

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION
5th Floor, Metro Plaza, Bittan Market, E-5 Arera Colony, Bhopal - 462 016



Petition No.79/2011

PRESENT:

Rakesh Sahni, Chairman

C. S. Sharma, Member

IN THE MATTER OF:

**LEVY AND COLLECTION OF FEE AND CHARGES BY STATE LOAD
DESPATCH CENTRE (SLDC), JABALPUR FOR FY 2012-13.**

State Load Despatch Centre, Jabalpur (Petitioner) represented, among others, by –

- 1. Shri S. K. Gaikwad, SE (LD: E&T), SLDC, Jabalpur**
- 2. Shri S. S. Patel, EE (LD: E&T), SLDC Jabalpur**

ORDER

(Passed on this 16th day of March, 2012)

1. This order relates to petition No.79 of 2011 filed by the State Load Despatch Centre (hereinafter referred to as "SLDC") for "levy & collection of fee & charges by SLDC for FY 2012-13" (hereinafter referred to as "SLDC's Tariff Petition") before Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as "MPERC" or "the Commission"). In exercise of the powers conferred under section 31(1) of the Electricity Act, 2003 (Central Act 36 of 2003), the Government of Madhya Pradesh vide order No.2489/13/04 dated 17-05-2004 notified the State Load Despatch Centre, Jabalpur as apex body to ensure integrated operation of the power system in the State, to be operated by the State Transmission Utility, hereinafter called as STU.
2. As per section 32(3) of the Electricity Act 2003, SLDC may levy and collect such fee and charges from the Generating Companies and Licensees engaged in intra-state transmission of electricity as may be specified by the State Commission. Further, the Ministry of Power, Government of India, in exercise of powers conferred under Section 183 of the Electricity Act, 2003, issued an order for "Removal of Difficulties" on 8th June, 2005 (S.O. 795(E)) in respect of levy and collection of fees and charges for using the transmission systems. As per the order, *"the State Load Despatch Centre may levy and collect such fee and charges from the Licensees using the intra-state transmission system as may be specified by the State Commission"*. Accordingly, SLDC charges are now payable by Licensees / users.
3. The SLDC Tariff Order for FY 2011-12 was approved by the Commission on 31/05/2011. SLDC vide its letter No.07-05/E&T/645-VIII/2718 dated 29/12/2011 has filed this petition for approval of SLDC fee and charges for FY 2012-13 as per provisions of the MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006) dated 5th May, 2006 notified on 19th May, 2006 and its amendments. This petition was registered as petition No.79 of 2011.
4. On scrutiny of the petition, the Commission vide letter No.262 dated 27/01/2012 asked SLDC to file several information gaps and additional information to process the petition. The petitioner vide letter No.446 dated 27/02/2012 submitted its response to the issues raised by the Commission.

Hearing

- 5.1 The Commission vide letter No.263 dated 27/01/2012 sought comments/suggestions on the petition from all respondents i.e M. P. Power Generating Company Ltd. (MPPGCL), Narmada Hydro-electric Development Corporation Ltd. (NHDC), Narmada Valley Development Authority (NVDA), M. P. Power Transmission Company Ltd. (MPPTCL), M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd. (East Discom), M. P. Madhya Kshetra Vidyut Vitaran Co. Ltd. (Central Discom), M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd. (West Discom), and M. P. Audyogik Kendra Vikas Nigam Indore (SEZ). The hearing was fixed on 06/03/2012 in the office of the Commission.
- 5.2 No comment was received by the Commission from any of the respondents in the matter till due date. The petitioner vide its letter No.456 dated 29/02/2012 submitted that it has also not received any representation from respondents till 28/02/2012.
- 5.3 The Commission conducted hearing in the matter at Bhopal on 6th March, 2012 in the office of the Commission. The representative of NVDA appeared in the hearing. He submitted NVDA's letter No.276 dated 05/03/2012 and submitted that "if fee & charges are to be levied by SLDC, then the same be collected directly from MP Tradeco". During the hearing, it was clarified by SLDC's representatives that the SLDC fee & charges are being collected from licensees only i.e. three Discoms & SEZ. As such the SLDC fee and charges are not collected from NVDA.

Annual Revenue Requirement

6. The total revenue requirement including Capital Investment as filed by SLDC for FY 2012-13 is as under:

Table 1: Total Revenue Requirement for FY 2012-13 (as filed by SLDC)

S. No.	Particulars	Amount (Rs. Lacs)
01	Employee Cost	734.33
02	Administrative and General Charges	100.14
03	Repairs and Maintenance Expenses	250.78
04	Depreciation	0.00
05	Interest and finance charges	11.19
06	Return on equity/Investments	0.00
07	Provision for Income Tax	0.00
Total Revenue Requirement for FY 2012-13		1096.44

7. The petitioner has also filed the details of actual expenses and income from other fee and charges in FY 2010-11 vis-a-vis approved in ARR of FY 2010-11 for reconciliation/true-up in ARR of the subject petition for FY 2012-13 as given below :

Expenses :

Particular	Expenses as allowed in ARR for FY 2010-11 (in Rs. Lacs)	Actual Expenses for FY 2010-11 as filed in the petition (Rs. Lacs)	Differences (Allowed-Actual) to be reconciled (Rs. Lacs)
Employee Costs	557.46	538.59	18.87
Administration & general Expenses	82.1	40.07	42.03
Repairs & Maintenance Expenses	189.35	167.72	21.63
Interest & Finance Charges	0	0.12	-0.12
Total	828.91	746.5	82.41

Income from other fee & charges:

Particular	Income as allowed in ARR for FY 2010-11 (Rs. Lacs)	Actual income for FY 2010-11 as filed in the petition (Rs. Lacs)	Differences (Allowed-Actual) to be reconciled (Rs. Lacs)
50% of Scheduling & Operating Charges	75.00	101.46	-26.46
Connectivity Charges	6.00	9.55	-3.55
Application Charges	90.00	27.00	63.00
Sub Total	171	138.01	32.99
Other miscellaneous receipts as mentioned in Form F2	0	5.50	-5.50
TOTAL	171	143.51	27.49

Net amount to be reconciled & adjusted in ARR of FY 2012-13 works out to (82.41– 27.49) i.e. **Rs.54.92 lacs**.

8. The Commission in exercise of powers to frame Regulations under Section 181 (2) (g) of the Electricity Act, 2003 notified MPERC (Levy of Fee and Charges by State Load Despatch centre) Regulations, 2004 (Revision 1, 2006) as amended from time to time. In accordance with the Regulations, the Commission has determined and approved the fees and charges in addition to SLDC charges determined in this Order. The ARR of SLDC approved by the Commission for FY 2012-13 in this order is as follows:

Table 2: Annual Revenue Requirement for FY 2012-13 (as approved by MPERC)

S. No.	Particulars	Amount (Rs. Lacs)
01	Employee Cost	723.48
02	Administration and General Expenses	92.14
03	Repairs and Maintenance Expenses	250.78
04	Interest and Finance Charges	0.00
	Total Annual Revenue Requirement	1066.40
05	Less Other Income (O&S, etc)	150.00
06	Less adjustments (true-up) for FY 2010-11	54.92
	Net Annual Revenue Requirement for FY 2012-13	861.48

9. The allocation of Annual SLDC charges and applicability of various fees and charges are specified in detailed Order annexed herewith. The Commission directs that the Fees and Charges determined by this order shall be effective from 1st April, 2012 and will continue to be effective till 31st March, 2013. The petitioner must take steps to implement the Order after giving seven (7) days public notice in accordance with clause 1.30 of MPERC (Details to be furnished and fee payable by licensee or Generating company for determination of tariff and manner of making application) Regulations, 2004 and its amendments and calculate its bills of SLDC charges to the Long Term Open Access customers other than renewable sources w.e.f. 1st April, 2012 onwards and must also provide information to the Commission in support of having complied with this order.
10. Ordered as above, read with attached detailed reasons, grounds and conditions,

(C. S. Sharma)
Member (Economics)

(Rakesh Sahni)
Chairman

Place: **Bhopal**

Dated: 16th March, 2012

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CHAPTER 1

ANNUAL FIXED CHARGES

CAPITAL EXPENDITURE:

Petitioner's Submission

- 1.1** The petitioner has broadly submitted the following in the petition and its supplementary submission dated 27th February, 2012 :

The capital expenditure plan of SLDC (5 years rolling plan for the period from FY 2009-10 to FY 2013-14) has already been approved by Hon'ble Commission vide order dated 26.11.2009. The proposed capital expenditure shall be met from Capex fund of SLDC. The details of capital works for the period from FY 2009-10 to FY 2011-12 were furnished vide letter No.966 dated 13.05.2011, the same was also mentioned in SLDC tariff order dated 31.05.2011. Therefore, the 5 years Capex plan from current FY 2011-12 to FY 2015-16 has been submitted alongwith the petition for FY 2012-13.

The year wise details of separate accounts towards Capital Expenditure actually incurred since FY 2006-07, as per certified trial balance of SLDC, is submitted below:

(Amount in Rs. Lacs)

Financial Year	Category of Expenditure (A/C Code)			Year wise Total
	Fixed Assets (10)	Capital works in progress (14)	Advance to suppliers (25)	
2006-07	25.66	-	7.67	33.33
2007-08	14.73	-	1.21	15.94
2008-09	5.36	0.9	-4.02	2.24
2009-10	-	-	26.86	26.86
2010-11	28.57	-	-24.23	4.34
Closing balance as 31.3.11	74.32	0.9	7.49	82.71

The year wise details in respect of interest earned on the funds marked for Capex out of the Operation & Scheduling charges, being received by SLDC since 2006-07 onwards, is submitted. As informed by finance Cell (MPPTCL), the average of interest is taken as 8.26% for FY 2010-11 for computation of interest during FY 2010-11. The details are given as below :

Calculation of interest on fund marked for Capex (Rs. in Lacs)

Sr. No	Financial Year	Average rate of interest for the year	Capital Fund : 50% Amount Opn & Sche	Capital Exp (Fixed Asset+CWIP +Advance)	Yearly balance of fund	Cumulative Balance of fund	Total interest Amount
1	2006-07	8.60%	19.59	33.33	-13.74		NIL
2	2007-08	7.50%	33.82	15.94	17.88	4.14	0.16
3	2008-09	7.50%	62.68	2.24	60.44	64.58	2.58
4	2009-10	6.00%	75.79	26.86	48.93	113.51	5.34
5	2010-11	8.26%	101.46	4.34	97.12	210.63	13.39

Commission's Analysis

- 1.2 The Commission has already approved five year Capex plan of SLDC in the Tariff Order for FY 2009-10 dated 26/11/2009. The salient features of the same are reproduced below for reference:

“The Commission has observed that SLDC has included replacement of old furniture on a lump-sum basis in the Capex of 2012 -13 and 2013-14. Such general provision should not be part of the Capex, but may be incurred as O&M expenses. The Commission has not considered this general provision as part of Capex plan. The Capex proposal of SLDC and the approval of Capex plan is shown in the Table below:

Table 3: Capital expenditure as approved by the Commission (Rs. Lacs)

S. No.	Description of Project/Scheme / Work	Proposed requirement of fund in Rs. Lacs for FY				
		2009-10	2010-11	2011-12	2012-13	2013-14
A	Capital works in progress					
1.	PABX for SLDC	20.00	--	--	--	--
2.	AC Plant at SLDC	65.00	--	--	--	--
3.	Boundary wall	19.80	--	--	--	--
Sub Total (A-(1) to A-(3))		104.80	--	--	--	--
B	Proposed Capital Works					
1.	Fire Alarm System	22.42	--	--	--	--
2.	Voice Recording System	3.60	--	--	--	--
3.	Electronic Security System	6.30	--	--	--	--
4.	Addl. Office	2.50	--	--	--	--
5.	Office equipment	--	6.00	--	--	--
S.	Description of Project/Scheme / Work	Proposed requirement of fund in Rs. Lacs for FY				
No.		2009-10	2010-11	2011-12	2012-13	2013-14
6.	Slab and renovation	--	10.90	--	--	--
7.	Conference system	--	10.14	--	--	--
8.	Web server & Website	--	8.50	--	--	--
9.	Addl. Parking	--	--	4.00	--	--
10.	Desk and visitors lounge	--	--	2.00	--	--
11.	False ceiling	--	--	10.00	10.00	--
12.	Replacement of Old furniture	--	--	--	15.00	15.00
Sub-Total (B-(1) to B-(12))		34.82	35.54	16.00	25.00	15.00
Total (A+B)		139.62	35.54	16.00	25.00	15.00
Approved Total Capex		139.62	35.54	16.00	10.00	0.00

- 1.3** *The Commission accorded in-principle approval of the above mentioned Capex subject to the following conditions.*
- 1.3.1** *SLDC shall have a proper account of Capex fund and should also account for the bank interest earned on capex fund.*
- 1.3.2** *The SLDC must ensure timely completion of capital works so that the SLDC gets due benefits in improving the services. The other stakeholders should also get timely benefits from these works. Hence, the SLDC has to allot top priority to the timely completion of the works in the best possible manner and within the approved financial resources.*
- 1.3.3** *SLDC has scheduled most of its capital works in the first year of the capex plan i.e. 2009-10. SLDC must ensure that the time over run, if any should not result into cost over run. The SLDC must ensure that cost escalations for reasons other than time over run are consistent with market conditions and those prevailing in other SLDCs / RLDCs in India. The Commission will not allow any unjustified escalated cost for the purpose of determination of fee and charges.*
- 1.3.4** *The cost of items, instruments, spares, installation and commissioning charges, freight, etc. quoted / charged by the suppliers / vendors should be properly analyzed and verified by SLDC to ensure that the cost incurred by it, is in line with the lowest possible prevailing market price for good quality work.*
- 1.3.5** *The SLDC shall also be required to file the updated physical and financial progress of each work as an annexure with the petition filed by the SLDC for determination of fees and charges, in future.*
- 1.3.6** *The SLDC is advised to organize the processing timely to ensure that the execution of the schemes is not affected and also to ensure timely utilization of material being procured against base cost in the proposal to avoid any extra financial liability.*
- 1.3.7** *As per the petitioner, this amount is proposed to be funded from internal resources i.e. through Fee and Charges. The Commission approves Capex for FY'10 at the proposed level of Rs 139.62 Lacs. The Commission will monitor the actual expenditure against plan for SLDC. Capex for subsequent years will be reviewed and approved in respective tariff orders.*
- 1.4** *The petitioner in Para 8.0 (iv) of the petition has submitted compliance to above conditions as given below :*
- (a) *“SLDC is maintaining a proper account of Capex fund, year wise details of earning and expenditure as per audited SLDC accounts are shown below in Para (v).*
- (b) *The approved Capex plan of SLDC include year wise list of capital works required to be implemented at SLDC. The Capex plan is reviewed annually and re-submitted along with the petition. The works are completed in the best possible manner and within the approved financial resources.*

- (c) Depending upon the urgency of work, the schedule of works has been reviewed and submitted along with the petition as Annexure CPI.
- (d) The purchase of items, instruments, spares, installation and commissioning works etc. are processed through issue of enquiry, open tender, or through OEM in case proprietary item. Thus, the work is carried out in good quality and in line with the lowest possible prevailing market price.
- (e) The updated physical and financial progress of each work has been filed as Annexure-CPI and also provided in form F15.
- (f) The capital works are organized & processing timely to ensure that the execution of the schemes is not affected and also to ensure timely utilization of the same.
- (g) The capital works of SLDC are funded from internal resources i.e. from 50% of Operation & scheduling charges. The Capital Expenditure plan for FY 11-12 to FY 15-16 has been submitted as Annexure-CPI.”

1.5 Besides several other information gaps, the Commission vide letter No.262 dated 27/01/2012 sought the following clarifications from the petitioner:

- i) Details showing as how the proposed Capex is mapped on the Capex already approved by the Commission.
- ii) The Commission approved Capex works of Rs.16.00 Lacs for FY 2011-12 in the previous tariff order. SLDC has submitted that total Capex works in progress during FY 2011-12 as Rs.106.06 lacs. The details regarding project wise / scheme wise capital work in progress during FY 2011-12 clearly indicating any spill over of Capex work approved for previous years in FY 2011-12. If so, the reasons for delay in such works be also submitted.

1.6 In response the petitioner vide its letter No.446 dated 27/02/2012 submitted that the capital works of Rs.106.06 Lacs proposed during FY 2011-12 also include the works mentioned in previous financial years of approved plan. The status of works vis-a-vis year-wise fund approved by the Commission along with the details of spill over works also submitted by the petitioner in Annexure-II of afore-mentioned reply.

1.7 On perusal of Annexure-1 filed by the petitioner in its additional submission vide letter No.446 dated 27th February, 2012, the Commission observed that the works approved by the Commission in 5 year Capex plan could not be completed in respective years and shown as spill over in next years. The SLDC has shown balance amount of Rs.139.62 lacs at the end of FY 2009-10 against the estimated cost of Rs.139.62 lacs indicating nil completion of works. Similarly, the works of Rs.60.20 lacs, Rs.96.06 lacs and Rs.77.50 lacs have been shown as spill over works in FY 2010-11, FY 2011-12 and FY 2012-13 respectively. The petitioner has also submitted the reasons for increase in the estimated cost in respect of certain works as given below :

- i) *The approved estimated cost for the work of "Renovation of false ceiling and electrification system" was Rs.20 Lacs on the basis of tentative projections made during 2009-10. At present, the scope of work has got increased due to additional works of strengthening existing frame structure, replacement of ceta-tech tiles of false ceiling by metallic tiles,*

replacement of electrical fitting by energy saving CFL light fittings, replacement of electrical wiring, switches etc. and therefore the estimated cost now works out to Rs.48 Lacs.

ii) The approved estimated cost for "Providing Conference System at SLDC" was Rs.10.14 Lacs on the basis of tentative projections made during 2009-10. At present, the scope of civil works has got increased due to replacement of windows, providing vitrified tiles on floor, interior furnishings etc. and therefore the estimated cost now works out to Rs.12 Lacs.

iii) The approved estimated cost for "Construction of slab and renovation in SLDC Building." was Rs.10.90 Lacs on the basis of tentative projections made during 2009-10. At present, the scope of work has got increased due to changes in scope of work required to make the construction technical feasible and to ensure proper strength of existing as well as new constructions, therefore the estimated cost now works out to Rs.12 Lacs.

1.8 The petitioner has also included some new works with estimated amount of Rs.45.40 lacs in the list of works shown (in FY 2012-13) in Annexure-2 of its additional submission. The Commission has observed that these new works which are informed to be initiated during FY 2012-13 are not included in the Capex plan approved by the Commission. In view of the afore-mentioned observations, the petitioner is directed to expedite completion of works as envisaged in the Capex plan approved by the Commission and file a fresh 5 year Capex plan for FY 2012-13 onwards incorporating all works completed in the Capex plan already approved by the Commission. The works completed in FY 2009-10 to FY 2011-12 vis-a-vis the Capex approved by the Commission for these years be also filed separately with the Capex plan. The revised Capex plan be filed with the petition for levy and collection of SLDC charges for FY 2013-14.

1.9 The Capex plan of SLDC for FY 2009-10 to 2013-14 as approved by the Commission in SLDC Tariff Order for FY 2009-10 is considered in this order.

1.10 In compliance to Regulation 10 of MPERC (Levy and Collection of fee and charges by SLDC), SLDC has submitted that O&S charges are deposited in RAO MPPTCL SLDC A/c. Detailed information as submitted for interest earned on funds marked for Capex indicates that the cumulative balance of Rs.210.63 Lacs was available with SLDC as on 31st March, 2011.

1.11 The Commission has observed that SLDC has adequate funds for meeting Capex but still the proposed works have not been completed timely. The SLDC is again directed to follow the conditions mentioned by the Commission while granting in-principle approval of the Capex plan in the Tariff Order for FY 2009-10 dated 26/11/2009.

OPERATION AND MAINTENANCE (O&M) EXPENSES:

1.12 The Operation and Maintenance (O&M) expenses comprise of the Employee Expenses, Administration & General (A&G) Expenses and Repairs & Maintenance (R&M) Expenses. The status of actual O&M expenses in past years and that filed by the petitioner for FY 2012-13 is given below:

Table 4: O&M expenses (Rs. Lacs)

Sr. No.	Particulars	FY'07	FY'08	FY'09	FY'10	FY'11	FY'12	FY'13
		Actual	Actual	Actual	Actual	Actual	As approved in Tariff Order	Proposed by SLDC in its petition
1	Employee Expenses	216.22	249.41	328.81	454.98	538.59	675.15	734.33
2	Administration & General (A&G) expenses	14.86	13.59	26.86	21.59	40.07	85.09	100.14
3	Repairs & Maintenance (R&M) Expenses	8.41	7.46	24.97	106.10	167.72	215.98	250.78
	Total	239.49	270.45	380.64	582.67	746.38	976.22	1085.25

The Commission observes that the O&M expenses of SLDC have increased by about 450% from Rs. 239.49 Lacs in FY 2006-07 to Rs. 1085.25 Lacs proposed for FY 2012-13. The SLDC is required to initiate measures to ensure that its O&M expenses remain under control and do not increase at such a fast pace in future years.

Employee Expenses

Petitioner's Submission

The petitioner has broadly submitted the following :

1.13 *The employee cost for FY 12-13 has been worked out for the working strength at SLDC & Sub-LDCs as on 31-10-2011. As per recommendations of "Manpower, Certification and Incentive for system operation and ring fencing Load Despatch Centres", basic level training for Load Despatch system operation has been imparted to 10 Engineers working at SLDC Jabalpur and Sub-LDCs at Bhopal and Indore during FY 11-12 and 25 engineers shall be deputed for the same during FY 12-13, therefore provision for training charges as well as incentive payable to certified system operators has been included in the projections of employee cost for FY 12-13. Total Employee cost works out to Rs.734.33 Lacs. The provision for other vacant posts, terminal benefit on retirement (pension, gratuity and EL encashment on retirement) has not been considered.*

1.14 The petitioner has further submitted the following main assumptions for projecting the employee expenses :

- (a) *The employee cost for Ensuing Year has been worked out considering the employee position as on 31st Oct 2011. The employee cost includes provision for employee expenses towards 6AEs, 8JEs, 7Line Attendants and 4 Data punch operators, who are likely to be deployed during FY2012-13. No provision is made for other vacant posts of SLDC and Sub LDCs.*

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- (i) *The present rate of DA to MPSEB employee is 51% wef Oct 2011 and the rate of DA to Central Govt. Employee is 58% wef July 2011. On the basis of above and nominal increase in DA during 2012-13, the rate of D.A. has been taken as 58% for first six months & 64% for the remaining six month period.*
- (ii) *Medical reimbursement for Ensuing Year has been considered @450/- pm per employee.*
- (iii) *Certification linked incentive has been recommended by the Pradhan Committee constituted for “Man Power Certification and Incentives for System Operation and Ring Fencing Load Despatch centre”. SLDC Engineers are being imparted system operation training and the engineers who have completed training successfully and awarded certification for LD system operation, shall be paid Certification linked incentive. The recommended percentage for Basic level training is 10% of Basic Pay assuming ceiling of basic pay as Rs. 50000/-, i.e. Certification linked incentive amount is limited to maximum Rs. 5000/-. During FY11-12, 10 Engineers have successfully pass Certification Examination and 10 Engineers shall be deputed on training FY 12-13 therefore provision of Certification Linked Incentive has been made for 10 Engineers for 12 months and 10 engineers for six months in the Employee Cost projection for ensuing year.*
- (iv) *Company Contribution for DCPS (Defined Contribution to Pension Scheme) @ 10% of Basic pay + grade Pay, is being contributed by the company for Assistant Engineers who have been appointed in Company Cadre. Accordingly DCPS provision is made in Employee Cost Projection for ensuing year.*
- (v) *The arrears of Pay Revision for the period from Jan’2006 to Aug’2008 is being paid in 60 equal installments wef Aug 2010. The arrears amount payable during 2012-13 (12 installments) has been worked out on the basis of actual installments being paid to individual employee. The arrears amount for the employees working at SLDC/ Sub-LDCs and attaining age of superannuation during 2012-13 has been worked out for all the remaining installments (41), as one time payment. The amount works out Rs. 36.17 Lacs and provision of the same has also been made in employee cost projections for FY 2012-13.*
- (vi) *The projection towards training expenses have been made considering training requirements for SCADA/EMS, Communication, Computer systems and system operators training as per recommendations of “Manpower certification, Incentives & Ring fencing” committee.*
- (vii) *The Commission in the order for SLDC fee & charges for the previous years has not allowed provisions for Ex-Gratia/bonus, no such provisions are made in ARR for FY 12-13.*
- (viii) *Terminal benefits have not been considered in the ARR as per directives of MPERC in the order for SLDC Fee & charges petition for the FY 2006-07.*

Commission's Analysis

- 1.15** The total employee expenses of Rs.734.33 Lacs claimed by the SLDC include incentive of Rs.8.24 Lacs, Medical Expenses of Rs.4.70 Lacs and subsidy of Rs.2.61 Lacs. The Commission vide letter No.262 dated 27/01/2012 sought details of certification incentive scheme & approval of the competent authority for payment of incentives and the basis of Medical expenses @ Rs 450/- p.m. per employee & Subsidy @ Rs 250/- p.m. per employee as claimed in the petition.
- 1.16** SLDC vide its letter No.446 dated 27/02/2012 submitted the details of certification linked incentive scheme, as recommended under section 15.3 of "Report of the Task Force on capital expenditure and issues related to emoluments for personnel in Load Despatch Centres" as Annexure-I of reply. It was further clarified that the approval of competent authority for payment of certification linked incentives shall be obtained, once the majority of engineers are trained and similar initiatives are taken at NLDC level. It was further submitted by SLDC that the proposal for approval of competent authority will take some more time, therefore the projection of Rs.8.24 Lacs made towards Certification linked incentive for FY 2012-13 is hereby withdrawn. In view of afore-mentioned, the SLDC requested the Commission to approve total employee cost of Rs.726.09 Lacs. (734.33-8.24) for FY 2012-13.
- 1.17** SLDC further submitted that the medical expenses @ 450 /- pm per employee has been taken so that adequate provision of Rs.4 to 5 Lacs (presently it is Rs.4.7 Lacs) remains available to meet out contingent expenses on medical grounds. It was further submitted by SLDC that the assumed rate has no other basis but to keep above lump sump provision for the purpose.
- 1.18** It was further stated by SLDC that the subsidy @ 250/- pm per employee has been taken on the basis of employee discount provided @50% in electricity charges to employees. The provision of Rs.2.61 Lacs is made to meet out contingent liability of this facility, if required to be paid/ reimbursed in future. The assumed rate of subsidy has no other basis but to keep above lump sump provision.
- 1.19** The Commission observed that the provision for Terminal Benefits like PF, Gratuity, and Pension has not been made in the petition. The petitioner has not claimed any amount for Leave Encashment, LTA, Overtime, Incentives, Ex-Gratia/bonus etc. No employee expense has been capitalised.
- 1.20** The details of employee related expenses as allowed in the tariff order for FY 2011-12 and projected for FY 2012-13 are summarized in the following table:

Table 5: Details of Employee Expenses as claimed by SLDC (Rs. Lacs)

Particular	FY 2011-12 (as allowed in Tariff Order)	FY 2012-13 (as claimed by SLDC)
Actual working strength at the beginning of FY	95	87
Sanctioned strength at the beginning of FY	135	135
Basic pay, DA, adtl. Pay, main allowances etc.	624.73	665.04
Other Allowances (Medical, Travel, Arrears, W/M Compensation etc.)	47.32	57.19
Training & staff welfare expenses	3.10	12.10
Bonus/Exgratia to employees	0.00	0.00
Terminal Benefits/ EL encashment on retirement	0.00	0.00
Gross employee expenses	675.15	734.33
(less) Expenses capitalized	0.00	0.00
Net employee expenses	675.15	734.33

1.21 The Commission while scrutinizing the salary details, observed that the provisions for various items which were not considered by the Commission in previous tariff order are not claimed by SLDC in the present petition. The Commission observed that claim of Rs.8.24 Lacs for incentives has been withdrawn by the SLDC in its additional submission. It is further observed that the electricity bills to the residential premises of employees of SLDC are billed by Discom directly to the employees and the employees rebate are given in the bills itself. Hence, this claim for provision of Rs.2.61 Lacs is not allowed in this Order. Hence, **the Commission allows net employee expenses of Rs.723.48 Lacs for FY 2012-13.**

Administration & General (A&G) Expenses

Petitioner's Submission

1.22 *The Administration and general expenses for SLDC and Sub LDCs for FY 2012-13 is projected by SLDC as Rs.100.14 Lacs. SLDC has stated that the A&G expenses for the ensuing year have been worked out considering the following:-*

- (i) **Insurance:** *A lump sump provision of Rs.0.22 Lacs has been made towards insurance charges during ensuing year.*
- (ii) **Telephone Expenses:** *The communication facilities provided through common pool services are not considered. However, the expenses towards additional communication facility proposed for the SLDC/Sub LDC officers are included.*
- (iii) **Consultancy Charges:** *The projections towards consultancy charges have been kept for obtaining consultancy services for ISO 9001: 2008 certification of SLDC, System Operating Procedures and for preparation of scheme for future SCADA system & Master Communication system.*
- (iv) **Travel expenses:** *The projections towards travel expenses for the FY 2012-13 are kept same as mentioned for FY 2011-12 in view of increased staff and increased responsibilities on account of ABT/OA, regulatory & legal issues, training etc.*
- (v) **Hiring of Vehicle:** *Only one vehicle is provided for CE (SLDC) and no vehicles are provided for Sub LDCs, however provision for 1 more Vehicle for SLDC & one vehicle for each of 2 Sub-LDCs has been made for ensuing year.*
- (vi) **Security / Service Charges :** *SLDC has to be provided with two armed security guards round the clock. As the services of armed security guards from common pool of MPSEB is not available, the armed security guards for SLDC are being deployed through outsourcing. The projection towards security charges for ensuing year has been considered on the basis of offers received for current year and considering daily minimum wages, PF contribution (13.61%), ESIC (4.75 %), Service Tax on order value (10.3%) etc. for six skilled workers.*
- (vii) **Fee and Subscriptions Books And Periodicals :-** *The actual expenditure Rs. 31.37 Lacs for FY 2010-11 mentioned towards fee & subscription includes mainly the amount towards WRPC Fees. However, the provision for "WRPC Fees" and "Fees and Subscription Books & Periodicals" has been shown separately for the current and ensuing year.*

- (viii) **Stationery Expenses:** *The stationery expenses has been worked out considering the future increase in requirements due to Generation of various reports, increased responsibilities of Capital works, ABT/OA, EA, regulatory & legal issues etc.*
- (ix) **Electricity Charges:** *A Provision for electricity charges to office has been made on the basis of actual electricity charges of SLDC Jabalpur for the FY2010-11 and estimated load of AC plant during FY12-13. The new AC plant shall be made operational by end of current financial year.*
- (x) **Entertainment expenses:** *The entertainment expenses have been worked out considering the requirements due to increased responsibilities of SLDC.*
- (xi) **Legal Expenses:** *The legal expenses have been worked out considering various legal issues and regulatory matters.*

Commission's Analysis

1.23 The Commission observed that SLDC has claimed Electricity charges of Rs.38.00 Lacs in the total A&G expenses of Rs.100.14 Lacs for FY 2012-13. It is also observed that the A&G expenses in the instant petition are projected much higher than the actual expenses of Rs.40.07 Lacs in FY 2010-11. The SLDC was asked to submit justification in support of high projection of A&G expenses for FY 2012-13.

1.24 In response to above, SLDC vide its letter No.446 dated 27/02/2012 stated that the higher difference in proposed A&G expenses of Rs.100.14 Lacs over actual A&G expenses of Rs.40.07 Lacs is mainly due to following reasons:

- i) *Electricity Expenses: Provision of Rs.38.00 Lacs for electricity charges to office has been made on the basis of actual electricity charges of SLDC, Jabalpur for FY 2010-11 and estimated load of AC plant during FY 2012-13. The actual expenses for FY 2010-11 are adjusted on books and not appeared in trial balance of SLDC.*

Air conditioning plant was not operational during above period. However, the same is expected to be commissioned and made operational by end of April 2012. Therefore, Electricity charges for FY 2012-13 shall increase as compared to FY 2011-12.

- ii) *Consultancy Charges: The Projection of Rs.8.00 Lacs towards consultancy Charges has been considered for obtaining consultancy service for ISO 9001:2008 certification of SLDC, consultancy towards System operating procedures and for preparation of scheme for future SCADA system & communication system. The actual expenses for FY 2010-11 are Rs.0.01 Lac. The consultancy services of M/s PricewaterCooper is being obtained since Oct' 2011 for preparation of System operating procedures as per this office order 07-05/169-Misc./2237 dated 31-10-2011.*

- iii) *Security Charges: Provision of Rs.7.19 Lacs has been made towards deployment of two-armed security guards in each shift through outsourcing, as the services are not*

available through common pool of MPSEB. The armed security guards services are being outsourced since 24.12.2010. The actual expenses for FY 2010-11 are Nil.

- iv) Purchase related Advertisement: Projection of Rs.5.00 Lacs has been made towards purchase related advertisement to meet out expenses on publication of tender for Capital / O&M works at SLDC. The actual expenses for FY 2010-11 are Rs.0.36 Lac.

The details of A&G expenses allowed for FY 2011-12 vis-a-vis claimed by SLDC for FY 2012-13 are as under:

Table 6: Details of A&G expenses as claimed by SLDC (Rs. Lacs)

Particular	FY 2011-12 (as allowed in Tariff Order)	FY 2012-13 (as filed in subject petition)
Administrative expenses (telecommunication, travel, MPERC/WRPC fees etc.)	38.48	45.03
Other charges (printing & stationery, electricity charges to offices, entertainment, miscellaneous etc.)	9.11	9.11
Electricity charges of Office	35.35	38.00
Legal charges	3.00	3.00
Materials related expenses	4.50	5.00
Gross A&G expenses	90.44	100.14
(less) Expenses capitalized	0.00	0.00
Net A&G expenses	90.44	100.14

- 1.25** The petitioner was asked to submit details of actual electricity charges of SLDC for FY 2010-11 and for 11 months of FY 2011-12. The SLDC vide facsimile communication dated 07/03/2012 submitted that the actual electricity bill for FY 2010-11 was Rs.31.15 Lacs and it is Rs.6.75 Lacs for 11 months of FY 2011-12. It is further stated by the petitioner that Air conditioning was not operational during FY 2011-12. However the same is expected to be operational by end of April, 2012, therefore electricity charges for FY 2012-13 shall increase as compared to FY 2011-12. The Commission observed that the actual bills of FY 2010-11 are adjusted in the books and not appearing in trial balance of the SLDC.
- 1.26** The Commission has therefore, approved electricity charges of Rs.30.00 Lacs for FY 2012-13 in this order. However, actual charges will be considered appropriately in the true-up petition. Accordingly, **the Commission approves the A&G expenses of Rs.92.14 Lacs for FY 2012-13 in this order.** Any adjustments for actual expenditure will be considered appropriately in the True-up petition for FY 2012-13.

Repairs & Maintenance (R&M) Expenses

Petitioner's Submission

The petitioner has broadly submitted the following:

- 1.27** The Repair and maintenance expenses for the year 2012-13 are estimated to Rs.250.78 Lacs. This includes provisions for Long Term Service Agreements (LTSA) of SCADA/EMS & Wideband Communication system, AMC charges for ABT Computer System, Maintenance costs of Auxiliary Power Supply system, maintenance of system support services and Maintenance of building. The provision for civil maintenance works mainly roof treatment of SLDC is also made during FY 2012-13.

Commission's Analysis

- 1.28** The Commission vide letter No.262 dated 27/01/2012 observed that the actual expenses on civil works was Rs.1.93 Lacs in FY 2010-11 but the projection in FY 2012-13 is made for Rs.36.00 Lacs.
- 1.29** SLDC vide letter No.446 dated 27/02/2012 stated that the provision for roof treatment of SLDC building is also made during FY 2012-13. The details of civil maintenance works proposed during FY 2012-13, as submitted by the petitioner, are given below :

Sr. No	Description of work	Amount in Lacs
1	General upkeep of SLDC Building & maintenance of garden.	07.00
2	Roof treatment to prevent leakages during rainy season.	20.00
3	Providing vitrified tiles in Control Room, SCADA Room & office rooms.	02.00
4	White washing distempering & painting of SLDC building.	04.00
5	Repairing of sanitation & water supply system.	03.00
	TOTAL	36.00

The petitioner has explained the reasons for claiming Rs 36.00 Lacs in FY 2012-13 for Civil works as compared to Rs.8.00 Lacs allowed in FY 2011-12 Tariff Order. SLDC also submitted that only routine civil maintenance works were taken up during FY2010-11. Higher projections for FY 2012-13 is due to maintenance works which are not of routine nature but required to be taken up during FY 2012-13.

The details of R&M expenses as allowed in FY 2011-12 by the Commission and that filed by SLDC for FY 2012-13 in present petition is as under:

Table 7: Details of R&M expenses (Rs. Lacs)

Particular	FY 2011-12 (as allowed in Tariff Order)	FY 2012-13 (as filed in subject petition)
Plant and Machinery	206.58	213.38
Building & Civil Works	8.00	36.00
Furniture and Fixtures	0.70	0.70
Office Equipments	0.70	0.70
Gross R&M expenses	215.98	250.78
(less) Expenses capitalized	0.00	0.00
Net R&M expenses	215.98	250.78

1.30 The Commission observed that the estimated increase in R&M expenses is mainly on account of Plant & Machineries and Civil Works, which are required to incur for ring fencing. No R&M expense has been capitalised. In view of the above, **projections for R&M expenditure of Rs.250.78 Lacs for FY 2012-13 is allowed in this order.**

1.31 Based on the above, the Commission has approved following O&M expenses in this order :

Table 8: O&M expenses as approved by the Commission for FY 2012-13 (Rs. Lacs)

Sr. No.	Particulars	Claimed by SLDC	Approved by MPERC
1	Net employee expenses	734.33	723.48
2	Net Administration & General (A&G) expenses	100.14	92.14
3	Net Repair & Maintenance (R&M) expenses	250.78	250.78
	Total Operation & Maintenance (O&M) expenses	1085.25	1066.40

DEPRECIATION, ROE AND INCOME TAX:

Petitioner's submission

The petitioner has submitted the following :

1.32 The GoMP has identified the assets of SLDC as a part of MPPTCL. The depreciation has been worked out to Rs.27.81 Lacs using Straight Line Method as per rates and in the manner prescribed in the Electricity Act, 2003, Central Electricity Regulatory Commission notification dated 19-01-2009 and GoI, Ministry of Corporate Affairs and General Circular No.51/23/2011-CL-III dated 31-05-2011. The ROE has been worked out to Rs.19.68 Lacs based on normative debt to equity ratio as 70:30. The Income Tax comes to Rs.6.69 Lacs. However, in line with the orders passed by the Commission for levy & collection of fee & charges for FY 2008-09, these charges are not included in the Annual Revenue Requirement of SLDC for the FY 2012-13.

Commission's Analysis:

- 1.33** The Commission observes that no Depreciation & RoE is claimed by the pPetitioner as no separate Opening Balance Sheet for SLDC has been notified by the Govt of M. P. in the Order dated 12th June, 2008. The Commission accepts the petitioner's submission & **no amount for depreciation & RoE is approved in this Order.**

INTEREST AND FINANCE CHARGES:**Petitioner's Submission**

The petitioner has submitted the following :

- 1.34** The interest and finance charges comprises of only one component i.e. Interest on Working Capital. The working capital has been computed considering the expenses for Employee cost, A&G, R&M and IWC. The monthly working capital comes out to Rs.91.37 Lacs

As per third amendment in Regulation of SLDC Fee and Charges notified on 19th November, 2010, the rate of interest on working capital has to be considered on normative basis equal to the Base Rate of State Bank of India as on 1st April of the year plus 4%. Accordingly, the rate of IWC has been taken as 12.25 % (Base Rate 8.25% w.e.f. 1st April, 2011). The IWC works out to Rs.11.19 Lacs.

Commission's Analysis

- 1.35** The Commission observed from Para 8.0 (iii) of the petition that, *"Finance Section of MPSEB had informed that the Salary, A&G and R&M of SLDC are being paid by MPPTCL and those may be treated as payment against SLDC. Further, regarding Capex fund of SLDC, the 50% of Operation & scheduling charges amount received from Short Term Open Access Customers is adequate for meeting out the annual fund requirement of Capex plan for FY 2011-12 & 2012-13. Thus, the expenses of SLDC are met through above arrangement and no revenue gap is observed"*.
- 1.36** SLDC has also mentioned that cumulative balance of Capex fund as on 31.03.2011 was Rs.210.63 Lacs and calculated interest on Capex fund as Rs.13.39 Lacs for FY 2010-11. In light of afore-mentioned facts, the SLDC vide Commission's letter No.262 dated 27th January, 2012 was asked to substantiate its claim for separate interest on working capital made in the subject petition.
- 1.37** In response, the SLDC vide its letter No.446 dated 27/02/2012 submitted that MPERC (Levy & Collection of SLDC fee & charges) Regulation-2004, 9.9(ii) provides that IWC shall be payable on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency or exceeded the working capital loan based on normative figures. The IWC amount of Rs.11.19 Lacs has been projected in ARR in accordance with above regulation and has no other basis.
- 1.38** It is observed that SLDC's balance sheet for FY 2010-11 also shows NIL interest and finance charges during FY 2010-11. It is further observed that SLDC in the present petition has considered its ARR as Rs.1096.44 Lacs and has not considered the free Capex fund available with it, while calculating Interest on Working Capital.

- 1.39** Regulation 10.3 of MPERC (levy and collection of fee and charges by SLDC) Regulation, 2004, Revision – 1, 2006 (RG – 16 of 2006 dated 5th May, 2006 states that “Fifty percent (50%) of the revenue earned from Operation and Scheduling charges as per Regulation 10 from short-term customers above shall be retained by State Load Despatch Centre for Capital expenditure for the development of infrastructure at SLDC. The remaining 50% revenue shall be treated as income for computation of SLDC Fee and Charges for the following years. The SLDC shall maintain separate account for such earnings and shall have to disclose the details of investment made to the Commission at the time of determination of its annual revenue requirement”.
- 1.40** During FY 2012-13 Operation and Scheduling (O&S) charges are expected to be Rs.160.00 Lacs. In the present petition SLDC has considered 50% of O&S charges i.e. Rs.80.00 Lacs while calculating revenue from other charges for purpose of ARR. The same practice was followed during previous years also. The SLDC’s actual expenditure on Capex has been much lower than the Capex fund available with it and this is the reason for cumulative balance of Capex fund of Rs.210.63 Lacs available with SLDC as on 31/03/2011 (as per latest balance sheet).
- 1.41** Based on the above facts, the calculation for Interest on Working Capital is as under:

Interest on Working Capital for FY 2011-12

(Rs. in Lacs)			
S. No.	Particulars	As filed by SLDC	As approved by MPERC
1.	Net ARR	1096.44	861.48
2.	Monthly Expenses (1/12 of ARR)	91.37	71.79
3.	Less: Cumulative Balance of Capex Fund (as per latest balance sheet information)	0.00	210.63
4.	Working Capital Requirement (2 – 3)	91.37	(-)138.84
5.	Interest on WC (@ 12.25%)	11.19	0.00

- 1.42** The Commission has observed that free reserves (in the form of unspent cumulative funds available for Capex) exceed the working capital requirement of SLDC. The Commission had not approved any interest on working capital in past tariff orders also on the above-mentioned reasons. Hence, **the Commission does not approve any interest on Working Capital for FY 2012-13 in this order.** In its proposal to fill the revenue gap, SLDC has stated that “no revenue gap is observed”. If SLDC actually incurs any expenditure for Interest on Working capital & submits justification for it, such claim may be considered appropriately by the Commission, in the True-up petition for FY 2012-13.

OTHERS - PAYMENT OF STATUTORY TAXES, CESS, ETC. :

Petitioner's Submission

1.43 *The Fee and Charges to be levied and collected by SLDC from the licensees using the intra-state transmission system has been worked out exclusive of statutory taxes, levy, duty, CESS or any other kind of impost by the Government or any statutory authority. Such expenses, if any, shall be borne by the licensees using the intra-state transmission system and shall be adjusted in the subsequent years.*

Commission's Analysis

1.44 The Commission accepts SLDC's submission and such taxes, cess, etc will be dealt with appropriately when actually incurred and claimed in the True-up petition.

OTHER INCOME:

Petitioner's Submission

1.45 *Income of Rs.120.00 Lacs has been projected as income from Scheduling & Operation Charges, Connection Charges and Application processing fee from Short Term Open Access Customers (STOAC). (Form F1). The amount has been assessed on the basis of actual amount received during first half of current financial year.*

Provisions of Regulations

1.46 The Clause 9.14 & 10 of the Regulations provides that,

“Income from all charges determined by the Commission for SLDC operations shall be considered as income. This income shall include all fee and charges as may be specified by the Commission under these regulations.

Operation and Scheduling Charges:

The customers having the Long-Term agreements shall not be required to pay the System Operation and Scheduling Charges but they shall have to pay the charges for revising the schedule each time as determined by the Commission.

The system operation and scheduling charge as determined by the Commission on per transaction per day or part thereof basis shall be charged from all short-term open access customers using the State Transmission System and Distribution System, which shall be paid in advance every month. They shall also be required to pay the charges for revising the schedule each time as determined by the Commission.

Fifty percent (50%) of the revenue earned from Operation and Scheduling charges as per Regulation 10 from short-term customers above shall be retained by State Load Despatch Centre for Capital expenditure for the development of infrastructure at SLDC. The remaining 50% revenue shall be treated as income for computation of SLDC Fee and Charges for the following year. The SLDC shall maintain separate account for such earnings and shall have to disclose the details of investment made to the Commission at the time of determination of its annual revenue requirement.”

Commission's Analysis

1.47 In form F1 of the petition, SLDC has estimated other income as under:

Table 9: Other Income (as filed by SLDC)

Sr. No.	Particulars	Amount (Rs. in Lacs)
1	Connectivity charges	10.00
2	Operation & Scheduling charges (50% as income)	80.00
3	Application processing fee for SOTA	30.00
	Total income from Connectivity and Operating charges	120.00

1.48 The Commission observed that the revenue from other charges is mentioned as Rs.138.01 Lacs for FY 2010-11, Rs.150.00 Lacs for FY 2011-12 and projected Rs.120.00 Lacs for FY 2012-13 in the petition filed by SLDC. The Commission therefore, sought reasons for reduction in expected revenue from other charges.

1.49 The SLDC vide its letter No.446 dated 27/02/2012 submitted that the revenue from other charges comprises of Scheduling & Operation charges, Connectivity charges and Application Processing fee. The income projection of Rs.171.00 Lacs was made for FY 2010-11 while the actual income for that year was Rs.138.01 Lacs only. The income projections of Rs.150.00 Lacs for FY 2011-12 was made on the basis of revenue received during FY 2010-11. The reason for reduction in other income projected for FY 2012-13 as compared to FY 2011-12, is due to less number of anticipated Applications Fees from Open Access customers during ensuing year.

1.50 The Commission observed the following status regarding O&S and total income in FY 2010-11 submitted in Annexure-III filed by SLDC vide letter No.446 dated 27/02/2012.

Amount in Rs. Lacs					
Financial Year	Operation & Scheduling Charges	Connectivity Charges	Application Processing Fee	50% of O&S treated as Income	Total Income (3+4+5)
1	2	3	4	5	6
2010-11	202.92	9.55	27.00	101.46	138.01

1.51 A comparative chart of actual other income for last 3 years is as under:

Summary of O&S charges, Connectivity & Application processing fee					
Amount in Rs. Lacs					
Financial Year	Operation & Scheduling Charges.	Connectivity Charges	Application Processing Fee	50% of O&S treated as Income	Total Income (3+4+5)
1	2	3	4	5	6
2008-09	125.37	3.75	82.80	62.69	149.24
2009-10	151.57	5.65	41.70	75.79	123.14
2010-11	202.92	9.55	27.00	101.46	138.01

1.52 The Commission has considered the petitioner's submission and observed that the actual other income for past 3 years has been Rs.149.24 Lacs, Rs.123.14 Lacs & Rs.138.01 Lacs respectively. The Commission therefore, **approves SLDC's other income as Rs.150.00 Lacs for FY 2012-13 for the purpose of this order.** The actual income under these heads shall be considered and adjusted appropriately while undertaking true-up process.

RECONCILIATION/ TRUE UP OF FY 2010-11 ACCOUNTS WITH FY 2010-11 ORDER :

Petitioner's submission

1.53 *The expenses towards Employee cost, A&G and R&M for FY 2010-11, shown in the petition for FY 2012-13, are on the basis of Certified Financial Statements of SLDC for the FY 2010-11. Further, it is submitted that variation in the figures shown in Balance Sheet, Profit & Loss A/c and its schedule for Financial Year 2010-11 and the figures shown in formats of the petition, is due to following reasons.*

(Amount in Lacs of Rs.)

Particular	Financial statement		Petition		Difference	Remark
	Schedule No.	Amount	Form No	Amount		
Employee Cost	13	569.72	F4	538.59	31.13	Explanation 1
A & G Expenses	14	40.23	F5	40.07	0.16	Explanation 2
SLDC charges	10	897.38	F1	795.92	101.46	Explanation 3

Explanation

- 1) *The employee cost of Rs.538.59 Lacs mentioned in Form F4 comprises of actual employee cost of Rs 538.54 Lacs and training expenses of Rs 0.05 Lacs The employee cost of Rs.569.72 Lacs mentioned in Schedule 13 comprises of actual employee cost of Rs.538.54 Lacs as well as the amount of Rs.31.18 Lacs approx towards provision of wage revision arrears which is not mentioned in the form F4 of the petition. Further, the training expense Rs.0.05 Lac are shown in Form 4 as per standard format of the petition but the same is considered as A&G expenses and included in schedule 14. Therefore, actual Employee Cost of Rs.538.59 Lacs as mentioned in Form F4 is claimed for true up.*
- 2) *The A & G expenses of Rs.40.23 Lacs mentioned in schedule 14 comprises of various A&G expenses of Rs.40.07 Lacs, the Banking charges of Rs.0.11 Lacs and the Training expenses of Rs.0.05 Lacs. The A&G expenses Rs.40.07 Lacs shown in form F5 are exclusive of banking charges and Training charges because the banking charges are shown in Form F8 and training charges are shown in Form F4. Therefore, A&G expenses of Rs.40.07 Lacs as mentioned in Form F5 are actual expenses claimed for true up.*
- 3) *The SLDC Charges comprises of Revenue from fee & Charges (i.e from three Discoms & SEZ) and revenue from other charges (i.e. Scheduling & Operation, Connectivity & Application Processing Fees). The amount of Rs.795.92 Lacs shown in Form F1 includes Rs.101.46 Lacs towards revenue from 50% of Scheduling & Operation Charges. As per MPERC (Levy & Collection of Fee & Charges) Regulation 2004, (10.3), 50% of scheduling & operation charges are to be considered as earning and balance 50% is to be*

retained for infrastructure development. Accordingly, total Scheduling & Operation charges of Rs.202.92 Lacs are shown in two equal parts, 50% amount as earning in Form F1 and 50% amount retained for capex. The amount of Rs.897.38 Lacs shown in schedule 10 include Rs.202.92 Lacs towards revenue from total Scheduling & Operating Charges. An increase of Rs.101.46 Lacs in schedule 10 is due to accounting of 100% of Scheduling & operating charges received during the Financial Year 2010-11. Therefore, the amount of Rs.795.92 Lacs as shown in Form F1, is actual earning for FY 2010-11 claimed for true up.

In view of above, the details of FY 2010-11 expenses approved in ARR & Actual expenses as per audited accounts are summarized below for Reconciliation / True-up in the ARR for FY 12-13.

True up of FY 2010-11 accounts with FY 2010-11 Order :

Expenses:

Particular	Expenses as allowed in ARR for FY 2010-11 (Rs. in Lacs)	Actual Expenses for FY 2010-11 as filed in the petition (Rs. in Lacs)	Differences (Allowed-Actual) to be reconciled (Rs. in Lacs)
Employee Costs	557.46	538.59	18.87
Administration & general Expenses	82.1	40.07	42.03
Repairs & Maintenance Expenses	189.35	167.72	21.63
Interest & Finance Charges	0	0.12	-0.12
Total	828.91	746.5	82.41

Income from other fee & charges:

The revenue from other fee & charges comprises of Scheduling & Operation Charges, Connectivity Charges and Application Processing fee allowed by the Commission for the FY 2010-11 was Rs.171.00 Lacs , the actual income works out Rs.138.01 Lacs as given below :

Particular	Income as allowed in ARR for FY 2010-11 (Rs. in Lacs)	Actual income for FY 2010-11 as filed in the petition (Rs. in Lacs)	Differences (Allowed-Actual) to be reconciled (Rs. in Lacs)
50% of Scheduling & Operating Charges.	75.00	101.46	-26.46
Connectivity Charges	6.00	9.55	-3.55
Application Charges	90.00	27.00	63.00
Sub Total	171	138.01	32.99
Other miscellaneous receipts as mentioned in Form F2	0	5.50	-5.50
TOTAL	171	143.51	27.49

Net amount to be reconciled & adjusted in ARR of FY 2012-13 works out to (82.41– 27.49) i.e. Rs.54.92 Lacs.

- 1.54** The Commission vide letter No.262 dated 27/01/2012 asked the petitioner that the cash expenses and the provisions, if any, be classified and submitted separately. SLDC vide its letter No.466 dated 27/02/2012 submitted that “the actual expenses considered for true-up for FY 2010-11 are on the basis of certified trial balance. The trial balance shows provision for liability of Rs.34.18 Lacs. However, the same has been paid during FY 2011-12 and no previous liability is outstanding”.
- 1.55** The justifications given by the SLDC appears appropriate in light of the balance sheet and trial balance for FY 2010-11 submitted by it. The Commission considers the SLDC’s submission and **the net amount of reconciliation (true-up for FY 2010-11) of Rs.54.92 Lacs is adjusted in ARR of FY 2012-13.**

SUMMARY OF ARR :

- 1.56** In view of above analysis, the ARR of SLDC for FY 2012-13 as approved by the Commission is summarized below :

Table 10: Summary of the ARR as approved by the Commission for FY 2012-13 (Rs. Lacs)

Sr. No.	Particulars	As filed by SLDC	As approved by MPERC
1	Net Employee Expenses (excluding Terminal Benefits)	734.33	723.48
2	Net A&G expenses	100.14	92.14
3	Net R&M expenses	250.78	250.78
4	Depreciation	0.00	0.00
5	Interest on Loans	0.00	0.00
6	Interest on Working Capital	11.19	0.00
7	Return on Equity	0.00	0.00
8	Income Tax	0.00	0.00
9	Total revenue expenditure	1096.44	1066.40
10*	(Less) Income from Connectivity and Operating charges	120.00	150.00
11*	(Less) True-up for FY 2010-11	54.92	54.92
12	Net ARR for FY 2012-13	921.52	861.48

* Not considered by the petitioner for ARR & IWC in original filing.

ALLOCATION OF ANNUAL SLDC CHARGES :

- 1.57** MPPTCL filed the transmission system capacity of 9055 MW for FY 2012-13 in the Transmission Tariff petition (P-21/2012) for FY 2012-13 filed by MPPTCL with the Commission. The same transmission system capacity is considered in this SLDC Tariff order for FY 2012-13.
- 1.58** As per clause 11.2 of the MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006); the allocation of SLDC charges to the individual Licensees and Open Access customers having the Long-Term Agreements

shall be in proportion of share allocation to the total transmission capacity determined by the Commission. Accordingly annual SLDC charges work out as under:

Table 11: Annual SLDC Charges for Long - Term Open Access Customers for FY 2012-13

Sr. No	Particulars	Long-Term Open Access customers				Total
		East Discom	West Discom	Central Discom	SEZ Indore	
1	Total annual SLDC charges (Rs. Lacs)					861.48
2	Long-term allocation of Transmission Capacity (MW) (as per Transmission Tariff petition for FY 2012-13)	2898.90	3301.10	2843.00	12.00	9055.00
3	Annual SLDC charges payable by Long-Term Access customers (Rs. Lacs)	275.79	314.06	270.49	1.14	861.48
4	Annual SLDC charges payable by Long-Term Access customers (Rs./MW)					9513.86

SUMMARY OF FEES AND CHARGES :

1.59 As per Regulation 12.5 of MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006), if there is a gap between the expected revenues from the currently applicable fee and charges and the revenue requirement for the ensuing financial year, the SLDC shall include a proposal as to how it proposes to bridge this revenue gap. It is presumed that existing level of fee and charges would be sufficient to meet the annual expenses of SLDC. The following table summarises fees and charges approved by the Commission for use of SLDC services:

Table 12: Applicability and levy of various SLDC fees and charges for FY 2012-13

Sr. No.	Fee/Charge Applicable towards	Applicability to customer category on the basis of type of agreement								
		Long Term			Short Term			Renewable Energy Sources		
		Yes /No	Frequency	Amount (Rs.)	Yes /No	Frequency	Amount (Rs.)	Yes /No	Frequency	Amount (Rs.)
1	Connection fee	Yes	One Time	1,00,000	Yes	Once for a month or part thereof	5,000	Yes	Only Once, irrespective of Long Term or Short Term	5,000
No charges for additional short term open access										
2	Annual SLDC charges	Yes	Two Half yearly instalment	9513.86 per MW of allocated transmission capacity	No	--	--	No	--	--
3	Operation & Scheduling	No	--	--	Yes	Per transaction per day or part thereof	3,000	No	--	--
4	Revising schedule	Yes	For each revision	3,000	Yes	For each revision	3,000	No	--	--

MISCELLANEOUS :

Late payment surcharge

1.60 In case the payment of bills of SLDC fees and charges are delayed beyond a period of 60 days from the date of presentation of bills by SLDC, the SLDC may levy a late payment surcharge at the rate of 1.25% per month on daily basis from the date of presentation of bills by SLDC.

Rebate on early payment

1.61 For payment of SLDC fees and charges, a rebate of 2% shall be allowed if the payment is made within 7 days of presentation of bill by SLDC and a rebate of 1% shall be allowed if the payment is made within a period of one month of presentation of bills by the SLDC.

PUBLIC OBJECTIONS AND COMMENTS ON THE PETITION:

1.62 The Commission vide letter No.263 dated 27/01/2012 sought comments/suggestions on the petition from all respondents i.e M. P. Power Generating Company Ltd. (MPPGCL), Narmada Hydro-electric Development Corporation Ltd. (NHDC), Narmada Valley Development Authority (NVDA), M. P. Power Transmission Company Ltd. (MPPTCL), M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd. (East Discom), M. P. Madhya Kshetra Vidyut Vitaran Co. Ltd. (Central Discom), M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd. (West Discom), and M. P. Audyogik Kendra Vikas Nigam Indore (SEZ). The hearing was fixed on 06/03/2012 in the office of the Commission.

1.63 No comment was received by the Commission from any of the respondents in the matter till due date. The petitioner vide its letter No.456 dated 29/02/2012 submitted that it has not received any representation from respondents till 28/02/2012.

1.64 The Commission conducted hearing on the Tariff Petition of SLDC at Bhopal on 6th March, 2012 in the office of the Commission. The representative of NVDA only appeared in the hearing and submitted NVDA's letter No.276 dated 05/03/2012 and stated that if fee and charges are to be levied by SLDC on NVDA, then the same be collected directly from MP Tradeco. During hearing it was clarified by SLDC's representatives that the SLDC fee & charges are being collected from licensees only i.e. three Discoms & SEZ. As such the SLDC fee and charges are not collected from NVDA.

CHAPTER 2

COMMISSION'S DIRECTIVES

- 2.1 The Commission in Para 2.2 of the SLDC Tariff Order for FY 2011-12 directed that the annual financial statements must follow all accounting standards prescribed by ICAI and must be prepared as per rules notified by ICAI from time to time. The Commission directs that the signed, dated and authenticated annual financial statements including Balance Sheet and P&L account of SLDC for FY 2011-12 be filed with the Commission along with the petition for SLDC charges for FY 2013-14.
- 2.2 The Commission directs SLDC to complete Capex works as per schedule and to file full details on the issues raised in the chapter of Capital expenditure with next petition.
- 2.3 The Commission directs the SLDC to file details of separate accounts towards capital expenditure actually incurred since FY 2007-08 as required as per Regulation 10 of MPERC (levy and collection of fee and charges by SLDC) Regulations.
- 2.4 The details in respect of interest earned on the funds marked for Capex out of the Operation & Scheduling charges, connectivity charges & processing fee being received by SLDC be also submitted to the Commission with full details with the next year's petition.
- 2.5 The SLDC should file the details of year-wise Sub-SLDC expenses mentioning the year in which these expenses have been separated from the M. P. Power Transmission Company Ltd., to SLDC accounts. A certificate from the Competent Authority of the MPPTCL shall also be placed before the Commission before filing the petition for levy & collection of fee & charges by SLDC for FY 2013-14.
- 2.6 The Commission observed that SLDC's O&M expenses are increasing at a very high rate. On the other hand, the Other Income of SLDC has reduced in the past 2 years. The Commission directs SLDC to initiate steps to boost its Other Income and also to contain its O&M expenses. The details of efforts made in this regard and their outcome be submitted to the Commission in the next year's petition.

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