

BEFORE THE HONOURABLE
ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
#11-4-660, 4th Floor, Singareni Bhavan, Red Hills, Hyderabad 500 004
Phone Nos.(040)23397381/399 /556 Fax No.(040) 23397378
website www.aperc.gov.in

R.P. No.2 of 2016 in O.P. No. 13 of 2015

PUBLIC NOTICE

TAKE NOTICE that the review petition by APTRANSCO for reconsideration of certain issues in the True up order of Transmission Business for 2nd control period (FY 2009-10 to FY 2013-14) dated 07-11-2015 in O.P. No. 13 of 2015. The said review petition is taken on the file of the Commission, vide R.P. No. 2 of 2016 subject to limitation and maintainability.

2. The said review petition, is placed on the website of the Commission and is also available on the website of APTRANSCO.

3. The Commission invites views / suggestions / objections of interested persons / stakeholders in respect of the subject matter of the petition, which may be sent to the Secretary / APERC on or before the date of public hearing on the subject matter, at the above mentioned address or through email commn-secy@aperc.gov.in.

4. TAKE FURTHER NOTICE that the review petition will be taken up for public hearing by the Commission on 25-06-2016 at 11.00 AM in its Court Hall at Hyderabad and any interested person / organization desirous of being heard in person, may appear before it on the said date of hearing.

Place: Hyderabad
Date: 04-06-2016

 04/06/2016
COMMISSION SECRETARY/c

SR. No. 6/2015

RP No. 2/2016

Review petition on the Order dt. 07.11.15 in OP No. 13 of 2015 i.e True up for Transmission business for 2nd Control Period

BEFORE THE HONOURABLE ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

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

FILING NO. _____/2016

CASE NO. _____/2016

In the matter of:

Review of the order dt. 7th November 2015 in OP No. 13 of 2015 i.e True Up of Transmission Business for the Second Control Period FY2009-10 to FY2013-14.

In the matter of:

TRANSMISSION CORPORATION OF ANDHRA PRADESH LIMITED

... Applicant


AFFIDAVIT OF APPLICANT VERIFYING THE APPLICATION ACCOMPANYING REVIEW OF ORDER DATED 07TH NOVEMBER 2015 PASSED IN OP NO. 13 OF 2015 i.e TRUE-UP FOR TRANSMISSION BUSINESS FOR 2ND CONTROL PERIOD (FY 2009-10 to 2013-14)

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 review petition of Order dt. 07th November 2015 passed in OP No. 13 of 2015 i.e 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



(K.VIJAYANAND)

Chairman and Managing Director (FAC)

VERIFICATION:

I, the above named Deponent solemnly affirm at Hyderabad on this 04th day of February 2016 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



(K.VIJAYANAND)

Chairman and Managing Director (FAC)

Before me
(Seal & Date), Hyderabad

Solemnly affirmed and signed before me.

A. Vinod Kumar
04/2/2016
COMPANY SECRETARY
APTRANSCO, HYDERABAD.

Review petition on the Order dt. 07.11.15 in OP No. 13 of 2015 i.e True up for Transmission business for 2nd Control Period

BEFORE THE HONOURABLE ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION

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Review of the order dt. 7th November 2015 on OP No. 13 of 2015 i.e True Up of Transmission Business for the Second Control Period FY2009-10 to FY2013-14.

In the matter of:

TRANSMISSION CORPORATION OF ANDHRA PRADESH LIMITED

... Applicant

The Applicant respectfully submits as under: -

1. The Transmission Corporation of Andhra Pradesh (APTransco or Licensee) is the Licensee for transmission and bulk supply of electricity in the erstwhile undivided Andhra Pradesh state on 31st January, 2000 by the Andhra Pradesh Electricity Regulatory Commission under the Andhra Pradesh Electricity Reform Act, 1998. Pursuant to various reforms and Electricity Act 2003, APTransco in course of time has evolved as the State Transmission Utility (STU) in the said undivided state with effect from 9th June, 2005.
2. APTransco had completed the second control period (FY 2009-10 to FY 2013-14), and upon availability of audited account and also on directions from the Commission, it had filed the application for true up for the second control period with the Commission on 16th March, 2015 with the following items/requests as per the revised submissions of the petitioner at the time of final hearing:
 - a. The claim of excess ARR true up amount (ARR - Revenue) of Rs 622 Crs. compared with that approved in the tariff order for second control period of five years from FY2009-10 to FY2013-14.

- b. The claim of Rs. 287 Crs. (46.11 percent) share in Rs. 622 Crs. (total ARR- total revenue) variation that relates to newly formed Andhra Pradesh State; and
- c. Request for permission to recover Rs. 287 Crs. from the two distribution licensees located in newly formed Andhra Pradesh State (transmission users).
3. The Commission had assessed the computation and had finalized the true up cost for entire second control period to be Rs. 588.47 Crs surplus in the order dated 7th November 2015 in OP No. 13 of 2015. Further, at 46.11%, the new ratio of power sharing between two states as proposed by the licensee in its true up application, the Commission computed the true up amount for residual Andhra Pradesh state at Rs. 271.34 Crs. for the second control period.
4. Following table shows True-up computation as per filing by APTRANSCO, and as per order by APERC

SL	Items	As per tariff order	As per petition	As per Approved order	Difference
1	Asset (1.1+1.2)	46948.48	40068.1	40063.42	
1.1	Opening balance OCEA	40674.7	36160.75	36157.09	
1.2	Additions during the year	6273.78	3907.35	3906.33	
2	Depreciation	16861.69	17338.87	16681.68	657
2.1	Opening balance	14968.28	15486.2	15032.01	454
2.2	Depreciation during the year	1893.41	1852.67	1649.67	203
3	Consumer contribution	5117.75	5283.84	5283.81	
3.1	Opening balance	4690.07	4218.88	4218.86	
3.2	Addition during the year	427.68	1064.96	1064.95	
4	Working Capital	220.58	239	225.55	13
4.1	O&M (45 days of O&M expense)	220.58	239	225.55	13
4.2	O&M store inventory	0	0	0	
5	Change in rate base	1976.35	494.86	595.86	-101
6	Regulated Rate Base	23213.28	17189.53	17727.63	-538

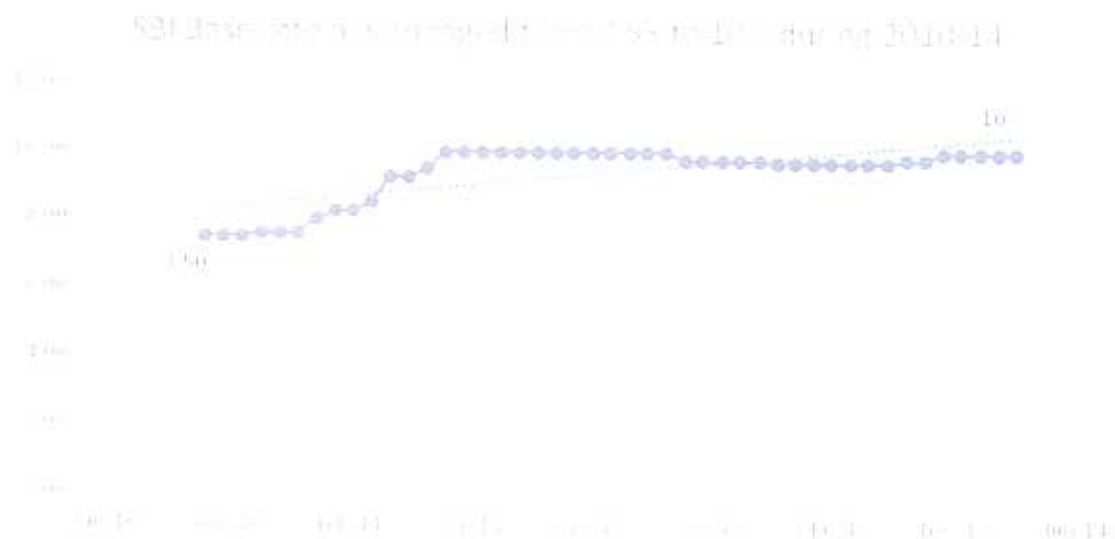
Review petition on the Order dt. 07.11.15 in OP No. 13 of 2015 i.e True up for Transmission business for 2nd Control Period

SL	Items	As per tariff order	As per petition	As per Approved order	Difference
7	Capital Structure				
7.1	Debt (%)	75%	75%	75%	
7.2	Equity (%)	25%	25%	25%	
8	Cost of funds (%)				
8.1	Cost of debt	10%	9.59% to 10.96%	10%	
8.2	Cost of equity	14%	14%	14%	
9	WACC	11%	10.69% to 11.72%	11%	
10	RoCE	2553.46	1946.84	1950.04	
11	Expenditure	3701.96	5345.01	3903.67	1441
11.1	O&M	1789.2	2342.44	2046.95	295
11.2	O&M carrying cost	19.35	0	0	0
11.3	Depreciation	1893.41	1852.67	1649.67	203
11.4	Income tax	0	496.58	207.05	290
11.5	Other expense	0	2.5	0	3
11.6	Terminal benefits	0	650.82	0	651
12	Expense capitalized	217.45	403.8	217.45	186
12.1	IDC capitalized	0	0	0	
12.2	O&M expense capitalized	217.45	403.8	217.45	186
13	Net expenditure	3484.51	4941.21	3686.22	1255
14	ARR	6037.97	6888.05	5636.26	1252
15	Revenue	6037.96	6266.15	6266.14	
15.1	Non-Tariff income	126.3	624.78	624.77	
15.2	Revenue from tariff	5911.66	5641.37	5641.37	
16	Gap	0	-622	630	-1252
17	Carrying cost (10%)			41.41	
18	True-up amount			588	

5. The Licensee hereby seeks to review of the True-up order as the finding True-up of Rs. 271.34 Crs in surplus by Hon'ble Commission is due to the mistake that crept in, which adversely affect financial situation of APTransco. The Licensee requests the Hon'ble Commission to consider following items

Cost of Debt as part of RoCE.

6. As per APERC Regulation 5 of 2005, Return on Capital Employed (RoCE) is a controlled item. But point 10.8 in the Regulation allows passing on of gains or losses in the controlled item due to force majeure factors. RoCE is defined as product of WACC and Regulated Rate Base (RRB). RRB may be considered as controlled item but the WACC which is depended on cost of debt is totally uncontrolled item. Figure below depicts historical SBI base rate. Base rate of State Bank of India is used as it is a Public Sector bank. The base rate has changed from 7.5% to 10% in the second control period marking 2.5% increase. Generally a company receive debt at about 200 basis point above base rate. So APTRANSCO could secure debt of about 10% in early years and of 12% in later year of control period. No financial engineering can enable the company to receive fund at a cost less than this.



7. APERC had allowed RoCE of Rs. 1950 Crs considering WACC of 11% (14% RoE and 10% of Cost of Debt). APTransco requests Hon'ble Commission to consider cost of debt as per actual and hence, RoCE would be Rs. 2009 Crs as shown below:

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Approved RRB (Rs. Crs)	3133.91	3331.35	3410.01	3727.77	4124.59	17727.63
Cost of Debt (%)	9.59%	10.12%	10.45%	10.96%	10.87%	10.44%
WACC (%)	10.69%	11.09%	11.33%	11.72%	11.65%	11.33%
RoCE (Rs. Crs)	335.09	369.44	386.60	436.89	480.61	2008.66

The finding of Hon'ble Commission that the same is under control item and without material on record, it cannot accept the claim of Transco is not correct. Infact, present revised base rate is very much in public domain. Therefore the same deserves to be reviewed.

Income Tax

8. In the petition, APTransco had claimed the taxes of Rs. 497 Crs. But APERC had allowed Income Tax of Rs. 207 Crs as computed below:

SL	Particulars	Amount (Rs. Crs)
A	RRB approved by APERC	17728
B	RoE (14%* 25% * A)	620
C	Tax (B * 33.39%)	207

9. Here, APERC has incorrectly assumed 14% as pre-tax RoE. For Transmission business, APERC has provided post tax RoE of 14%. So Income Tax allowed for True up computation would be Rs. 311 Crs as shown below:

Sl.	Particulars	Amount (Rs. Crs)
A	RRB approved by APERC	17728
B	Profit after Tax i.e. post tax RoE: (14%* 25% * A)	620
C	Profit before Tax (B/(1-33.39%))	931
D	Tax (C - B)	311

As such mistake occurred which is apparent on the trace of record and deserves to be reviewed.

Carrying Cost

10. APLRC had allowed carrying cost of Rs. 41.41 Crs on account of taxes approved in this Order at 10% per annum (being the cost of debt approved by the Commission in the Tariff Order). With the correction in Tax and the interest rate, carrying cost also need to be increased proportionately considering 50.24% increase in tax (from Rs. 207 Crs to Rs 311 Crs) and 4.4% increase in cost of debt (10% to 10.44%).

SL	Particulars	Value
A	Increase in Income tax	50.24%
B	Increase in interest rate	4.4%
C	Increase in Carrying cost $(1+A) \times (1+B) - 1$	56.85%
D	Approved Carrying Cost (Rs. Crs)	41.41
E	New Carrying Cost (Rs Crs.) $(D * (1+C))$	64.95

11. With the above, APTranseo prays to Hon'ble Commission to review the approved True-up computation in OP No. 13 of 2015 and allow relaxation of Rs. 187 Crs under the head of RoCE, Income Tax and Carrying Cost as shown below:

SL	Particular	Approved by APERC	Requested by APTranseo	Difference
1	RoCE	1950	2009	-59
2	Income Tax	207	311	-104
3	Carrying Cost	41	65	+24
4	True-up for United Andhra Pradesh	588 (Surplus)	401 (Surplus)	(187)
5	True-up for Residual Andhra Pradesh	271 (Surplus)	185 (Surplus)	(86)

*All values are in Rs. Crs.

12. The current review petition on the Order dt. 07.11.2015 in OP No. 13 of 2015 i.e True-up for Transmission business for second control period being filed has been discussed and approved by the Board of Directors of APTranseo. K.Vijayanand, Chairman and Managing Director (FAC) of APTranseo has been authorised to execute and file the said review Petition on behalf of APTranseo. Accordingly, the current review petition is verified and signed by, and backed by the affidavit of K.Vijayanand, Chairman and Managing Director (FAC).

13. In the aforesaid facts and circumstances, the Applicant requests that the Hon'ble Commission:

- (a) Take the accompanying review Petition of APTransco on record;
- (b) Grant suitable opportunity to APTransco within a reasonable time frame to file additional material information if required;
- (c) Treat the filing as complete in view of substantial compliance as also the specific requests for waivers with justification placed on record;
- (d) Consider and allow the aforesaid review petition and grant deficit amount.
- (e) 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 (EAC)

Place : HYDERABAD

Dated: 04th February, 2016