

# **MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION**

**"Urja Bhawan", Shivaji Nagar, Bhopal - 462 016**



**Petition No. 131/2005**

**PRESENT:**

**P. K. Mehrotra, Chairman**

**D. Roy Bardhan, Member**

**R. Natarajan, Member**

**IN THE MATTER OF:**

**LEVY AND COLLECTION OF FEE AND CHARGES BY STATE LOAD  
DESPATCH CENTRE (SLDC), JABALPUR FOR THE YEAR 2006-07**

**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 13<sup>th</sup> Day of October, 2006)*

- 1 The Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as “the Commission”) having heard the applicant, generating companies, transmission licensee, distribution licensees, holding/trading company and customers on 19<sup>th</sup> April 2006 at Bhopal, having had formal interactions with the officers of Madhya Pradesh State Load Despatch Centre (hereinafter referred to as “SLDC”), Madhya Pradesh Power Transmission Company Ltd. (hereinafter referred to as “MPPTCL” or “Transmission Licensee”) and Madhya Pradesh State Electricity Board (hereinafter referred to as “MPSEB” or “Board”, the Trading Licensee) during the months of October 2005 to May 2006 and having considered the documents available on record and order issued by the Government of Madhya Pradesh (Energy Department) on 31<sup>st</sup> May 2005 making the Transfer Scheme Rules effective from 1<sup>st</sup> June 2005 (order no. 3679/FRS/18/13/2002 dated 31.5.2005), hereby accepts the applications with modifications, conditions and directions as herewith attached.
- 2 The Commission has made modification to the estimates of revenue requirement proposals and has made alternative estimates thereof based on efficient and reasonable operating parameters and expenditure and has accordingly made modifications to the tariff proposed by SLDC as per the details attached to this order.
- 3 The Commission, in exercise of the powers vested in it under section 64 of the Electricity Act, 2003, directs that the SLDC Fees and Charges determined by this present order shall be deemed to be effective w.e.f. 1<sup>st</sup> April 2006 and will continue to be effective till 31<sup>st</sup> March 2007. The Petitioner must take immediate 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 1<sup>st</sup> April 2006 and must also provide information to the Commission in support of having complied with this order.
- 4 The Commission approves the SLDC ARR for FY'07 as stated under Para 2.46.

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

**(R. Natarajan)**  
**Member (Econ.)**

**(D. Roy Bardhan)**  
**Member (Engg.)**

**(P. K. Mehrotra)**  
**Chairman**

Dated: **October 13, 2006**

Place: **Bhopal**

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## A1: BACKGROUND AND INTRODUCTION

### Background to this order

- 1.1 This order relates to petition number 131 of 2005 filed by the State Load Despatch Centre (hereinafter referred to as "SLDC") 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'07. The State Load Despatch Centre is a body for scheduling and system operation in the State of Madhya Pradesh incorporated under section 31 of Electricity Act 2003. In exercise of the Powers conferred under section 31(1) of Electricity Act 2003 (Central Act 36 of 2003), the Government of MP 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 in pursuance to section 32(3) of Indian Electricity Act 2003, the Commission had directed SLDC to file a petition in the matter of levy and collection of fee and charges by State Load Despatch Centre (SLDC) Jabalpur for the year FY'07.
- 1.3 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, Govt. of India, in exercise of powers conferred under section 183 of the Electricity Act 2003, issued an order for "Removal of Difficulties" on 8<sup>th</sup> 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*".
- 1.4 In this regard, SLDC has submitted application on 26<sup>th</sup> October 2005 vide its letter no. 07-05/E&T/645-III/1012 for approval of SLDC fee and charges for FY'07 as per section 5 of MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004.
- 1.5 Subsequently, in pursuance of the GoI order dated 8<sup>th</sup> June 2005 for "Removal of Difficulties" the Commission revised its SLDC regulations and notified MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004, (Revision-1, 2006) on 5<sup>th</sup> May 2006. SLDC was asked to file the revised petition based on the revised SLDC regulations. In response to this, SLDC submitted revised application on 20<sup>th</sup> May 2006 vide its letter no. 07-05/E&T/645-III/578 for approval of SLDC fee and charges for the FY'07 as per section 12 of MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004, (Revision-1, 2006). The major changes in the revised petition were following:
  - (a) **Reduction in projected employee's expenses from Rs. 569.89 lakh to Rs. 395.59 lakh:** In accordance with the recent pay revision in 2006, the provision for arrears due to pay revision is proposed to be modified. As the payment of arrears has been limited to the period 01-10-2003 to 31-03-2006

instead of 01-04-1999 to 31-03-2006 considered in the original petition, the total arrears amount have now been reduced to 36% of the earlier proposed amount, which works out to Rs. 75.39 lakh. As the payment of arrears shall be made in 24 equal instalments w.e.f. Aug'06, the liability of arrears for Basic Pay and DA for the period FY'07 works out to about Rs. 25.13 lakh. Further, provision for arrears on account of increase in fringe benefits w.e.f. 1<sup>st</sup> April 2006 has been proposed as Rs. 10 lakh for FY'07. The total provision towards arrears of pay revision plus increase in fringe benefit has worked out to Rs. 35.13 lakh for FY'07 as against the earlier provision of Rs. 209.43 lakh.

- (b) **Reduction in projected Interest and Finance Charges from Rs. 47.22 lakh to Rs. 43.52 lakh:** As per revised Regulation of SLDC Fee and Charges, the Rate of Interest on Working Capital (IWC) shall be on normative basis and shall be 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 modified to 11.25%. The revised IWC works out to Rs. 5.01 lakh instead of earlier computed amount of Rs. 8.71 lakh.
- (c) **Reduction in rate of escalation from 7% to 4% for the projection of R&M expenses for next five years over FY'07.**

- 1.6 Further, as per Para 4.82 of Transmission Tariff Order for FY'06 notified by MPERC on 7<sup>th</sup> February 2006, The Commission had directed MPPTCL:

*“The Transmission Licensee while submitting its tariff proposal for FY'07 should exclude all charges incurred by the SLDC in FY'06. In the petition for FY'07 it should state this categorically. The Licensee is also directed that it should draw a separate profit & loss account and Balance Sheet for SLDC. This should be published as a part of its own Profit & Loss Account and Balance Sheet. Failure to comply with this direction shall result in non-determination of charges for SLDC”.*

- 1.7 As per MYT Order for MPPTCL notified by MPERC on 13<sup>th</sup> March 2006, The Commission noted:

*“3.29 Further, the Transmission Licensee has included capital expenditure works to be carried out by SLDC in its capital plan although such works should be a part of the revenue requirement of SLDC though in its petition it has stated that the expenditure of the SLDC has not been considered.”*

- 1.8 The Commission observes the non-compliance of its directives by MPPTCL and hence directs both the parties to submit a proposal, within 60 days of this order, for separation of P&L Accounts and Balance Sheets for SLDC and MPPTCL without any overlaps or double counting of any assets, liabilities or investment for FY'06 and onwards.

- 1.9 The total revised annual revenue requirement excluding capital investment for FY'07 has been worked out to Rs. 1648.20 lakh by SLDC. The summary of the petition filed by SLDC is given below:

**Table 1: Summary of the SLDC Tariff Petition for FY'07**

Sr. No.	Particulars	Amount (Rs. Lakh)	
		As per original petition	As per revised petition
1.	Employee Expenses	569.89	395.59
2.	Administration & General (A&G) Expenses	130.92	130.92
3.	Repairs & Maintenance (R&M) Expenses	57.14	57.14
4.	Depreciation	19.14	19.14
5.	Interest and Finance Charges (interest on loan and IWC)	47.22	43.52
6.	Return on Equity	10.01	10.01
7.	Lease and Finance Charges (ULDC loan repayment)	991.88	991.88
<b>8.</b>	<b>Total revenue expenditure</b>	<b>1826.20</b>	<b>1648.20</b>
<b>9.</b>	<b>Total capital expenditure (for FY'07 only)</b>	<b>104.19</b>	<b>104.19</b>
<b>10.</b>	<b>Grand total expenditure</b>	<b>1930.39</b>	<b>1752.39</b>

1.10 In its petition for FY'07, SLDC has sought approval for Annual Revenue Requirement of Rs.1648.20 lakh. Further, SLDC has proposed to recover these charges from long terms 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 2006-07 as Rs 1648.20 lakh towards revenue expenditure and Rs. 104.19 lakh towards Capital investment from internal resources.*

*(ii) Issue suitable order for distribution of the Fee and Charges among the respondents 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 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):

- (a) Connection Fee (from long and short term customers);
- (b) Operation & Scheduling Charges (from short term customers);

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

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

### **Hearing**

1.13 The Commission held a hearing on the tariff petition of SLDC at Bhopal on 19<sup>th</sup> April 2006 in Urja Bhawan. The stakeholders/beneficiaries viz. MPPGCL, NHDC, MPPTCL, West Discom, Central Discom, East Discom and MPAKVN (SEZ, Indore) were invited for the hearing. During the hearing, the Commission asked SLDC to file written reply to the objections raised by M.P. Poorva Kshetra Vidyut Vitran Company Ltd. vide letter no. CMD/EZ/LD/285 dated 18<sup>th</sup> April 2006. SLDC submitted its written responses to the Commission vide letter no. 07-05/E&T/645-III/578 dated 20<sup>th</sup> May 2006.

1.14 During hearing, SLDC submitted to the Commission, for reference, a copy of the CERC order dated 2<sup>nd</sup> September 2005 in the petition No. 82/2002 in the matter of approval of charges for ULDC scheme in Northern Region and CERC order dated 5<sup>th</sup> October 2005 in the petition No. 8/2004 in the matter of approval of Fees and Charges payable to RLDCs for the period 01-04-2004 to 31-03-2007.

### **Legal status of SLDC and its assets**

1.15 State Load Despatch Centre (SLDC) is not an incorporated company under the Companies Act, 1956. At present, SLDC is being operated by the STU (i.e. MPPTCL) under first proviso of section 31 (2) of the Electricity Act 2003.

1.16 The assets of MPSEB have been transferred to MPPTCL on physical basis as per the transfer scheme notified by the State Government on 1<sup>st</sup> October 2003. Schedule-B of the transfer scheme specifies the assets transferred to MPPTCL and assets belonging to SLDC have not been included in the list given in Schedule-B. Subsequently, in the revised transfer scheme notified on 13<sup>th</sup> June 2005, it has been mentioned in Para 6(ii)(a) – “State Load Despatch centre (SLDC) has been established at Jabalpur vide GoMP order no. 2489/13/2004 dtd. 17<sup>th</sup> May 2004 and shall be operated by the STU till further notice by GoMP. The transfer scheme only mentions that SLDC will be operated by the STU, however, it is not mentioned that the assets of SLDC shall form part of MPPTCL.

1.17 As per SLDC, gross amount of SLDC assets have been considered as a part of MPPGCL assets (since earlier SLDC was part of the Generation wing).

1.18 After notification of the balance sheet by the GoMP, MPPTCL has completed the asset registers of lines and sub-stations based on the data maintained by O/o. E.D.(EHT-C&M) and C.E.(T&C) respectively. It has claimed that no assets of SLDC have been included in these registers as the basic information has been collected from T&C and EHT-C&M circles. No information has been collected from SLDC and included in its assets register. Further, works capitalised during FY'06 also does not



include the capitalisation of any work of SLDC. This implies that the assets of SLDC may be part of MPPGCL assets. However, SLDC is not clear in whose balance sheet their assets have been included. SLDC expects this clarification in final balance sheet to be notified by the GoMP.

- 1.19 Within 60 days of this order, MPPTCL must sort out issues, with SLDC and MPPGCL, related to allocation of assets and liabilities to SLDC including allocation of equity, RoE, income tax etc. MPPTCL must ensure that these matters are clarified upfront in the final balance sheets to be notified by GoMP in due course.

### **Commission's views on development of SLDC**

- 1.20 The Commission notes that the Electricity Act 2003 has mandated a crucial role for SLDC and it is the apex body which has to ensure integrated operations of the power system within the State. Further, as per sub-section (2) of section 32 of the Electricity Act 2003, SLDC is required to perform following functions:

*“(2) The State Load Despatch Centre shall -*

*(a) be responsible for optimum scheduling and despatch of electricity within a State, in accordance with the contracts entered into with the licensees or the generating companies operating in that State;*

*(b) monitor grid operations;*

*(c) keep accounts of the quantity of electricity transmitted through the State grid;*

*(d) exercise supervision and control over the intra-state transmission system; and*

*(e) be responsible for carrying out real time operations for grid control and despatch of electricity within the State through secure and economic operation of the State grid in accordance with the Grid Standards and the State Grid Code.”*

- 1.21 In view of the above statutory mandate, the Commission recognizes that SLDC will have to embark upon a plan for technological upgradation, introduction of advanced IT and communication systems (for scheduling, monitoring, metering, data collection, energy accounting, settlement etc.) and enhance manpower capabilities to meet the requirements emanating from the provisions of the Electricity Act 2003, open access requirements and Regulations as prescribed by the Commission, Western Regional Power Committee (WRPC) / Western Regional Load Despatch Centre (WRLDC). The role of SLDC needs to be expanded to cover the following areas:

- (a) Optimal scheduling and merit order dispatch in accordance with the contracts entered into by licensees;
- (b) Management of Open Access customers in accordance with the provisions of the Commission's Intra-state Open Access Regulations;

- (c) Put in place a comprehensive State Energy Accounting System and Unscheduled Interchange (UI) Accounting System for energy transactions within the State;
  - (d) Ensure coordination between WRLDC, generating companies, distribution licensees, open access consumers and other users of the intra-State grid;
  - (e) Compliance of RLDC/RPC directives, Grid Standards and Grid Code;
  - (f) Capability enhancement of Supervisory Control And Data Acquisition (SCADA) System, computer and communication systems to address requirement of real time data/information gathering and sharing with stakeholders;
  - (g) Establish and maintain records of unscheduled interchanges, revenue transactions, cost and other accounting related information pertaining to operations for SLDC.
- 1.22 Accordingly, the Commission feels that scrutiny and review of capital expenditure of SLDC is equally critical as the scrutiny and approval of the revenue expenditure. As directed in this order SLDC is required to submit in detail the Capex plan for FY 07 for the approval of the Commission.

**A2: ANNUAL FIXED CHARGES**

2.1 In this chapter, the Commission has discussed in detail the basis for determination of allowable expenses for SLDC for FY'07.

**Operation and Maintenance (O&M) expenses**

2.2 The Operation and Maintenance (O&M) expenses comprise 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 as claimed by SLDC for FY'07**

Sr. No.	Particulars	Expenses (Rs. Lakh)
1	Employee Expenses	395.59
2	A&G Expenses	130.92
3	R&M Expenses	57.14
	<b>Total</b>	<b>583.65</b>

**Employee Expenses**

2.3 SLDC has projected an increase in employee related expenses pertaining to its operations from Rs. 143.66 lakh during FY'05 (FY'05), to Rs. 236.19 lakh during FY'06 (FY'06) and to Rs. 395.59 lakh during FY'07 (FY'07) with corresponding increase in sanctioned strength of employees from 86 in FY'05 to 136 in FY'07. 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, terminal benefits, etc. The terminal benefits includes contribution to provident fund, provision for provident fund, gratuity payment, and retirement leave encashment, which have been projected based on number of employees expected to retire during FY'07.

2.4 Further, keeping in view the recent wage revision in the month of April 2006, SLDC has made provision for payment of arrears and increase in D.A. from 61% (in FY'06) to 67% (in FY'07). Earlier, wage revision arrear was computed on basic pay and DA only. Total amount of arrears, for the period 1<sup>st</sup> October 2003 to 31<sup>st</sup> March 2006 was worked out to Rs. 75.39 lakh. As the payment of arrears shall be made in 24 equal instalments w.e.f. Aug'06, the liability of arrears for the period FY'07 works out to about Rs. 25.13 lakh. Further, SLDC has proposed provision of Rs. 10 lakh for FY'07 for increase in the fringe benefits w.e.f. 1<sup>st</sup> April 2006. Thus the total provision for Rs. 35.13 lakh for the FY'07 towards arrears of pay revision and increase in the fringe benefit has been provided.

- 2.5 As per the petition, Sub-LDCs at Bhopal and Indore have also been established for implementing ULDC project. As dedicated staff is yet to be sanctioned for Sub-LDCs, operational activities have not yet commenced and only upkeep of the SCADA and related equipments is being done, which is being managed by the power system staff posted at each location in addition to their own work. The Sub-LDCs established at Bhopal and Indore shall require staff to carry out the system monitoring & control activities and maintenance of SCADA/communication & related equipments. Further, in order to implement provision of State Grid Code, Intra-state ABT and Open Access functions, a separate cell in SLDC is also required. A committee constituted by MPPTCL has worked out the manpower requirement for Sub-LDCs and SLDC. At present against total 86 sanctioned posts in SLDC Jabalpur, only 63 posts are filled up and remaining 23 posts are vacant. 50 additional posts (Bhopal Sub-LDCs: 21, Indore Sub-LDC: 21 and Jabalpur SLDC: 8) as indicated in the petition have already been created vide order no. 01-05/vii/8 dated 3<sup>rd</sup> January 2006 and 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).
- 2.6 Hence, petitioner has considered Rs. 395.59 lakh as total employee cost for the existing working strength, proposed additional staff and vacant position for the year FY'07. The terminal benefit on retirement (pension, gratuity and EL encashment on retirement) is also included in these expenses. No expense has been proposed to be capitalised.
- 2.7 The details of employee related expenses actually incurred for FY'05, estimated for FY'06 and projected for FY'07 have been summarized under the following Table:

**Table 3: Details of employee expenses as claimed by SLDC**

Sr. No.	Item Description	FY'05	FY'06	FY'07	Remarks
1	Actual working strength at the beginning of the year	66	64	136	
2	Sanctioned strength at the beginning of the year	86	86	136	
<b>3</b>	<b>Gross employee expenses (Rs. Lakh)</b>	<b>143.66</b>	<b>236.19</b>	<b>395.59</b>	
	(i) Basic salary, DA etc.	135.03	167.38	243.98	The wage revision for Fy'07 has been considered @15% (Basic Pay + Addl. Pay + DA)
	(ii) Allowances	8.63	32.20	97.53	
	(iii) Training and staff welfare	0.00	1.10	1.10	
	(iv) Bonus/Exgratia to Employees	0.00	1.58	3.40	
	(v) Terminal benefits	0.00	33.93	49.58	Includes PF fund contribution and provision, gratuity payment, retirement

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Sr. No.	Item Description	FY'05	FY'06	FY'07	Remarks
					leave encashment etc.
4	Average salary per employee (Rs. Lakh) [={3(i)+3(ii)+3(iii)+3(iv)}]/(2)]	1.67	2.75	2.91	Growth rate @ 8.2% p.a. from FY'06 to FY'07
5	Less expenses capitalised	0.00	0.00	0.00	
6	<b>Net employee expenses (Rs. Lakh) [(3)-(5)]</b>	<b>143.66</b>	<b>236.19</b>	<b>395.59</b>	

- 2.8 The Commission has observed and SLDC has also admitted that the reasonable/complete data for all the sub-heads is not available and hence total expenses computed for FY'05 may not be entirely correct. The primary reason for this inaccuracy is non-segregation of accounts between MPPTCL and SLDC. Hence, the Commission considers that actual data of FY'06 and projections for FY'07 only.
- 2.9 The Commission observes that the projected employee expenses of Rs. 395.59 lakh during FY'07 has increased significantly in absolute terms from actual expenses of Rs. 236.19 lakh incurred during FY'06. However if terminal benefits are excluded, the employee expenses per employee are projected to use by 8.2% over FY 06 which is on the higher side compared to Consumer Price Index for Industrial Workers (CPI\_IW) for past 5 years (from FY 1999-00 to FY 2003-04) which has varied from 3.42% to 4.31%. However, the reasonableness of this rise may be judged from the fact that there has been revision in the salary recently.
- 2.10 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 1<sup>st</sup> 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 07. 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.
- 2.11 Summing up the above discussion, the Commission allows the employee expenses of Rs. 346.01 lakh after disallowing amount claimed for terminal benefits. The Commission also has not capitalised any employee cost as the petitioner has not proposed any asset during FY 07.

**Administration & General (A&G) Expenses**

- 2.12 The Petitioner has projected Rs. 130.92 lakh as Administration & General expenses for FY'07. The expenses have been proposed for SLDC and Sub SLDCs at Bhopal and Indore. 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**

Sr. No.	Item Description	Expenses (Rs. Lakh)			Remarks
		FY'05	FY'06	FY'07	
1	Administration expenses	8.35	19.78	36.67	
2	Other charges	35.22	75.00	89.25	Incl. electricity charges, stationery etc.
3	Legal charges	1.73	3.00	3.00	
4	Material related expenses	0.60	1.00	2.00	
<b>5</b>	<b>Total charges</b>	<b>45.90</b>	<b>98.78</b>	<b>130.92</b>	
6	Less expenses capitalised	0.00	0.00	0.00	
<b>7</b>	<b>Net A&amp;G expenses [(5)-(6)]</b>	<b>45.90</b>	<b>98.78</b>	<b>130.92</b>	

2.13 SLDC has considered following facts/assumptions while arriving at the A&G expenses for FY'07:

- (a) Insurance: At present, SLDC building and equipments are not insured, but provision for insurance has been made for the FY'07.
- (b) Telephone expenses: At present, the telephone expenses are met from the common pool but separate provision for such expenses has been made for the FY'07 on the basis of cadre wise entitlement.
- (c) Travel expenses: The travelling expenses for FY'07 has been worked out considering the future increase in travel due to ABT/OA, regulatory & legal issues, establishment of Sub-LDCs etc.
- (d) Hiring of vehicle: At present, no vehicle is provided to SLDC, however provision for 2 Vehicle for SLDC & one each for 2 Sub-LDCs has been made for FY'07 in order to cope up the increased responsibility.
- (e) Stationery expenses: The stationery expenses for FY'07 has been worked out considering the future increase in requirements due to generation of various reports, increased responsibilities of ULDC, ABT/OA, regulatory & legal issues etc.
- (f) Electricity charges: The electricity charges for FY'07 have been worked out considering the increase in electricity consumption due to increased load of ULDC SCADA equipments as well as increase in tariff. The electricity charges have been worked out for requirement of SLDC and Sub-LDCs.
- (g) Entertainment expenses: The entertainment expenses for FY'07 have been worked out considering the requirements of various meetings & seminar due

to implementation of ULDC project and increased responsibilities due to Open Access/ABT.

- (h) Legal expenses: The legal expenses for FY'07 have been worked out considering various legal issues and regulatory matters.
- (i) No expense has been proposed to be capitalised.

2.14 The Commission notes the Petitioner's arguments about increased responsibilities to justify the sharp increase in A&G expenses. Hence, the Commission approves the A&G expenses of Rs. 130.92 lakh as projected by the Petitioner. No A&G expense has been capitalised.

**Repairs & Maintenance (R&M) Expenses**

2.15 The Petitioner has projected Repairs & Maintenance expenses for FY'07 as Rs. 57.14 lakh. Further, Petitioner has also submitted five year R&M plan starting from FY'07. The R&M projections for FY'07 have been worked out considering the R&M expenses of SLDC & Sub-LDCs. As per the Petitioner, increase in R&M expenses is on account of regular escalation and addition of two Sub-LDCs. In addition to the SCADA/EMS, SLDC is required to maintain other system support services like air conditioning, electrical system, building maintenance, communication, office automation, IT related activities etc. Further, some of the ULDC equipments will be under warrantee period till Dec'06 only and hence the R&M provision for the same has been provided. R&M expenses as per actual for FY'05, as estimated for FY'06 and as projected for FY'07 are as per following:

**Table 5: Details of R&M expenses as per SLDC**

Sr. No.	A/c Code	Expense Head	Expenses (Rs. Lakh)			Remarks
			FY'05	FY'06	FY'07	
1	74.1xx	Plant and Machinery	21.82	23.50	42.14	
2	74.3xx	Civil Works	3.74	6.75	14.00	
	74.7xx	Furniture and Fixtures	0.00	0.50	0.50	
3	74.8xx	Office Equipments	0.00	0.50	0.50	
<b>Total R&amp;M expenses:</b>			<b>25.56</b>	<b>31.25</b>	<b>57.14</b>	
<b>Less expenses capitalised:</b>			<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	
<b>Net R&amp;M expenses:</b>			<b>25.56</b>	<b>31.25</b>	<b>57.14</b>	

2.16 The percentage increase for FY08 and onwards over the projections for FY'07 has been considered at 4%. The following table summarises centre wise R&M expenditure as projected by the Petitioner:

**Table 6: Projections of R&M expenses for next five years as per SLDC**

Sr. No.	Centre	Proposed requirement of fund for the years (Rs. Lakh)				
		2006-07	2007-08	2008-09	2009-10	2010-11
1	SLDC, Jabalpur	43.14	60.06	62.46	64.96	67.56
2	Sub-LDC, Bhopal	7.00	7.78	8.09	8.41	8.75
3	Sub-LDC, Indore	7.00	7.78	8.09	8.41	8.75
	<b>Total R&amp;M expenses:</b>	<b>57.14</b>	<b>75.62</b>	<b>78.64</b>	<b>81.78</b>	<b>85.06</b>

2.17 The Commission agrees with the Petitioner's claim of 4% escalation over FY'07 expenses, as average increase in WPI for the past years has been around 4.2% p.a. However, the Commission will review these figures against actual expenditure incurred on R&M in FY'07 while scrutinizing tariff petition for next financial year. Hence, the Commission approves Rs. 57.14 lakh as R&M expenses for the Petitioner for FY'07 only and no R&M expense has been capitalised.

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

**Table 7: O&M expenses as approved by the Commission for FY'07**

Sr. No.	Particulars	Expenses (Rs. Lakh)	
		SLDC	MPERC
1	Employee Expenses	395.59	346.01
2	A&G Expenses	130.92	130.92
3	R&M Expenses	57.14	57.14
	<b>Total</b>	<b>583.65</b>	<b>534.07</b>

## Depreciation

2.19 The Petitioner has computed depreciation on the opening gross block of the relevant years on the basis of straight-line method as per the rates laid down in Electricity (Supply) Act 1948. The Petitioner has not claimed any Advance Against Depreciation (AAD) in line with MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004, (Revision-1, 2006). The Commission notes that the Petitioner has not shown any addition of assets during FY'05, FY'06 and FY'07.



**Table 8: Value of Assets and Depreciation as claimed by SLDC**

Year	Gross Fixed Assets (Rs. Lakh)			Cumulative Depreciation (Rs. Lakh)			Net Fixed Assets (Rs. Lakh)	
	At beginning of Year	Added during Year	At the end of Year	At beginning of Year	Added during Year	At the end of Year	At beginning of Year	At the end of Year
FY'05	87.925	0	87.925	0	20.195	20.195	87.925	67.730
FY'06	67.730	0	67.730	0	19.230	19.230	67.730	48.500
FY'07	48.500	0	48.500	0	19.140	19.140	48.500	29.360

2.20 The computations submitted by SLDC are incorrect as (i) Net Fixed Asset (at the beginning of the year) has been taken in place of Gross Fixed Asset (in the beginning of the year) (ii) Depreciation is absolute for the given year rather than cumulative till the year. Further, the Commission has specified different rates for depreciation under Annexure-III of MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004, (Revision-1, 2006). Also at few instances, useful life of certain assets was not taken as per the MPERC regulations. Keeping in view these, the Commission has reworked the depreciation and other relevant figures keeping in view the latest regulations and correcting errors wherever felt necessary.

**Table 9: Value of Assets and Depreciation as recalculated by the Commission**

Year	Gross Fixed Assets (Rs. Lakh)			Cumulative Depreciation (Rs. Lakh)			Net Fixed Assets (Rs. Lakh)	
	At beginning of Year	Added during Year	At the end of Year	At beginning of Year	Added during Year	At the end of Year	At beginning of Year	At the end of Year
FY'05	242.80	0.00	242.80	101.05	11.80	112.85	141.75	129.95
FY'06	242.80	0.00	242.80	112.85	11.78	124.63	129.95	118.17
FY'07	242.80	0.00	242.80	124.63	<b>10.48</b>	135.11	118.17	107.69

2.21 Hence, the Commission approves depreciation of Rs. 10.48 lakh for FY'07.

2.22 The transfer scheme notified on 31<sup>st</sup> May 2005 (effective from 1<sup>st</sup> June 2005) has not indicated the asset value of SLDC separately. Thus the assets of SLDC are part of assets of any of the five companies notified by the GoMP. The Commission, while determining allowable depreciation for the five companies, had considered the notified asset values of the respective companies; thus the depreciation as computed above has been included in depreciation allowed to either of the companies. Since SLDC is being operated by the MPPTCL, therefore the assets of SLDC can be considered as a part of MPPTCL's assets. In response to the above query, SLDC has submitted that MPPTCL has not considered its assets as a part of the asset values which is evident from the asset register prepared by them. Earlier SLDC has been a part of the generation wing therefore its assets can be considered a part of generation assets.

- 2.23 MPPTCL which is administratively controlling SLDC must take up the responsibility of resolving this issue. Within 60 days of this order, MPPTCL must sort out the issue of reimbursement of depreciation expenses to SLDC which have already been included in the ARR of either MPPTCL or MPPGCL for FY 07. In case, MPPTCL fails to resolve this issue within stipulated time period, it shall reimburse SLDC this amount.

## **Interest and finance charges**

### **Interest on Loans**

- 2.24 As per the Petitioner, financial assistance of Rs. 480 lakh from PFC has been obtained by SLDC for work worth Rs. 634 lakh for providing PLCC, air conditioning, Construction of Sub-LDC office buildings, implementation of ABT/OA and providing office furniture and equipments at SLDC/Sub LDCs etc. The balance amount has been arranged from internal resources. The validity of the loan is up to Dec'06. The principal amount and the interest will be repaid in 40 quarterly instalments w.e.f. draws of loan amount. The interest rate is 9.0% p.a. The interest for this loan has been computed to be Rs. 39.33 lakh for FY'07. The interest for one month (i.e. Rs. 3.28 lakh) has been capitalized.
- 2.25 As per the Petitioner, loan has been drawn in three instalments i.e. on 7<sup>th</sup> July 2005, 5<sup>th</sup> August 2005 and 1<sup>st</sup> January 2006. It means entire loan amount has been drawn after the notification dated 31<sup>st</sup> May, 2005 of the State Government. The Commission is assuming that this PFC loan is not part of the PFC loans notified in the GoMP transfer scheme dated. 31<sup>st</sup> May 2005. Further, as per the clarification submitted by the SLDC dated. 27<sup>th</sup> May 2006 based on information provided by CRA Cell of MPPTCL, the interest and repayments against PFC loan of Rs. 480 lakh has not been included in the claims of MPPTCL. Within 60 days of this order, MPPTCL shall clarify that this loan does not form a part of the notified GoMP transfer scheme and the interest on this amounts has not claimed by any of the five Companies. In case MPPTCL fails to comply with this direction the interest allowed to SLDC shall be deducted from its ARR for FY 08, as this loan will be considered as a part of the PFC loan transferred to it by the State Government.
- 2.26 In addition, the Petitioner has claimed interest on generic loan for transfer of asset. Interest amount for this loan has been computed considering an interest rate of 12% on principle amount equal to 70% of net fixed asset value (at the end of the year) for a period of eight (8) years. As per the Petitioner, this is in line with practice adopted in FRP. Even in opening balance sheet of GoMP, each of the entities (viz. MPPGCL, MPPTCL and three Discoms) have been allocated generic loan, of which Rs. 835 crore have been allocated to MPPTCL. As per SLDC argument, interest and depreciation shall be claimed by SLDC on transfer of the same to SLDC. However, the Commission, in its MYT order for MPPTCL has not approved the interest claim against such generic loans because MPPTCL failed to establish the purpose for which loan from MPSEB has been availed. Similarly SLDC also has failed to establish the purpose for which loan from MPSEB was availed. In the absence of details, the Commission cannot accept the argument of the SLDC for claiming interest for generic loan.

2.27 Following table summarises interest and finance charges:

**Table 10: Interest on loans as claimed by SLDC**

Sr. No.	Particulars	FY'05	FY'06	FY'07
1	Interest on PFC Loan of Rs. 480 lakh	0.00	2.47	39.33
2	Interest on generic loan for transfer of assets	5.69	4.07	2.47
3	Less interest & finance charges chargeable to capital account (for item-1 only)	0.00	0.00	3.28
	<b>Net Total [(1)+(2)-(3)]</b>	<b>5.69</b>	<b>6.54</b>	<b>38.52</b>

2.28 The Commission has already dealt with issue of interest on generic loan in the tariff order of MPPTCL and hence the Commission does not consider this loan for the purpose of interest payment. Hence, the Commission approves interest and finance charges only as per following:

**Table 11: Interest on loans as approved by the Commission for FY'07**

Sr. No.	Particulars	Expenses (Rs. Lakhs)	
		SLDC	MPERC
1	Interest on PFC Loan of Rs. 480 lakh	39.33	39.33
2	Interest on generic loan for transfer of assets	2.47	0.00
3	Less interest & finance charges chargeable to capital account (for item-1 only)	3.28	3.28
	<b>Net Total [(1)+(2)-(3)]</b>	<b>38.52</b>	<b>36.05</b>

**Interest on Working capital (IWC)**

2.29 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 RBI + 1% = 10.25 + 1.00 = 11.25%. This is in line with MPERC regulations.

**Table 12: Interest on Working Capital as claimed by SLDC**

Sr. No.	Particulars	FY'05	FY'06	FY'07
1	Gross employee expenses (Rs. Lakh)	143.66	236.19	395.59
2	Terminal benefits	0.00	33.93	49.58
3	Net A&G expenses	45.90	98.78	130.92
4	Net R&M expenses	25.56	31.25	57.14
5	Total annual expenses less terminal benefits [(1)-(2)+(3)+(4)]	215.12	332.29	534.07
6	Monthly expenses [(5)/12]	17.93	27.69	44.51
7	<b>Interest @ 11.25% (same for all 3 years)</b>	<b>2.02</b>	<b>3.12</b>	<b>5.01</b>

- 2.30 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 1/12<sup>th</sup> of the SLDC charges*”. As per the regulations, amount of working capital has been recalculated as 1/12<sup>th</sup> 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 13: Interest on Working Capital as reworked by the Commission**

Sr. No.	Particulars	2006-07 (Rs. Lakh)
1	Employee expenses excluding terminal benefits	346.01
2	Net A&G expenses	130.92
3	Net R&M expenses	57.14
4	Depreciation	10.48
5	Interest on Loans	36.05
6	Interest on Working Capital	5.59
7	Return on Equity	10.01*
8	Total annual expenses excluding terminal benefits [(1)+(2)+(3)+(4)+(5)+(6)+(7)]	596.20
9	Monthly expenses [(8)/12]	49.68
10	<b>Interest @ 11.25%</b>	<b>5.59</b>

\* To be revised based on actual equity employed by SLDC

- 2.31 Hence, the Commission approves IWC as Rs. 5.59 lakh for the year FY'07.

**Table 14: Interest on loans and working capital as approved by the Commission for FY'07**

Sr. No.	Particulars	Expense (Rs. Lakh)	
		SLDC	MPERC
1	Interest on loans	38.52	36.05
2	Interest on Working Capital (IWC)	5.01	5.59
<b>3</b>	<b>Total</b>	<b>43.53</b>	<b>41.64</b>

### Return on Equity

2.32 Since no equity has been allocated formally to SLDC, the same has been calculated by SLDC on normative basis. As per the petition, the assets of SLDC at original book value (excluding the equipments being delivered under ULDC project) are valued at Rs. 238.41 lakh. Considering a normative debt:equity ratio as 70:30, SLDC has worked out its normative equity at Rs. 71.523 lakh. The Return on the equity has been claims @14% which amount to Rs. 10.01 lakh. Further, in Profit & Loss Account submitted by SLDC, income tax is considered as nil.

**Table 15: Return on Equity as claimed by SLDC and as approved by the Commission for FY'07**

Particulars	2006-07	
	SLDC	MPERC*
Original book value of assets (excluding the equipments being delivered under ULDC project)	238.41	238.41
Equity employed considering debt:equity as 70:30	71.52	71.52
Return on Equity @ 14%	10.01	10.01

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

2.33 The Commission shall not allow return on normative equity as calculated by the SLDC but shall allow 14% return only on actual equity employed by SLDC. Since there is no clear allocation of equity to SLDC in GoMP balance sheets, it is apparent that the RoE claimed by SLDC has already been claimed either by MPPTCL or by MPPGCL. Hence, the Commission directs that, within 60 days of this order, MPPTCL must sort out the issue of allocation of equity to SLDC, and accordingly the Company in whose tariff the RoE and corresponding income tax liability has been passed through shall reimburse it to SLDC. The failure on the part of MPPTCL to sort this issue out would result in a corresponding reduction in the ARR for MPPTCL alongwith a carrying cost.

### Lease and Finance Charges (ULDC loan repayment)

2.34 As per the petition, repayment of Unified Load Despatch and Communication (ULDC) project cost shall commence after final commissioning of the project. The final acceptance of SCADA/EMS and Communication package is under progress.

The total project cost of Rs. 262 Cr. is to be met from 20% equity of PGCIL, 20% of Domestic Bonds and 60% World Bank Loan. The approximate cost of work in MP works out to Rs. 44.14 Cr. and its share in Central sector portion works out to Rs. 33.00 Cr. The repayment has commenced from January 2006 in equal monthly instalments of Rs. 82.66 Lakh (approx.) for the period of 15 Years. Hence, the repayment has been worked out to Rs. 991.88 lakh for FY'07.

- 2.35 Further, MPERC notes that CERC in its order dated 2<sup>nd</sup> September 2005 through Petition No. 82/2002 (in the matter of charges for Unified Load Despatch & Communication Scheme in Northern Region) has adjusted the ULDC charges with RLDC Fee and Charges and hence it appears that the charges for ULDC project in Western Region might also become part of RLDC Fee and Charges and might be recovered accordingly from the licensees using the inter-state transmission system. A clarification was sought from the Petitioner in this regard and the Petitioner vide its letter of 20/09/2006, has informed that Petition of RLDC is pending with CERC for applying the principles adopted for Northern Region to Western Region wherein the repayment of the loan for ULDC project has been made a part of the RLDC fees and Charges and recovered from the Licensees. However, since the decision is pending in this matter, the Commission allows repayment of ULDC project as claimed by the Petitioner subject to the terms and conditions as approved by CERC. If the CERC considers the request of treating the loan repayment as RLDC fees and charges to be recovered from the Licensees, the SLDC shall reimburse the amount recovered under this head to the Licensees and shall not further recover this amount.

**Table 16: ULDC charges as claimed by SLDC and as allowed by the Commission**

Particulars	Amount (Rs. Lakh)	
	SLDC	MPERC
Lease and Finance Charges (ULDC loan repayment)	991.88	991.88

## Others

### RLDC Fee and Charges

- 2.36 RLDC Fee 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, Govt. of India order No S.O. 795(E) dated 08th June 2005, and hence RLDC fees and charges are not included in the Fee and Charges of SLDC.
- 2.37 The Commission notes that CERC has issued an Order dated 5<sup>th</sup> October 2005 in the matter of Petition no. 8/2004 regarding approval of fees and charges payable to RLDCs for undertaking load dispatch functions for the period 01.04.2004 to 31.3.2007. As per the clause 17 of the said Order, CERC has approved RLDC charges for WRLDC for FY 2006-07 as Rs. 648.59 Lakh. Further, CERC has also directed the manner of sharing of such RLDC fees and charges amongst the beneficiaries of central sector power within the region and long term open access customers.

**Other Income**

2.38 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.

**Payment of statutory taxes, cess etc.**

2.39 Petitioner has not claimed any income tax although they have claimed RoE. However, as per MPERC Regulations, Income Tax, if any, on the income stream of SLDC shall be treated as an expense and shall be allowed to be recovered through tariff. Tax on income if actually payable, shall be limited to tax on return on equity allowed, excluding incentives.

2.40 Since Petitioner has claimed RoE, it is liable to pay income tax. The Commission has computed income tax liability on RoE claimed by SLDC considering applicable rate of 30% plus 10% surcharge and 2% education cess.

**Table 17: Income tax as allowed\* by the Commission for FY'07**

Sr. No.	Particulars	Amount (Rs. Lakh)	
		SLDC	MPERC
1	Return on Equity	10.01	10.01
2	Income tax [=0.3*(1)*1.12]	Not claimed	3.36

\* Subject to allocation of equity to SLDC

2.41 The income tax expenses will be reimbursed to SLDC by the party (either MPPTCL or MPPGCL) who will allocate the actual equity to SLDC as directed earlier.

**Proposed Capital Expenditure in next five years**

2.42 The five year capital investment plan for SLDC and Sub-LDCs has been given by the Petitioner. The proposed works would require funding of Rs. 104.19 lakh for 2006-07 and Rs. 55.00, 10.00, 40.00, 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'07 only as proposed subject to the Petitioner seeking the approval of the Commission as directed in para 1.22 of the order. The Commission will monitor the actual expenditure against plan on quarterly basis. Capex for subsequent years will be reviewed and approved in respective tariff orders.

**Table 18: Capital expenditure as proposed by SLDC and approved by the Commission for FY'07**

Particulars	Capex for FY'07 (in Rs. Lakh)	
	SLDC	MPERC
Capital expenditure outlay	104.19	104.19

### **Western Regional Power Committee (WRPC) Secretariat Expenses**

2.43 The State Load Despatch Centre of MP vide its letter of 04/09/2006 has submitted before the Commission that under the provisions of Sub Section 55 of Section 2 of Electricity Act 2003, the Government of India vide its resolution F. No. 23/1/2004-R&R Dated 25/05/2005 and subsequent amendment of 29/11/2005 has established Western Regional power Committee. The members of this Committee are Madhya Pradesh, Chhattisgarh, Gujrat, Maharashtra, Goa and Union Territory of DD and DNH. Each State is represented by State generating Company, State Transmission Utility, State Load Despatch Centre and one Distribution Company by rotation. Accordingly the representation of MP is as follows:

- i. CMD, MP Power Transmission Company Limited,
- ii. CMD, MP Power Generating Company Limited,
- iii. CMD, MP Paschim Kshetra Vidyut Vitaran Company Limited
- iv. CE, State Load Despatch Centre.

2.44 With regard to the sharing of the expenditure of WRPC Secretariat, it has been decided that the expenditure is equally shared by all the constituents except CEA, NLDC, RLDC and WRPC Secretariat. The SLDC has filed the copy of the letter received from the Member Secretary, WRPC, Mumbai bearing the No. AS/BRD/RPC/2005-06/WRPC – 340 Dated 17/08/2006 wherein it has been intimated that the funding of WRPC Secretariat is to be reimbursed to Government of India on quarterly basis. The total sanctioned budget of the WRPC secretariat is Rs. 158.68 Lakh and the share of each constituent member is Rs. 7.20 Lakh.

2.45 In view of the foregoing the Commission has observed that the WRPC has been constituted under the provisions of the Electricity Act 2003. The expenditure of the Secretariat has been shared among the constituent Members and the Members are required to reimburse the amount to Government of India. The Commission, therefore, allows the expenditure of Rs.7.20 Lakh in the annual ARR of SLDC for FY 07.

### **Summary of ARR and allocation of charges**

2.46 In view of above, the ARR for FY2006-07 as approved by the Commission is summarized in the following Table:

**Table 19: Summary of the ARR approved by the Commission for FY'07**

Sr. No.	Particulars	Amount (Rs. Lakh)	
		SLDC	MPERC
1.	Employee Expenses	395.59	346.01
2.	Administration & General (A&G) Expenses	130.92	130.92
3.	Repairs & Maintenance (R&M) Expenses	57.14	57.14



**SLDC TARIFF ORDER FOR FY'07**

Sr. No.	Particulars	Amount (Rs. Lakh)	
		SLDC	MPERC
4.	Depreciation	19.14	10.48*
5.	Interest and Finance Charges (interest on loan and IWC)	43.52	41.64
6.	Return on Equity	10.01	10.01*
7.	Lease and Finance Charges (ULDC loan repayment)	991.88	991.88
8.	Income Tax	0.00	3.36*
9.	Western Regional Power Committee Expenses	7.20	7.20
<b>10.</b>	<b>Total revenue expenditure (for 2006-07)</b>	<b>1655.40</b>	<b>1598.64</b>
<b>11.</b>	<b>Charges recoverable by SLDC</b>		<b>1574.79**</b>
		<b>(1591.44-10.48-10.01-3.36)</b>	

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

\*\* Rs. 23.85 Lakhs shall either be paid by MPPTCL or MPPGCL as established by MPPTCL.

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**A3: DETERMINATION OF FEES AND CHARGES**

**Determination of Fees and Charges**

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

**Allocation of annual SLDC charges**

- 3.2 As per the MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004, (Revision-1, 2006); the allocation of SLDC charges to the individual licensees and open access customers having the long-term agreements shall be in proportion of share allocation to the total transmission capacity determined by the Commission. Accordingly annual SLDC charges works out to be:

**Table 20: Annual SLDC Charges for long term customers for FY'07**

Sr. No.	Particulars	Long-term Open Access Customers				Total
		West Discom	Central Discom	East Discom	SEZ, Indore	
1.	Total SLDC ARR (Rs. Lakh) (excluding Capex)	--	--	--	--	1598.64
2.	Annual SLDC charges payable (Rs. Lakh)	--	--	--	--	1574.79
3.	Long-term allocation of transmission capacity (MW)	2259	1958	1783	10	6010
4.	Annual SLDC charges (in Rs. lakh)	591.92	513.05	467.20	2.62	1574.79
5.	Charges payable per months / MW by open access consumers	--	--	--	--	26203

### Summary of Fees and Charges

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

**Table 21: Applicability and levy of various SLDC fees and charges for FY'07**

Sr. No.	Fee/Charge Applicable	Applicability to customer category on the basis of type of agreement								
		Long Term			Short Term			Non-Conventional Energy sources**		
		Yes /No	Frequency	Amount (Rs.)	Yes /No	Frequency	Amount (Rs.)	Yes /No	Frequency	Amount (Rs.)
1	Connection Fee	Yes	One Time	1,00,000.00	Yes	Once for a month or part thereof	5,000.00	Yes	Only Once, irrespective of Long Term or Short Term	5,000.00
		No charges for additional short term open access								
2	Annual SLDC Charges	Yes	Half yearly	26,203.00 per MW of allocated transmissi on capacity	No	--	--	No	--	--
3	Operation & Scheduling Charges	No	--	--	Yes	Per transaction per day or part thereof	3,000.00	No	--	--
4	Charges for revising schedule	Yes	For each revision	3,000.00	Yes	For each revision	3,000.00	No	--	--

\*\* This shall be made applicable after the notification in the GoMP Gazette, which is under process.

**Miscellaneous**

**Late payment surcharge**

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

**Rebate on early payment**

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

**A4: THE COMMISSION'S DIRECTIVES**

- 4.1 MPPTCL and SLDC shall resolve the issues raised by the Commission in this Order. MPPTCL should take-up the issues of opening balance sheet of SLDC at the time of issuance of final transfer scheme.
- 4.2 MPPTCL shall indicate status of balance sheet and P&L account of SLDC separately in its balance sheet.
- 4.3 The Commission directs SLDC to submit its head-wise computations of 'SLDC Fees and Charges' based on the approved fees and charges in this order and also furnish copies of its submission to authorized Consumer Representatives, distribution licensees and generating companies within three (3) weeks from date of this Order.
- 4.4 The Commission directs SLDC to submit detailed activity schedule including milestones for proposed Capex Plan for FY 2006-07 and plan for implementation, monitoring and control for each scheme separately, within three (3) weeks from date of issuance of this Order for records and perusal of the Commission.
- 4.5 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.

**A5: OBJECTIONS AND COMMENTS ON SLDC'S TARIFF PROPOSAL**

- 5.1 As per the directive of the Commission, SLDC has filed written response (vide letter no. 07-05/E&T/645-III/578 dated 20<sup>th</sup> May 2006) to the objections raised by M.P. Poorva Kshetra Vidyut Vitran Company Ltd. (vide letter no. CMD/EZ/LD/285 dated 18<sup>th</sup> April 2006).

**As regards content in para 5:**

**Objection / Comment:**

Against sanctioned post of 86 nos. in SLDC Jabalpur, work of SLDC is being managed presently through 63 nos. filled up post. The expenses claimed on the basis sanctioned / to be sanctioned posts is not acceptable.

**SLDCs Response:**

With the commissioning of the ULDC project new Sub LDCs at Indore and Bhopal have been setup. The execution of the work of SLDC and Sub-LDCs with less number of personnel is not possible. The new tasks & responsibilities of SLDC can be managed properly with adequate manpower. 50 Nos. additional posts as indicated in the petition have already been created vide order no. 01-05/vii/8 dated 03-01-2006 and posting of Officers/Staff at Sub LDC and SLDC against newly created and vacant posts is in progress.

Further, the pay of vacant & newly created posts has been worked out considering minimum basic pay of the cadre, whereas on account of higher scales, the staff gets much higher basic pay in next one or two cadres. If, even, 50% posts are filled up, the provision would be just sufficient to meet out the proposed expenditure. Further, this is the standard practice to consider, expenditure for all the vacant post with minimum of basic pay of the cadre. Hence, it would not be possible to eliminate the provision for Vacant/Additional posts.

**Commission's View:**

The Commission agrees with the contention of MP Poorv KVVCL that the expenses claimed for the vacant posts shall not be allowed if it remains vacant. The SLDC has informed that the posts have already been sanctioned and the posting of the employee against these newly sanctioned posts is in progress. Considering the fact that SLDC is required to own greater responsibility under the present circumstances and the additional posts have been sanctioned for the purposes and also the posting of the officers in the SLDC / Sub LDCs is in progress the Commission has allowed the employee expenses as proposed by the SLDC. However, while truing up of the data and information at the time of next tariff determination exercise, the actual expenditure incurred by the SLDC under this head shall be considered by the Commission.

**As regards content in para 6.1**

**Objection / Comment:**

The employee cost claimed on the basis of sanctioned / proposed to be sanctioned is not acceptable.

Further it is submitted that the provision for arrears of pay revision equivalent to one year is not based on the current wage revision orders dated 7.4.2006 issued in this regard. It should be as per actual. There is no provision of encashment during service period which the petitioner is claimed. This is therefore not acceptable.

**SLDC Response:**

The employee cost provision for Vacant/Additional posts can not be eliminated due to the facts as mentioned in SLDC response on earlier paragraph. Further, in accordance with the recent Pay Revision 2006, the provision for arrears is proposed to be modified as below.

“As the payment of arrears has been limited to the period from 01-10-2003 to 31-03-2006 instead of 01-04-1999 to 31-03-2006, the total arrears amount can now be proportionately reduced to 36% which works out to Rs. 75.39 lakhs. As the payment of arrears shall be made in 24 equal instalments w.e.f. August 2006, the liability of arrears for the period 2006-07 works out to about Rs. 25.13 lakhs. Further as the arrears amount was worked out for Pay & DA only, therefore provisions for increase in Fringe Benefits w.e.f. 01-04-2006 need to be considered for the FY 2006-07. We propose a lump sum provision of Rs. 10 lakhs, i.e. total provision towards arrears of pay revision plus increase in fringe benefit shall be Rs. 35.13 lakhs for the FY 2006-07 instead of earlier provision of Rs. 209.43 lakhs.”

**Commission's View:**

The Commission view has already been given in the earlier paragraph.

**As regards content in para 6.2**

**Objection / Comment:**

The provision of Administration and General Expenses for employees worked out including proposed additional posts and filling of vacant posts is not acceptable. It is required to be on actual expenditure basis. It is further submitted that as against the actual expenses of Rs. 45.91 Lakhs during 2004-05, the projected expenditure in 2006-07 is of Rs. 130.92 Lakhs which is about 285% of actuals of 2004-05. Assumption on highest parameter has been taken hence not acceptable.

**SLDC Response:**

The increase in Administrative & General expenses is mainly due to increase in manpower and setting up of Sub LDCs. As already mentioned in the earlier paragraphs above, the additional posts have been created and postings against newly created and vacant posts is in progress and hence the provision is reasonable & justified.

**Commission's View:**

The Petitioner's contention about increased responsibility is acceptable to the Commission and the Commission has approved the A&G expenses as proposed by the petitioner. However, while truing up of the data and information at the time of next tariff determination exercise, the actual expenditure incurred by the SLDC under this head shall be considered by the Commission.

**As regards content in para 6.3**

**Objection / Comment:**

The R&M expenses of SLDC during 2004-05 were 25.56 lakhs and with the 7% escalation per year over previous years it comes Rs. 29.26 lakhs. The escalation rate of 7% taken by the petitioner is arbitrary and escalation per year @4% as per CERC order dated 3.1.2006 in the petition No.8/2004 should be taken into consideration. It is further submitted that subsequent new equipment arranged/to be arranged shall be within performance guarantee without any additional R&M burden and therefore R&M provision for them is not acceptable.

**SLDC Response:**

The increase in R&M expenses is on account of regular escalation and addition of two Sub-LDCs. In addition to the SCADA/EMS, the SLDC is required to maintain other system support services like Air Conditioning, Electrical system, Building maintenance, Communication, Office Automation, IT related activities etc. Further, some of the ULDC equipments shall be under warrantee period till December 2006 only and hence the provision made towards R&M is reasonable & justified. The percentage increase calculated for the year 2007-08 / 08-09 onwards over the projections made for 2006-07/07-08 is revised with escalation factor @ 4%.

**Commission's View:**

The Commission has agreed with the Petitioner's claim and has approved the proposal of the Petitioner. However, the Commission will review the actual expenditure at the time of scrutinising the tariff petition for the next financial year.



**As regards content in para 6.5**

**Objection / Comment:**

The payment of ULDC project is not being a part of SLDC expenditure hence may not be accepted.

**SLDC Response:**

It is to mention here that the Unified Load Despatch & Communication Project was designed and implemented to provide the Supervisory Control & Data Acquisition & Communication facilities essentially required for functioning of State Load Despatch Centre as well as Regional Load Despatch Centre. The SCADA and Communication equipments are installed at SLDC Jabalpur, Sub-LDCs Bhopal & Indore and at various Sub-Stations/Power-stations in M P for providing real time data from these stations to Sub-LDC/SLDC/RLDC. Accordingly, the provision towards repayment of ULDC project cost has been considered in the SLDC fee & Charges.

**Commission's View:**

The Commission has noted that vide CERC order dated 2<sup>nd</sup> September 2005 in the petition No. 82/2002 in the matter of approval of charges for ULDC scheme in Northern Region the CERC adjusted the ULDC charges with the RLDC fees and charges for Northern Region. In view of this it appears that the ULDC charges might also become the part of RLDC charges in the Western Region also. Hence the Commission has allowed the recovery of ULDC charges in SLDC's fee and charges with the condition that if the CERC approves the recovery of ULDC charges under the RLDC fees and charges to be recovered from the Licensees, the SLDC will reimburse the charges to the Licensees.

**As regards content in para 6.6**

**Objection / Comment:**

The calculation of depreciation for the year 2006-07 for an amount of Rs. 91.14 lakh is not clear.

**SLDC Response:**

The calculation of depreciation for the year 2005-06 has been calculated on the basis of straight line method as per guidelines of MoP, GOI. The depreciation amount is Rs. 19.14 Lakh for the year 2006-07 and not Rs. 91.14 lakh as mentioned by the respondent.

**Commission's View:**

The Petitioner has not worked out the depreciation as per the Commission's regulations framed in this regard. The actual depreciation has been recalculated by the Commission and the same has been allowed.

**As regards content in para 6.7**

**Objection / Comment:**

Petitioner's claim towards interest on the loan taken from PFC for Rs. 460 lakh with interest@9% per annum may not be accepted as one year interest is required to be worked out on the loan outstanding as on 01.04.06 which is Rs. 467.74 lakh. This worked out to Rs. 42.09 lakh.

**SLDC Response:**

The interest on loan taken from PFC has been calculated on the basis of prevailing interest rate @ 9% on the outstanding amount of the loan. The completion of project as defined in the PFC agreement was up to Sept'2005 however, the extension up to Dec'2006 has been obtained from PFC and the principle amount along with interest shall be payable in 40 instalments only. The provision made towards interest & finance charges are therefore reasonable & justified.

**Commission's View:**

The Commission has reworked the interest and finance charges. The interest charges claimed by the Petitioner towards the generic loans have not been considered by the Commission.

**As regards content in para 6.8**

**Objection / Comment:**

At present the prime landing rate of SBI is 10.25%, whereas the Petitioner has considered the rate of 14.75%. One month receivables vary based on the conditions, thus the calculation made by the Petitioner may not be accepted.

**SLDC Response:**

As per revised Regulation of SLDC Fee and Charges, the Rate of interest on working capital shall be on normative basis and shall be 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 modified at 11.25 %. The IWC now works out to Rs. 5.01 Lakh Instead of Rs. 8.71 lakh.

**Commission's View:**

The Commission has reworked the interest on working capital in accordance with the Commission regulations namely MPERC (Levy and Collection of Fee and Charges by SLDC) Regulation, 2004.

**As regards content in para 6.9**

**Objection / Comment:**

As regarding return on equity, Hon'ble CERC order dated 3.1.06 for the payment of fees and charges to RLDC based on the recommendation of CEA against petition No. 109/2000, does not consider this component. Therefore claim of Petitioner be denied.

**SLDC Response:**

The ROE at the rate 14% has been taken as per SLDC Fee and Charges regulation and is hence reasonable and justified.

**Commission's View:**

The Commission shall allow the return on equity on the basis of the actual equity allocated to SLDC.

**As regards content in para 6.10**

**Objection / Comment:**

The petition is based on the assets in use and therefore anticipated expenditure for future plan as claimed by the petitioner may not be accepted.

**SLDC Response:**

The plan for capital expenditure has been incorporated in line with MPERC Regulation for SLDC fees & charges for addition of new assets/ replacement of survey reported old assets and is essentially required.

**Commission's View:**

The Commission has approved the Capex plan for SLDC as proposed in the petition subject to the SLDC providing the details and seeking a separate approval of the Commission as directed in para 1.22 of this order.

**As regards content in para 8.0**

**Objection / Comment:**

The functions of SLDC are non commercial. There should not be any burden on account of Taxes and duties. Even in case of any such Levy, petitioner may be directed to get exemption from Govt. of M.P.

**SLDC Response:**

The taxes & duties have not been included in SLDC fees & charges. However, if applicable the same shall be charged. This is in line with the SLDC Fee and Charges Regulation.

**Commission's View:**

SLDC is eligible to get return on the equity, hence liable to pay the income tax. Accordingly the Commission has allowed the income tax in its order.

**As regards content in para 9.0**

**Objection / Comment:**

The methodology and assumption adopted to work out the fee and charges by the Petitioner is based on assumption of filling of addition proposed staff which is yet to sanction, filling of vacant posts is not acceptable.

**SLDC Response:**

The facts are already explained in earlier paragraphs above.

**Commission's View:**

The Commission has already explained its views in earlier paragraphs.

**As regards content in Acts & Regulation**

**Objection / Comment:**

In absence of any regulation, there are no parameters for measurement of works to be carried out or quantum of business to be handled by the SLDC Jabalpur, to examine the reasonability of expenses proposed by SLDC in their petition to decide their fees and charges for the financial year 2006-07.

**SLDC Response:**

The SLDC is functioning as per provisions contained in the IE Act-2003, IEGC, MPEGC and other related acts and regulations. As per IE Act 2003, the SLDC is entitled for levy and collection of Fee and Charges from the licensees using intra-state transmission system.

**Commission's View:**

The Commission has specified the regulations namely MPERC (Levy and collection of fee and charges by SLDC) Regulations, MP Electricity Grid Code, MPERC (Terms and conditions for Intra-State Open access in MP) Regulations etc. wherein various parameters / procedures etc. have been defined for effective operation of SLDC.

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