

**MADHYA PRADESH ELECTRICITY REGULATORY
COMMISSION**

**4th-5th Floor, Metro Plaza, Bittan Market, E-5, Arera Colony,
Bhopal - 462 016**



Petition No. 121/2006

PRESENT:

Dr. J. L. Bose, Chairman

D. Roy Bardhan, Member

R. Natarajan, Member

IN THE MATTER OF:

**LEVY AND COLLECTION OF FEE AND CHARGES BY STATE LOAD
DESPATCH CENTRE (SLDC), JABALPUR FOR THE YEAR 2007-08**

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

- 1. Shri P.A.R. Bende, Superintending Engineer (LD: E&T),**
- 2. Shri S. S. Patel, Executive Engineer (LE: E&T)**

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ORDER

(Petition No. 121/2006)

(Passed on this 18th Day of January 2008)

- 1 The Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as “the Commission” or “MPERC”) having heard the applicant, generating companies, transmission licensee, distribution licensees, trading company and customers on 17th October 2007 and 3rd January 2008 at Bhopal, having had formal interactions with the officers of Madhya Pradesh State Load Despatch Centre (hereinafter referred to as “SLDC” or “the petitioner”) and Madhya Pradesh Power Transmission Company Ltd. (hereinafter referred to as “MPPTCL” or “Transmission Licensee”) during the months of August 2007 to January 2008 and having considered the documents available on record and order issued by the Government of Madhya Pradesh (Energy Department) on 31st May 2005 making the Transfer Scheme Rules effective from 1st June 2005 (Order no. 3679/FRS/18/13/2002 dated 31.05.2005), hereby accepts the applications with modifications, conditions and directions as herewith attached.
- 2 The Commission has made modification to the estimates of revenue requirement proposals and has made alternative estimates thereof based on efficient and reasonable operating parameters and expenditure and has accordingly made modifications to the tariff proposed by SLDC as per the details attached to this order.
- 3 The Commission, in exercise of the powers vested in it under section 64 of the Electricity Act, 2003, directs that the SLDC Fees and Charges determined by this present order shall be deemed to be effective w.e.f. 1st April 2007. The petitioner must take immediate steps to implement the Order after giving seven (7) days public notice and must also provide information to the Commission in support of having complied with this order. The petitioner may recalculate its bills of SLDC charges to the long-term open access customer since 1st April 2007.
- 4 The Commission approves the SLDC ARR for 2007-08 as stated in this order.

Ordered as above, read with attached detailed reasons, grounds and conditions,

(R. Natarajan)
Member (Economics)

(D. Roy Bardhan)
Member (Engineering)

(Dr. J. L. Bose)
Chairman

Dated: **January 18, 2008**

Place: **Bhopal**

CHAPTER 1

Background to this order

- 1.1 This order relates to petition number 121 of 2006 filed by the State Load Despatch Centre (hereinafter referred to as “SLDC”) for determination of fees and charges to be paid by long term and short term users for the usage of SLDC services for the year 2007-08. The State Load Despatch Centre is a centre for scheduling and system operation in the State of Madhya Pradesh under section 31 of Electricity Act 2003. In exercise of the powers conferred under section 31(1) of 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 at 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.
- 1.2 As per section 32(3) of 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”*. As such the petitioner SLDC is required to file a petition in the matter of levy and collection of fee and charges by State Load Despatch Centre (SLDC) Jabalpur for the year 2007-08.

Procedural History of the Order

- 1.3 The petitioner State Load Despatch Centre of Madhya Pradesh filed a petition in the matter of Levy and Collection of fees and charges for the year 2007-08 on December 05, 2006 in accordance with section 5 of the MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006).
- 1.4 The subject petition was filed prior to the issue of the Commission’s order in the matter under petition number 131/2005 for Levy and Collection of the fees and charges by SLDC for FY 2006-07. This order was issued on January 19, 2007. An amendment to this order was also issued on 12/03/2007. Meanwhile, the subject petition was scrutinised by the Commission’s staff and it was observed that the subject petition required certain modifications in the light of the Commission’s orders in the matter of petition number 131/2005. Accordingly, the petitioner was directed to resubmit the petition vide Commission’s letter No. MPERC/SLDC/2007/419 of 03.03.2007.
- 1.5 The petitioner submitted the revised petition on May 29, 2007. The petitioner also confirmed that vide its letter of May 23, 2007, the copies of the petition had been forwarded to the following respondents:

- i. MP Power Generating Company Limited,
- ii. Narmada Hydro-Electric Development Corporation Limited
- iii. MP Power Transmission Company Limited
- iv. MP Poorv Kshetra Vidyut Vitaran Company Limited
- v. MP Madhya Kshetra Vidyut Vitaran Company Limited
- vi. MP Paschim Kshetra Vidyut Vitaran Company Limited
- vii. MP Audyogic Kendra Vikas Nigam Limited

- 1.6 The technical verification of the petition with the Officers of the SLDC was carried out on 26/06/2007. It had been observed that present staff strength of the SLDC was not commensurate with the proposal given in the petition. The petitioner was, therefore, directed to file the actual expenditure for FY 2006-07 with certification from the statutory auditors.
- 1.7 The total annual revenue requirement for 2007-08 had been worked out to Rs. 649.71 Lakh by SLDC. The summary of the petition filed by SLDC is given below:

Table 1: Summary of the SLDC's original tariff petition for 2007-08

Sr. No.	Particulars	Amount (Rs. Lakh)
1	Employee Expenses	435.64
2	Administrative & General (A&G) Expenses	144.84
3	Repairs & Maintenance (R&M) Expenses	25.92
4	Depreciation	10.61
5	Interest and Finance Charges (interest on loans and IWC)	46.32
6	Return on Equity	10.28
7	Lease and Finance Charges (ULDC loan repayment)	0.00
8	Income Tax	3.49
9	Western Regional Power Committee (WRPC) Expenses	0.00
10	Total revenue expenditure (=Sum (1) to (9))	677.09
11	Less Income from Interconnection and SLDC operation charges	27.38
12	Charges recoverable by SLDC (= (10)-(11))	649.71

- 1.8 The SLDC had proposed to recover these charges from long terms customers within the State viz. three distribution licensees and other open access customers (at present, only SEZ Indore) in the ratio of long term transmission capacity allocated to them. Under the said petition, SLDC prayed as under:
- (i) Accept and pass Fee and Charges of State Load Despatch Centre Jabalpur for FY 2007-08 as Rs 677.09 Lakh towards revenue expenditure and Rs. 103.69 Lakh towards Capital expenditure.
 - (ii) Issue suitable order for distribution of the Fee and Charges among the licensees using the intra-state transmission system.

- (iii) Condone any inadvertent omissions/ errors/ short comings and permit SLDC to add /change/ modify /alter this petition and make further submissions as may be required at later stage.
- (iv) pass any other relief which the Commission may deem fit and proper and necessary in the facts and circumstances of the case”

Hearing

- 1.9 A Public Notice was published in the newspapers on 14/07/2007 inviting the comments / objections / suggestion from the stakeholders. The last date for filing the objections / comments / suggestion was 05/08/2007. The Commission’s office had not received any comment from any of the stakeholders within the stipulated time. The Commission directed to send the copy of the petition to the Members of the State Advisory Committee and also reminder to the three Distribution Companies of the State. This was complied with on August 16, 2007. The last date for filing the objections / comments / suggestions was also extended up to 31/08/2007.
- 1.10 In spite of all efforts made by the Commission, none of the stakeholders filed any objection / comment / suggestion to the Commission with the stipulated time i.e. up to 31/08/2007. The Commission fixed the hearing on 17/10/2007, wherein the petitioner and all the respondents were asked to appear.
- 1.11 The Commission held the hearing on 17/10/2007 which was attended by petitioner and two respondents viz. MP Madhya Kshetra Vidyut Vitaran Company Limited and MP Poorv Kshetra Vidyut Vitaran Company Limited. The respondents had not made any submission.
- 1.12 During the course of the hearing on 17/10/2007, the Commission specifically enquired about the allocation of assets/liabilities in favour of SLDC. The representatives of SLDC replied that the final balance sheet, which has to be finalized by GoMP, would have separate provisions for SLDC assets/liabilities. With regard to the employee cost, A&G expenses, R&M expenses, Interest & Finance expenditure etc. as proposed by the SLDC in the petition, the Commission directed SLDC to substantiate its claim by furnishing the certified actual expenditure details for FY 2006-07. The Commission had also directed the petitioner to file its actual expenditure vis-à-vis the approval of the Commission for FY 2006-07. The Commission had also directed the petitioner to intimate the source of funding for Unified Load Despatch Centre (ULDC) scheme charges. The petitioner in the subject petition had also filed its capital expenditure plan of Rs. 103.69 Lakh for 2008-09 for consideration of the Commission. The Commission directed the petitioner to file separately its capital expenditure plan with justification and financing arrangements.
- 1.13 The petitioner vide its written submission of 19/11/2007, submitted that following facts for the consideration of the Commission:

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- (a) The funding of the ULDC charges is being done by MP Power Trading Company Limited with effect from February 2006 and it is not included in the present petition.
- (b) The actual expenditure for FY 2006-07, as per the trial balance of SLDC for FY 2006-07, does not include the expenditure of Sub-LDCs of Bhopal and Indore as they were the part of MP Power Transmission Company Limited.
- (c) With regard to comparison between the actual expenditure of SLDC and the approval of the Commission, the following statement has been given:

Table 2: Expenditure as approved by the Commission for FY 2006-07 and as actually incurred by SLDC

Sr. No.	Particulars	ARR as approved by the Commission for FY 2006-07 (Rs. Lakh)	Actual Expenditure as submitted by the petitioner (Rs. Lakh)
1	Employee Expenses	346.01	216.22
2	A&G Expenses	130.92	14.87
3	R&M Expenses	57.14	8.41
4	Depreciation	10.48	0.00
5	Interest and Finance Charges	41.64	0.05
6	Return on Equity	10.01	0.00
7	Income Tax	3.36	0.00
9	WRPC Expenses	7.20	0.00
10	Total	582.91	239.55

- 1.14 The Commission noted that the SLDC, against the approved ARR of Rs 582.91 Lakh, had incurred an expenditure of Rs. 239.55 Lakh. The Commission directed to hold the final hearing on 03/01/2008. The stakeholders/beneficiaries viz. MPPGCL, NHDC, MPPTCL, West Discom, Central Discom, East Discom and MPAKVN (SEZ, Indore) were invited for the hearing.
- 1.15 During the course of the hearing on January 03, 2008 the SLDC submitted following information with a prayer to consider it while determining fees and charges:

Table 3: Segregation of employee expenses between SLDC and Sub-LDCs (Rs. Lakh)

SLDC/Sub-LDC	2007-08		
	Working	Vacant	Total
SLDC Jabalpur	278.61	64.50	343.11
Sub-LDCs	19.25	73.28	92.53
Total	297.86	137.78	435.64

Table 4: Segregation of A&G expenses between SLDC and Sub-LDCs (Rs. Lakh)

SLDC/Sub-LDC	2007-08
	Total (For working strength)
SLDC Jabalpur	98.81
Sub-LDCs	7.92
Total	106.73

1.16 Accordingly, SLDC requested the Commission to consider following revised requirement for the year 2007-08:

Table 5: Summary of the SLDC's revised tariff petition for 2007-08 (Rs. Lakh)

Sr. No.	Particulars	2006-07 (actual as per trial balance)	2007-08 (Revised Requirement)
1	Employee Expenses	216.22	435.64
2	Administrative & General (A&G) Expenses	14.87	106.73
3	Repairs & Maintenance (R&M) Expenses	8.41	12.00
4	Depreciation	0.00	10.94
5	Interest and Finance Charges (interest on loans and IWC)	0.05	5.47
6	Return on Equity	0.00	10.51
7	Lease and Finance Charges (ULDC loan repayment)	0.00	0.00
8	Income Tax	0.00	4.25
9	Western Regional Power Committee (WRPC) Expenses	0.00	0.00
10	Total revenue expenditure (=Sum (1) to (9))	239.55	585.54
11	Less Income from Interconnection and SLDC operation charges	0.00	0.00
12	Charges recoverable by SLDC (=10)-(11)	239.55	585.54

1.17 The petitioner in the hearing on 03/01/2008 submitted that the expenditure on account of the Sub-LDCs of Bhopal and Indore have been included in the MP Power Transmission Company's account for FY 2007-08. The assets, loans and equity have not been assigned to the SLDC till date. The petitioner submitted that the situation is same in the FY 2007-08 as it was for FY 2006-07. The Commission accepted the revised submission and worked out the fees and charges for FY 2007-08 based on the above submissions of the petitioner in the next chapter.

CHAPTER 2

Annual Fixed Charges

2.1 In this chapter, the Commission discusses in detail the basis for determination of allowable expenses for SLDC for FY 2007-08.

Operation and Maintenance (O&M) expenses

2.2 The Operation and Maintenance (O&M) expenses comprise the Employee Expenses, Administrative & General (A&G) Expenses and Repairs & Maintenance (R&M) Expenses. The petitioner in the subject petition has submitted the following Operation and Maintenance (O&M) Expenses details:

Table 6: O&M expenses (Rs. Lakh)

Sr. No	Particulars	2006-07			2007-08
		Proposed by SLDC	Approved by MPERC	Actuals as per trial balance	Proposed by SLDC (revised)
1	Employee Expenses	395.59	346.01	216.22	435.64
2	Administrative & General (A&G) Expenses	130.92	130.92	14.87	106.73
3	Repairs & Maintenance (R&M) Expenses	57.14	57.14	8.41	12.00
	Total O&M Expenses	583.65	534.07	239.50	554.37

Employee Expenses

2.3 The employee related expenses comprise several heads such as basic salary, dearness allowance, house rent allowance, other allowances, medical reimbursements, conveyance allowance, leave travel encashment, earned leave encashment, staff welfare expenses, terminal benefits, etc. As per the information provided by the SLDC on 3rd January 2008, SLDC estimated an employee expenditure of Rs. 278.61 Lakh for the working strength of SLDC and Rs. 64.50 Lakh for the vacant positions in the year 2007-08. Corresponding figures for the Sub-LDCs are Rs. 19.25 Lakh and Rs. 73.28 Lakh for the working strength and vacant positions respectively.

2.4 In line with the MPSEB's order for treating 50% DA as dearness pay for calculation of DA, the DA instalments above 50% DA has been recalculated on basic pay plus DA w.e.f. 01.04.2007. This has resulted in to increase of Rs. 90 Lakh on account of increase in basic pay and dearness pay.

- 2.5 As per the petition, against a total of 136 sanctioned posts (including newly sanctioned 50 posts for Bhopal Sub-LDC (21), Indore Sub-LDC (21) and Jabalpur SLDC (8), only 68 posts have been filled up currently and remaining 68 posts are vacant. As per the petitioner, posting of the officers/staff at Sub-LDCs and SLDC against newly created and vacant posts is in progress. However, the Commission has not been provided with the details of the newly recruited staff even in month of January 2008. Hence, the Commission has decided to allow employee expenditure only for the working strength and not for the vacant positions. Further, the Commission has been informed by the SLDC that the employee expenses incurred for the working strength of Sub-LDCs at Indore and Bhopal had been booked to the MPPTCL expense accounts in 2006-07. Hence, the Commission has decided to consider employee expenses for the working employees at SLDC Jabalpur only. Accordingly, the Commission allows the employee expenses of Rs. 278.61 Lakh.
- 2.6 Following table summarises actual expenditure incurred by SLDC during 2006-07 (as per the trial balances), original and revised expenses proposed by the SLDC for 2007-08 and the expense as approved by the MPERC for 2007-08:

Table 7: Employee expenses claimed by SLDC and as approved by MPERC (Rs. Lakh)

Particular	2006-07	2007-08		
	Actuals as per trial balance	Proposed by SLDC (original)	Proposed by SLDC (revised)	Approved by MPERC
Actual working strength	68	136	136	At SLDC only
Vacant positions	68	0	0	Not considered
Total sanctioned strength	136	136	136	
Gross employee expenses	216.22	435.64	435.64	278.61
(less) Expenses capitalised	0.00	0.00	0.00	0.00
Net employee expenses	216.22	435.64	435.64	278.61

Administrative & General (A&G) Expenses

- 2.7 The petitioner has projected Rs. 106.73 Lakh as revised Administrative & General (A&G) expenses for 2007-08. The A&G expenses comprises several heads such as insurance, conveyance expense, telephone expenses, vehicle hiring charges, rents, stationery expense, electricity charges, entertainment expenses, legal expenses, audit fees, technical and professional fees, taxes, stamp charges, conveyance, security and service charges, other miscellaneous charges etc.

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- 2.8 As per the information provided by the SLDC on 3rd January 2008, SLDC has estimated an A&G expenditure of Rs. 106.73 Lakh which includes Rs. 7.92 Lakh for Sub-LDCs. However, it has been informed by the SLDC that the A&G expenses incurred for Sub-LDCs at Indore and Bhopal had been booked to the MPPTCL expense accounts in 2006-07. Hence, the Commission has considered the A&G expenses for SLDC at Jabalpur only. The Commission approves the A&G expenses of Rs. 98.81 lakh as projected by the petitioner. No A&G expense has been capitalised.
- 2.9 Following table summarises actual expenditure incurred by SLDC during 2006-07 (as per the trial balances), original and revised expenses proposed by the SLDC for 2007-08 and the expense as approved by the MPERC for 2007-08:

Table 8: A&G expenses claimed by SLDC and as approved by MPERC (Rs. Lakh)

Particular	2006-07	2007-08		
	Actuals as per trial balance	Proposed by SLDC (original)	Proposed by SLDC (revised)	Approved by MPERC
Gross A&G expenses	14.87	144.84	106.73	98.81
(less) Expenses capitalised	0.00	0.00	0.00	0.00
Net A&G expenses	14.87	144.84	106.73	98.81

Repairs & Maintenance (R&M) Expenses

- 2.10 The petitioner has projected Rs. 12.00 Lakh as revised Repairs & Maintenance (R&M) expenses for 2007-08. The original expense projections of Rs. 25.92 Lakh for 2007-08 were worked out considering the R&M expenses of SLDC (at Jabalpur) and both Sub-LDCs (at Indore and Bhopal). The petitioner submitted, during the hearing on 3rd January 2008 before the Commission, that the revised expense projections of Rs. 12.00 Lakh have been considered by the petitioner for FY 2007-08. Following table summarises actual expenditure incurred by SLDC during 2006-07 (as per the trial balances), original and revised expenses proposed by the SLDC for 2007-08 and the expense as approved by the MPERC for 2007-08:

Table 9: R&M expenses claimed by SLDC and as approved by MPERC (Rs. Lakh)

Particular	2006-07	2007-08		
	Actuals as per trial balance	Proposed by SLDC (original)	Proposed by SLDC (revised)	Approved by MPERC
Gross R&M expenses	8.41	25.92	12.00	12.00
(less) Expenses capitalised	0.00	0.00	0.00	0.00
Net R&M expenses	8.41	25.92	12.00	12.00

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- 2.11 The Commission, in order to encourage proper maintenance of the SLDC equipments, approves the expenditure proposed by the SLDC i.e. Rs. 12 Lakh for FY 2007-08. No R&M expense has been capitalised.
- 2.12 Based on above deliberations, the Commission approves O&M expenses as per following:

Table 10: O&M expenses claimed by SLDC and as approved by MPERC (Rs. Lakh)

Particular	2006-07	2007-08		
	Actuals as per trial balance	Proposed by SLDC (original)	Proposed by SLDC (revised)	Approved by MPERC
Net employee expenses	216.22	435.64	435.64	278.61
Net A&G expenses	14.87	144.84	106.73	98.81
Net R&M expenses	8.41	25.92	12.00	12.00
Net O&M expenses	239.50	606.40	554.37	389.42

Depreciation

- 2.13 The petitioner had computed depreciation on the opening gross block of the relevant years in line with the MPERC (Levy & Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006). The petitioner had not claimed any Advance Against Depreciation (AAD) in line with this regulations. Depreciation as claimed by the petitioner is given in table below:

Table 11: Value of assets and depreciation as claimed by SLDC (Rs. Lakh)

Year	Gross Fixed Assets			Cumulative Depreciation			Net Fixed Assets	
	At beginning of Year	Added during Year	At the end of Year	At beginning of Year	Added during Year	At the end of Year	At beginning of Year	At the end of Year
2005-06	242.80	0.00	242.80	112.85	11.78	124.63	129.95	118.17
2006-07	248.09	0.00	248.09	124.63	10.48	135.11	123.46	112.98
2007-08	248.09	0.00	248.09	135.11	10.60	145.71	112.98	102.38

- 2.14 The petitioner had computed the above figures by adding new assets in the MS Excel based computation sheet provided by the Commission last year. However, SLDC had projected Rs. 10.94 Lakh as revised depreciation amount for 2007-08 as per the information furnished to the Commission on 3rd January 2008.

Table 12: Depreciation claimed by SLDC (Rs. Lakh)

Particular	2006-07	2007-08	
	Actuals as per trial balance	Proposed by SLDC (original)	Proposed by SLDC (revised)
Depreciation	0.00	10.61	10.94

- 2.15 It is to be noted that in the transfer scheme notified on 31st May 2005 (effective from 1st June 2005) separate asset value for SLDC had not been indicated. The assets of SLDC might have been part of assets of any of the five companies notified by the GoMP. The Commission, while determining allowable depreciation for the five companies, had considered the notified asset values of the respective companies; thus the depreciation as computed above has been included in depreciation allowed to any of the successor companies of the MP State Electricity Board. Since, the SLDC is being operated by the MPPTCL, which is also the State Transmission Utility (STU), therefore the assets of SLDC could be considered as a part of the MPPTCL's assets. In response to this query, the SLDC has submitted that MPPTCL has not considered its assets as a part of the asset values which is evident from the asset register prepared by them. Earlier, SLDC had been a part of the generation wing therefore its assets might be considered as a part of generation assets. Also, as per the trial balance figures submitted by the SLDC for 2006-07, depreciation amount had been indicated as nil.
- 2.16 The petitioner also informed to the Commission in the hearing of 3rd January 2008, that in the final opening balance sheets of the successor entities of the MP State Electricity Board the assets of the SLDC have been separated. The SLDC would be given a separate opening balance sheet. However, the final opening balance sheets of successor entities have not been notified so far.
- 2.17 In view of this, the Commission defers the allowance of the depreciation till the final opening balance sheet is notified by the Government of MP.

Interest and finance charges

Interest on loans

- 2.18 As per the petitioner, financial assistance of Rs. 480 Lakh from PFC had been availed for the works worth Rs. 634 Lakh for providing PLCC, SCADA, communication system, air conditioning, construction of Sub-LDC office buildings, implementation of ABT/Open Access and providing office furniture and equipments at SLDC and Sub-LDCs, etc. The balance amount had been arranged from internal resources. The principal amount and the interest are to be repaid in 40 quarterly instalments w.e.f. draws of loan amount. The interest rate is 9.0% p.a. The interest for this loan has been computed to be Rs. 37.98 Lakh for 2007-08. During the course of the hearing on 3rd January 2008, the representative of the petitioner informed that it had been included in the accounts of MPPTCL. Hence the liability against this loan had not figured in FY 2006-07 expenses of SLDC. The situation remains same for this year also.
- 2.19 The petitioner had indicated in the petition that there is one generic loan of Rs. 103.69 Lakh from MPPTCL/PFC for the proposed capital expenditure in 2006-07. The petitioner had claimed Rs. 5.18 Lakh (@ 10% per annum on Rs. 103.69 Lakh for 6 months) as an interest amount on this generic loan taken from MPPTCL / loan from PFC for execution of capital works at SLDC. The Commission had already dealt with issue of interest on generic loan in the tariff order of MPPTCL and hence the Commission does not allow this loan for the purpose of interest payment.
- 2.20 In view of the facts elaborated in the paragraphs 2.18 and 2.19 above and after considering the revised submission of the petitioner of 3rd January 2008, the Commission decides not to approve any amount on the account of interest to the petitioner for FY 2007-08.

Interest on Working Capital (IWC)

- 2.21 The petitioner has calculated working capital based on one month's receivable for financing SLDC expenses viz. employee cost excluding terminal benefits, A&G expenses and R&M expenses. As per the revised petition, the rate of IWC has been considered as short-term PLR of State Bank of India plus 1% = 10.25 + 1.00 = 11.25%. This is in line with the MPERC Regulations. Accordingly the petitioner has requested to allow the interest on the working capital of the amount of Rs. 6.31 Lakh.
- 2.22 In the revised submission of the 3rd January 2008 the petitioner has submitted the total interest amount for the approval of the Commission of the order of Rs. 5.47 Lakh. The petitioner also submitted that this has been on account of interest on the Working Capital only.

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2.23 However, MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006) specifies, “The SLDC may generate the working capital on monthly basis equal to the amount 1/12th of the SLDC charges”. As per the regulations, amount of working capital had been recalculated as 1/12th of all the allowed SLDC expenses viz. employee cost excluding terminal benefits, A&G expenses, R&M expenses, depreciation, interest on loan, interest on working capital and return on equity:

Table 13: IWC claimed by SLDC and as approved by MPERC* (Rs. Lakh)

Sr. No.	Particular	2006-07	2007-08		
		Actuals as per trial balance	Proposed by SLDC (original)	Proposed by SLDC (revised)	Approved by MPERC
1	Net employee expenses	216.22	435.64	--	278.61
2	Net A&G expenses	14.87	144.84	--	98.81
3	Net R&M expenses	8.41	25.92	--	12.00
4	Depreciation	0.00	10.61	--	0.00
5	Interest on loans	0.05	40.00	--	0.00
6	Interest on Working Capital		6.31	--	3.69
7	Return on Equity	0.00	10.28	--	0.00
8	Total annual expenses excluding terminal benefits [(1)+(2)+(3)+(4)+(5)+(6)+(7)]	239.55	673.59	--	393.11
9	Monthly expenses [(8)/12]	19.96	56.13	--	32.76
10	Interest on Working Capital @ 11.25%	2.25	6.31	5.47 (incl. interest on loan)	3.69

* To be revised based on actual equity employed by SLDC/allocated to SLDC

2.24 Hence, the Commission approves Interest on Working Capital as Rs. 3.69 Lakh for the year 2007-08.

Return on Equity

2.25 Since no equity has been allocated formally to SLDC, the same has been calculated by SLDC on normative basis which is in line with the Commission’s view taken while determining SLDC tariff for 2006-07. The assets of sub-LDC Bhopal and Indore amounting to Rs. 5.29 Lakh have been added by SLDC for 2007-08 and the RoE has been calculated after deduction of survey reported assets amounting Rs. 4.40 Lakh from the gross fixed assets of Rs. 248.09 Lakh. As per the asset register submitted by SLDC, the assets of SLDC at original book value (excluding the equipments being delivered under ULDC project) are valued at Rs. 248.09 Lakh at the beginning of 2007-08. Hence, the gross fixed assets are worked out at Rs. 243.69 Lakh (248.09-4.40).

Table 14: Return on Equity claimed by SLDC

Particular	2006-07	2007-08	
	Actuals as per trial balance	Proposed by SLDC (original)	Proposed by SLDC (revised)
Original book value of assets (excluding ULDC equipments)	--	244.69	--
Equity employed considering debt : equity ratio as 70:30	--	73.41	--
Return on Equity @ 14%	0.00	10.28	12.51

2.26 As per the norms defined in the regulations, the Commission to allow 14% return only on actual equity employed by SLDC. Since there is no clear allocation of equity to SLDC in GoMP balance sheets, it is apparent that the RoE claimed by SLDC has already been claimed either by MPPTCL or by MPPGCL. Hence, the Commission for the purpose of the present order does not consider any RoE for the petitioner.

Others

RLDC fees and charges

2.27 RLDC fees and charges will be recovered from the licensees using the inter-state transmission system as may be specified by the CERC as per the Ministry of Power, Government of India order no. S.O. 795(E) dated 08 June 2005, and hence RLDC fees and charges are not included in the fee and charges of SLDC.

Income tax

2.28 The petitioner had claimed income tax amount of Rs. 3.49 Lakh in accordance with the MPERC Regulations. The petitioner revised it to Rs.4.25 Lakh in its revised submission.

Table 15: Income tax claimed by SLDC (Rs. Lakh)

Particular	2006-07	2007-08	
	Actuals as per trial balance	Proposed by SLDC (original)	Proposed by SLDC (revised)
Return on Equity (RoE)	0.00	10.28	12.51
Income tax [=RoE *0.3 *1.1*1.03]	0.00	3.49	4.25

2.29 As per the regulations, tax on income if actually payable, shall be limited to tax on return on equity allowed, excluding incentives. As the Commission has not considered any Return on Equity for the petitioner, as explained in the paragraph 0, there shall not be any income tax liability on the petitioner.

Income from connectivity and operating charges

- 2.30 As per the MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006), *“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.”*
- 2.31 The petitioner has projected the income from connectivity charges, operating charges and short term charges of the amount of Rs. 27.38 Lakh in its petition. In the revised filing of 3rd January 2008 the petitioner has not indicated any thing on this income. The Commission assumes that the status as indicated in the petition has not being going under change hence the SLDC. Thus Commission considers Rs. 27.38 Lakh for the income from the connectivity charges and operating charges from short term customers. As per the regulation 50% of this amount shall be reduced from the total ARR of the SLDC. This is given below:

Table 16: Income from connectivity and operating charges claimed by SLDC and as approved by MPERC (Rs. Lakh)

Particular	2006-07	2007-08		
	Actuals as per trial balance	Proposed by SLDC (original)	Proposed by SLDC (revised)	Approved by MPERC
Connectivity charges (application processing fee)	--	4.75	--	4.75
SLDC operating charges received from inter-state short-term open access customers (through RLDCs)	--	3.88	--	3.88
SLDC operating charges received from intra-state short-term open access customers	--	18.74	--	18.74
Total income from connectivity and operating charges	0.00	27.38	--	27.38
Income reduced from the ARR	0.00	0.00	--	13.69

Other income

- 2.32 As per the petitioner, income from other sources is stated as nil at present and hence the same has not been included in the ARR.

Proposed capital expenditure

2.33 The five year capital investment plan for SLDC and Sub-LDCs has been given by the petitioner. The proposed works would require funding of Rs. 103.69 lakh for 2007-08 and Rs. 55.00, 40.00, 10.00, 10.00 lakh for subsequent financial years. 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 2007-08. The Commission will monitor the actual expenditure against plan on annual basis. Capex for subsequent years will be reviewed and approved in respective tariff orders.

Table 17: Capital expenditure outlay proposed by SLDC and as approved by MPERC (Rs. Lakh)

Particulars	Proposed by SLDC (original)	Approved by MPERC
Capital expenditure outlay (2007-08)	103.69	103.69

Summary of ARR

2.34 In view of above, the ARR of SLDC for FY 2007-08 as claimed by the SLDC and as approved by the Commission is summarized in the following table:

Table 18: Summary of ARR claimed by SLDC and as approved by MPERC for 2007-08 (Rs. Lakh)

Sr. No.	Particulars	Claimed by SLDC (original)	Claimed by SLDC (revised)	Approved by MPERC
1	Net employee expenses (excl. terminal benefits)	435.64	435.64	278.61
2	Net A&G expenses	144.84	106.73	98.81
3	Net R&M expenses	25.92	12.00	12.00
4	Depreciation	10.61	10.94	0.00*
5	Interest on loans	40.00	5.47	0.00*
6	Interest on Working Capital	6.31		3.69
7	Return on Equity	10.28	12.51	0.00*
8	Income Tax	3.49	4.25	0.00*
9	Total revenue expenditure	677.09	587.54	393.11
10	(less) Income from connectivity and operating charges	(-) 27.38	0.00	(-) 13.69
11	Charges recoverable by SLDC in 2007-08	649.71	587.54	379.42

* These expenses shall be revised based on actual equity employed by SLDC/allocated to SLDC and shall be paid either by MPPTCL or MPPGCL to SLDC as established by MPPTCL.

CHAPTER 3

Determination of Fees and Charges

- 3.1 The MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006) directs SLDC to levy following four types of charges on the users of SLDC within the state:
- (a) **Connection Fee:** One-time registration fee payable in advance by long term customers (distribution licensees, open access consumers and generators) and monthly registration fee payable by short term customers;
 - (b) **Annual SLDC charges:** These charges are levied in advance on distribution licensees and open access consumers towards recovery of annual cost of SLDC operations;
 - (c) **Operation and Scheduling charges:** These charges are levied in advance on short term customers (open access consumers and generators) for availing SLDC services on the basis of per transaction per day;
 - (d) **Charges for revising schedule:** These charges are levied on short term customers (open access consumers and generators) in order to develop discipline in the scheduling system and incentivise better grid management and system control.

Allocation of annual SLDC charges

- 3.2 As per 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 works out to be:

Table 19: Annual SLDC charges for long-term open access customers for 2007-08

Sr. No.	Particulars	Long-term open access customers				Total
		West Discom	Central Discom	East Discom	SEZ Indore	
1	Total annual SLDC charges payable (Rs. lakh)	--	--	--	--	379.42
2	Long-term allocation of transmission capacity (MW)	2732	2343	2133	12	7220
3	Annual SLDC charges payable by long-term OA customers (in Rs. lakh)	143.64	123.19	112.15	0.63	379.42
4	Annual SLDC charges payable by long-term OA customers (in Rs./MW)	--	--	--	--	5255

Summary of Fees and Charges

3.3 In accordance to MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006), the following table summarises fees and charges determined by the Commission for use of SLDC services:

Table 20: Applicability and levy of various SLDC fees and charges for 2007-08

Sr. No.	Fee/Charge Applicable	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	Half yearly	5255 per MW of allocated transmission capacity	No	--	--	No	--	--
3	Operation & Scheduling charges	No	--	--	Yes	Per transaction per day or part thereof	3,000	No	--	--
4	Charges for revising schedule	Yes	For each revision	3,000	Yes	For each revision	3,000	No	--	--

Miscellaneous

Late payment surcharge

3.4 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

3.5 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.

CHAPTER 4

The Commission's Directives

- 4.1 MPPTCL and SLDC shall resolve the issues raised by the Commission in this Order. MPPTCL should take-up the issues of opening balance sheet of SLDC at the time of issuance of final transfer scheme.
- 4.2 MPPTCL/SLDC shall indicate status of audited balance sheet and P&L account of SLDC separately in its balance sheet.
- 4.3 The Commission directs SLDC to submit its head-wise computations of 'SLDC Fees and Charges' based on the approved fees and charges in this order and also furnish copies of its submission to authorized Consumer Representatives, distribution licensees and generating companies within three (3) weeks from date of this Order.
- 4.4 The Commission directs SLDC to submit detailed activity schedule including milestones for proposed Capex Plan for FY 2007-08 and plan for implementation, monitoring and control for each scheme separately, within three (3) months from date of issuance of this Order for records and perusal of the Commission.
- 4.5 While approving SLDC's ARR for 2006-07, the Commission had considered O&M expenses for the SLDC and both Sub-LDCs. However, as confirmed by SLDC during hearing on 3rd January 2008 before the Commission, expenses related to Sub-LDCs at Indore and Bhopal (including employee expenses incurred for the working strength of Sub-LDCs) had been booked to the MPPTCL expense accounts. Hence, the Commission directs SLDC to adjust the excess amount billed (as SLDC charges) to Beneficiaries (viz. three Distribution Companies of the State and SEZ, Indore) through appropriate credit note within three months of issuing of this order.
- 4.6 The Commission directs SLDC to borne all the expenses related to Sub-LDCs w.e.f. 01.04.2008 and maintain such expenses' records under overall financial account of SLDC.
