC and Bulk Supply business of the state with itself, while transferring the Distribution and Retail supply of the state to the four Distribution Companies formed in the state viz (i) Eastern Power Distribution Company of Andhra Pradesh Limited, (ii) Southern Power Distribution Company of Andhra Pradesh Limited, (iii) Central Power

Distribution Company of Andhra Pradesh Limited, and (iv) Northern Power Distribution Company of Andhra Pradesh Limited (collectively referred to as 'Discoms').

2. Pursuant to obtaining independent licensees by the Discoms in December 2000, APTransco has relinquished its Distribution & Retail Supply Licence.
3. Subsequently on June 7, 2005, the State Government notified the Third Transfer Scheme in its official gazette wherein the Bulk Supply business and undertaking of APTransco is vested to the Discoms with effect from June 9, 2005. As a result, APTransco is presently carrying out solely the Transmission as the State Transmission Utility (STU) in the State.
4. This filing for True-up is in accordance with the provisions of the Reform Act, the Electricity Act 2003, the License granted by the Hon'ble Commission to APTransco on January 31, 2000 and the Guidelines and Regulations including the regulations pertaining to Transmission, SLDC, Open Access, etc., issued by the Honorable Commission till date.
5. As per the Commission's Regulations, the 1st control period is 3 years in case of Transmission business i.e. from FY 2006-07 to FY 2008-09. Accordingly, APTransco had already filed MYTs for the 1st control period, separately for Transmission and SLDC businesses. Based on MYT submitted by APTransco for 1st control period, APERC had already issued MYT for the 1st control period (FY 2006-07 to FY 2008-09).
6. As per the Commission's Regulations, the 2nd control period is 5 years in case of Transmission business i.e. from FY 2009-10 to FY 2013-14. Accordingly, APTransco had already filed MYTs for the 2nd control period, separately for Transmission and SLDC businesses. Based on MYT submitted by APTransco for 2nd control period, APERC had already issued MYT for the 2nd control period (FY 2009-10 to FY 2013-14).
7. The Commission had computed True-up of transmission business of 1st Control Period for united AP based on the audited balance sheets for the entire control period i.e. FY2006-07 to FY2008-09. APTransco has filed herein the True-up for the Transmission Businesses for Second control period (FY 2009-10 to FY 2013-14) for united Andhra Pradesh.

8. Considering change in energy infrastructure environment of Andhra Pradesh (AP) post state bifurcation as per clause 3 of transmission tariff order dated 9th May, 2014, the relevant True-up for residual AP (13 districts) for FY 2009-10 to FY 2013-14 has been filed herein.
9. The ARR & Tariff Order of the Hon'ble Commission dated March 20th, 2009 pertaining to Transmission businesses contained a significant number of directives to be addressed by the Licensee. During the Second control period APTransco has been keeping the Hon'ble Commission informed regularly on the progress on each of the directives pertaining to it. Further, APTransco is confident of having met the Hon'ble Commission's expectations on most of them and there are certain directives where complete or substantial compliance may not have been feasible due to operational reasons. The Licensee seeks intervention of the Hon'ble Commission on such issues and requests the Hon'ble Commission to consider these in the context of the overall performance of the Licensee during the second control period. A subsequent section of this filing outlines the progress achieved on each of these directives, and the reasons for non-compliance where applicable.
10. While filing the present True-up petition for Transmission business, APTransco has endeavored to comply with the various applicable legal and regulatory directions and stipulations including the directions of the Hon'ble Commission in the Business Rules of the Commission, the Guidelines, prior ARR and Tariff Orders and the recent Regulations on Terms and Conditions for Determination of Tariff for Transmission of Electricity (Regulation No. 5 of 2005 dated November 30, 2005).
11. Based on the information available, the Applicant has made bonafide efforts to comply with the directions of the Hon'ble Commission and discharge its obligations to the best of its abilities. However, should any further material become available in the near future, the Applicant reserves the right to file such additional information and consequently amend/revise the application.

Summary of the Filing

12. Performance Analysis: A brief analysis of the key elements of licensee's business is as follows

(a) True Up for Transmission Business of United Andhra Pradesh for the 2nd control period FY 2009-10 to FY 2013-14:

The Hon'ble Commission had approved an Aggregate Revenue Requirement (ARR) of INR 6,038 Crs for the period FY 2009-10 to FY 2013-14 based on audited accounts. Actual ARR/ cost incurred during the same period is INR 6,885 Crs. Whereas, the revenue earned was higher by around INR 228 Crs mainly due to increase in receipts of Non-Tariff Income on account of supervision charges obtained from government lift irrigation scheme (LIS), delayed payment, interest on contingency reserves etc. There was a net deficit of **INR 619 Crs** during the period FY 2009-10 to FY 2013-14. The Licensee would like to adjust this deficit in FY 2015-16.

The major reasons for deviations in ARR:

- Increase in employee expenses due to pay revision in FY 2010-11.
- There was no provision of taxes in the Tariff Order whereas the actual taxes paid were around INR 497 Crs. (Provision tax of INR 303 Crs. and deferred tax of INR 194 Crs.)
- The actual addition to Gross Fixed Assets (GFA) is lower by around INR 1,000 Crs due to delay in capitalization of assets.
- IN FY 2013-14, APTransco appropriated INR 650.82 Crs to meet provision for terminal benefits such as Pension & Gratuity, Gratuity and EL encashment.

Summary of ARR items and Revenue for the period is as shown below:

ARR for United AP (2nd Control Period) - Actual							
Parameter	Unit	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Expenditure	INR Crs	672	833	1,004	1,054	1,778	5,341
Gross O&M Costs	INR Crs	278	417	501	566	572	2,334
O&M Carrying Costs	INR Crs	-	-	-	-	-	-
Depreciation	INR Crs	317	337	377	390	432	1,853
Taxes	INR Crs	77	75	126	99	120	497
Special Appropriation	INR Crs	-	-	-	-	-	-
Other Expenditure	INR Crs	0	3	1	(2)	654	657
Expenses Capitalized	INR Crs	49	74	91	89	101	404
IDC Capitalized	INR Crs						-
O&M Expenses Capitalized	INR Crs	49	74	91	89	101	404
Net Expenditure	INR Crs	623	758	914	964	1,677	4,937
RoCE	INR Crs	332	362	374	419	461	1,948
Gross ARR	INR Crs	956	1,120	1,288	1,384	2,138	6,885
Total Revenue	INR Crs	853	1,014	1,399	1,642	1,359	6,266
Non Tariff Income	INR Crs	67	95	177	197	90	625
Revenue from Tariff	INR Crs	786	919	1,222	1,445	1,269	5,641
Surplus/(Deficit)	INR Crs	(103)	(106)	111	258	(779)	(619)

(b) True Up for Transmission Business of Residual Andhra Pradesh for the 2nd control period FY 2009-10 to FY 2013-14:

Considering change in energy infrastructure environment of Andhra Pradesh post state bifurcation as per clause 3 of transmission tariff order dated 9th May, 2014, the relevant True-up must be calculated for residual AP.

As the true-up is a revenue deficit amount that needs to be collected from DISCOMS, the division of amount is performed in the ratio of revenues of state Transco i.e. in the ratio of power capacity in the states. As per GO Ms. 53 dated 28th April 2008, power is allocated to four distribution companies in following ratio

Distribution companies	Power capacity allocation ratio
APEPDCL	15.80%
APSPDCL	22.27%
APCPDCL	46.06%
APNPDCL	15.87%

Considering Ananthapur and Kurnool districts moving from APCPDCL to APSPDCL, the new power capacity allocation shares for residual Andhra Pradesh shall be 46.11%. Thus the True-up for FY 2009-10 to FY 2013-14 corresponding to Residual AP is **INR.285.58 Cr (deficit)**.

13. The current True-up petition for the Second control period being filed has been discussed and approved by the Board of Directors of APTransco and K.Vijayanand, Chairman and Managing Director (FAC) of APTransco has been authorised to execute and file the said True-up Petition on behalf of APTransco. Accordingly, the current True-up petition is verified and signed by, and backed by the affidavit of K.Vijayanand, Chairman and Managing Director (FAC).
14. In the aforesaid facts and circumstances, the Applicant requests that the Hon'ble Commission:
- (a) Take the accompanying True-up Petition of APTransco on record;
 - (b) Grant suitable opportunity to APTransco within a reasonable time frame to file additional material information if required;
 - (c) Grant the waivers prayed for with respect to such filing requirements as APTransco is unable to comply with at this stage, as more specifically detailed and for the reasons set out in the present True-up filing;
 - (d) Treat the filing as complete in view of substantial compliance as also the specific requests for waivers with justification placed on record;
 - (e) Consider and approve APTransco's True-up including all requested regulatory treatments in the filing;
 - (f) Pass such order, as the Hon'ble Commission may deem fit and proper in the facts and circumstances of the case.

TRANSMISSION CORPORATION OF ANDHRA PRADESH LIMITED
(APPLICANT)

Through


(K. VIJAYANAND)

CHAIRMAN AND MANAGING DIRECTOR (FAC)

Place: HYDERABAD

Dated: March 16th, 2015

1 Introduction

Pursuant to the applicable provisions of the Andhra Pradesh Electricity Reform Act, 1998, the Government of Andhra Pradesh undertook the reform and restructuring of the erstwhile Andhra Pradesh State Electricity Board ('APSEB'). APTransco was formed as a successor entity of the erstwhile APSEB through the First statutory transfer scheme notified in the official gazette on February 1, 1999 to manage the Transmission and Distribution business of erstwhile APSEB. Subsequently, the State Government notified the Second Transfer Scheme on March 31, 2000 ('the Second Transfer Scheme') wherein APTransco retained the Transmission, SLDC and Bulk Supply business of the state with itself, while transferring the Distribution and Retail supply of the state to the four Distribution Companies formed in the state viz. (i) Eastern Power Distribution Company of Andhra Pradesh Limited, (ii) Southern Power Distribution Company of Andhra Pradesh Limited, (iii) Central Power Distribution Company of Andhra Pradesh Limited, and (iv) Northern Power Distribution Company of Andhra Pradesh Limited (collectively referred to as 'Discoms').

Pursuant to obtaining independent licenses by the Discoms in December 2000, APTransco has relinquished its Distribution & Retail Supply Licensee.

Subsequently on June 7, 2005, the State Government notified the Third Transfer Scheme in its official gazette wherein the Bulk Supply business and undertaking of APTransco is vested to the Discoms with effect from June 9, 2005. As a result, APTransco is presently carrying out solely the Transmission & SLDC business as the State Transmission Utility (STU) in the State. This filing for ARR, FPT and MYT is in accordance with the provisions of the Reform Act, the Electricity Act 2003, the License granted by the Hon'ble Commission to APTransco on January 31, 2000 and the Guidelines and Regulations issued by the Honorable Commission till date.

As per APERC Regulations on Terms and Conditions for Determination of Tariff for Transmission of Electricity (Regulation No. 5 of 2005) dated November 30, 2005, APTransco has to file Multi-Year ARR & Tariff Framework for the Third Control Period of 5 Financial years (FY14-15 to FY 18-19) with FY13-14 as its Base year. It includes computation of True-up.

In compliance with the APERC Regulations and Guidelines, APTransco, the State Transmission Utility & Transmission licensee managing the Transmission & SLDC business (as per G.O. Ms. No. 8 dated 17.01.2004) herein submits the following in this Petition:

- (1) True-up -Analysis of Performance of united AP for FY 2009-10 to FY 2013-14
- (2) True-up of residual AP (13 districts) for FY 2009-10 to FY 2013-14

2 True-up -Analysis of Performance of united AP for FY 2009-10 to FY 2013-14

This filing is made by the Transmission Licensee, Andhra Pradesh Transmission Corporation Ltd (APTransco) **Clause 17, of the ‘Andhra Pradesh Electricity Regulatory Commission** (Terms and Conditions for Determination Of Tariff For Transmission of Electricity)’ Regulation No. 5 of 2005 for corrections for “uncontrollable” and “controllable” items and as well as sharing of gains/losses for the Second control period (FY 2009-10 to 2013-14).

2.1 Procedure adopted for filing of True up

This filing has been prepared as per the provisions of the above mentioned Regulation. The Licensee is submitting the following as part of the Correction filings for the period of FY 2009-10 to FY 2013-14.

- i. Actual Aggregate Revenue Requirement for each year is computed based on actual investments, actual interest rates and actual costs. The Surplus/ (Deficit) for each year is computed based on actual revenue accrued in each year.
- ii. Statement of variance with the tariff order for each item in the Aggregate Revenue Requirement and reasons for variation in controllable items

2.2 Computation of Actual ARR and Surplus/ (Deficit) for the period FY 2009-10 to FY 2013-14

2.2.1 Return on Capital Employed (RoCE)

The licensee has computed the actual RoCE based on the methodology suggested by the APERC in the regulation 5 of 2005. RoCE is computed by multiplying the Regulated

Rate Base (RRB) by the Weighted Average Cost of Capital (WACC). RoCE is to recover the interest payments and return on equity. The actual interest rate during the period varied from 9.59% to 10.87%. Capital structure of 75% debt and 25% equity has been considered. The actual additions to the Gross Fixed Assets (GFA) totaled INR 3,907 Crs (Including IDC and O&M Capitalized). The depreciation has been calculated for the every year considering the Depreciation rates for each class of asset base and also Fully Depreciated Assets during the control period

Table 1: RoCE – Actual during the period FY 2009-10 to FY 2013-14

RoCE - Actual						
Parameter	Unit	2009-10	2010-11	2011-12	2012-13	2013-14
Assets	INR Crs	6,399	7,110	7,849	8,979	9,727
Original Cost of Fixed Assets (OCFA)	INR Crs	5,820	6,399	7,110	7,849	8,979
Additions to OCFA	INR Crs	579	712	739	1,130	748
Depreciation	INR Crs	2,729	3,067	3,444	3,834	4,266
Opening Balance	INR Crs	2,412	2,729	3,067	3,444	3,834
Depreciation during the year	INR Crs	317	337	377	390	432
Consumer Contributions	INR Crs	482	791	1,169	1,342	1,470
Opening Balance	INR Crs	435	482	791	1,169	1,342
Additions during the year	INR Crs	46	309	378	174	127
Working Capital	INR Crs	28	42	51	59	58
Change in Rate Base	INR Crs	108	33	(8)	283	94
Regulated Rate Base	INR Crs	3,108	3,263	3,295	3,578	3,955
WACC	%	10.69%	11.09%	11.34%	11.72%	11.65%
Cost of Debt	%	9.59%	10.12%	10.45%	10.96%	10.87%
Return on Equity	%	14.00%	14%	14%	14%	14%
Return on Capital Employed (RoCE)	INR Crs	332	362	374	419	461

2.2.2 Actual O&M Expenses

The Operation and Maintenance (O&M) costs of the licensee include the following:

- Employee Expenses (EE)
- Administration and General Expenses (A&G)
- Repair and Maintenance expenses (R&M)

The O&M costs are mainly driven by the length of lines and number of Sub Stations. Employee costs constitute a major portion of the O&M expenses and the expenses

include salaries of the staff, payments related to surrender leave, various medical allowances, leave travel allowances and other allowances. The salaries of employees were revised in FY 2010-11 due to which the O&M expenses are considerably higher than the expenses as estimated by the Hon'ble commission in the Transmission Tariff Order FY 10-14.

Table 2: O&M Expenses – Actual during the period FY 2009-10 to FY 2013-14

O&M Expenses - Actual							
Parameter	Unit	2009-10	2010-11	2011-12	2012-13	2013-14	Total
O&M Expenses	INR Crs	230	343	410	477	471	1,931
Gross O&M Costs	INR Crs	278	417	501	566	572	2,334
O&M Expenses and IDC Capitalized	INR Crs	49	74	91	89	101	404

2.2.3 Other Costs

The taxes (provision and deferred) during the period FY 2009-10 to FY 2013-14 is INR 497 Crs. In 2013-14, provision for terminal benefit such as Pension, gratuity, EL encashment of INR 650.82 Cr were provided.

Table 3: Taxes & Other Expenses – Actual during the period FY 2009-10 to FY 2013-14

Other Expenses - Actual							
Parameter	Unit	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Other Expenses	INR Crs	77	78	126	97	774	1,153
Other Expenditure	INR Crs	0.27	3.26	0.63	(1.76)	654.19	657
Taxes on Income	INR Crs	-	-	-	-	-	-
Provision for Income Tax	INR Crs	76.62	75.16	125.83	98.85	120.13	497
Special Appropriations	INR Crs	-	-	-	-	-	-

2.2.4 Aggregate Revenue Requirement (ARR) and Surplus/ (Deficit)

The total Aggregate Revenue Requirement for the period FY 2009-10 to FY 2013-14 as per the audited accounts is INR 6,885 Crs. The total revenue accrued during the same period is INR 6,266 Crs, thus leaving a deficit of INR 619 Crs which will be adjusted in FY 2015-16. Out of a total INR 6,266 Crs of revenue, INR 625 Crs is from non-tariff Income (NTI) and the rest is from tariff related revenue from DISCOMs and Open Access consumers. Income from Supervisory charges constitutes a major portion of the

non-tariff income. Other components of non-tariff income include supervision charges, delayed payments charges, income from investments and rebates earned on payment of supplier bills. The total deficit during the period FY 2009-10 to FY 2013-14 is INR 619 Crs.

Table 4: ARR and Surplus – Actual during the period FY 2009-10 to FY 2013-14

ARR for United AP (2nd Control Period) - Actual							
Parameter	Unit	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Expenditure	INR Crs	672	833	1,004	1,054	1,778	5,341
Gross O&M Costs	INR Crs	278	417	501	566	572	2,334
O&M Carrying Costs	INR Crs	-	-	-	-	-	-
Depreciation	INR Crs	317	337	377	390	432	1,853
Taxes	INR Crs	77	75	126	99	120	497
Special Appropriation	INR Crs	-	-	-	-	-	-
Other Expenditure	INR Crs	0	3	1	(2)	654	657
Expenses Capitalized	INR Crs	49	74	91	89	101	404
IDC Capitalized	INR Crs						-
O&M Expenses Capitalized	INR Crs	49	74	91	89	101	404
Net Expenditure	INR Crs	623	758	914	964	1,677	4,937
RoCE	INR Crs	332	362	374	419	461	1,948
Gross ARR	INR Crs	956	1,120	1,288	1,384	2,138	6,885
Total Revenue	INR Crs	853	1,014	1,399	1,642	1,359	6,266
Non Tariff Income	INR Crs	67	95	177	197	90	625
Revenue from Tariff	INR Crs	786	919	1,222	1,445	1,269	5,641
Surplus/(Deficit)	INR Crs	(103)	(106)	111	258	(779)	(619)

2.3 Statement of Variance with Tariff Order and Reasons for Variance

The actual components of ARR differ with the values approved by the Hon'ble Commission due to a various factors. The reasons for such variance in these parameters have also been detailed in the sections below. Licensee humbly requests the Hon'ble commission to kindly consider same.

2.3.1 Return on Capital Employed (ROCE)

- a. The actual addition to Gross Fixed Assets is lower by INR 1,000 Crs vis-à-vis asset additions envisaged in the tariff order for the period FY 10-14. This is mainly due to delays in execution of projects related to XLPE Cables/GIS Sub Stations works.

- b. Actual Gross Depreciation from FY 2009-10 to FY 2013-14 Period is INR. 1,853 Crs. as compared to INR 1,893 approved by the Hon'ble Commission. This is mainly due to a difference in the methodology adopted for depreciating assets. It is to submit APTransco did file the depreciation on the assets using the rates notified by Ministry of Power (GoI) in their Gazette. However Hon'ble Commission has determined the depreciation amount in the Tariff Order duly adopting the CERC rates for transmission assets in accordance with Regulation 5 of 2005. Licensee is accounting for depreciation in the books of Accounts year on year since the formation as per the rates prescribed in the MoP Gazette.
- c. The consumer contributions during the period have increased significantly due to undertaking of a large number of government Lift Irrigation schemes which were not considered during the filing for the second control period
- d. The actual interest rates were slightly higher than the rates envisaged by the Hon'ble Commission.
- e. As a result, RoCE decreased by around INR 605 Crs for the period mentioned above.

Table 5: RoCE deviation during the period FY 2009-10 to FY 2013-14

Parameter	Unit	Deviation					Total		
		2009-10	2010-11	2011-12	2012-13	2013-14	APERC	Actual	Deviation
Regulated Rate Base	INR Crs	337	(343)	(1,597)	(2,079)	(2,333)	23,213	17,200	(6,014)
WACC	%	-0.31%	0.09%	0.34%	0.72%	0.65%	11.00%	11.33%	0.33%
Cost of Debt	%	-0.41%	0.12%	0.45%	0.96%	0.87%	10.00%	10.44%	0.44%
Return on Equity	%	0.00%	0.00%	0.00%	0.00%	0.00%	14.00%	14.00%	0.00%
Return on Capital Employed (RoCE)	INR Crs	27	(35)	(165)	(203)	(231)	2,553	1,948	(605)

2.3.2 Variance in O&M Expenses

- a. The gross O&M expenses increase by around INR 545 Crs. The main reason for increase in O&M expense is due to rise in employee expenses.
- b. The employee expenses have increased mainly due to wage revision in FY 2010-11. This wage revision led to an increase in employee expenses in FY 2010-11, FY 2011-12, FY 2012-13, and FY 2013-14. The wage revision was not factored by APTransco during the filing. It was decided that the financial commitment because of this should be claimed based on actuals.

Filing of True-up for Transmission business for Second Control Period (FY10-14)

- c. Other factors like leave encashment, hike in dearness allowance were also the reasons for increase in employee expenses in 2nd control period.
- d. Increase in fuel costs and other costs led to an increase in travel and vehicle hire expenses (A&G expenses). Other A&G expenses like payment gateway costs also increased during the period.
- e. R&M costs pertaining to wages of contract workers also increased during the period

Table 6: O&M Expense deviation during the period FY 2009-10 to FY 2013-14

O&M Expenses Deviation - APERC vis-à-vis Actual									
Parameter	Unit	Deviation					Total		
		2009-10	2010-11	2011-12	2012-13	2013-14	APERC	Actual	Deviation
O&M Expenses	INR Crs	(25)	61	99	133	91	1,572	1,931	359
Gross O&M Costs	INR Crs	(3)	95	147	157	149	1,789	2,334	545
O&M Expenses and IDC Capitalized	INR Crs	22	34	48	24	58	217	404	186

2.3.3 Variance in other expenses

- a. The actual taxes (provision and deferred) during the period FY 2009-10 to FY 2013-14 was INR 497 Crs.
- b. During FY 2013-14, APTransco appropriated INR 650.82 Crs to meet provision for terminal benefits such as Pension & Gratuity, Gratuity and EL Encashment.
- c. The total increase in other costs is INR 1,153 Crs.

Table 7: Other Expense deviation during the period FY 2009-10 to FY 2013-14

Other Expenses - Actual							
Parameter	Unit	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Other Expenses	INR Crs	77	78	126	97	774	1,153
Other Expenditure	INR Crs	0.27	3.26	0.63	(1.76)	654.19	657
Taxes on Income	INR Crs	-	-	-	-	-	-
Provision for Income Tax	INR Crs	76.62	75.16	125.83	98.85	120.13	497
Special Appropriations	INR Crs	-	-	-	-	-	-

2.3.4 Variance in Revenue

- a. The actual revenue accrued during the period FY 2009-10 to FY 2013-14 was higher by INR 228 Crs vis-à-vis revenue approved by the commission.

- b. Almost the entire increase in revenue is due to an increase in receipts from Non-tariff Income. A major contributor to this increase in Non-tariff income was supervisory charges that have been collected from Govt. LI schemes. This income is temporary in nature and may not contain in the third control period. Other components include income from investments, delayed payment charges from consumers, income from trading, rebate earned from payments to suppliers, etc which may continue for next control period.

Table 8: Revenue deviation during the period FY 2009-10 to FY 2013-14

Revenue Deviation - APERC vis-à-vis Actual									
Parameter	Unit	Deviation					Total		
		2009-10	2010-11	2011-12	2012-13	2013-14	APERC	Actual	Deviation
Total Revenue	INR Crs	39	40	158	212	(221)	6,038	6,266	228
Non Tariff Income	INR Crs	42	69	151	171	65	126	625	498
Revenue from Tariff	INR Crs	(2)	(29)	6	40	(285)	5,912	5,641	(270)

2.3.5 Variance in ARR and Surplus/ (Deficit)

The Gross ARR increased by INR 847 Crs and the total revenue increased by INR 228 Crs, thus leading to a deficit of INR 619 Crs during the period FY 2009-10 to FY 2013-14. The deficit of INR 619 Crs shall be passed in to consumers in FY 2015-16 during the third control period.

Table 9: ARR deviation during the period FY 2009-10 to FY 2013-14

ARR Deviation - APERC vis-à-vis Actual									
Parameter	Unit	Deviation					Total		
		2009-10	2010-11	2011-12	2012-13	2013-14	APERC	Actual	Deviation
Expenditure	INR Crs	136	212	258	183	193	3,702	5,341	1,639
O&M Costs	INR Crs	(3)	95	147	157	149	1,789	2,334	545
O&M Carrying Costs	INR Crs	(3)	(3)	(4)	(4)	(5)	19	-	(19)
Depreciation	INR Crs	66	45	(10)	(69)	(71)	1,893	1,853	(40)
Taxes	INR Crs	77	75	126	99	120	-	497	497
Special Appropriation	INR Crs	-	-	-	-	-	-	-	-
Other Expenses	INR Crs	-	-	-	-	-	-	657	657
Expenses Capitalized	INR Crs	22	34	48	24	58	217	404	186
IDC Capitalized	INR Crs	-	-	-	-	-	-	-	-
O&M Expenses Capitalized	INR Crs	22	34	48	24	58	217	404	186
Net Expenditure	INR Crs	115	181	211	156	789	3,485	4,937	1,453
RoCE	INR Crs	27	(35)	(165)	(203)	(231)	2,553	1,948	(605)
Gross ARR	INR Crs	142	146	47	(46)	559	6,038	6,885	847
Total Revenue	INR Crs	39	40	158	212	(221)	6,038	6,266	228
Non Tariff Income	INR Crs	42	69	151	171	65	126	625	498
Revenue from Tariff	INR Crs	(2)	(29)	6	40	(285)	5,912	5,641	(270)
Surplus/(Deficit)	INR Crs	(103)	(106)	111	258	(779)	-	(619)	(619)

3 True-up of residual AP (13 districts) for FY 2009-10 to FY 2013-14

Considering change in energy infrastructure environment of Andhra Pradesh post state bifurcation as per clause 3 of transmission tariff order dated 9th May, 2014, the relevant True-up must be computed for residual AP.

As the true-up is a revenue deficit amount that needs to be collected from DISCOMs, the division of amount is performed in the ratio of revenues of state Transco i.e. in the ratio of power capacity in the states. As per GO Ms. 53 dated 28th April 2008, power is allocated to four distribution companies in following ratio

Distribution companies	Power capacity allocation ratio
APEPDCL	15.80%
APSPDCL	22.27%
APCPDCL	46.06%
APNPDCL	15.87%

Considering Ananthapur and Kurnool districts moving from APCPDCL to APSPDCL, the new power capacity allocation shares for APSPDCL shall increase to 30.31%. So, new power capacity allocation shares for residual Andhra Pradesh is 46.11%. Thus the True-up for FY 2009-14 corresponding to AP is INR 285.58 Crs (deficit). APTransco pray Hon'ble Commission to approve the amount in order to collect the amount from all distribution companies as per their share of entitlement through the annual revenue requirement.

Table 10: True-up for Residual Andhra Pradesh

True-up			
Control period	Unit	United AP	Residual AP
2nd Control period (FY 2009-10 to FY 2013-14)	INR Crs	619	285.58