

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

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



Petition No.70/2009

PRESENT:

K. K. Garg, Member (Engineering)

C. S. Sharma, Member (Economics)

IN THE MATTER OF:

**LEVY AND COLLECTION OF FEE AND CHARGES BY STATE LOAD
DESPATCH CENTRE (SLDC), JABALPUR FOR FY 2010-11.**

State Load Despatch Centre, MPPTCL (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**

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ORDER

(Passed on this 20th Day of May, 2010)

- 1 This order relates to Petition number 70 of 2009 filed by the State Load Despatch Centre (hereinafter referred to as “SLDC”) for "levy & collection of fee & charges to be paid by Short term and Long term users for the usage of services of SLDC for FY 2010-11" 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 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.
- 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*”. Accordingly, the SLDC charges are now payable by Licensees / users.
- 3 The approval of SLDC fee and charges (Tariff Order) for FY 2009-10 was granted by the Commission on 26/11/2009. SLDC vide its letter no. 07-05/E&T/645-VII/1977 dated 27/11/2009 has filed this petition for approval of SLDC fee and charges for FY 2010-11 as per the provisions of the MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006) notified on 19/05/2006, as amended on 26th December 2008. The petition has been registered as Petition No. 70 of 2009.
- 4 Subsequently the Commission vide letter No. MPERC/230 dated 25/01/2010 informed the State Load Despatch Centre about the information gaps in subject petition with regard to approval of SLDC fee and charges for FY 2010-11 and asked SLDC to furnish the required information by 10/02/2010. The petitioner has filed the information vide its letter no. 252 dated 10/02/2010.

5 The petitioner has made the following contentions in the petition filed on 27.11.2009.

5.1 **Employee Cost :**

The employee cost for FY 2010-11 has been worked out for the working strength at SLDC & Sub-LDCs as on 31-10-2009 and the Employee cost towards 16 Assistant Engineers to be posted at SLDC/Sub-LDCs after completion of training. Total Employee cost works out to Rs. 583.65 Lacs. The provision for other vacant posts, terminal benefit on retirement (pension, gratuity and EL encashment on retirement) has **not** been considered.

- (i) D.A. for Ensuing Year (EY) has been considered as 22% for first six months & 27% for the remaining six month period.
- (ii) Medical reimbursement for EY has been considered @450/- pm per employee.
- (iii) The arrears of Pay Revision payable during 2010-11 (four instalments) to the officers under PB-4 has been considered in the employee cost.
- (iv) Ex-Gratia/bonus payment @2500/-per employee has been considered for working strength.
- (v) Terminal benefits are not considered as per directives of MPERC in the order for SLDC Fee & charges petition for the FY 2006-07.

5.2 **Administration and General Expenses :**

The A & G expenses for SLDC and Sub LDCs for the year 2010-11 is considered at Rs. 136.90 Lacs. The A&G expenses for the EY have been worked out considering the following:-

- (i) Insurance: At present, SLDC building and equipments are not insured, but provision for insurance has been made.
- (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) Travel expenses: The proposed travelling expenses for 2009-10 have been worked out for all the working strength, on prorata basis, as 10% increase in actual travel expenses of SLDC for 2007-08. The projections towards travel expenses for the FY 2010-11 are kept same as mentioned for FY 2009-10 in view of increased staff and increased responsibilities on account of ABT/OA, Regulatory & Legal issues, Training etc.
- (iv) Hiring of Vehicles: At present, only one official vehicle is provided at SLDC for OSD (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.

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- (v) Fee and Subscriptions Books And Periodicals: The actual expenditure towards fee & subscription of Rs. 10.02 Lacs reflected in Trial Balance for 2008-09 includes the amount Rs. 9.98 towards WRPC Fees. However, for current and ensuing year provision for “WRPC Fees” and “Fees and Subscription Books & Periodicals” has been shown separately.
 - (vi) Stationery Expenses: The stationery expenses have 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.
 - (vii) Electricity Charges: A Provision for electricity charges to office has been kept on the basis of actual electricity bills of SLDC Jabalpur for the year 2008-09. The same provision is kept for EY considering energy saving measures.
 - (viii) Entertainment expenses: The entertainment expenses have been worked out considering the requirements due to increased responsibilities of SLDC.
 - (ix) Legal Expenses: The legal expenses have been worked out considering various legal issues and regulatory matters.

5.3 Repair and Maintenance charges:

The Repair and Maintenance expenses for the year 2010-11 are estimated at Rs.204.92 Lacs. This includes the provision for Long Term Service Agreements (LTSA) of SCADA/EMS & Wideband Communication system, AMC of Auxiliary Power Supply system and maintenance of system support services. The charges are as per offers received by WRLDC from OEMs of the systems. The five year R&M plan for SLDC and Sub LDCs has been submitted.

5.4 Depreciation, RoE and Income Tax:

The GoMP has included the assets of SLDC in the assets of MPPTCL and separate Balance Sheet has not been notified for SLDC. The depreciation has been worked out to Rs. 12.52 Lacs. The ROE has been worked out to Rs 12.44 Lacs based on normative debt to equity ratio as 70:30. The Income Tax comes to Rs. 4.23 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 2010-11. No provision is made for RoE, Depreciation & income tax in the ARR of FY 10-11.

5.5 Interest and Finance charges:

The interest and finance charges comprises of only one component i.e. Interest on Working Capital. The working capital is computed considering the expenses for

Employee cost, A&G, R&M and IWC. The monthly working capital comes to Rs. 78.03 Lacs. The SLDC has calculated IWC as Rs. 10.92 Lacs taking 14% rate of interest.

The Capex requirement of SLDC shall be met from 50% amount of Scheduling & Operation charges retained for infrastructure development of SLDC as per MPERC Regulation.

5.6 Revenue from Fee & Charges:

The total revenue from fee & charges is shown as the revenue from 3 DISCOMS & SEZ towards SLDC Fee & Charges and revenue from OAC towards other charges i.e. Operation & Scheduling, Connection & Application processing fee. The total Fee and Charges have been divided between the licensees (long term customers) using the intrastate transmission system in proportion to their allocated transmission capacity.

5.7 Capex:

SLDC has stated that the details of 5 year rolling capital expenditure (Capex) plan of SLDC for the period from FY 2009-10 to FY2013-14 have been submitted to the Commission vide letter No. 1158 dated 22.07.2009 for approval and has requested the Commission to approve the same.

The Commission has already approved Capex for SLDC in its Tariff Order for FY 2009-10.

5.8 Other Income:

Other Income of Rs. 171.00 Lacs has been projected as income from Scheduling & Operation Charges, Connection Charges and Application processing fee from OAC.

5.9 Payment of statutory taxes, duties:

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.

Hearing

- 6 The Commission vide its letter No. 667 dated 15/03/2010 fixed hearing on 03/04/2010 and sought comments / suggestions on the petition from all respondents i.e M.P. Power Generating Company Ltd. (MPPGCL), 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), Narmada Hydro-electric Development Corporation Ltd. (NHDC) and M.P. Audyogik Kendra Vikas Nigam, Indore (SEZ).
- 7 No comment was received from any of the respondents in the matter till due date. The Commission conducted a hearing on the Tariff Petition of SLDC at Bhopal on 03/04/2010 in the office of the Commission. During the hearing, representative of East Discom was present. The Commission heard the applicant, and gave the opportunity to the respondent to offer suggestions / comments on the subject petition. East Discom's representative has submitted Affidavit dated 02/04/2010 with written comments which stated that "*All the paras mentioned in the petition are accepted, except para 4 i.e. A&G expenses. In this para provision of electricity charges is kept on the basis of electricity bill for FY2008-09, which is Rs 90.15 Lacs. It is mentioned that the electricity bill of SLDC is Rs 81.95 Lacs for FY08-09, while the electricity bill for the year is Rs 29.81 Lacs (from 04/09 to 02/10, for 11 months). Therefore provision for electricity charges should be accepted on the basis of FY2009-10.*"
- 8 The petitioner was asked to further clarify the issues related to Employee Cost, Repair & Maintenance, A&G and utilization of revenue earned by SLDC.
- 9 In response to the clarifications sought by the Commission on 03/04/2010, SLDC vide letter dated 24/04/2010 on affidavit submitted the following:-

"That during hearing on 03-04-2010, Hon'ble Commission had directed SLDC to furnish information / clarification regarding Employee cost, R&M expenses, A&G expenses, utilization of revenue earned from Operation & Scheduling charges, etc. The desired information / clarification is submitted hereunder for kind consideration and approval.

EMPLOYEE COST: As desired by Hon'ble Commission, the projections for salary component for the F.Y 2010-11 have been reworked and salary provision for 16 A.E. has been modified to the extent of salaries payable after posting at SLDC i.e. from 26th Oct'2010 to 31st March 2011. Moreover, as per actual DA % declared for April'2010 & July'2010, the provision for D.A has also been modified from 22% (6 months)+27% (6 m) to 22%(1 m)+25%(3 m)+27%(4 m)+30%(4 m). Now, revised employee cost works out to Rs. 560.09 Lacs instead of Rs. 583.65 Lacs mentioned in the petition. The calculation detail of revised employee cost is annexed as Annexure-I. Further as desired, the Employee cost of SLDC (Excluding Sub-LDCs) for FY 2009-10 has also been worked out and annexed as Annexure-II for reference.

REPAIR & MAINTENANCE EXPENSES: As submitted during hearing, the proposed Long Term Service Agreement (LTSA) for SCADA/EMS and LTSA for wideband communication system are inclusive of overhead charges payable to Power Grid. Recently, it has been decided in Western Regional Power Committee (WRPC) that no overhead charges shall be payable to Power Grid for LTSA of SCADA/EMS system. Accordingly, the provision for departmental charges has been removed for LTSA for SCADA/EMS. Now, revised R&M expenses work out to Rs. 189.35 Lacs instead of Rs. 204.92 Lacs mentioned in petition. The calculation detail of revised R&M expenses is annexed as Annexure-III.

ADMINISTRATION & GENERAL EXPENSES : - Representative from respondent No.5, M.P. Poorv Kshetra V.V.C.L. Jabalpur submitted during hearing that SLDC electricity bills for the period April'2009 to Feb'2010 is Rs. 29.81 Lacs (11 Months) and requested Hon'ble Commission to consider electricity charges for FY 2010-11 on basis of above bills. Accordingly, the electricity charges for FY 2010-11 may be considered as Rs. 35.35 Lacs (i.e. with 10% escalation on FY 09-10 electricity charges Rs. 32.14 Lacs) instead of Rs. 90.15 Lacs mentioned in the petition. Thus revised A&G charges for FY 2010-11 work out to Rs. 82.10 Lacs instead of Rs. 136.90 Lacs mentioned in the petition. (Annexure-IV)''

- 10 Regarding the issues of utilization of revenues earned from Operation & Scheduling, connectivity charges & application processing fee, the petitioner could not respond to the clarification sought by the Commission and submitted that this issue has been referred to Finance cell of M. P. Power Transmission Co. Ltd., Jabalpur.
- 11 The total revenue requirement including Capital Investment for 2010-11 as filed by SLDC is as under:

Table 1: Total Revenue Requirement for FY 2010-11 (as filed by SLDC)

(Rs. Lacs)

S. No.	Particulars	Amount (as originally filed)	Amount (revised)
01	Employee Cost	583.65	560.09
02	Administration and General Expenses	136.90	82.10
03	Repairs and Maintenance Expenses	204.92	189.35
04	Depreciation	0	0
05	Interest and Finance Charges less capitalization of interest plus IWC	10.92	10.92
06	Return on Equity/Investments	0	0
07	Provision for Income Tax	0	0
Total Revenue Requirement for FY 2010-11		936.39	842.46

- 12 The Commission in exercise of powers to frame Regulations under Sec 181 (g) of Electricity Act 2003 has notified MPERC (Levy of Fee and Charges by State Load Despatch centre) Regulations 2004 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 in this Order. The ARR of SLDC approved by the Commission for FY 2010-11 is as follows:

Table 2: Annual Revenue Requirement for FY 2010-11 (as approved by MPERC)

SN	PARTICULARS	AMOUNT (Rs. Lacs)
01	Employee Cost	557.46
02	Administration and General Expenses	82.10
03	Repairs and Maintenance Expenses	189.35
05	Interest and Finance Charges	0.00
	Total Annual Revenue Requirement	828.91
06	Less Other Income (O&S, etc)	171.00
	Net Annual Revenue Requirement for FY 2010-11	657.91

- 13 The allocation of Annual SLDC charges and applicability of various fees and charges are specified in the detailed Order annexed herewith. 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 2010 and will continue to be effective till 31st March 2011. 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 customers other than renewable sources w.e.f. 1st April 2010 onwards and must also provide information to the Commission in support of having complied with this order.
- 14 Ordered as above, read with attached detailed reasons, grounds and conditions,

(C. S. Sharma)
Member (Economics)

(K. K. Garg)
Member (Engineering)

Place: **Bhopal**

Dated: 20th May, 2010

CHAPTER 1
ANNUAL FIXED CHARGES**CAPITAL EXPENDITURE :**

Petitioner's Submission: The petitioner has submitted the following-

- 1.1 “The capital works in hand and likely to be implemented during 2009-10 to 2013-14 have been summarized in Annexure-CP1. The details of 5 year rolling capital expenditure plan of SLDC for the period from FY 2009-10 to FY2013-14 have been submitted to Hon’ble Commission vide letter No. 07-05/645-VI/1158 dated 22.07.2009 for approval. SLDC has requested the Commission to approve the same.”

Commission's Analysis:

- 1.2 The Commission has already approved the 5 year Capex plan of SLDC in the Tariff Order for FY 2009-10 dated 26/11/2009. The highlights of which are reproduced below for ready 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 the year				
		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	--	--	--
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 has accorded in-principle approval of the above mentioned Capex subject to the following conditions.*

1.3.1.1 *SLDC shall have a proper account of Capex fund and should also account for the bank interest earned on capex fund.*

1.3.1.2 *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.*

1.3.1.3 *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.*

1.3.1.4 *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.*

1.3.1.5 *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.*

1.3.1.6 *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.*

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- 1.3.1.7 *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 Commission vide letter No. 230 dated 25/01/2010 sought details regarding revenue gap as required in Para 3.2 and regarding Capex Plan in Para 1.5 (e) and Para 3.3 of the Tariff Order for FY 2009-10 and the details of separate accounts towards capital expenditure actually incurred as per Regulation 10 of MPERC (Levy and Collection of fee and charges by SLDC).
- 1.5 The SLDC vide its letter No. 252 dated 10/02/2010 submitted that in compliance to para 3.2 of Tariff Order for FY 2009-10, bills have been raised on Discoms & SEZ. SEZ has paid the charges. Regarding receipt of fee & charges from Discoms, the Finance section of MPSEB had informed that the Salary, A&G and R&M of SLDC are being paid by MPPTCL and these may be treated as payment against SLDC bills. Regarding Capex fund, the 50% of O&S charges amount received from Short Term Open Access customers is adequate for meeting the annual fund requirement for Capex plan. The expenses of SLDC are met through this arrangement and as such no revenue gap is observed.
- 1.6 In compliance to para 1.5 of the Tariff Order for FY 2009-10, the SLDC has submitted a chart of the activity schedule & work in progress, which shows that only one capital work (of providing PABX for SLDC & sub LDCs for administrative and express voice channels) of Rs 20.00 Lacs is expected to be completed in FY 2009-10 and the other works of Rs 119.62 Lacs are expected to be completed in FY 2010-11 only.
- 1.7 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. The detailed chart based on the Trial Balance of FY 2008-09 certified on 01/08/2009 shows that an expenditure of Rs 1,38,800/- on providing Split AC in SLDC control room, has been incurred during FY 2008-09 and a balance of Rs 61,29,700/- is available for Capex.
- 1.8 The Commission observes that SLDC has adequate funds for meeting the Capex but still the proposed works have not been completed timely and the Commission once again directs SLDC to strictly follow the conditions mentioned by the Commission while granting in-principle approval of the Capex plan in the Tariff Order for FY 2009-10.

OPERATION AND MAINTENANCE (O&M) EXPENSES

- 1.9 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 its submissions has submitted the following Operation and Maintenance (O&M) Expenses details:

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

Sr. No.	Particulars	FY'07	FY'08	FY'09	FY'10	FY'11
		Actual	Actuals	Actuals	As per Tariff Order	Proposed by SLDC (revised)
1	Employee Expenses	216.22	249.41	328.81	504.84	560.09
2	Administration & General (A&G) Expenses	14.86	13.59	26.86	136.23	82.10
3	Repairs & Maintenance (R&M) Expenses	8.41	7.46	24.97	170.22	189.35
	Total	239.49	270.45	380.64	811.29	831.54

Employee Expenses

- 1.10 The total employee expenses of Rs. 583.65 Lacs. claimed by the SLDC include Rs. 419.91 Lacs of Basic pay + Grade pay. The Commission vide letter no. 230 dated 25/01/2010 has asked for detailed reasons for increase in basic salary from Rs. 150.66 Lacs in FY 2009-10 to Rs. 419.91 Lacs. in FY 2010-11. The SLDC vide its letter no. 252 dated 10/02/2010 stated that the Salary projection of Rs. 419.91 Lacs for FY 2010-11 comprises of Basic pay + Grade pay as per latest pay revision whereas the Salary projection of Rs. 150.66 Lacs in FY 2009-10 was on the basis of pre revised Basic pay only (Dearness pay was shown separately). Annexure showing details of Salary payable to 90 staff members and 16 newly recruited AEs has been submitted, which shows that the total Basic pay + Grade pay will be Rs. 419.91 Lacs and total Salary and Allowances will be Rs. 583.65 Lacs.

- 1.11 SLDC vide letter no. 730 dated 24/04/2010 has revised the Employee Cost. The projections for salary component for the FY 2010-11 has been reworked and salary provision for 16 AEs has been modified to the extent of salaries payable after posting at SLDC i.e. from 26th Oct'2010 to 31st March 2011. Moreover, as per actual DA % declared for April'2010 & July'2010, the provision for D.A has also been modified from 22% (6 months) + 27% (6 m) to 22% (1 m) + 25% (3 m) + 27% (4 m) + 30% (4 m). Now, revised Employee Cost works out to Rs. 560.09 Lakhs instead of Rs. 583.65 Lakhs mentioned in the petition.
- 1.12 The Commission has 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 etc. No employee expense has been capitalised.
- 1.13 The details of employee related expenses estimated for FY 2009-10 and projected for FY 2010-11 have been summarized under the following Table:

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

Particular	2009-10 (as per Tariff Order)	2010-11 (as per Original Petition)	2010-11 (as per Revised Filing)
Actual working strength at the beginning of the year	90	90	90
Sanctioned strength at the beginning of the year	135	135	135
Basic pay, DA, addl. Pay, main allowances etc.	413.51	560.83	537.64
Other Allowances (Medical, Travel, Arrears, W/M Compensation etc.)	66.90	14.49	14.12
Training & staff welfare expenses	3.10	5.70	5.70
Bonus/Exgratia to employees	0.00	2.63	2.63
Terminal Benefits/ EL encashment on retirement	0.00	0.00	0.00
Gross employee expenses	483.51	583.65	560.09
(less) Expenses capitalised	0.00	0.00	0.00
Net employee expenses	483.51	583.65	560.09

- 1.14 The Commission while scrutinizing the salary details observed that a provision of Ex-gratia amount of Rs. 2.63 Lacs was made by the SLDC, this is not admissible as it is not a statutory requirement. The Commission has reduced the provisions towards Ex-gratia payment amounting to Rs. 2.63 Lacs. **The Commission approves employee cost of Rs. 557.46 Lacs for FY 2010-11.**

Administration & General (A&G) Expenses

- 1.15 In original petition, SLDC has projected Rs. 136.90 Lacs as Administration & General (A&G) expenses for FY 2010-11. 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.
- 1.16 SLDC vide letter no. 730 dated 24/04/2010 has revised the A&G expenses stating that *"Representative from respondent No. 5, M. P. Poorv Kshetra V.V.C.L. Jabalpur submitted during hearing that SLDC electricity bills for the period April'2009 to Feb'2010 is Rs. 29.81 Lakhs (11 Months) and requested Hon'ble Commission to consider electricity charges for FY 2010-11 on basis of above bills. Accordingly, the electricity charges for FY 2010-11 may be considered as Rs. 35.35 Lakhs (i.e. with 10% escalation on FY 09-10 electricity charges Rs. 32.14 Lakhs) instead of Rs. 90.15 Lakhs mentioned in the petition. Thus revised A&G expenses for FY 2010-11 works out to Rs. 82.10 Lakhs instead of Rs. 136.90 Lakhs mentioned in the petition"*.

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

Particular	2009-10 (as per Tariff Order)	2010-11 (as per Original Petition)	2010-11 (as per revised filing)
Administrative expenses (telecommunication, travel, MPERC/WRPC fees etc.)	29.97	30.39	30.39
Other charges (printing & stationery, electricity charges to offices, entertainment, miscellaneous etc.)	8.61	8.86	8.86
Electricity charges of Office	90.15	90.15	35.35
Legal charges	3.00	3.00	3.00
Materials related expenses	4.50	4.50	4.50
Gross A&G expenses	136.23	136.90	82.10
(less) Expenses capitalised	0	0	0
Net A&G expenses	136.23	136.90	82.10

- 1.17 The Commission has observed that the SLDC has revised the claim of Electricity Charges of Office and claimed A&G Expenses of Rs. 82.10 Lacs in its revised filing. **The Commission approves the A&G expenses of Rs. 82.10 Lacs as claimed by the petitioner in its revised filing.**

Repairs & Maintenance (R&M) Expenses

- 1.18 In original petition, SLDC has projected Rs. 204.92 Lacs as Repairs & Maintenance (R&M) expenses for FY 2010-11. The expense projections for FY 2010-11 includes long term service agreement for SCADA and wide band communication system, AMC of auxiliary power supply system and maintenance of system support services.
- 1.19 SLDC vide letter no. 730 dated 24/04/2010 has revised the R&M expenses stating that *"Recently, it has been decided in Western Regional Power Committee that no overhead charges shall be payable to Power grid for LTSA of SCADA/EMS system. Accordingly the provision for departmental charges has been removed for LTSA for SCADA/EMS. Now, revised R&M expenses work out to Rs. 189.35 Lakhs instead of Rs. 204.92 Lakhs mentioned in petition"*.

Table 7: Details of R&M expenses as claimed by SLDC (Rs. Lacs)

Particular	FY 09-10 (as per Tariff Order)	FY 10-11 (as per Original Petition)	FY 10-11 (as per Revised Filing)
Plant and Machinery	166.82	201.52	185.95
Building	0.00	0.00	0.00
Civil Works	2.00	2.00	2.00
Furniture and Fixtures	0.70	0.70	0.70
Office Equipments	0.70	0.70	0.70
Gross R&M expenses	170.22	204.92	189.35
(less) Expenses capitalized	0.00	0.00	0.00
Net R&M expenses	170.22	204.92	189.35

- 1.20 No R&M expense has been capitalised. The Commission vide letter no. 230 dated 25/01/2010 has sought details of actual expenditure on R&M during FY 2009-10 along with the reasons for projected increase in R&M on plant and machinery from Rs. 166.82 Lacs. to Rs. 201.52 Lacs. SLDC vide its letter no. 252 dated 10/02/2010 has submitted that this increase is mainly because the period of long term service agreement for SCADA and wide band communication has been considered for 12 months for FY 2010-11 whereas the period for SCADA was for 5 months only during FY 2009-10. The Commission considers that in order to strengthen and ring fencing of 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. 189.35 Lacs. as projected by the petitioner in its revised filing.** Deviation in terms of actual expenditure shall be adjusted at the time of True-up of ARR for the FY 2010-11.

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

Table 8: O&M expenses as approved by the Commission for FY 2010-11 (Rs. Lacs)

Sr. No.	Particulars	Claimed by SLDC	Approved by MPERC
1	Net employee expenses	560.09	557.46
2	Net Administration & General (A&G) expenses	82.10	82.10
3	Net Repair & Maintenance (R&M) expenses	189.35	189.35
	Total Operation & Maintenance (O&M) expenses	831.54	828.91

DEPRECIATION

Petitioner's Submission:

1.22 The GoMP has identified the assets of SLDC as a part of MPPTCL. The depreciation has been worked out as Rs. 12.52 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 2010-11.

Commission's Analysis:

1.23 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. The Commission accepts the petitioner's submission and **no amount for depreciation has been approved in this Order.**

INTEREST AND FINANCE CHARGES :

Petitioner's Submission:

1.24 The interest and finance charges comprises of only one component i.e. Interest on Working Capital. The working capital is computed considering the expenses for Employee cost, A&G, R&M and IWC. The monthly working capital comes to Rs. 78.03 Lacs.

INTEREST ON WORKING CAPITAL :-

1.25 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 plus 1%. Accordingly the rate of IWC has been taken as 14 %. The IWC works out to Rs. 10.92 Lacs.

Commission's Analysis:

1.26 The information filed by SLDC in Form F8 of its petition clearly shows that it is not required to service any interest on any long term loan and hence SLDC has not claimed any Interest and Finance charges in its petition. The Commission accepts SLDC's submission and no Interest & finance charges on long term loan has been approved in this Order.

1.27 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. SLDC has calculated IWC @14% rate of interest. As per the Regulation, the rate of IWC may considered as short-term PLR of SBI + 1% = 12.25 + 1.00 = 13.25%.

1.28 However, the Commission observes that in the last Tariff Order for FY2009-10, the SLDC was directed to furnish details of the interest on the Capex funds earned by SLDC. The Commission vide letter No. 230 dated 25/01/2010 sought details regarding revenue gap as required in Para 3.2 and regarding Capex Plan in Para 1.5 (e) and Para 3.3 of the Tariff Order for FY 2009-10 and the details of separate accounts towards capital expenditure actually incurred as per Regulation 10 of MPERC (Levy and Collection of fee and charges by SLDC).

1.29 The SLDC vide its letter No. 252 dated 10/02/2010 submitted that in compliance to para 3.2 of Tariff Order for FY 2009-10, bills have been raised on Discoms & SEZ. SEZ has paid the charges. Regarding receipt of fee & charges from Discoms, the Finance section of MPSEB had informed that the Salary, A&G and R&M of SLDC are being paid by MPPTCL and these may be treated as payment against SLDC bills. Regarding Capex fund, the 50% of O&S charges amount received from Short Term Open Access customers is adequate for meeting the annual fund requirement for Capex plan. The expenses of SLDC are met through this arrangement and as such no revenue gap is observed.

1.30 In compliance to Regulation 10 of MPERC (Levy and Collection of fee and charges by SLDC), SLDC has submitted that Operation & Scheduling charges are deposited in RAO MPPTCL SLDC A/c. The detailed chart based on the certified Trial balances of FY

2006-07, 2007-08 & 2008-09 shows that an expenditure of Rs 1,38,800/- on providing Split AC in SLDC control room, has been incurred during FY 2008-09. The position of earnings from Operation & scheduling charges, 50% allowed for Capex and yearly balance amount available for Capex is as given below:

(Amount in Rs. Lacs)

Financial Year	Amount carried	50% allowed for Capex	Actual Expenditure	Balance available for Capex
FY 2006-07	Rs. 39.18	Rs. 19.59	-	19.59
FY 2007-08	Rs. 67.64	Rs. 33.82	-	33.82
FY 2008-09	Rs. 125.37	Rs.62.685	1.388	61.297
Total				114.707

Hence as may be seen from the above, amount of Rs. 1.147 Cr is the balance available for Capex with SLDC.

1.31 Moreover, in para 7 of its reply dated 10/02/2010, SLDC has stated that "as such no revenue gap is observed". The Commission is allowing fees & charges for SLDC for meeting the employee expenses, A&G expenses and R&M expenses in this Order and as such keeping a view consistent with the remarks in para 2.16 of its last Tariff Order for FY2009-10, **the Commission does not approves any Interest on Working capital in this Order**. Since FY 2009-10 is still in progress, hence true-up of FY2009-10 has not been done in this order for FY 2010-11. If SLDC makes actual expenditure on Interest on Working Capital and furnishes the details of interest earned on amount kept idle for past years, then it may be claimed in the True-up petition.

RETURN ON EQUITY

Petitioner's Submission:

1.32 The RoE has been worked out to Rs 12.44 Lacs based on normative debt to equity ratio as 70:30. However, in line with the orders passed by Hon'ble 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 2010-11.

Commission's Analysis:

1.33 No return on equity has been claimed by the Petitioner for FY 2009-10 as the State Government has not assigned any Equity to SLDC vide Order dated 12th June 2008. The Commission accepts SLDC's submission and no amount for return on equity has been approved in this Order.

OTHERS - PAYMENT OF STATUTORY TAXES, CESS ETC.

Petitioner's Submission:

1.34 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:

1.35 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:

1.36 Other Income of Rs. 171.00 Lacs has been projected as income from Operation & Scheduling charges, connection charges and application processing fee from OAC.

Provisions of Regulations:

1.37 The Clause 9.14 & 10.0 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:

1.38 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	6.00
2	Operation & Scheduling charges (50% as income)	75.00
3	Application processing fee for SOTA	90.00
	Total income from Connectivity and Operating charges	171.00

1.39 The Commission accepts SLDC's submission and approves SLDC's other income as Rs171.00 Lacs which is estimated as Rs 11.00 Lacs more than the estimated other income of Rs160.00 Lacs approved by the Commission in last tariff Order for FY 2009-10.

Reconciliation/ True up of FY 2009-10 accounts with FY 2009-10 Order

1.40 True-up for FY 2008-09 expenses has already been done by the Commission in Tariff Order for FY 2009-10. The Tariff Order for FY 2009-10 was passed by the Commission on 26/11/2009 and the process of preparation of Accounts FY 2009-10 is still in progress.

1.41 The Commission directs SLDC to file True-up for FY 2009-10 along with the Tariff petition for FY 2011-12 and true-up for FY 2009-10 will be done by the Commission at that time.

Summary of ARR

1.42 In view of above, the ARR of SLDC for FY 2010-11 as approved by the Commission is summarized in the following table:

Table 10: Summary of the ARR as approved by the Commission for FY 2010-11 (Rs. Lacs)

Sr. No.	Particulars	As filed by SLDC	As revised by SLDC	As approved by MPERC
1	Net Employee Expenses (excluding Terminal Benefits)	583.65	560.09	557.46
2	Net A&G expenses	136.90	82.10	82.10
3	Net R&M expenses	204.92	189.35	189.35
4	Depreciation	0.00	0.00	0.00
5	Interest on Loans	0.00	0.00	0.00
6	Interest on Working Capital	10.92	10.92	0.00
7	Return on Equity	0.00	0.00	0.00
8	Income Tax	0.00	0.00	0.00
9	Total revenue expenditure	936.39	842.46	828.91
10	(less) Income from Connectivity and Operating charges	171.00	171.00	171.00
11	Net ARR for FY2010 -11	765.39	671.46	657.91

Allocation of annual SLDC charges

1.43 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 work out as under:

Table 11: Annual SLDC Charges for Long - Term Open Access Customers for FY 2010-11

Sr No	Particulars	Long-Term Open Access customers				Total
		East Discom	West Discom	Central Discom	SEZ Indore	
1	Total annual SLDC charges (Rs. Lacs)					657.91
2	Long-term allocation of Transmission Capacity (MW)	2685	2927	3032	12	8656
3	Annual SLDC charges payable by Long-Term OA customers (Rs. Lacs)	204.08	222.47	230.45	0.91	657.91
4	Annual SLDC charges payable by Long-Term OA customers (Rs./MW)					7600.62

Summary of Fees and Charges

- 1.44 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 12: Applicability and levy of various SLDC fees and charges for FY 2010-11

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	7600.62 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

- 1.45 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

- 1.46 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 2
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 SLDC to submit account head wise actual expenditures of SLDC for the FY 09-10 after finalization of its accounts.
- 2.3 The status of Balance Sheet and P&L account separately for SLDC be filed with the Commission along with the petition for FY 2011-12.
- 2.4 The Commission directs SLDC to submit its proposal to fill the revenue gap, if any along with its Petition for FY 2011-12.
- 2.5 The Commission directs SLDC to submit detailed activity schedule including milestones for proposed Capex Plan for FY 2010-11 and 2011-12 and plan for implementation, monitoring and control for each scheme separately, within 30 days from date of issue of this Order for records and perusal of the Commission.
- 2.6 The Commission directs the SLDC to file details of separate accounts towards capital expenditure actually incurred since 2007-08 as required as per Regulation 10 of MPERC (levy and collection of fee and charges by SLDC) Regulations.
- 2.7 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 within a month from the issue of this Order.
- 2.8 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 2011-12.

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