

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

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



Petition No. 81/2007

PRESENT:

Dr. J. L. Bose, Chairman

K. K. Garg, Member

C. S. Sharma, Member

IN THE MATTER OF:

**LEVY AND COLLECTION OF FEE AND CHARGES BY STATE LOAD
DESPATCH CENTRE (SLDC), JABALPUR FOR THE YEAR 2008-09**

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

1. P.A.R. Bende, Addl. Superintending Engineer (LD: E&T), SLDC (Jabalpur)

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ORDER

(Passed on this 20th Day of February, 2009)

- 1.1 This order relates to petition number 81 of 2007 filed by the State Load Despatch Centre (hereinafter referred to as "SLDC") as amended from time to time for determination of fees and charges to be paid by short term and long term users for the usage of SLDC services for the year FY 2008-09 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 Electricity Act 2003 (Central Act 36 of 2003), the Government of Madhya Pradesh vide order No. 2489/13/04 dated 17-05-2004 has 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 That 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"*.
- 1.3 In this regard, SLDC has submitted application on 24-12-2007 vide its letter no. 07-05/E&T/645-V/1601 for approval of SLDC fee and charges for FY 2008-09 as per the provisions of the MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006).
- 1.4 The Commission through letter No. MPERC/JD/(TE)/2008/640 dated 17-03-2008, has directed the State Load Despatch Centre to re-submit the petition after making certain modifications on the basis of the Commission's order in the matter of petition for levy & collection of charges by SLDC for FY 2007-08.
- 1.5 In line with the Commissions order dated 18-03-2008 issued in the matter of petition No. 121/2006, the the petitioner submitted revised petition no. 81/ 2007 on 26.04.2008 for Levy and collection of Fee and Charges by State Load Despatch Centre, for the FY 2008-09. The Petitioner in his revised petition filed on 26th April 2008 has made the following contentions:
- 1.5.1 **Requirement of Manpower for SLDC& Sub-LDCs:** The additional staff has been sanctioned for Sub LDCs at Indore and Bhopal and ABT/OA cell at SLDC Jabalpur. However against total 136 sanctioned posts 90 are working and 46 posts are vacant. A proposal has been submitted by the SLDC to the M.P. State Electricity Board for recruitment on the posts of technical employees, Junior Engineers and Assistant Engineers;

- 1.5.2 **Employee Cost:** The employee cost for the working strength for the year 2008-09 is considered and DA rate has been modified from 32% to 36% for 6 Months and 36% to 42% for remaining 6 Months of FY 2008-09, as wef 1.4.2008 the DA will be paid @36% and 6% installment is considered for another half year. The terminal benefit on retirement (pension, gratuity and EL encashment on retirement) is not considered. The Revised employee cost works out to Rs 392.88 Lakhs.
- 1.5.3 **Expenses of Sub-LDCs:** The certified trial balance of SLDC for FY 2006-07 does not include the expenditure of Sub LDCs at Indore and Bhopal as the same were part of MPPTCL. The matter of separating the accounts of Sub LDCs also from MPPTCL from FY 2007-08 was taken up by SLDC with the Finance Cell of MPPTCL and Finance Cell of MPPTCL has separated out the accounts of Sub LDCs also from MPPTCL from 2008-09. Therefore, the Revenue Requirement for FY 2008-09 includes the expenses of SLDC & Sub-LDCs.
- 1.5.4 **Depreciation:** SLDC has recalculated the depreciation as per the latest SLDC Regulations and submitted the details in the form F-7 specified by the MPERC. However no depreciation has been claimed by SLDC in its revised petition.
- 1.5.5 **Return on Equity:** No Return on Equity has been considered in the revised ARR. However for tentative assessment, the assets available at SLDC at original book value (excluding the equipments being delivered under ULDC project) are valued at 288.63 lakhs. Considering normative debt to equity ratio as 70:30, the normative equity for SLDC works out to Rs. 86.59 lakhs. Return on equity @14% on this amount works out to 12.12 lakhs.
- 1.5.6 **Income Tax:** No provision for Income Tax has been considered in the revised ARR. 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 persons using the intra-state transmission system and shall be adjusted in the subsequent years. However for tentative assessment, an amount of Rs. 4.12 Lakhs was shown by the SLDC towards Income Tax in its original petition.
- 1.5.7 **Interest on generic loans:** SLDC has excluded interest expenditure on generic loans as MPPTCL/SLDC could not establish the purpose for which the loans were availed.
- 1.5.8 **Interest on working capital:** As per revised Regulation of SLDC Fee and Charges, the Rate of interest on working capital has been considered on normative basis equal to the short-term Prime Lending Rate of State Bank of India as on April 1 of the current year (12.25% as on 1.4.2008) plus 1%. Accordingly the rate of IWC has been taken as 13.25 %. The working capital comes out to Rs. 45.74 lakhs and the IWC works out to Rs. 6.07 Lakhs as per the submission of SLDC;

- 1.5.9 **Capital expenditure:** As per directives of the Commission, the five year capital expenditure plan for SLDC and Sub LDCs has already been submitted separately. However, looking to the near completion of current financial year, the plan is rescheduled to commence from the FY 2008-09. The proposed works would require funding of Rs. 49.94 lakhs for 2008-09 and Rs. 108.75, 40.00, 10.00, 10.00 lakhs for the subsequent financial years.
- 1.6 The Commission vide its notice No 1195 dated 05-06-2008 sought comments / recommendations on the revised petition from all respondents i.e M.P. Power Generating Company Ltd. (MPPGCL), M.P. Power Transmission Company Ltd. (MPPTCL), M.P. Poorv Khsetra Vidyut Vitaran Co. Ltd. (East Discom), M.P. Madhya Khsetra Vidyut Vitaran Co. Ltd. (Central Discom), M.P. Pashchim Khsetra Vidyut Vitaran Co. Ltd. (West Discom), Narmada Hydro-electric Development Corporation Ltd. (NHDC) and M.P. Audyogik Kendra Vikas Nigam, Indore (SEZ) by 30th June 2008.
- 1.7 Meanwhile the State Government issued Order No. 4068-FRS-18-2002-XIII dated 12th June 2008 notifying the final opening balance sheet of the companies. In this Notification the SLDC was not notified as a separate company and therefore no equity was assigned to SLDC.
- 1.8 In view of the State Government Order and also in relation to the queries on submission of SLDC a formal discussion was held with officers from SLDC on 1st September 2008. Subsequently SLDC vide its letter dated 27 – 09- 08 again revised the Form No. F4 related to the Employee cost. The Employee cost estimate was increased to Rs 430.88 Lakh from Rs. 392.88 Lakh.
- 1.9 The total revised annual revenue requirement excluding capital investment for FY'09 has been worked out to Rs. 587.84 lakh by SLDC. The summary of the original and revised petitions filed by SLDC is given below:

Table 1: Summary of the SLDC Tariff Petition for FY'09

Sr. No.	Particulars	Amount (Rs. Lakh) Original Petition	Amount (Rs. Lakh) (After Revision - I) filed on 26.4.08	Amount (Rs. Lakh) (After Revision - II) filed on 27.9.08
1	Employee Expenses	457.62	392.88	430.88
2	Administration & General (A&G) Expenses	113.89	113.89	113.89
3	Repairs & Maintenance (R&M) Expenses	49.70	37.00	37.00
4	Depreciation	12.21	-	-
5	Interest and Finance Charges (interest on loans and IWC)	6.11	6.07	6.50
6	Return on Equity	12.12	-	-
7	Lease and Finance Charges (ULDC loan repayment)			
8	Income Tax	4.12	-	-

Sr. No.	Particulars	Amount (Rs. Lakh) Original Petition	Amount (Rs. Lakh) (After Revision - I) filed on 26.4.08	Amount (Rs. Lakh) (After Revision - II) filed on 27.9.08
9	Western Regional Power Committee (WRPC) Expenses			
10	Total revenue expenditure	655.77	549.84	588.26
11	Less Income from Interconnection and SLDC operation charges			
12	Charges recoverable by SLDC	655.77	549.84	588.26

1.10 In its final revised petition filed on 27.09.08 for FY'09, SLDC has sought approval for the annual revenue requirement shown in Clause 1.9 above. Further, SLDC has proposed to recover these charges from long term customers within states 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 588.26 lakhs towards revenue expenditure and Rs. 49.94 lakhs 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 Hon'ble Commission may deem fit and proper and necessary in the facts and circumstances of the case”

1.11 Having considered all the documents available on record, the 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) read with Order No. 4068-FRS-18-2002-XIII dated 12th June 2008 the Commission accepted the application on 22.11.2008 with modifications, conditions and directions as herewith attached.

1.12 Further, the Commission notes that SLDC has not proposed following additional fees and charges to be levied from open access customers as required by MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006):

(i) Connection fee (from long and short term customers);

(ii) Operation & Scheduling charges (from short term customers);

(iii) Charges for revising schedule (from short term customers).

1.13 In this order, the Commission has determined and approved the fees and charges in addition to SLDC charges. Applicability and amount of these fees and charges has also been specified (elsewhere) in this tariff order.

Hearing

1.14 The Commission called for comments / suggestions on final revised ARR of SLDC by 16th Dec 2008 from all respondents. No comments were received from any respondent in the matter. The Commission conducted a hearing on the tariff petition of SLDC at Bhopal on 6th January 2009 in the office of the Commission. The stakeholders/beneficiaries viz. MPPGCL, MPPTCL, East Discom, Central Discom, West Discom, NHDC and SEZ were invited for the hearing. During the hearing, representative of NHDC was also present. The Commission heard the applicant, on 6th January 2009 at Bhopal and gave the opportunity to the respondents to offer suggestions / comments on the subject petition. The Commission asked the SLDC to furnish an affidavit regarding non-inclusion of SLDC expenses by MPPTCL and for submission of actual expenditure during FY 2007-08. The SLDC filed this additional affidavit vide its letter no. 07-05/LD: E&T/645-V/241 dated 10th February 2009.

1.15 The Commission in exercise of powers to frame regulations under Sec 181 (g) of Electricity Act 2003 notified MPERC (Levy of Fee and Charges by State Load Despatch centre) Regulations 2004 as amended from time to time. The Commission, directs that the SLDC Fees and Charges determined by this present order shall be deemed to be effective w.e.f. 1st April 2008 and will continue to be effective till 31st March 2009. 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 recalculate its bills of SLDC charges to the long term open access customer since 1st April 2008 and must also provide information to the Commission in support of having complied with this order.

1.16 The Commission approves the SLDC ARR for FY 2008-09 as stated in Para 1.34.

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

(C.S.Sharma)
Member (Econ.)
Place: **Bhopal**

(K. K. Garg)
Member (Engg.)

(Dr. J. L. Bose)
Chairman
Dated:20/02/2009

A1: ANNUAL FIXED CHARGES

1.1 In this chapter, the basis for determination of allowable expenses for SLDC for FY'09 is discussed.

Operation and Maintenance (O&M) expenses

1.2 The Operation and Maintenance (O&M) expenses comprise of the Employee Expenses, Administration & 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 2: O&M expenses (Rs. Lakh)

Sr. No.	Particulars	FY'07	FY'08	FY'08	FY'09
		Actual	Estimated by SLDC	Actuals	Proposed by SLDC
1	Employee Expenses	216.22	278.61	249.39	430.88
2	Administration & General (A&G) Expenses	14.86	98.81	13.59	113.89
3	Repairs & Maintenance (R&M) Expenses	8.41	12.00	5.12	37.00
	Total	239.49	389.42	268.10	581.77

Employee Expenses

1.3 SLDC has projected an increase in employee related expenses pertaining to its operations from Rs. 249.39 lakh as per actual for FY'08 to Rs. 430.88 lakh during FY'09. The employee related expenses comprises 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, etc.

1.4 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 nearly Rs. 150 lakh on account of increase in basic pay and dearness pay.

1.5 As per the petition, against a total of 136 sanctioned posts (including newly sanctioned 50 posts for Bhopal Sub-LDCs (21), Indore Sub-LDC (21) and Jabalpur SLDC (8)), only 64 posts are filled up currently and remaining posts are lying vacant. As per the Petitioner, posting of Officers/Staff at Sub-LDC and SLDC against newly created and vacant posts is in progress. Further, the pay of vacant and newly created posts has been worked out considering minimum basic pay of the cadre. However, it is possible that the staff may be entitled to higher basic pay being inducted in higher scale or on account of any future increment(s).

- 1.6 Hence, the Petitioner has considered Rs. 430.88 lakh as total employee cost for the existing working strength, proposed additional staff and vacant position for the year FY'08. The Commission has observed that the provision for terminal benefits was made in the tariff order of MPPTCL for FY'07 and that when SLDC starts bearing the terminal liability towards its retiring employees, the Commission shall consider the expenses to be incurred on this account in the ARR for tariff determination purpose. No employee expense has been capitalised.
- 1.7 The details of employee related expenses actually incurred for FY'07, estimated for FY'08 and projected for FY'09 have been summarized under the following Table:

Table 3: Details of employee expenses as claimed by SLDC (Rs. Lakh)

Particular	2006-07	2007-08	2008-09
Actual working strength at the beginning of the year	64	74	90
Sanctioned strength at the beginning of the year	136	136	136
Basic pay, DA, addl. pay etc.	206.40	230.21	365.01
Allowances (medical, travel, LTA etc.)	7.45	44.07	59.93
Training and staff welfare	0.01	2.10	3.10
Bonus/Exgratia to employees	2.36	2.24	2.84
Gross employee expenses	216.22	278.61	430.88
(less) Expenses capitalised	0	0	0
Net employee expenses	216.22	278.61	430.88
Average employee cost (in Rs. lakh) per employee	3.38	3.77	4.79

- 1.8 The Commission observes that the projected employee expenses of Rs. 430.88 lakh during FY'09 has increased significantly in absolute terms from actual expenses of Rs. 249.39 lakh incurred during FY'08 (as shown in Table 2). The average employee cost based on actual expenditure for FY'08 comes to Rs. 3.37 lakh. The reason for rise in the employee expense given by SLDC is primarily the increase in employee strength from 74 to 90 due to inclusion of sub LDCs and also because of revision of salaries (both basic and DA).
- 1.9 The provisions envisaged in the transfer scheme for funding unfunded liabilities towards pension and other terminal benefits are yet to be implemented. Presently MPPTCL is paying terminal benefits on behalf of the five companies formed out of reorganisation of MPSEB. The Commission was informed that even after 1st June 2005, the terminal benefits and the pension of the people that have retired from the services of the other company are being paid by MPPTCL. Accordingly, the Commission considered the provision for the terminal benefits in the tariff order of MPPTCL for FY'08. When SLDC starts bearing the terminal liability towards its retiring employees, the Commission shall consider the expense to be incurred on this account in the ARR for tariff determination purpose.

1.10 The Commission observes that the expenses of Sub LDCs have been added to the SLDC expenditure. Release of DA instalment has also increased the salary bills. However on checking the information available with the Petitioner, it was found that the provision of Rs 33 Lakhs against Salary Arrears, DA revision upto 53 %, Medical Bills, LTC and EL encashment would not actually be disbursed during the year, because the wage revision is yet to take place and the DA revision was made only upto 47 % and not beyond that. No actual pay out is made against the provisions of LTC and EL encashment. The Commission therefore allows the employee expenses of only Rs. 397.88 lakh. However the Commission while approving the ARR for 2009-2010 shall adjust the actual employee cost incurred by the SLDC. The Commission also has not capitalised any employee cost as the petitioner has not proposed any asset during FY'09.

Administration & General (A&G) Expenses

1.11 The Petitioner has projected Rs. 113.89 lakh as Administration & General (A&G) expenses for FY'09. 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.

Table 4: Details of A&G expenses as claimed by SLDC (Rs. Lakh)

Particular	2006-07	2007-08	2008-09
Administrative expenses (telecommunication, travel, MPERC/WRPC fees etc.)	6.55	24.76	32.31
Other charges (printing & stationery, electricity charges to offices, entertainment, miscellaneous etc.)	8.19	70.05	77.57
Legal charges	0.12	3.00	3.00
Auditor's fee	0	0	0
Material related expenses	0.00	1.00	1.00
Direction and supervision charges	0.00	0.00	0.00
Gross A&G expenses	14.86	98.81	113.89
(less) Expenses capitalised	0	0	0
Net A&G expenses	14.86	98.81	113.89

1.12 In the SLDC ARR Order for FY 08, the Commission had approved an amount of Rs 98.81 lakhs towards A&G expenses, against which the actual expenses incurred was Rs 13.59 Lakhs as seen in the additional affidavit filed by the SLDC on 10th February 2009. The A&G expenses of Rs. 113.89 lakh are not justified and the Commission considering the trend of A&G expenses over the last 2 years i.e. Rs 14.86 lakhs and Rs. 13.59 lakhs approves an amount of Rs 15 Lakhs as A&G expenses for the FY 08-09.

Repairs & Maintenance (R&M) Expenses

1.13 The Petitioner has projected Rs. 37.00 lakh as Repairs & Maintenance (R&M) expenses for FY'09. The expense projections for FY'09 were worked out considering the R&M expenses of SLDC (at Jabalpur) and both Sub-LDCs (at Indore and Bhopal) whereas only SLDC expenses have been considered for FY'09.

Table 5: Details of R&M expenses as claimed by SLDC (Rs. Lakh)

Particular	2006-07	2007-08	2008-09
Plant and Machinery	6.35	10.24	33.89
Building	2.06	0.00	0.00
Civil Works	0.00	1.76	1.71
Hydraulic Works	0.00	0.00	0.00
Lines, Cables Net Works etc.	0.00	0.00	0.00
Vehicles	0.00	0.00	0.00
Furniture and Fixtures	0.00	0.00	0.70
Office Equipments	0.00	0.00	0.70
Station Supplies	0.00	0.00	0.00
Gross R&M expenses	8.41	12.00	37.00
(less) Expenses capitalized	-	-	-
Net R&M expenses	8.41	12.00	37.00

1.14 No A&G expense has been capitalised. The Commission finds that as per additional affidavit filed by SLDC on 120^h February 2009, the actual R&M expenditure for FY 2007-08 was Rs 5.12 Lakhs against approved expenditure of Rs 12 Lakhs. Nevertheless, the Commission considers that in order to strengthen and ring fence SLDC, it is required that the SLDC should have adequate infrastructure, which is also upgraded and maintained from time to time. The Commission therefore approves the proposed R&M expenses of Rs. 37.00 lakh as projected by the Petitioner. Deviation in terms of actual expenditure shall be adjusted at the time of approval of ARR for the FY 2009-10.

1.15 Based on above deliberations, the Commission approves O&M expenses as per following:

Table 6: O&M expenses as approved by the Commission for FY'09 (Rs. Lakh)

Sr. No.	Particulars	SLDC	MPERC
1	Net employee expenses	430.88	397.88
2	Net Administration & General (A&G) expenses	113.89	15.00
3	Net Repair & Maintenance (R&M) expenses	37.00	37.00
	Total Operation & Maintenance (O&M) expenses	581.77	449.88

Depreciation

- 1.16 No Depreciation has been requested by the Petitioner as no separate opening balance sheet for SLDC has been notified by the Govt of M.P in the Order dated 12th June 2008.

Interest and finance charges

Interest on loans

- 1.17 Considering that no interest or financing charges except interest on working capital have been claimed by the petitioner in his revised petition, the Commission has not allowed Interest on loan.

Interest on Working Capital (IWC)

- 1.18 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 SBI + 1% = 12.25 + 1.00 = 13.25%. This is in line with the MPERC Regulations.
- 1.19 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 has 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 and finance charges, interest on working capital and return on equity:

Table 7: IWC as approved by the Commission for FY'09 (Rs. Lakh)

Sr. No.	Particulars	SLDC	MPERC
1	Net employee expenses (excluding terminal benefits)	430.88	397.88
2	Net A&G expenses	113.89	15.00
3	Net R&M expenses	37.00	37.00
4	Depreciation	0.00	0.00
5	Interest on loans	0.00	0.00
6	Interest on Working Capital	6.50	5.02
7	Return on Equity	0.00	0.00
8	Total annual expenses excluding terminal benefits [(1)+(2)+(3)+(4)+(5)+(6)+(7)]	588.27	488.28
9	Monthly expenses [(8)/12]	49.02	40.69
10	Interest on Working Capital @ 13.25%	6.50	5.02

1.20 Hence, the Commission approves IWC as Rs. 5.02 lakhs for the year FY'09.

Table 8: Interest and finance charges approved for FY'09 (Rs. Lakh)

Sr. No.	Particulars	SLDC	MPERC
1	Interest on loans	-	-
2	Interest on Working Capital	6.50	5.02
	Total interest and finance charges	6.50	5.02

Return on Equity

1.21 No equity has been claimed by the Petitioner for FY 09 as the State Government has not formally assigned any equity in SLDC vide Order dated 12th June 2008.

Others

ULDC charges

1.22 No ULDC charges has been claimed by the petitioner

RLDC fees and charges

1.23 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.

Payment of statutory taxes, cess etc.

1.24 The Petitioner has not claimed any income tax or any statutory taxes, cess.in its revised petition.

Income from connectivity and operating charges

1.25 As per the provisions of the MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006), SLDC has projected to collect connectivity and operating charges from inter-state and intra-state short-term open access customers.

Table 9: SLDC income from connectivity and operating charges for FY'09 (Rs. Lakh)

Sr. No.	Particulars	SLDC
1	Connectivity charges	3.00
2	Scheduling & Operation Charges (50% as income)	30.00
3	Application processing fee for SOTA	32.00
	Total income from connectivity and operating charges	65.00

1.26 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.”*

1.27 In the meanwhile in the additional affidavit filed by the MPPTCL for the Transco trueup petition for FY 2007 – 2008, Rs 54 Lakhs is shown as received by the SLDC as application fee. In the additional affidavit filed by SLDC on 10th February 2009, the actual income for FY 2007-08 is shown as 91.42 lakhs as against approved estimate of income of Rs 13.69 lakhs. Due to the increase in Open Access transactions and volumes, the application fees for Open access consumers may further increase during FY 09. The Commission however expects the application fee atleast at the level of last year i.e. Rs 54 lakhs. Also considering slight increase in the Connectivity charges, Scheduling charges and operating charges the same as projected by the Petitioners, the Commission approves the SLDC income as Rs 93 lakhs for the FY 2008-09, which is comparable with actual income of Rs. 91.42 lakhs during 2007-08.

Table 10: SLDC income from connectivity and operating charges as approved by the Commission for FY'09 (Rs. Lakh)

Sr. No.	Particulars	SLDC	MPERC
1	Connectivity charges	3.00	4.00
2	Scheduling & Operation Charges (50% as income)	30.00	35.00
3	Application processing fee for SOTA	32.00	54.00
	Total income from connectivity and operating charges	65.00	93.00

Other income

1.28 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

1.29 The five year capital investment plan for SLDC and Sub-LDCs was submitted by the Petitioner. As per this plan the proposed works would require funding of Rs. 49.94

lakh for 2008-09 and Rs. 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 FY'09 at the proposed level of Rs 49.94 lakh. The Commission will monitor the actual expenditure against plan for SLDC. Capex for subsequent years will be reviewed and approved in respective tariff orders. The SLDC should propose increase in Fee and Charges as per Regulation of the Commission, in case it finds that the Capital expenditures are not met through Fee and Charges.

Table 11: Capital expenditure as approved by the Commission for FY'09 (Rs. Lakh)

Particulars	SLDC	MPERC
Capital expenditure outlay for FY'08	49.94	49.94

Reconciliation/ True up of FY 08 accounts with FY 08 Order

Expenditure

1.30 Further the MPPTCL, the Transco has filed its finalised balance sheets for FY 08. Since the SLDC accounts are embedded in the MPPTCL balance sheets, this affords the Commission to review the actual expenditures of SLDC against the previous order of FY 08. The differences are as tabulated below

Table 12: Reconciliation of ARR FY 08 and Actuals

Particulars	As allowed in ARR for FY 08	Actuals for FY 08 as filed in the affidavit of Transco	Differences to be reconciled
Employee costs	278.61	249.39	29.22
Administration & General (A&G) Expenses	98.81	13.59	85.22
Repairs & Maintenance (R&M) Expenses	12.00	5.12	6.88
Total	389.42	268.10	121.32

1.31 This difference of expenditure of Rs 121.32 Lakhs has been already billed by SLDC and has to be adjusted in the ARR for FY 09

Income

1.32 From the additional affidavit filed on 12th February 2009, it has been observed that as against estimated revenue of Rs 13.69 to be retained by SLDC, it has retained revenue of Rs 91.42 lakhs. SLDC collected Rs. 67.64 Lakhs towards Scheduling and Operation charges, Rs. 3.55 Lakhs towards Connectivity charges and Rs. 54.05 Lakhs towards Application fee. As per MPERC (levy and collection of fee and charges by SLDC) Regulations, out of the Scheduling and Operation charges, SLDC retains 50 % revenue for capital expenditure for the development of infrastructure at SLDC. SLDC

has to maintain separate account for such earnings and has to disclose the details of investment made to the Commission at the time of determination of its ARR. SLDC has merely sanctioned estimates of Rs 82.4 Lakhs for back up Air conditioning at SLDC CR, providing EPABX and replacement of Central AC plant at SLDC. SLDC has sanctioned these works against retention of 50 % of Scheduling and Operation charges during 2006-07 (actuals), 2007-08 (actuals) and 2008-09 (proposed). The Commission directs the Petitioner to furnish the separate account as per Regulation alongwith the Petition for FY 2009-10. The Commission further observes that the Revenue retained by the SLDC during FY 2007-08 was Rs 91.42 lakh, which was Rs 77.8 lakhs more than the estimate approved by the Commission i.e. Rs. 13.69 Lakhs. The difference of Rs 77.8 lakhs needs to be adjusted against the ARR of FY 08, which has been given effect in the following paragraphs.

Net adjustment

1.33 Hence the net adjustment for the ARR of FY 08 is an amount of Rs 121.32 lakhs (towards excess expenses allowed earlier) as per clause 1.31 and Rs 77.8 Lakhs (towards excess collection of fee and charges) i.e a total of Rs 199.12 Lakhs

Summary of ARR

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

Table 13: Summary of the ARR as approved by the Commission for FY'09 (Rs. Lakh)

Sr. No.	Particulars	SLDC	MPERC
1	Net employee expenses (excluding terminal benefits)	430.88	397.88
2	Net A&G expenses	113.89	15.00
3	Net R&M expenses	37.00	37.00
4	Depreciation	0.00	0.00
5	Interest on loans		0.00
6	Interest on Working Capital	6.50	5.02
7	Return on Equity	0.00	0.00
8	Income Tax	0.00	0.00
9	Total revenue expenditure	588.26	454.90
10	(less) Income from connectivity and operating charges	-65.00	-93.00
11	Charges recoverable by SLDC in FY'09	523.26	361.90
12	Less Adjustments for FY 08		-199.12
13	Net approved ARR for FY 09		162.78

Determination of Fees and Charges

- 1.35 The MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006) directs SLDC to continue levying 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

- 1.36 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 14: Annual SLDC Charges for Long - Term Open Access Customers for FY 09

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)	--	--	--	--	162.78
2	Long-term allocation of transmission capacity (MW)	2421	2657	3067	25	8170
3	Annual SLDC charges payable by long-term OA customers (in Rs. Lakh)	48.24	52.94	61.11	0.50	162.78
4	Annual SLDC charges payable by long-term OA customers (in Rs./MW)					1992.41

Summary of Fees and Charges

1.37 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. Since no such proposal is received from SLDC and there is increase in open access cases, 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 15: Applicability and levy of various SLDC fees and charges for FY'09

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	Half yearly	1992.41 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

1.38 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

1.39 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.

A2: THE COMMISSION'S DIRECTIVES

- 2.1 The Commission directs MPPTCL and SLDC to comply with the recommendations related to Manpower, certification and incentives for system operation and ring fencing Load Despatch Centres made by the Committee constituted by the Ministry of Power.
- 2.2 The Commission directs MPPTCL and SLDC to submit account head wise actual expenditures of SLDC for the FY 08-09 after finalization of its accounts for 2008-09.
- 2.3 MPPTCL shall indicate status of balance sheet and P&L account of SLDC separately in its balance sheet.
- 2.4 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.
- 2.5 The Commission directs SLDC to submit its proposal to fill the revenue gap , if any alongwith its Petition for FY 2009-10. The Commission shall consider increase in Fees and charges, only if the same is proposed by SLDC.
- 2.6 If the SLDC The Commission directs SLDC to submit detailed activity schedule including milestones for proposed Capex Plan for FY 2009-10 and plan for implementation, monitoring and control for each scheme separately, within two (2) weeks from date of issuance of this Order for records and perusal of the Commission.
- 2.7 The Commission directs the SLDC to file separate accounts towards capital expenditure actually incurred since 2006-07 as required as per Regulation 10 of MPERC (levy and collection of fee and charges by SLDC) Regulations.
- 2.8 The Commission directs SLDC to submit details of each scheme involving outlay exceeding Rs. 5.00 lakh along with investment plan, sources of funding and statement of justification/rationale for the scheme for scrutiny and approval of the Commission within three (3) weeks from date of issuance of this Order. The details must be submitted in accordance with the Capital Expenditure Guidelines issued by the Commission.

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