

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION
4th-5th Floor, Metro Plaza, Bittan Market, E-5 Arera Colony, Bhopal - 462 016



Petition No. 74/2008

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 2009-10**

**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 26th Day of November, 2009)

- 1.1 This order relates to petition number 74 of 2008 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 services of SLDC for the year FY 2009-10 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.
- 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 the licensees engaged in intra-state transmission of electricity as may be specified by the State Commission. However, subsequently 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, SLDC charges are now payable by licensees.
- 1.3 In this regard, SLDC has submitted application on 28-11-2008 vide its letter no. 07-05/E&T/645-VI/1792 for approval of SLDC fee and charges for FY 2009-10 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 approval of SLDC fee and charges for FY 2008-09 was granted by the Commission on 20.2.2009. Subsequently the Commission through letter No. MPERC/538 dated 06-03-2009 informed the State Load Despatch Centre of the information gaps in Petition No. 74/2009 with regard to approval of SLDC fee and charges for FY 2009-10 and asked to furnish the information gaps by 15th March, 2009.

1.5 The petitioner could not file the requisite information even after a lapse of one and half month from its due date. The Commission vide its letter No.1170 dated 08.06.2009 asked the petitioner to submit the information gaps within ten days from the date of issue of letter. The petitioner vide its letter No.07-05/E&T/645-VI dated 16.07.09 sought time extension up to 25th July, 2009 for submission of requisite information. The petitioner after seeking time and requesting for condonation of delay finally submitted the revised petition on 04.09.2009 for Levy and collection of Fee and Charges by State Load Despatch Centre, for the FY 2009-10. The Petitioner in his revised petition made the following contentions:

1.5.1 **Employee Cost** : SLDC submitted that the increase in Employee cost from Rs. 328.81 Lakhs (as actuals unaudited) in 2008-09 to Rs. 504.84 Lakh in 2009-10 (projected) is due to following:-

1.5.1.1 The employee cost pertaining to Sub-LDCs Indore & Bhopal is included in total employee cost mentioned for FY 2009-10, whereas the same was not included in the employee cost for FY 2006-07 & FY 2007-08.

1.5.1.2 In the pre-revised application, a provision of Rs. 15.11 Lakhs was made for FY 2009-10 for future liability towards resumption of EL encashment facility. However, the same has been removed in the revised proposal.

1.5.1.3 A nominal provision of Rs. 2.00 Lakhs is made towards Workman's compensation & Gratuity. However, no such expenses are incurred for previous financial years.

1.5.1.4 In the pre-revised application, a nominal provision of Rs. 2.70 Lakhs was made towards subsidized electricity to Employees. However, for previous FYs, SLDC has not reimbursed any such expenses to the Discoms. Therefore, the same has been removed in the revised proposal. However, if the Discoms make a claim towards the same, SLDC shall include the expenditure for subsequent years.

1.5.1.5 A nominal provision of Rs.53.86 lakhs is made towards arrears of pay, interim relief and wage revision. The pay of all the employees and officers, as per revised pay scales, is yet to be finalized, hence the provision of Rs.53.86 lakhs is retained.

- 1.5.2 **R & M Expenses:** The repair & maintenance charges includes the provision for Long Term Service Agreements (LTSA) of SCADA/EMS, Telemetry equipments (RTUs), Wideband Communication system were as per offers received by WRLDC from OEMs of the systems. The scope of work of LTSA was reviewed by the Constituents of RLDC forum and maintenance of RTUs has been excluded from the LTSA. The earlier offers for LTSA of SCADA/EMS and Wideband Communication were finalized with the firm by WRLDC Mumbai as per the directives of WRPC. The LTSA of Wideband Communication equipment is from April 2009 and that of SCADA/EMS is from August 2009. Accordingly, the revised total R&M requirement for FY 2009-10 is claimed by the Petitioner as Rs. 170.22 Lakhs.
- 1.5.3 **A & G Expenses:** A&G charges for the year 2009-10 have increased from Rs. 26.86 Lakhs (as actuals unaudited) in 2008-09 to Rs. 136.23 Lakh in 2009-10 (projected) due to following additional expenses:-
- a) Provision of Rs. 9.17 Lakhs towards Hiring of vehicles.
 - b) Provision of Rs. 75.87 Lakhs towards electricity charges. (In the A&G expenses for the FY 2008-09, the electricity charges were not approved by the Commission on the ground that the same are not being paid separately to Discoms. Recently, the MP Poorva Kshetra VVCL has proposed deductions of the electricity charges amounting Rs 81.96 Lakhs from the bills raised for the year 2008-09 for SLDC fee & Charges. The SLDC has advised the Discom to raise the separate claim so that the same could be included in the SLDC fee & Charges for 2009-10.)
 - c) Provision of Rs. 4.50 Lakhs towards purchase related advertisement in view of publication of NIT for capital works.
 - d) In the pre-revised application, a provision of Rs.3.00 lakhs was made towards security/service charges paid to outside agency. As no such expenses are incurred in previous years because of providing security guards by MPSEB, the provision has been removed in the revised proposal till such time private security is engaged.
- 1.5.4 **Return on Equity, Depreciation and Income Tax:** As no equity is assigned to SLDC, the projections towards RoE, Depreciation and Income Tax were made in pre-revised petition were subsequently removed in the revised proposal.
- 1.5.5 **Other Income:** The projection of other income as Rs. 89 Lakhs was worked out in the pre-revised Petition on the basis of anticipated receivables. However, as per actual amount of received for the year 2008-09 and the possible increase in the Open Access Customers, the total earning for FY 2009-10 has been revised as Rs. 160.00 Lakhs.

1.6 **Capital Expenditure:** As per the 5 year rolling Capital expenditure plan of SLDC submitted to the Commission for the period of 5 years FY 2009-10 to FY 2013-14, the CAPEX requirement of Rs. 139.62 Lakhs has been projected for which the funds of Rs. 162.36 Lakhs would be available with SLDC. The Commission has approved the Capex plan for five years in Para 1.1 to 1.5 of the detailed order annexed hereto with some conditions. This approval to Capex plan includes the capex expenditure of Rs.139.62 lakhs for FY 2009-10.

1.6.1 The total revised annual revenue requirement excluding capital investment for FY 2009-10 has been worked out by the Petitioner as Rs. 820.86 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 2009-10

SN	PARTICULARS	AMOUNT (Rs LAKH) (Pre-Revised)	AMOUNT (Rs LAKH) (Revised)
01	Employee Cost	522.38	504.84
02	Administration and general Charges	124.95	136.23
03	Repairs and Maintenance Expenses	569.49	170.22
04	Depreciation	12.45	0.00
05	Interest and finance charges less capitalization of interest plus IWC	14.66	9.58
06	Return on equity/Investments	12.38	0.00
07	Provision for Income Tax	4.21	0.00
Total Revenue Requirement for FY 2009-10		1260.51	820.86

1.7 In its final revised petition filed on 04.09.2009 for FY 2009-10, SLDC has sought approval for the annual revenue requirement shown in Clause 1.6 above. Further, SLDC has proposed to recover these charges from long term customers within states viz. three distribution licensees and other long-term open access customers (at present, SEZ Indore) in the ratio of long term transmission capacity allocated to them. Under the said petition, SLDC prayed as under:

1.7.1 To accept and pass Fee and Charges of State Load Despatch Centre Jabalpur for FY 2009-10 as Rs 820.86 Lakhs towards revenue expenditure.

1.7.2 To issue suitable order for distribution of the Fee and Charges among the respondents using the intra-state transmission system.

1.7.3 To 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.

1.7.4 To pass any other relief which The Commission may deem fit and proper and necessary in the facts and circumstances of the case.

Hearing

1.8 The Commission vide its notice No 1972 dated 09-09-2009 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. Paschim Khsetra Vidyut Vitaran Co. Ltd. (West Discom), Narmada Hydro-electric Development Corporation Ltd. (NHDC), NVDA and M.P. Audyogik Kendra Vikas Nigam, Indore (SEZ) by 17th September 2009.

1.9 No comment was received from any respondent in the matter till the due date. The Commission conducted a hearing on the tariff petition of SLDC at Bhopal on 23rd September 2009 in the office of the Commission. The stakeholders/beneficiaries viz. MPPGCL, MPPTCL, East Discom, Central Discom, West Discom, NHDC, NVDA and SEZ were invited for the hearing. During the hearing, representative of NVDA and Discoms were present. The Commission heard the applicant, on 23rd September 2009 at Bhopal and gave the opportunity to the respondents to offer suggestions / comments on the subject petition. East Discom representative submitted written comments in which the proposal was SLDC was considered acceptable except the request to adjust electricity charges against SLDC charges levied from East Discom. NVDA representative raised an apprehension of SLDC charges being levied from Generating Companies. The Commission informed NVDA representative that at present no such proposal was made by SLDC.

1.10 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. In accordance with 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 2009-10 is as follows:

S. No.	PARTICULARS	AMOUNT (Rs LAKH)
01	Employee Cost	483.51
02	Administration and general Charges	136.23
03	Repairs and Maintenance Expenses	170.22
05	Interest and finance charges less capitalization of interest plus IWC	0.00
06	Total Annual Revenue Requirement for FY 09-10	789.96
07	(less) Income from connectivity and operating charges	(160.00)

S. No.	PARTICULARS	AMOUNT (Rs LAKH)
08	Charges recoverable by SLDC in FY'10	629.96
09	Less Adjustments for FY 2008-09	69.24
10	Net approved ARR for FY 10	560.72

- 1.11 After considering the true up for FY 2008-09, the allocation of Annual SLDC charges and applicability of various fees and charges are specified in the detailed Order annexed herewith. The Commission directs the SLDC that the Fees and Charges determined by this present order shall be deemed to be effective w.e.f. 1st April 2009 and will continue to be effective till 31st March 2010. 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 other than renewable sources since 1st April 2009 and must also provide information to the Commission in support of having complied with this order.

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

Sd/-
(C.S.Sharma)
Member (Econ.)

Sd/-
(K. K. Garg)
Member (Engg.)

Sd/-
(Dr. J. L. Bose)
Chairman

Place: **Bhopal**
Date ; **26/11/2009**

A1: Proposed capital expenditure

- 1.1 As per MPERC (Levy and Collection of fee and charges by SLDC) Regulations, 2004 (as amended) SLDC is required to prepare a investment plan for a 5 year period commencing with the ensuing financial year which must include the sources of funds for investment. The investment plan is to be up-dated every year and filed with the Commission alongwith application for fee and charges in accordance with the Capex guidelines for licensees specified by the Commission.
- 1.2 It may be mentioned that a task force was constituted by Ministry of Power, Government of India vide order dated 13th October, 2008 to look in to the financial aspects for augmentation and up-gradation of SLDCs and issues related to emoluments for the personnel engaged in system operation and give its recommendations. The Task Force after two meetings held on 17th December, 2008 and 27th February, 2009 made the recommendations which were circulated amongst all the stakeholders. As per the recommendations of the Task Force the SLDCs were required to submit the Capex plan for 2009 to 2012 by 31st March, 2009 to respective SERCs. Madhya Pradesh SLDC sought time to submit Capex plan and finally submitted a 5 year Capex plan on 22nd July, 2009.
- 1.3 After scrutinizing the Capex plan submitted by SLDC, certain clarifications and additional information was sought from SLDC vide Commission's letter no. 1726 dt.13th August, 2009. After sending a reminder vide letter no. 1925 dated. 5th September, 2009, the clarifications and additional information was received from SLDC vide their letter no. 1476 dated 10th September, 2009.
- 1.4 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 2: Capital expenditure as approved by the Commission for FY'10 (Rs. Lakh)

S. No.	Description of Project/Scheme / Work	Proposed requirement of fund in Rs. Lakhs 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	--	--	--	--

S. No.	Description of Project/Scheme / Work	2009-10	2010-11	2011-12	2012-13	2013-14
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

1.5 The Commission has accorded in-principle approval of the above mentioned Capex subject to the following conditions.

- (a) SLDC shall have a proper account of Capex fund and should also account for the bank interest earned on capex fund.
- (b) 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.
- (c) 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.
- (d) 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.

- (e) 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.
- (f) 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.
- (g) 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 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.

A2: ANNUAL FIXED CHARGES

2.1 In this chapter, the basis for determination of allowable expenses for SLDC for FY2009-10 is discussed.

Operation and Maintenance (O&M) expenses

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

Table 3: O&M expenses (Rs. Lakh)

Sr. No.	Particulars	FY'07	FY'08	FY'09	FY'10
		Actual	Actuals	Actuals	Proposed by SLDC
1	Employee Expenses	216.22	249.41	328.81	504.84
2	Administration & General (A&G) Expenses	14.86	13.59	26.86	136.23
3	Repairs & Maintenance (R&M) Expenses	8.41	7.46	24.97	170.22
	Total	239.49	270.46	380.64	811.29

Employee Expenses

- 2.3 SLDC has worked out the employee cost considering the working strength at SLDC & Sub-LDCs as on 31-10-2008 without any provision for vacant posts, terminal benefit on retirement (pension, gratuity and EL encashment on retirement). The Petitioner informed during the hearing that the employee cost has increased due to pay revision of employees.
- 2.4 Further, regarding projected Employee cost for the year 2009-10, it is submitted by the Petitioner that the increase is due to following:-
- (a) The employee cost pertaining to Sub-LDCs Indore & Bhopal is included in total employee cost mentioned for FY 2009-10 whereas the same was not included in the employee cost for FY 2006-07 & FY 2007-08.
 - (b) A nominal provision of Rs. 2.00 Lakhs is made towards Workman's compensation & Gratuity. However, no such expenses are incurred for previous FYs.
 - (c) A nominal provision of Rs. 2.70 Lakhs is made towards subsidized electricity to Employees. However, for previous FYs, SLDC has not reimbursed any such expenses to the Discoms.
- 2.5 Hence, the Petitioner has considered Rs. 504.84 lakh as total employee cost for the existing working strength, proposed additional staff and vacant position for the year FY2008-09. The Commission has observed that the provision for terminal benefits was made in the tariff order of MPPTCL for FY2007-08 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.
- 2.6 The details of employee related expenses actually incurred for FY2007-08, estimated for FY2008-09 and projected for FY2009-10 have been summarized under the following Table:

Table 4: Details of employee expenses as claimed by SLDC (Rs. Lakh)

Particular	2007-08	2008-09	2009-10
Actual working strength at the beginning of the year	90	90	90
Sanctioned strength at the beginning of the year	136	135	135
Basic pay, DA, addl. Pay, main allowances etc.	237.43	288.83	432.66
Other Allowances (medical, travel, Arrears, W/M compensation etc.)	3.14	28.40	66.90
Training & staff welfare expenses	3.69	0.00	3.10
Bonus/Exgratia to employees	1.84	0.43	2.18

Particular	2007-08	2008-09	2009-10
Terminal Benefits/ EL encashment on retirement	3.31	11.15	0.00
Gross employee expenses	249.41	328.81	504.84
(less) Expenses capitalized	0	0	0
Net employee expenses	249.41	328.81	504.84

- 2.7 The Commission has observed that the projected employee expenses of Rs. 504.84 lakh during FY'10 has increased significantly in absolute terms from actual expenses of Rs. 328.81 lakh incurred during FY2009-10 (as shown in Table 3). The average employee cost based on actual expenditure for FY'10 comes to Rs. 5.61 lakh. The reason for rise in the employee expense given by SLDC is primarily the revision of salary of employees. The Commission sought details of employee cost for 2009-10 during the hearing. The Petitioner submitted the details vide letter No. 07-05/E&T/645-VI/1563 dated 30.9.2009.
- 2.8 The Commission, while scrutinizing the salary details, observed that the DA claimed in revised petition was Rs. 151.15 lakh, which was subsequently reduced to Rs. 140.11 Lakh in the submission made on 30.9.2009. The provision towards DA therefore gets reduced by Rs. 11.04 Lakh. A provision of Ex-gratia amount of Rs. 2.175 Lakh is made by the SLDC, which is not actually paid. The amount of Compensatory allowance (CA) is worked out on annual basis, whereas the payment of CA is made only upto August 2009. The CA amount shall therefore be reduced by Rs. 6.111 Lakh. SLDC has also made the provision of Rs. 2 Lakh towards Workman's compensation & Gratuity. However, no such expenses are incurred for previous FYs. As such this is merely a provision and may be considered at the time of truing up the ARR of 2009-10, if incurred. The provision for reimbursement of electricity charges can be considered provided SLDC adjusts this amount in the bills raised to East Discom. The Commission has reduced the provisions towards Ex-gratia payment; Compensatory allowance not due and Compensation/ Gratuity not paid amounting to Rs. 10.29 Lakh. In addition the reduction in DA amount to the extent of Rs. 11.04 Lakh shown in the details submitted is also considered by the Commission. After deducting the total amount of Rs. 21.33 the Employee cost works out to Rs.483.51 Lakh only. The Commission while approving the ARR for 2010-2011 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 FY2009-10.

Administration & General (A&G) Expenses

- 2.9 The Petitioner has projected Rs. 136.23 lakh as Administration & General (A&G) expenses for FY'10. 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 5: Details of A&G expenses as claimed by SLDC (Rs. Lakh)

Particular	2007-08	2008-09	2009-10
Administrative expenses (telecommunication, travel, MPERC/WRPC fees etc.)	4.35	6.69	29.97
Other charges (printing & stationery, electricity charges to offices, entertainment, miscellaneous etc.)	9.24	15.35	98.76
Legal charges	0	0	3.00
Auditor's fee	0	0	0
Material related expenses	0	4.82	4.50
Direction and supervision charges	0	0	0
Gross A&G expenses	13.59	26.86	136.23
(less) Expenses capitalized	0	0	0
Net A&G expenses	13.59	26.86	136.23

- 2.10 It is observed that the increase is mainly on account of WRPC charges, vehicle hiring and electricity charges. An amount of Rs.90.15 lakhs has been projected towards electricity charges. The Commission feels that SLDC has to be strengthened and ring fenced to meet the challenge of operationalizing open access. The Commission allows the A&G expenses as claimed by the SLDC, which shall be trued up at the time of approving the ARR for FY 2010-11 subject to the condition that amount being allowed towards electricity charges is spent for that purpose only.

Repairs & Maintenance (R&M) Expenses

- 2.11 The Petitioner has projected Rs. 170.22 lakh as Repairs & Maintenance (R&M) expenses for FY'10 in its revised petition as against Rs. 569.49 lakh in pre-revised petition. The Petitioner has submitted that the scope of work of Long Term Service Agreements (LTSA) was reviewed by the Constituents of RLDC forum and maintenance of RTUs was excluded from the LTSA. The earlier offers for LTSA of SCADA/EMS and Wideband Communication were finalized with the firm by WRLDC Mumbai as per the directives of WRPC. The LTSA of Wideband Communication equipment is from April 2009 amounting to Rs. 65.13 Lakh and that of SCADA/EMS is from August 2009 amounting to Rs. 82.26 Lakh. The details furnished by the Petitioner on R&M expenditure in form F-6 are as follows

Table 6: Details of R&M expenses as claimed by SLDC (Rs. Lakh)

Particular	2007-08	2008-09	2009-10 (estte)
Plant and Machinery	3.52	19.79	166.82
Building	2.90	3.62	0.00
Civil Works	0.00	0.00	2.00

Particular	2007-08	2008-09	2009-10 (estte)
Furniture and Fixtures	0.00	0.05	0.70
Office Equipments	1.04	1.51	0.70
Gross R&M expenses	7.46	24.97	170.22
(less) Expenses capitalized	0.00	0.00	0.00
Net R&M expenses	7.46	24.97	170.22

2.12 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. 170.22 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 2010-11.

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

Table 7: O&M expenses as approved by the Commission for FY2009-10 (Rs. Lakh)

Sr. No.	Particulars	SLDC	MPERC
1	Net employee expenses	504.84	483.51
2	Net Administration & General (A&G) expenses	136.23	136.23
3	Net Repair & Maintenance (R&M) expenses	170.22	170.22
	Total Operation & Maintenance (O&M) expenses	811.29	789.96

Depreciation

2.14 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 and the assets of SLDC are part of MPPTCL.

Interest and finance charges

Interest on loans

2.15 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)

2.16 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 by the Petitioner as short-term PLR of SBI + 1% = 13 + 1.00 = 14 %. As per Petitioner the interest on working capital is projected as 9.58 lakh The PLR of SBI is wrongly considered by the Petitioner as 13 % in place of 12.25 %. The Commission has also observed that the out of the fee and charges collected during past years 50 % amount was earmarked for Capex. The capex fund availability to the petitioner was Rs. 19.59 lakh, Rs. 33.82 lakh and Rs. 55.35 lakh for FY 2006-07, 2007-08 and 2008-09 respectively. Out of this amount SLDC spent only Rs. 1.4 lakh that too during 2008-09. It may be seen that even after ignoring the interest SLDC had Rs. 19.59 lakh, Rs 53.41 lakh and 107.36 lakh as capex fund by the end of 2006-07, 2007-08 and 2008-09 respectively. The Petitioner could not give any details of interest earned on this amount. Unless the Petitioner comes out with the details of interest on the amount kept idle for 3 years, the Commission is not allowing any interest on working capital in this order. The Commission directs the Petitioner to furnish the details in the Petition for FY 2010-11 and if considered appropriate the IWC for 2009-10 may be allowed at that time.

Return on Equity

2.17 No equity has been claimed by the Petitioner for FY 10 as the State Government has not formally assigned any equity in SLDC vide Order dated 12th June 2008.

Others

Income from connectivity and operating charges

2.18 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.”* Accordingly, SLDC has projected to collect the following connectivity and operating charges from inter-state and intra-state short-term open access customers.

Table 8: SLDC income from connectivity and operating charges for FY’10 (Rs. Lakh)

Sr. No.	Particulars	SLDC
1	Connectivity charges	5
2	Scheduling & Operation Charges (50% as income)	70
3	Application processing fee for SOTA	85
	Total income from connectivity and operating charges	160

2.19 The Commission approves the SLDC income as Rs 160 lakh for the FY 2009-10, which is projected as Rs 21.35 lakh higher than the actual income of Rs. 138.65 lakh during 2008-09.

Reconciliation/ True up of FY 2008-09 accounts with FY 2008-09 Order

Expenditure

2.20 The Employee cost allowed by the Commission for for FY 2008-09 was Rs. 397.88 Lakh, whereas the Petitioner spent Rs. 328.81 Lakh as employee cost during 2008-09. The balance amount of Rs. 69.07 is adjusted in the ARR of 2009-10.

2.21 In the SLDC ARR Order for FY 2008-09, the Commission had approved an amount of Rs 15 lakh towards A&G expenses, against which the expenses incurred by SLDC are Rs 26.86 Lakhs. In addition to the proposed expenses of Rs. 136.23 Lakh the Commission also allows recovery of amount of Rs. 11.86 lakh from beneficiaries.

2.22 In the SLDC ARR Order for FY 2008-09, the Commission had approved an amount of Rs 37 lakh towards R&M expenses, against which the expenses incurred by SLDC are Rs 24.97 Lakh. The balance amount of Rs. 12.03 is adjusted in the ARR of 2009-10.

2.23 The differences are as tabulated below

Table 9: Reconciliation of ARR FY 09 and Actuals

Particulars	As allowed in ARR for FY 2008-09	Actuals for FY 2008-09 as filed in the revised petition	Differences to be reconciled
Employee costs	397.88	328.81	69.07
Administration & General (A&G) Expenses	15.00	26.86	(11.86)
Repairs & Maintenance (R&M) Expenses	37.00	24.97	12.03
Total	449.88	380.64	69.24

2.24 This difference of expenditure of Rs 69.24 Lakh has been already billed by SLDC and has to be adjusted in this order.

Summary of ARR

2.25 In view of above, the ARR of SLDC for FY 2009-10 as approved by the Commission is summarized in the following table:

Table 10: Summary of the ARR as approved by the Commission for FY2009-10 (Rs. Lakh)

Sr. No.	Particulars	SLDC	MPERC
1	Net employee expenses	504.84	483.51
2	Net A&G expenses	136.23	136.23
3	Net R&M expenses	170.22	170.22
4	Depreciation	0.00	0.00
5	Interest on loans	0.00	0.00
6	Interest on Working Capital	9.58	0.00
7	Return on Equity	0.00	0.00
8	Income Tax	0.00	0.00
9	Total revenue expenditure	820.86	789.96
10	(less) Income from connectivity and operating charges	160.00	160.00
11	Charges recoverable by SLDC in FY'10	660.86	629.96
12	Less Adjustments for FY 2008-09	0.00	69.24
13	Net approved ARR for FY 10	660.86	560.72

Determination of Fees and Charges

2.26 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

2.27 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 11: Annual SLDC Charges for Long - Term Open Access Customers for FY 2009-10

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)					560.72
2	Long-term allocation of transmission capacity (MW)	2834	2736	2509	12	8091
3	Annual SLDC charges payable by long-term OA customers (in Rs. Lakh)	196.40	189.61	173.88	0.83	560.72
4	Annual SLDC charges payable by long-term OA customers (in Rs./MW)	-	-	-	-	6930.17

Summary of Fees and Charges

2.28 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 FY2009-10

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								

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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.)
2	Annual SLDC charges	Yes	Half yearly	6930.17 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

2.29 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

2.30 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.

A3: THE COMMISSION'S DIRECTIVES

3.1 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.

3.2 The Commission directs SLDC to submit its proposal to fill the revenue gap, if any alongwith its Petition for FY 2010-11. The Commission shall consider increase in Fees and charges, only if the same is proposed by SLDC.

- 3.3 The Commission directs SLDC to submit detailed activity schedule including milestones for proposed Capex Plan for FY 2010-11 and plan for implementation, monitoring and control for each scheme separately, within 30 days from date of issuance of this Order for records and perusal of the Commission.

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