



ANALYSIS OPTCL'S ARR AND TRANSMISSION TARIFF FY 2022-23

BY

WORLD INSTITUTE OF SUSTAINABLE ENERGY, PUNE
(CONSUMER COUNSEL)

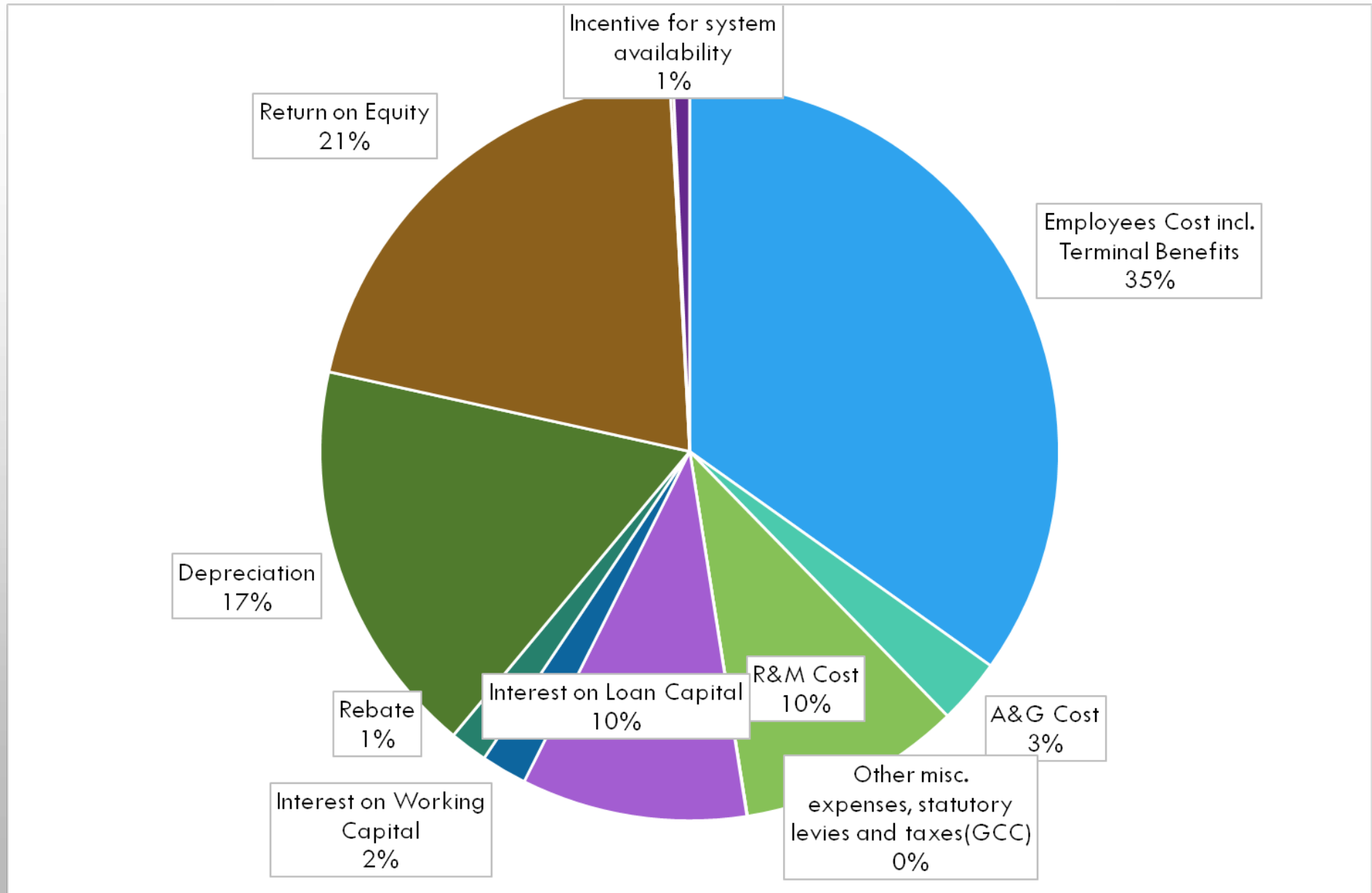
17 FEBRUARY, 2022

EXECUTIVE SUMMARY

CONSUMER COUNSEL

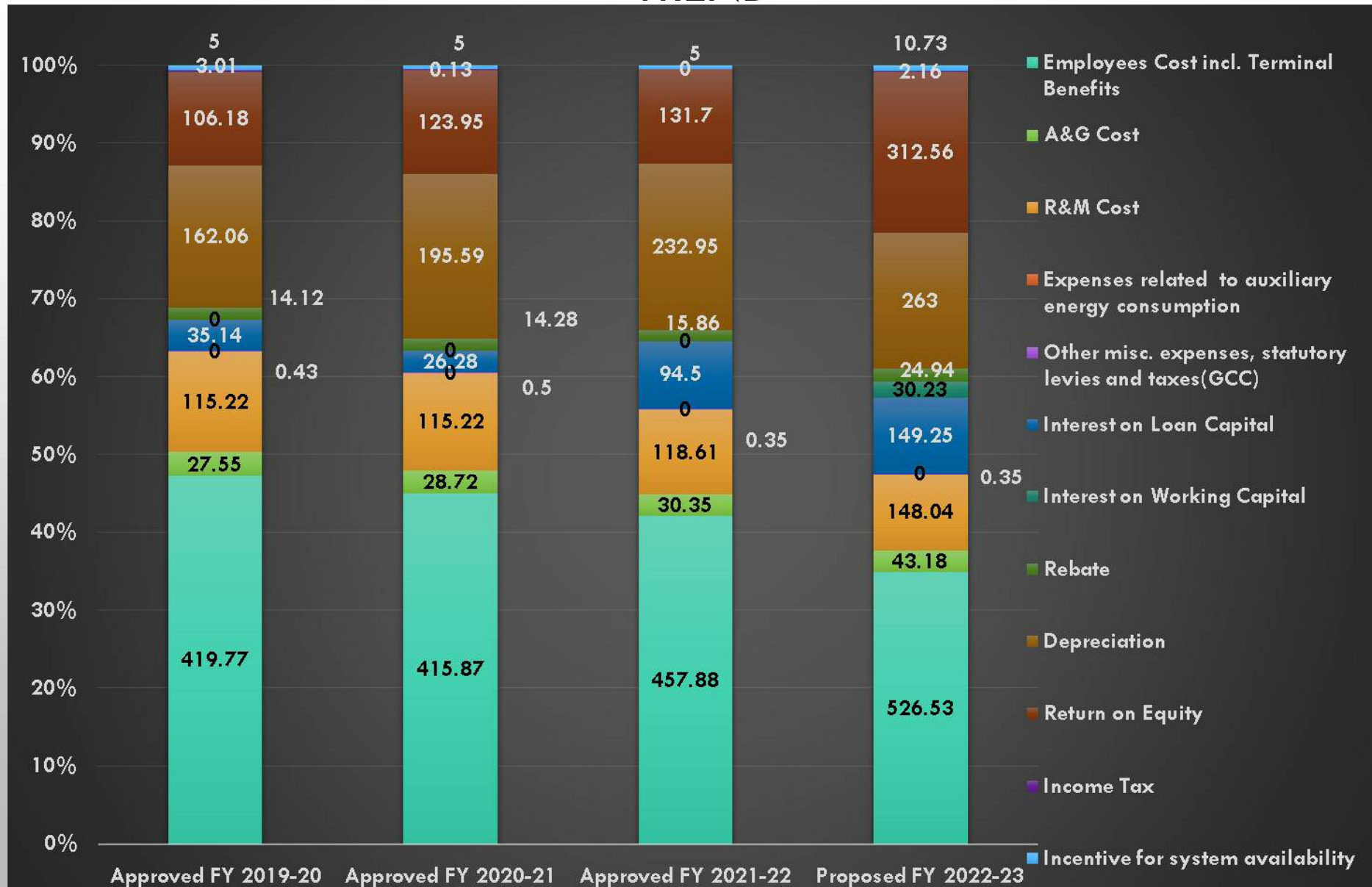
- OPTCL has proposed;
 - Aggregate revenue requirement of **Rs. 1247.14 Cr.**
 - Recovery of transmission charge @ **Rs.10,495.93 / MW-Day (i.e. Equivalent of 43.73 P/U on the basis of energy transmitted).**
 - Transmission loss for wheeling as **3.10%** on energy drawl
- Increase in transmission tariff from 28 P/U of approved tariff is due to increase in employee cost incl. Terminal benefits, depreciation, ROE and rebate.

PROPOSED REVENUE REQUIREMENT FY 2022-23 (RS. CRORE)



Above graph corresponds to Gross Revenue requirement without Misc receipt i.e. Rs 1510.97 cr

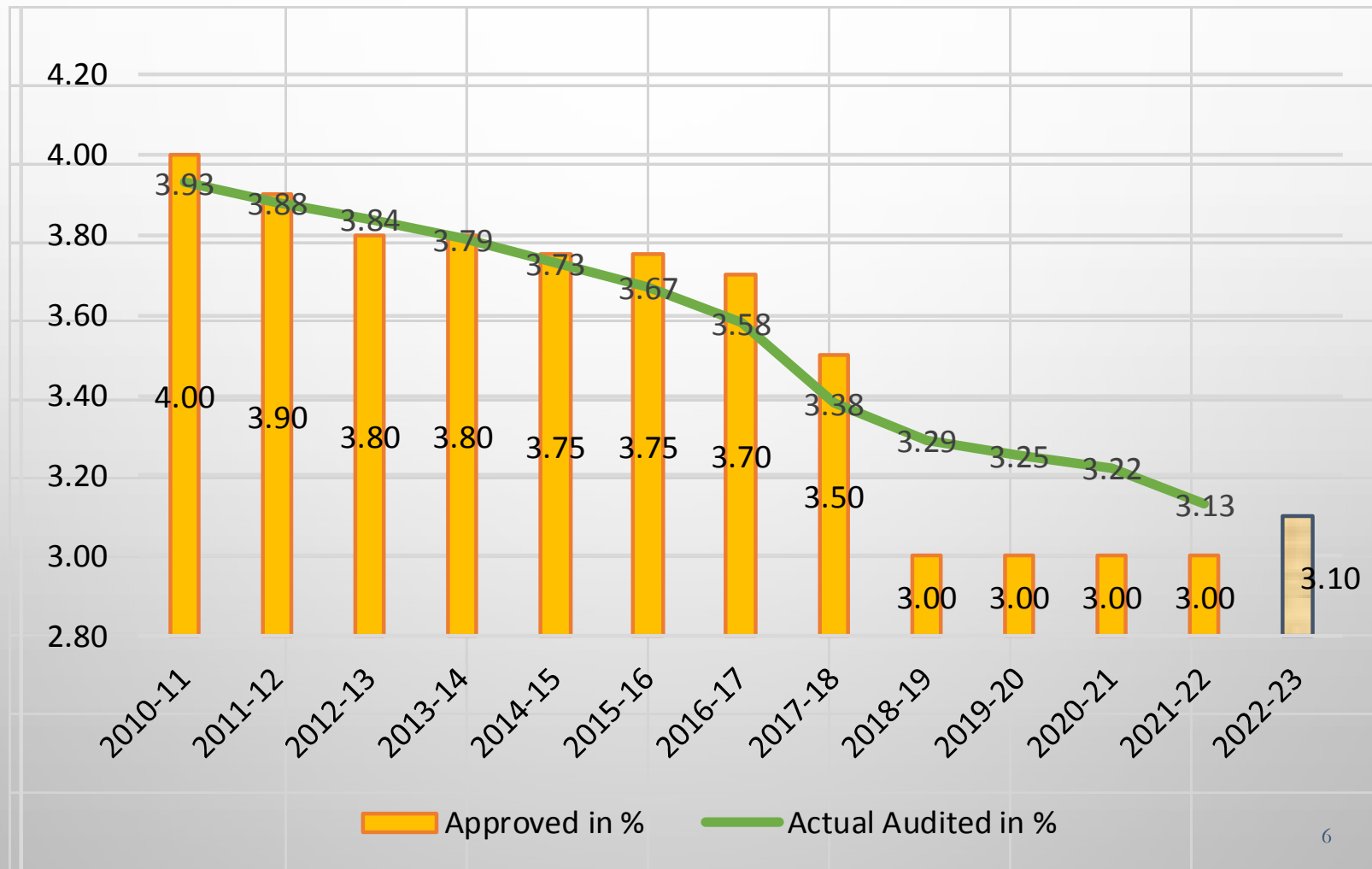
PROPOSED REVENUE REQUIREMENT TREND





ANALYSIS OF ARR AND TRANSMISSION TARIFF

TRANSMISSION LOSS



EMPLOYEE COST FY 2022-23 (RS. CRORE)

Particulars	Approved 2019-20	Approved 2020-21	Proposal 2021-22	Approved 2021-22	Ensuring 2022-23	% Increase 22-23 against 21-22
Salary & Allowance						
Basic Pay and Grade Pay	168.25	162.35	168.11	167.48	158.56	-5.33%
Dearness Allowance	21.87	43.83	47.07	48.57	60.25	24.05%
House Rent Allowance	15.65	15.07	27.15	15.02	25.61	70.51%
Other Allowance and Bonus	1.37	1.03	0.83	0.83	0.98	20.48%
Stipend for New Recruitment	2.98	5.71	7.26	7.26	8.46	16.53%
Arrear Salary for 7th Pay Commission	35.28	8.82	44.12	0	26.01	-
Sub-total (Salary and Allowance)	245.4	236.81	294.54	239.16	279.90	17.03%
Out Sources Engagement	2.71	3.17	2.57	2.57	2.94	14.40%
Other Employee Cost (LTA, Ex-gratia etc)	11.84	13.56	28.93	16.88	28.82	70.73%
Terminal Benefits incl. Pension Arrear for 7th Pay Commission	172.96	177.40	214.35	214.35	228.11	6.42%
Total Employees Cost	432.91	430.94	540.39	472.96	539.77	14.13%

EMPLOYEE COST INCL. TERMINAL BENEFITS

(REMARKS AND SUBMISSION)

- **BASIC PAY AND GRADE PAY:** Basic pay and grade pay proposed for FY 22-23 = Rs. **158.56** cr. is based on actual cash flow for FY 21-22 with additional increment of 3% and average number of employee. Significant employee addition (regularized 397 nos) proposed during FY 22-23 may be reviewed. (Actual employee regularized FY 20-21: Zero, FY 21-22: 31)
- **DA:** OPTCL proposed 38% DA for FY 2022-23, considering Finance Dept guidelines. However, actual rate of DA may be reviewed.
- The Commission has allowed Rs. 35.28 Cr (40%) and Rs 8.82 Cr (10%) in FY 19-20 and 20-21 respectively for arrear salary. OPTCL has proposed Rs. 26.01 cr. towards remaining 50% arrear pay without formal notification of GoO. The same may be considered only after publication of notification by GoO.
- **OUTSOURCING:** OPTCL is functioning with 47% of manpower and has outsourced services. Accordingly, Rs. 2.94 cr. has been proposed towards payment to outsourced personnel. The same can be reviewed.

EMPLOYEE COST INCL. TERMINAL BENEFITS

(REMARKS AND SUBMISSION) (CONTD.)

- During FY 2022-23, **OPTCL is planning to recruit 300 nos. employees** and has proposed Rs.8.46 cr. towards stipend for the new recruits. Considering the past trend of recruitment (FY 20-21: actual 31 and FY 21-22: proposed 397), the same may be reviewed.
- Actual addition of employees is lesser than the approved. Stipend and employee cost should be approved by reviewing proposed addition of employees. Terminal benefits should be reviewed on actual cash flow.
- Considering employee cost with terminal benefits (after capitalization) and number of average employees proposed, employee expenses per employee for OPTCL comes out to be Rs 20.33 lakh per employee for FY 22-23, Rs 16.41 lakh per employee for FY 2021-22, 14.62 lakhs per employee FY 2020-21, 14.65 lakh per employee FY19-20, 12.90 lakh per employee in FY 18-19.

R & M EXPENSES

FY 2022-23 (RS. CRORE)

- OPTCL has proposed increase of 24.81% over approved FY 21-22 R&M expenses.
- It should be based on GFA approved by commission as on 01.04.2022 and considering pre-up-valued value of assets.
- Proposed expenses in 2nd half of FY 21-22 is double than actual expenses of 1st half. This should be reviewed.
- Expenditure for security personnel is 33.42cr (26.8% of O&M wing's R&M expenses). This is quite higher and should be reviewed.

Year	Approved by OERC	Actual
2014-15	93	100.31
2015-16	108	113.35
2016-17	110.59	149.53
2017-18	124.97	137.83
2018-19	111	111.76
2019-20	115.22	121.63
2020-21	115.22	103.07
2021-22	118.61	122.38 (E)

Particulars	OERC Approval (FY 2020-21)	OERC Approval (FY 2021-22)	Projection (FY 2022-23)
(i) O&M	115.22	118.61	124.53
(ii) Telecom			4.67
(iii) Civil Works			14.57
(iv) Information Technology			10 4.26
Total R&M			148.04

A & G EXPENSES

FY 2022-23 (RS. CRORE)

- OPTCL has estimated A&G expenses of **Rs 43.18 Cr** for FY 22-23.
- However, Hon'ble commission in its transmission regulations, has linked the yearly escalation in A&G expenses with growth in WPI.

Year	Approved by OERC	Actual
2010-11	15.14	33.82
2011-12	18.00	20.18
2012-13	21.25	30.5
2013-14	22.39	146.17
2014-15	24.01	45.48
2015-16	24.37	41.67
2016-17	20.40	31.61
2017-18	25.60	48.06
2018-19	26.44	38.55
2019-20	27.55	44.18
2020-21		26.14 (excl material related expenses)
	28.72	

Particulars	Projection (FY 2022-23)
Property Related Expenses	4.54
Communication	0.89
Professional Charges	6.71
Conveyance & Travelling	14.27
Electricity & Water Charges	2.15
Fees & Subscription	0.10
Books & Periodicals	0.06
Printing & Stationery	0.50
Advertisement	1.54
Entertainment	0.19
Watch & Ward	3.11
Miscellaneous	3.68
Training	2.14
Office Maintenance	2.46
SLDC Charges	0.84 ¹¹
Total	43.18

SUMMARY O & M EXPENSES OPTCL

FY 2022-23 (RS. CRORE)

Summary of O&M Expenses for FY 2022-23	
Particulars	Amount (Rs. Cr.)
(i) Employees Cost including Terminal Benefits	526.53
(ii) A&G Cost	43.18
(iii) R&M Cost	148.04
(iv) Other miscellaneous expenses, Statutory levies and taxes (GCC expenses)	0.35
Total O&M Expenses	Rs. 718.10Cr.

LOAN LIABILITY

FY 2022-23

- **Anticipated receipts** : Rs 89.52 Cr from JICA (@5%), Rs. 217.33 Cr from Union Bank of India II (@7.20%) and Rs. 403.48 Cr as new loan (@7.25%) in FY 2022-23.
- **SUBMISSION:**
 - The interest on GoO bonds should not be considered as per earlier OERC orders.
 - Interest on loans from PFC, REC and Bank of India as on 1.4.2022 for sanctioned projects only can be approved.
 - The loans to be taken from JICA, Union Bank of India II and new loan should not be considered for FY 22-23.
 - The interest impact of new loans to be received in FY 2022-23 shall not be allowed in the ARR; as per earlier orders.

CAPEX PLAN

FY 2022-23_(RS. CRORE)

Particulars	FY <u>2019-20</u>	FY <u>2020-21</u>	FY <u>2021-22</u>	FY <u>2022-23</u>
(i) Telecom Wing	56.97	133.22	28.30	29.30
(ii) Existing Assets (O&M Wing)	57.08	48.83	55.87	169.12
(iii) Information Technology (IT Wing)	14	39.88	28.95	25.34
(iv) Civil Wing	45.96	55.29	18.57	57.99
(v) New Transmission Projects (Construction Wing)	741.48	879.19	1229.67	1560.88
Total Capital Expenditure [(i)+(ii)+(iii)+(iv)+(v)]	Rs. 915.49	1156.41	1361.36	1842.63

GROSS FIXED ASSETS AND DEPRECIATION

FY 2022-23

- As on 31-03-2021, actual Original book value of transmission fixed assets will be Rs 3711.71 Cr. (Rs.7237.58 Cr. (total Original) – Rs.512.71 Cr. (up-valuation) – Rs.845.18 Cr. (deposit work) - Rs.605.41 Cr. (grant) – Rs.1562.57 Cr. (fully depreciated)).
- OPTCL has projected total transmission assets to be added (excluding Grant and Beneficiary Assets) of Rs.877.83 Cr. to be added during the FY 2021-22 and Rs.1095.44 Cr. during FY 2022-23.
- As per the clause 8.38 and 8.34 of transmission regulations,2014 depreciation is estimated as **Rs.263 Cr**, considering actual book value of asset base and projected additions thereto.
- The depreciation should be based on pre-upvalued value of assets as on 31.03.2021 and addition to be approved for FY 2021-22. The addition should be based on actual asset addition during first six months of FY 21-22. Impact of addition proposed for FY 22-23 should not be considered.
- The impact of upvaluation is Rs 534.58 cr. without considering 'Plant and Machinery by beneficiary' and Rs 727.86 Cr. with consideration of the same.
- Actual gross fixed asset and the depreciation should be determined after due scrutiny.

RETURN ON EQUITY, RESERVE AND OTHERS FY 2022-23 (RS. CRORE)

RETURN ON EQUITY

- OPTCL proposes **ROE of Rs. 312.56 Cr.** for FY 2022-23 **@15.5%** as per the clause 8.28 of Regulations, 2014 on Rs. 2016.50 Cr. (2076.57-60.07).
- Government of Odisha has committed to provide funds to the tune of Rs. 340.75 Cr. during FY 2021-22 and Rs. 164.76 Cr during FY2022-23. However, present equity value is Rs 1560.99 Cr only. Based on present equity capital, ROE should be allowed .

INCOME TAX

- As per clause 8.43 of regulations, 2014, income tax of the transmission licensee shall be recovered from beneficiaries.
- As per the audited accounts for the FY 2020-21, OPTCL has made provision of Rs.2.16 Cr as income tax. The same amount of Rs. 2.16 Cr. has been proposed for FY 2022-23.
- Actual income tax amount paid in the audited account should be considered.

OTHER INCOME PROPOSED FOR FY 2022-23 (RS CR)

	Particulars	Approved Financial Year 2021-22	Estimates for ensuing year 2022-23 with current rate
i)	Short term Open Access & STU		212.64
ii)	Transmission Charges for Inter State Sale		9.45
iii)	Income from Investment of fixed & call deposits & bank balance		19.40
iv)	Supervision Charges		1.92
v)	Net gain/(loss) on disposal of PPE(Scrap)		12.48
vi)	Other Misc.Receipt		7.94 <small>17</small>
	Total of (i to vi)	243.28	263.83

SUMMARY AND TREND OF ARR

FY 2022-23 (RS. CRORE)

	Approved FY 2020-21	Approved FY 2021-22	Proposed FY 2022-23	Increase % 21- 22 vs 20-21	Increase % 22- 23 vs 21-22
Employees Cost incl. Terminal Benefits	415.87	457.88	526.53	10.10%	14.99%
A&G Cost	28.72	30.35	43.18	5.68%	42.27%
R&M Cost	115.22	118.61	148.04	2.94%	24.81%
Other misc. expenses, statutory levies and taxes(GCC)	0.5	0.35	0.35	-30.00%	0.00%
Interest on Loan Capital	26.28	94.50	149.25	259.59%	57.94%
Interest on Working Capital	0	0	30.23		
Rebate	14.28	15.86	24.94	11.06%	57.25%
Depreciation	195.59	232.95	263.00	19.10%	12.90%
Return on Equity	123.95	131.70	312.56	6.25%	137.33%
Income Tax	0.13	0	2.16		
Incentive for system availability	5.00	5.00	10.73	0.00%	114.60%
Total	925.54	1087.20	1510.97	17.47%	38.98%
Less Misc. Receipts	211.70	243.28	263.83	14.92%	8.45%
Less Surplus True up	0	51.00	0		
ARR to be recovered from LTOA Customers i.e. OPTCL's Aggregate Revenue Requirement	713.84	792.93	1247.14	11.08%	57.28%
Transmission Charges (P/U)	25	28	43.73	12.00%	56.17%

DEFICIT OF REVENUE REQUIREMENT

FY 2022-23

Deficit of Revenue Requirement as per existing transmission tariff @ 28 p/u (Rs. Cr.)	
Total Aggregate Revenue Requirement	1247.14
Less: Revenue earned from Long Term Open Access Customer	798.48
Deficit in revenue requirement for FY 2022-23	448.66

Sl. No.	Customer	Commission's approval (FY <u>21-22</u>)	Energy demand (MU) as per DISCOMs estimation (FY <u>22-23</u>)	Amount (Rs. Cr.)
1	TPCODL	9290	9271	785.88
2	TPNODL	5880	5956	
3	TPWODL	8600	9000	
4	TPSODL	4100	4170	
5	RAILWAYS	--	-	
6	Total DISCOMs	27870	28397	
7	Less: Drawal in 33kV & 11kV network	200	330	
8	Energy transmitted for DISCOM	27870	28067	
9	Wheeling to industries from CGPs & Emergency Sale to CGPs	660	450	12.60 ¹⁹
	Total	28330	28517	798.48

OPEN ACCESS CHARGES

FY 2022-23

ABSTRACT OF OA CHARGES PROPOSED BY OPTCL FOR FY 2022-23	
DETAILS	In Rs. Per Unit approach
Net Aggregate Revenue Requirement (Rs. Cr.)	1247.14
Proposed Energy to be transmitted in OPTCL Network (MU)	28517
Power Flow (Equivalent of 28517 MU) in MWs	3255
Proposed Transmission Tariff (Rs./MW-Day)	10,495.93
Proposed Transmission charges (Rs./Unit)	43.73

*Transmission charges shall be payable on the basis of contracted capacity in case of long-term and medium-term open access consumers and on the basis of scheduled load in case of short-term open access consumers

SUMMARY AND COMMENTS

CONSUMER COUNSEL

- OPTCL has proposed:
 - Aggregate revenue requirement of **Rs.1247.14 Cr.**
 - Recovery of transmission charge@ **Rs 10,495.93/MW-Day (43.73Paisa/Unit).**
 - Transmission loss for wheeling as **3.10%** on energy drawl
- **Increase in transmission tariff by 56.17% over approved value of FY 2021-22 (in terms of paisa / unit).**
- For incentive, it was directed that “incentive amount approved by the Commission should be spent in the Grid substations only where the EHT voltage is not within (-) 12.5% of the normative voltage level at 220 kV /132 kV continuously suffering from low voltage.” The detailed of amount utilized should be submitted.
- Other issue:
 - OPTCL should avoid under loading of lines resulting in losses and conduct comprehensive system studies & discuss with distribution licensees before proceeding for further network expansion plan.
 - The Commission directs OPTCL to report all the major incidents for which any part of the transmission system is affected.
 - OPTCL should submit a detailed report on the utilisation of fund received for disaster resilient power system and disaster response centre.
 - OPTCL should approach the Govt for economically unviable projects.
- Hon’ble commission may consider the submission of consumer counsel and finalize the transmission tariff at appropriate level.

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THANK YOU !