

DISCUSSION PAPER

Collection of Operation and Maintenance (O&M) Charges by KPTCL from the Independent Power Producers (Generators).

Preamble:

1. The Karnataka Power Transmission Corporation (KPTCL) is a deemed Transmission Licensee under the provisions of the Electricity Act, 2003 engaged in the business of transmitting electricity from the various generating stations to the load centers. The operations and maintenance of transmission lines and substations by it is an integral part of such functions and therefore it should be permissible for it to collect operation and maintenance (O & M) expenses from those using its transmission system.
2. The Commission, approves the transmission tariff to be paid to the KPTCL by the users after determining its Annual Revenue Requirement. But, the operation and maintenance charges to be collected from the private generators OR Independent Power Producers (IPPs) towards the expenses incurred for the maintenance of the dedicated transmission lines and terminal bays placed in the KPTCL's premises, for the benefit of the IPPs have not been separately determined by the Commission, so far. However, the KPTCL, in its Official Memorandum (OM) dated 17th August, 2012, among other things, had prescribed payment of O & M charges at 1.5% of the capital cost of the infrastructure with 12% escalation every year, by the IPPs, HT and EHT consumers, towards maintenance of the dedicated transmission lines and terminal bays.

3. Whereas, during April 2014, the KPTCL had filed a Petition under Sections 86 and 94 of the Electricity Act, 2003, before the Commission with a prayer to allow recovery of the O&M expenses from the HT/EHT Consumers and IPPs, at 1.5% of the capital cost of the infrastructure maintained by it, in line with the collection of the O & M charges, by the PGCIL, a Central Transmission Utility. Further, the KPTCL had proposed to collect the O&M expenses with an annual escalation of 12%.
4. The KPTCL in support of its prayer had stated that, the PGCIL levies such charges on the KPTCL for maintenance of its terminal bay equipment owned by the KPTCL (associated with the transmission lines owned by the KPTCL), placed in the PGCIL's premises. That, the PGCIL also pays the O&M charges to the KPTCL for the terminal bay equipment, placed in the KPTCL's premises for the transmission lines owned by the PGCIL for maintaining it. The KPTCL had produced a copy of the agreement, entered into between the KPTCL and the PGCIL in this regard.
5. Whereas pursuant to such petition, the Commission held Public Hearings on 04.12.2014 & 08.01.2015 as a part of public consultation in the matter, in which several stakeholders participated. Considering the material facts of the case, including the comments and objections of the stakeholders, the Commission passed the following order on 26th February, 2015:

- "1. The Petition is dismissed in so far as it relates to the collection of O & M charges from the HT/EHT Consumers. The Petitioner is directed to withdraw the Notices issued to the HT/ EHT consumers and refund the amount so collected from the HT/EHT consumers;*
- 2. The Petitioner is entitled to collect, O & M charges, from the IPPs, if the Petitioner maintains the dedicated transmission line, subject to such charges being mutually agreed between the parties and in default, being adjudicated by the Commission".*

6. As could be seen, in the above Order, though the collection of O & M charges from IPPs was allowed by the Commission, the rate at which the same shall be collected, was not indicated.
7. Subsequently, the KPTCL has issued an amendment on 25th March, 2017 to its earlier OM dated 17.08.2012, prescribing the following charges to be collected from the IPPs, based on the Commission's Tariff Order for 2016.:

Particulars	FY17	FY18	FY19
O&M cost in terms Rs. Lakhs / bay	2.79	2.99	3.21
O&M cost in terms Rs. Lakhs / km of transmission line	0.73	0.78	0.84

8. The Commission notes that, in the Tariff Order for FY16, it had computed the allowable O&M expenses for the control period FY17 to FY19, by considering the actual O&M expenses for the base year FY15, duly applying the inflation, apportioning the O&M expenses, between the total number of bays and the total ckt – km of transmission lines in the ratio of 70:30 and arrived at the average cost per bay and average cost per ckt – km of Transmission line, irrespective of the various voltage classes, viz., 400kV, 220kV, 110kV, 66kV and 11Kv (for bays). This has been done to arrive at the future year-wise, O&M cost of the KPTCL, based on the total number of bays and ckt-Km of the transmission lines and the annual inflation rate. While doing so, the Commission had factored the O&M cost in respect of per terminal line bay and per ckt-km of transmission line, as mentioned in the above table at Para 8.
9. Whereas thereafter several petitions have been filed before the Commission, during July, 2017 challenging the validity of the KPTCL's OM dated 25.03.2017, amending the provisions of the earlier OM dated 17.08.2012 for collection of

maintenance charges, in respect of the terminal line bays and the dedicated transmission lines.

The Commission heard the rival contentions and passed an Order dated 24th April, 2018 as follows:

(1)

(a) *As an interim measure, the Respondent (KPTCL) is permitted to raise the bills towards the arrears of the O & M charges, incurred by it, till now, for maintaining the terminal line bays located in the Sub-Stations of the Respondent (KPTCL) and to make a demand from the IPPs concerned, as per the Circular dated 17.08.2012, till the Commission takes a view on the question of the methodology to be adopted for arriving at the O & M charges payable by the IPPs, in the due proceedings;*

(b) *The rights and liabilities of the parties, pertaining to the payments/receipts of the maintenance charges, shall be subject to the final outcome of the determination of the O & M charges;*

(2) *The claims now raised by the Respondent (KPTCL), as per its amended Circular dated 25.03.2017, are hereby set aside; and,*

(3) *The parties shall suggest their proposals and guidelines, within 10 (ten) weeks from the date of this Order, for ascertaining the maintenance charges to be incurred by the Respondent (KPTCL) for maintaining the terminal line bays in its Sub-stations, for issuing a Discussion paper in this regard.*

10. In pursuance of the above Order, the KPTCL has submitted that:

a) The KPTCL is maintaining the entire Transmission System consisting of Stations and Transmission lines constructed by it, as well as, those dedicated bays/lines of IPPs at various voltage levels.

- b) The O&M charges include the Employees cost, Repairs and Maintenance charges (R&M Expenses) and Administrative and General expenses (A&G expenses).
 - c) The components of the O&M expenses, being in the nature of fixed cost of the KPTCL's ARR, is collectively incurred and is not segregated, based on the bays or lines.
 - d) The KPTCL, hitherto has been collecting O&M expenses at 1.5% of the capital cost with an annual escalation of 12%.
 - e) The Commission, in its various Orders, has considered the O&M expenses of 1.5% of the Capital Cost with an annual escalation. Hence, in order to enable the IPPs to pay O&M charges commensurate to their voltage levels, it is suggested to approve O&M expenses at 1.5% of the Capital Cost incurred on Bays/Transmission lines with annual escalation of 12% p.a.
11. The Commission, in its Order dated 26.02.2015 in OP No,13/2015, allowed the KPTCL to collect O&M charges from the IPPs, in case the KPTCL maintains the dedicated transmission line/bay, subject to such charges being mutually agreed between the KPTCL and IPP and in default being adjudicated by the Commission. The claim of the KPTCL for collection of O&M charges from the HT/EHT consumers was however, rejected. The Commission, by order dated 24.04.2018 in OP NO. 81/2016 and other cases filed by certain IPPs, challenging the demand raised by the KPTCL towards arrears of O&M charges for, maintaining the dedicated transmission lines/bay, has observed that:
- (a) The existing IPPs, have not entered into agreement for payment of O&M charges for, maintaining dedicated transmission lines/bays.

- (b) The maintenance of terminal line bays at the KPTCL sub-stations has to be carried out by the KPTCL alone and not by the IPPs concerned. Admittedly the KPTCL maintains the terminal line bays.
- (c) The KPTCL is unable to produce the details of actual expenses incurred or to be incurred for, maintaining the individual dedicated terminal line bays. The Petitioner IPPs also have not come forward to furnish the details of expenses incurred by them for maintaining similar terminal line bays at the generation end.
- (d) In the above circumstances, the order dated 26.02.2015 in OP No. 13/2014, requires review after considering the views of the stakeholders.
- (e) The parties were direction to suggest their proposals and guidelines for ascertaining the maintenance charges to be incurred by the KPTCL for maintaining the terminal line bays in the sub-stations. As noted earlier only KPTCL has submitted its suggestions.

12. The Commission therefore hereby seeks the suggestions, comments and views of all the stakeholders on the following issues:

- (i) Whether the IPP is required to maintain dedicated transmission line / bays constructed subsequent to Electricity Act, 2003?
- (ii) Whether the KPTCL is required to maintain dedicated transmission line / bays constructed prior to Electricity Act, 2003?
- (iii) Whether the KPTCL can furnish the actual expenses incurred/to be incurred, for maintaining the dedicated transmission line bays in its substations?

(iv) If not, what should be the methodology for estimating the expenses incurred/to be incurred, for maintaining the said line bay.

13. The Suggestions/Comments/Views from the stakeholders/ interested persons shall be submitted to the Secretary, the KERC, in writing or by email (kerc-ka@nic.in) on or before 12.09.2018.

Sd/-

SECRETARY

KERC, Bengaluru