

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



Petition No. 82/2010

PRESENT:

Rakesh Sahni, Chairman

K. K. Garg, Member (Engineering)

C. S. Sharma, Member (Economics)

IN THE MATTER OF:

**LEVY AND COLLECTION OF FEE AND CHARGES BY STATE LOAD
DESPATCH CENTRE (SLDC), JABALPUR FOR FY 2011-12.**

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

- 1. Shri S. K. Gaikwad, SE (LD: E&T), SLDC, Jabalpur**
- 2. Shri S. S. Patel, EE (LD: E&T), SLDC Jabalpur**

ORDER

(Passed on this 31st day of May, 2011)

- 1 This order relates to Petition number 82 of 2010 filed by the State Load Despatch Centre (hereinafter referred to as "SLDC") for "levy & collection of fee & charges to be paid by Short term and Long term users for the usage of services of SLDC for FY 2011-12" before Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as "MPERC" or "the Commission"). In exercise of the powers conferred under section 31(1) of Electricity Act 2003 (Central Act 36 of 2003), the Government of Madhya Pradesh vide order No. 2489/13/04 dated 17-05-2004 notified the State Load Despatch Centre at Jabalpur as apex body to ensure integrated operation of the power system in the State, to be operated by the State Transmission Utility, hereinafter called as STU.
- 2 As per section 32(3) of Electricity Act 2003, SLDC may levy and collect such fee and charges from the Generating Companies and Licensees engaged in intra-state transmission of electricity as may be specified by the State Commission. Further, the Ministry of Power, Government of India, in exercise of powers conferred under section 183 of the Electricity Act 2003, issued an order for "Removal of Difficulties" on 8th June 2005 (S.O. 795(E)) in respect of levy and collection of fees and charges for using the transmission systems. As per the order, "*the State Load Despatch Centre may levy and collect such fee and charges from the Licensees using the intra-state transmission system as may be specified by the State Commission*". Accordingly, SLDC charges are now payable by Licensees / users.
- 3 The approval of SLDC fee and charges (Tariff Order) for FY 2010-11 was granted by the Commission on 20/05/2010. SLDC vide its letter No.07-05/E&T/645-VIII/787 dated 27/11/2010 has filed this petition for approval of SLDC fee and charges for FY 2011-12 as per the provisions of the MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006) dated 5th May 2006 notified on 19th May, 2006 and its amendments. This petition has been registered as Petition No.82 of 2010.
- 4 Subsequently, on preliminary scrutiny of the subject petition, the Commission vide letter No.MPERC/3524 dated 24/12/2010 asked the State Load Despatch Centre to file the information gaps and additional information within a month's time. The petitioner vide its letter No.205 dated 27/01/2011 requested the Commission to grant extension of one month's time for submission of its reply. The Commission vide letter No.397 dated 05/02/2011 considered the petitioner's request and allowed one month's extension of time. Subsequently, the petitioner filed the information vide its letter No.482 dated 07/03/2011.

Hearing

- 5.1 The Commission vide letter No.1017 dated 28/03/2011 directed the petitioner to ensure that the copies of subject petition are served to all respondents within a week's time. The Commission vide same letter sought comments/suggestions on the petition from all respondents i.e M. P. Power Generating Company Ltd. (MPPGCL), Narmada Hydro-electric Development Corporation Ltd. (NHDC), Narmada Valley Development Authority (NVDA), M. P. Power Transmission Company Ltd. (MPPTCL), M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd. (East Discom), M. P. Madhya Kshetra Vidyut Vitaran Co. Ltd. (Central Discom), M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd. (West Discom), and M. P. Audyogik Kendra Vikas Nigam Indore (SEZ). The hearing was fixed on 03/05/2011 in the office of the Commission.
- 5.2 No comment was received by the Commission from any of the respondents in the matter till due date. However, MPAKVN Indore vide its Affidavit dated 26/04/2011 submitted its suggestion/comment after due date. The petitioner vide its letter No.865 dated 29/04/2011 submitted its response to the comments offered by MPAKVN, Indore.
- 5.3 The Commission conducted hearing on the Tariff Petition of SLDC at Bhopal on 3rd May, 2011 in the office of the Commission. The representatives appeared in hearing on behalf of MPMKVVCL, Bhopal & MPPKVVCL, Jabalpur stated that they have no objection on the petition filed by SLDC.

Annual Revenue Requirement

- 6 The total revenue requirement including Capital Investment as filed by SLDC for FY 2011-12 is as under:

Table 1: Total Revenue Requirement for FY 2011-12 (as filed by SLDC)
(Rs. Lacs)

S. No.	Particulars	Amount (Rs Lacs)
01	Employee Cost	675.15
02	Administration and General Charges	90.44
03	Repairs and Maintenance Expenses	215.98
04	Depreciation	0.00
05	Interest and finance charges	9.50
06	Return on equity/Investments	0.00
07	Provision for Income Tax	0.00
Total Revenue Requirement for FY 2011-12		991.07

- 7 The Commission in exercise of powers to frame Regulations under Sec 181 (2) (g) of the Electricity Act 2003 has notified MPERC (Levy of Fee and Charges by State Load Despatch centre) Regulations, 2004 (Revision 1, 2006) as amended from time to time. In accordance with the Regulations, the Commission has determined and approved the fees and charges in addition to SLDC charges in this Order. The ARR of SLDC approved by the Commission for FY 2011-12 in this order is as follows:

Table 2: Annual Revenue Requirement for FY 2011-12 (as approved by MPERC)

S. No.	Particulars	Amount (Rs. Lacs)
01	Employee Cost	675.15
02	Administration and General Expenses	85.09
03	Repairs and Maintenance Expenses	215.98
05	Interest and Finance Charges	0.00
	Total Annual Revenue Requirement	976.22
06	Less Other Income (O&S, etc)	150.00
07	Less adjustments (true-up) for FY 2009-10	174.15
	Net Annual Revenue Requirement for FY 2011-12	652.07

- 8 The allocation of Annual SLDC charges and applicability of various fees and charges are specified in detailed Order annexed herewith. The Commission directs that the Fees and Charges determined by this order shall be deemed to be effective from 1st April 2011 and will continue to be effective till 31st March 2012. 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 its amendments and recalculate its bills of SLDC charges to the Long Term Open Access customers other than renewable sources w.e.f. 1st April 2011 onwards and must also provide information to the Commission in support of having complied with this order.
- 9 Ordered as above, read with attached detailed reasons, grounds and conditions,

(C. S. Sharma)
Member (Economics)

(K. K. Garg)
Member (Engineering)

(Rakesh Sahni)
Chairman

Place: **Bhopal**
Dated: 31st May, 2011

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CHAPTER 1

ANNUAL FIXED CHARGES

CAPITAL EXPENDITURE:

Petitioner's Submission:

- 1.1** The petitioner has submitted the following:

The capital works in progress and proposed to be implemented during FY 2010-11 to 2014-15 have been summarized in the petition. However, the 5 year rolling capital expenditure plan of SLDC for the period from FY 2009-10 to FY2013-14 has already been approved by the Commission vide order dated 26.11.2009. The proposed capital expenditure shall be met from Capex fund of SLDC.

Commission's Analysis:

- 1.2** The Commission has already approved five year Capex plan of SLDC in the Tariff Order for FY 2009-10 dated 26/11/2009. The salient features of the same are reproduced below for reference:

“The Commission has observed that SLDC has included replacement of old furniture on a lump-sum basis in the Capex of 2012 -13 and 2013-14. Such general provision should not be part of the Capex, but may be incurred as O&M expenses. The Commission has not considered this general provision as part of Capex plan. The Capex proposal of SLDC and the approval of Capex plan is shown in the Table below:

Table 3: Capital expenditure as approved by the Commission (Rs. Lacs)

S. No.	Description of Project/Scheme / Work	Proposed requirement of fund in Rs. Lacs for FY				
		2009-10	2010-11	2011-12	2012-13	2013-14
A	Capital works in progress					
1.	PABX for SLDC	20.00	--	--	--	--
2.	AC Plant at SLDC	65.00	--	--	--	--
3.	Boundary wall	19.80	--	--	--	--
	Sub Total (A-(1) to A-(3))	104.80	--	--	--	--
B	Proposed Capital Works					
1.	Fire Alarm System	22.42	--	--	--	--
2.	Voice Recording System	3.60	--	--	--	--
3.	Electronic Security System	6.30	--	--	--	--
4.	Addl. Office	2.50	--	--	--	--
5.	Office equipment	--	6.00	--	--	--

S. No.	Description of Project/Scheme / Work	Proposed requirement of fund in Rs. Lacs for FY				
		2009-10	2010-11	2011-12	2012-13	2013-14
6.	Slab and renovation	--	10.90	--	--	--
7.	Conference system	--	10.14	--	--	--
8.	Web server & Website	--	8.50	--	--	--
9.	Addl. Parking	--	--	4.00	--	--
10.	Desk and visitors lounge	--	--	2.00	--	--
11.	False ceiling	--	--	10.00	10.00	--
12.	Replacement of Old furniture	--	--	--	15.00	15.00
Sub-Total (B-(1) to B-(12))		34.82	35.54	16.00	25.00	15.00
Total (A+B)		139.62	35.54	16.00	25.00	15.00
Approved Total Capex		139.62	35.54	16.00	10.00	0.00

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

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

1.3.2 *The SLDC must ensure timely completion of capital works so that the SLDC gets due benefits in improving the services. The other stakeholders should also get timely benefits from these works. Hence, the SLDC has to allot top priority to the timely completion of the works in the best possible manner and within the approved financial resources.*

1.3.3 *SLDC has scheduled most of its capital works in the first year of the capex plan i.e. 2009-10. SLDC must ensure that the time over run, if any should not result into cost over run. The SLDC must ensure that cost escalations for reasons other than time over run are consistent with market conditions and those prevailing in other SLDCs / RLDCs in India. The Commission will not allow any unjustified escalated cost for the purpose of determination of fee and charges.*

1.3.4 *The cost of items, instruments, spares, installation and commissioning charges, freight, etc. quoted / charged by the suppliers / vendors should be properly analyzed and verified by SLDC to ensure that the cost incurred by it, is in line with the lowest possible prevailing market price for good quality work.*

1.3.5 *The SLDC shall also be required to file the updated physical and financial progress of each work as an annexure with the petition filed by the SLDC for determination of fees and charges, in future.*

1.3.6 *The SLDC is advised to organize the processing timely to ensure that the execution of the schemes is not affected and also to ensure timely utilization of material being procured against base cost in the proposal to avoid any extra financial liability.*

1.3.7 *As per the Petitioner, this amount is proposed to be funded from internal resources i.e. through Fee and Charges. The Commission approves Capex for FY'10 at the proposed level of Rs 139.62 Lacs. The Commission will monitor the actual*

expenditure against plan for SLDC. Capex for subsequent years will be reviewed and approved in respective tariff orders.

- 1.4** The Commission vide letter No.3524 dated 24/12/2010, besides several other information gaps sought following from the petitioner:

“Capital Expenditure Plan for period FY 2010-11 to FY 2014-15 filed in annexure – CPI of para 45 of the petition shows that works of Rs.104.80 Lacs are in progress during FY 2010-11.

It is observed that the Commission has accorded in principle approval of the capex plan for FY 2009-10 to FY 2013-2014 in SLDC tariff order for FY 2009-10 dated 26/11/2009, which included capex of Rs.139.62 Lacs for FY 2009-10. However, the information submitted in para 7.4 page 7 of the petition shows that capital expenditure of Rs.45.75 Lacs has only been incurred during FY 2009-10. Information with regard to fulfillment of seven conditions mentioned in Commission’s SLDC Tariff Order for FY 2009-10 dated 26/11/2009 should be filed by SLDC.”

- 1.5** In response to above Capital Expenditure Plan, the petitioner vide its letter No.482 dated 07/03/2011 submitted that “the present status of fulfilment of conditions mentioned in the order for SLDC fee & charges for FY 2009-10 dated 26.11.2009 is given below:

- (a) *SLDC is maintaining a proper account of Capex fund, year wise details of earning and expenditure as per audited SLDC accounts are shown above in para (ix).*
- (b) *The approved Capex plan of SLDC include year wise list of capital works capital required to be implemented at SLDC. The Capex plan is reviewed annually and re-submitted along with the petition. The works are completed in the best possible manner and within the approved financial resources.*
- (c) *Depending upon the urgency of work, the schedule of works has been reviewed and submitted along with the petition as Annexure CPI.*
- (d) *The purchase of items, instruments, spares, installation and commissioning works etc. are processed through issue of enquiry, open tender, or through OEM in case proprietary item. Thus, the work is carried out in good quality and in line with the lowest possible prevailing market price.*
- (e) *The updated physical and financial progress of each work has been filed as Annexure-CPI with the petition and also provided in form F15.*
- (f) *The capital works are organized & processing timely to ensure that the execution of the schemes is not affected and also to ensure timely utilization of the same.*
- (g) *The capital works of SLDC are funded from internal resources i.e. from 50% of Operation & scheduling charges. The Capital Expenditure plan for FY2010-11 to FY 2014-15 has been submitted as Annexure-CPI in the petition ”*

- 1.6** During the course of hearing on 03/05/2011, the Commission asked the petitioner to furnish the status report of Capex actually done from 01/04/2009 to 31/3/2011 viz-a-viz the Capex

plan approved by the Commission and to clarify that SLDC's Capex proposal in the present petition fits into the plan already approved by the Commission.

- 1.7 The SLDC vide its letter No.966 dated 13/05/2011 has submitted the required information as given below:

Project-wise / Scheme-wise Capital Expenditure

All figures in Rs Lacs

S. No.	Particular	Estimated Cost	Reason for delay	Actual/ Prov. Exp. During year	Balance amount (Approved-Expenditure)
A	Financial Year 2009-10				
1	Providing PABX for SLDC and Sub-LDCs	20.00	Final testing & commissioning completed in FY 10-11	0.00	
2	Replacement of Existing Air Conditioning plant	65.00	Work started during winter of FY 2010-11	0.00	
3	Construction of Boundary wall around the SLDC building	19.80	Completion of work prolonged till beginning of FY 2010-11	0.00	
4	Replacement of Fire Alarm System	22.42	Finalization of tenders completed during FY 2010-11	0.00	
5	Providing Voice Recording System	3.60	Final testing & commissioning completed in FY 210-11	0.00	
6	Providing Electronic Security system& Metal Detectors	6.30	Work is deferred till FY 2011-12	0.00	
7	Providing a office furniture in SLDC.	2.50	Completed during FY 2010-11 to avoid idling of assets.	0.00	
	Sub-Total	139.62		0.00	139.62
B	Financial Year 2010-11				
			Opening Balance of Fund from Previous year	139.62	
			Fund Approved for FY 2010-11	35.54	
1	Providing PABX for SLDC and Sub-LDCs	20.00	Completed during FY 2010-11.	18.30	
2	Replacement of Existing Air Conditioning plant	65.00	Work is in progress and shall be completed during FY 2011-12	0.00	
3	Construction of Boundary wall around the SLDC building	19.80	Completed during FY 2010-11.	19.80	
4	Replacement of Fire Alarm System	9.56	Work shall be completed during FY 2011-12	0.00	
5	Providing Voice Recording System	3.60	Completed during FY 2010-11.	3.60	
6	Providing office furniture in SLDC.	2.50	Completed during FY 2010-11.	2.50	
7	Providing office equipments, Computers, printers etc.	6.00	Completed during FY 2010-11	6.00	
	Sub-Total	126.46		50.20	124.96

C						Financial Year 2011-12				
				Opening Balance of Fund from Previous year	124.96					
				Fund Approved for FY 2011-12	16.00					
1	Providing Battery chargers	1.50		Work shall be completed during FY 2011-12	1.50					
2	Providing Electronic Security system, & Metal Detectors	6.30		Work may be taken up after completion of plant & false ceiling	6.30					
3	Construction of slab and renovation in SLDC Building.	10.90		Work may get shifted in FY 2011-12.	0.00					
4	Cutting of Rocks, leveling near the boundary wall.	3.00		Work shall be completed during FY 2011-12	3.00					
5	Fire hydrant, drilling of tube well, installation of pump etc.	10.00		Work shall be completed during FY 2011-12	10.00					
6	Providing Conference System at SLDC	10.14		Work shall be completed during FY 2011-12	10.14					
7	Providing Webserver, Website with web-enabled database.	8.50		Work may be taken up during FY 2012-13	0.00					
8	Construction of additional parking space in SLDC	4.00		Work shall be completed during FY 2011-12	4.00					
9	Providing reception desk and visitors lounge at SLDC	2.00		Work shall be completed during FY 2011-12	2.00					
10	Renovation of false ceiling and electrification system	10.00		Work shall be completed during FY 2011-12	10.00					
	Sub-Total	66.34								
*	Replacement of Existing Air Conditioning plant	65.00		Work is in progress and shall be completed during FY 2011-12	65.00					
*	Replacement of Fire Alarm System	9.56		Work shall be completed during FY 2011-12	9.56					
	Total	140.90			121.50					19.46

- 1.8** It is observed from the above that Capex works have been completed within the estimated cost approved for that particular work. SLDC's submission shows that although SLDC's plan for Capex of Rs.139.62 Lacs was approved by the Commission for FY 2009-10 however, no actual expenditure during FY 2009-10 was done. Similarly during FY 2010-11 works of Rs.50.20 Lacs could only be completed against the SLDC's targeted works of Rs.126.46 Lacs. Hence works of Rs.124.96 Lacs have been shifted from FY 2009-10 and FY 2010-11 to the present financial year i. e. FY 2011-12. SLDC has submitted that some of these works may still remain pending and would be completed during subsequent year.
- 1.9** SLDC vide its letter No.966 dated 13/05/2011 has also submitted that "*Capex during FY 2009-10 was nil and the Capex (FA+CWIP+Adv.) of Rs 26.86 Lacs mentioned on page 8 of the reply has break up as Fixed Asset (0) +CWIP (0) +Advance (Rs 26.86 Lacs)*". The SLDC is directed to submit full details of outstanding advances at the time of filing next tariff petition.
- 1.10** The Capex plan of SLDC for FY 2009-10 to 2013-14 was approved by the Commission in SLDC Tariff Order for FY 2009-10. The same Capex plan as approved by the Commission is taken into consideration in this order also.

- 1.11** In compliance to Regulation 10 of MPERC (Levy and Collection of fee and charges by SLDC), SLDC has submitted that O&S charges are deposited in RAO MPPTCL SLDC A/c. Detailed information as submitted for interest earned on funds marked for Capex indicates that the cumulative balance of Rs.113.51 Lacs was available with SLDC as on 31st March 2010. It was Rs.64.58 Lacs as on 31/03/2009. The petitioner is directed to provide complete details of year wise capex made viz-a-viz plan approved by the Commission along with full justifications for not completing the works as per scheduled time while filing the petition for determination of SLDC charges for FY 2012-13.
- 1.12** The Commission observes that SLDC has adequate funds for meeting the Capex but still the proposed works have not been completed timely. The SLDC is again directed to follow the conditions mentioned by the Commission while granting in-principle approval of the Capex plan in the Tariff Order for FY 2009-10.

OPERATION AND MAINTENANCE (O&M) EXPENSES:

- 1.13** The Operation and Maintenance (O&M) expenses comprise of the Employee Expenses, Administration & General (A&G) Expenses and Repairs & Maintenance (R&M) Expenses. The status of actual O&M expenses in past years and that filed by the petitioner for FY 2011-12 is given below:

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

Sr. No.	Particulars	FY'07	FY'08	FY'09	FY'10	FY'11	FY'12
		Actual	Actual	Actual	Actual	As allowed in Tariff Order	Proposed by SLDC
1	Employee Expenses	216.22	249.41	328.81	454.98	557.46	675.15
2	Administration & General (A&G) Expenses	14.86	13.59	26.86	21.59	82.10	90.44
3	Repairs & Maintenance (R&M) Expenses	8.41	7.46	24.97	106.10	189.35	215.98
	Total	239.49	270.45	380.64	582.67	828.91	981.57

Employee Expenses

Petitioner's Submission:

- 1.14** The employee cost for FY 2011-12 has been worked out for the working strength at SLDC & Sub-LDCs as on 31-10-2010 and the Employee cost towards one Executive Finance, appointed on contract basis. Total employee cost works out to Rs 675.15 Lacs. The provision for other vacant posts, terminal benefit on retirement (pension, gratuity and EL encashment on retirement) has not been considered.

The petitioner has submitted that the main assumptions for projecting the employee expenses are as follows:-

- (i) *As the provision for vacant posts is not considered, necessary adjustment for the same shall be made at a later date, if the vacant post are filled up during Ensuing Year.*

- (ii) *The present rate of DA to MPSEB employee is 35% wef Oct 2010. and the rate of DA to Central Govt. Employee is 45% wef. July 2010. On the basis of above and nominal increase in DA during 2011-12, the rate of D.A. has been considered as 45% for first six months & 51% for the remaining six month period*
- (iii) *Medical reimbursement for Ensuing Year has been considered @450/- pm per employee.*
- (iv) *The arrears of Pay Revision for the period from Jan'2006 to Aug'2008 is being paid in 60 equal instalments w.e.f. Aug 2010. The arrears amount payable during 2011-12 (12 instalments) has been considered on the basis of actual instalments being paid to individual employee. The arrears amount for the employees attaining age of superannuation during 2011-12 has been considered for all the remaining instalments (53), as one time payment.*
- (v) *The projection towards training expenses have been made considering training requirements for SCADA/EMS, Communication, Computer systems and system operators training as per recommendations of "Manpower certification, Incentives & Ring fencing" committee.*
- (vi) *Hon'ble Commission in the order for SLDC fee & charges for the current year FY 10-11 has not allowed provisions for Ex-Gratia /bonus, no such provisions are made in ARR for FY 11-12.*
- (vii) *Terminal benefits have not been considered in the ARR as per directives of MPERC in the order for SLDC Fee & charges petition for the FY 2006-07.*

Commission's Analysis:

- 1.15** The total employee expenses of Rs.675.15 Lacs. claimed by the SLDC include Rs.419.91 Lacs of Basic pay + Grade pay. The Commission vide letter no. 3524 dated 24/12/2010 sought detailed reasons in support of 230% increase in projected payment of DA from Rs 80.53 Lacs in FY 2009-10 to Rs 189.10 Lacs in FY 2011-12 & substantial increase in projected payment of arrears. Details of Salary projected to be paid during FY 2010-11 were also sought. The SLDC vide its letter No.482 dated 07/03/2011 stated that the employee cost of Rs 675.15 Lacs for FY 2011-12 has been worked out on the basis of employee position as on 31st Oct 2010.
- 1.16** SLDC also submitted following justification with regard to Dearness Allowance projections of Rs 189.10 Lacs for FY 2011-12 as given below:
- *The DA amount of Rs.80.53 Lacs is the actual amount paid during FY 2009-10. The pay scales has been revised wef 1/1/2006 and the payment as per revised pay structure along with instalments of arrears for the period Sep'2008 to July 2009, started from Aug 2009. The % of DA in revised pay scale was 0% from 1st Jan' 2006 to 31st Aug'2008, 12% from 1st Sep'2008 to 30th June 2009, 16% from 1st Jul'2009 to 31st Oct 2009, 19% from 1st Nov 2009 to 31st Dec 2009 and 22% from 1st Jan 2010 to 31st March 2010. Thus, the actual amount of DA mentioned for FY 2009-10 include*

amount of DA paid on the pre-revised basis from March 2009 to Aug 2009 and DA % ranging from 12% to 22% on revised pay scale for remaining period.

- The DA amount of Rs.107.03 Lacs, as allowed by Hon'ble Commission for FY 10-11 is approximately 27% of (Basic + Grade) Pay, whereas the DA was 25% from 1st Apr 2010 to 30th Jun '2010, 27% from 1st Jul '2010 to 30th Sep '2010 and current DA (wef Oct 2010) is 35%. As such, the actual payment on DA during current year may increase the provisional amount of Rs.107.03 Lacs.
- The DA amount of Rs.189.10 Lacs, projected for FY 2011-12 has been worked out on the basis of present rate of DA being paid (35% wef Oct 2010) to MPSEB employees, the rate of DA being paid to Central Govt. Employee (45% wef. July 2010) and thereby nominal increase in DA during 2011-12. The D.A. projection has been worked out with DA as 45% for first six months & 51% for the remaining six months.
- As the increase in DA projections for FY 2011-12 as compared to FY 2009-10 & FY 2010-11 is due to above reasons, the DA projections of Rs.189.10 Lacs are justified.
- The arrears of Pay Revision for the period from Jan '2006 to Aug '2008 is being paid in 60 equal instalments w.e.f. Aug 2010. The arrears amount payable during 2011-12 (12 instalments) has been considered on the basis of actual instalments being paid to individual employee. The arrears amount for the employees attaining age of superannuation during 2011-12 has been considered for all the remaining instalments (53), as one time payment.

1.17 The Commission observed that the provision for Terminal Benefits like PF, Gratuity, and Pension has not been made in the petition. The petitioner has not claimed any amount for Leave Encashment, LTA, Overtime, Incentives, Ex-Gratia/bonus etc. No employee expense has been capitalised.

1.18 The details of employee related expenses as allowed in the tariff order for FY 2010-11 and projected for FY 2011-12 have been summarized under the following Table:

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

Particular	FY 10-11 (as allowed in Tariff Order)	FY 11-12 (as claimed by SLDC)
Actual working strength at the beginning of FY	90	95
Sanctioned strength at the beginning of FY	135	135
Basic pay, DA, addl. Pay, main allowances etc.	537.64	624.73
Other Allowances (Medical, Travel, Arrears, W/M Compensation etc.)	14.12	47.32
Training & staff welfare expenses	5.70	3.10
Bonus/Exgratia to employees	0.00	0.00
Terminal Benefits/ EL encashment on retirement	0.00	0.00
Gross employee expenses	557.46	675.15
(less) Expenses capitalized	0.00	0.00
Net employee expenses	557.46	675.15

- 1.19** The Commission while scrutinizing the salary details observed that provisions for various items which were disallowed by the Commission in its previous tariff order are not claimed by the SLDC in present petition. Hence **the Commission allows net employee expenses of Rs.675.15 Lacs for FY 2011-12** as claimed by the petitioner.

Administration & General (A&G) Expenses

Petitioner's Submission:

- 1.20** The Administration and general expenses for SLDC and Sub LDCs for FY 2011-12 has been projected by SLDC as Rs.90.44 Lacs. SLDC has stated that the A&G expenses for the Ensuing Year have been worked out considering the following:-
- (i) **Insurance:** *At present, SLDC building and equipments are not insured, but provision for insurance has been made.*
 - (ii) **Telephone Expenses:** *The communication facilities provided through common pool services are not considered. However, the expenses towards additional communication facility proposed for the SLDC/Sub LDC officers are included.*
 - (iii) **Consultancy Charges:** *The projections towards consultancy charges have been kept for obtaining consultancy services for ISO 9001: 2008 certification of SLDC and for preparation of scheme for future SCADA system & Master Communication system.*
 - (iv) **Travel expenses:** *The projections towards travel expenses for the FY 2011-12 are kept same as mentioned for FY 2010-11 in view of increased staff and increased responsibilities on account of ABT/OA, regulatory & legal issues, training etc.*
 - (v) **Hiring of Vehicle:** *Only one vehicle was provided for OSD (SLDC) and no vehicles are provided for Sub LDCs, however provision for 1 more Vehicle for SLDC & one vehicle for each of 2 Sub-LDCs has been made for ensuing year.*
 - (vi) **Security / Service Charges:** *SLDC has to be provided with two armed security guards round the clock. As the services of armed security guards from common pool of MPSEB are not available, the armed security guards for SLDC for the current year are being deployed through outsourcing. The projection towards security charges for ensuing year has been considered on the basis of offers received for current year and considering daily minimum wages, PF contribution (13.61%), ESIC (4.75 %), Service Tax on order value (10.3%) etc. for six skilled workers.*
 - (vii) **Fee and Subscriptions Books And Periodicals:-** *The actual expenditure Rs.11.03 Lacs mentioned towards fee & subscription includes the amount Rs.10.97 towards WRPC Fees. However, for current and ensuing year provision for "WRPC Fees" and "Fees and Subscription Books & Periodicals" has been shown separately.*
 - (viii) **Stationery Expenses:** *The stationery expenses has been worked out considering the future increase in requirements due to Generation of various reports,*

increased responsibilities of Capital works, ABT/OA, EA, regulatory & legal issues etc.

- (ix) **Electricity Charges:** A Provision for electricity charges to office has been kept on the basis of actual electricity bills of SLDC Jabalpur for FY 2009-10. The same provision is kept for Ensuing Year considering energy saving measures.
- (x) **Entertainment expenses:** The entertainment expenses have been worked out considering the requirements due to increased responsibilities of SLDC.
- (xi) **Legal Expenses:** The legal expenses have been worked out considering various legal issues and regulatory matters.

Commission's Analysis:

- 1.21 The Commission vide its letter No.3524 dated 24/12/2010 observed that total A&G expenses claimed in the petition for FY 2011-12 is Rs.90.44 Lacs while the actual expenditure for FY 2009-10 was Rs.21.59 Lacs only. SLDC was asked to submit justification for steep increase in A&G expense in FY 2011-12.
- 1.22 In response to above, SLDC vide letter No.482 dated 07/03/2011 stated that “the projections of Rs.90.44 Lacs towards A&G expenses for the FY 2011-12 has been worked out in line with the projections made in previous years and comprises of expenditure projections towards telephone, consultancy, travelling, hiring of vehicle, security service, WRPC fee, stationery expenses, electricity charges, entertainment expenses, Advertisement, legal expenses etc. The actual A&G expenses of Rs.21.59 Lacs for FY 2009-10 comes out on the basis of various A&G expenses mentioned in certified Trial Balance of SLDC. At present, the expenditure towards electricity charges of SLDC office is carried out directly through book adjustments and cash payments are not made, hence the amount has not appeared in SLDC trial balance. The main reason of difference in the actual A&G expenditure from the A&G expenditure allowed in ARR for FY 2009-10 is due to above. The A&G projections for FY 2011-12 include expenses towards Electricity charges, Security service being received from private agency and consultancy charges for SCADA /EMS or Master telecom plan. In view of above, the A&G projections of Rs.90.44 Lacs for FY 2011-12 are justified.”

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

Particular	FY 2010-11 (as allowed in Tariff Order)	FY 2011-12 (as filed in subject Petition)
Administrative expenses (telecommunication, travel, MPERC/WRPC fees etc.)	30.39	38.48
Other charges (printing & stationery, electricity charges to offices, entertainment, miscellaneous etc.)	8.86	9.11
Electricity charges of Office	35.35	35.35
Legal charges	3.00	3.00
Materials related expenses	4.50	4.50
Gross A&G expenses	82.10	90.44
(less) Expenses capitalized	0	0
Net A&G expenses	82.10	90.44

- 1.23 The SLDC has made projections of Rs.35.35 Lacs for electricity charges which is same as was allowed by the Commission in last year's tariff order. The other A&G charges claimed by the SLDC in the present petition are also in line with the A&G charges approved by the Commission in previous tariff orders.
- 1.24 During the hearing held on 03/05/2011 the Commission directed the petitioner to submit details of actual electricity charges of SLDC for FY 2009-10 and FY 2010-11. The SLDC vide letter No.966 dated 13/05/2011 submitted that the actual electricity charges bills for FY 2009-10 was Rs.32.14 Lacs and it was Rs.28.80 Lacs for FY 2010-11. The petitioner also submitted the details with relevant documents in this regard.
- 1.25 The Commission observed that the SLDC's electricity bills for FY 2010-11 have been Rs.28.80 Lacs only. The Commission therefore approves electricity charges of Rs.30.00 Lacs for FY 2011-12 in this order. However, actual charges will be considered appropriately in the true-up petition. Accordingly, **the Commission approves the A&G expenses of Rs.85.09 Lacs for FY 2011-12 in this order.** Any adjustments for actual expenditure will be considered appropriately in the True-up petition for FY 2011-12.

Repairs & Maintenance (R&M) Expenses

Petitioner's Submission:

- 1.26 In the present petition, SLDC has projected Rs.215.98 Lacs as Repairs & Maintenance (R&M) expenses for FY 2011-12. The expense projections includes long term service agreement for SCADA and wide band communication system, AMC of auxiliary power supply system and maintenance of system support services.

Commission's Analysis:

- 1.27 The Commission vide letter No.3524 dated 24/12/2010 observed that the R&M expenditure on plant and machinery has been Rs.102.57 Lacs during FY 2008-09 and the total expenditure on R&M has been Rs.106.10 Lacs. The Commission sought reasons for estimating more than 100% increase in two years for R&M expense on plant and machinery.
- 1.28 SLDC vide letter No.482 dated 07/03/2011 stated that *"the projected Repair and maintenance expenses of Rs.215.98 Lacs for FY 2011-12, has been worked out on the basis of on going AMC contracts for SCADA/EMS, Wideband Communication system and ABT Computer System as well as estimated expenses towards maintenance of Auxiliary Power Supply system, Misc civil maintenance works in SLDC building, Office equipments etc.. The AMC of SCADA /EMS system and Wideband Communication system is being carried through Long Term Service Agreement contract awarded by PGCIL Mumbai. The increase in R&M expenses of FY 2011-12 over the actual R&M expenses of FY 2009-10 is due to following reasons:*
- *The LTSA contracts for SCADA / EMS system and Wideband Communication system started since Oct'2009 and Apr'2009 respectively, therefore actual expenditure was for part of FY 2009-10 for SCADA/EMS.*
 - *The LTSA projections for FY 2011-12 include provision for service tax, whereas no such provisions were made for current & previous years.*

- *Payment of LTSA amount is made on quarterly basis, the annual expenditure may vary due to delay in submission of bill or spill over of some payments to next year”.*

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

Particular	FY 10-11 (as allowed in Tariff Order)	FY 11-12 (as per Original Petition)
Plant and Machinery	185.95	206.58
Building	0.00	0.00
Civil Works	2.00	8.00
Furniture and Fixtures	0.70	0.70
Office Equipments	0.70	0.70
Gross R&M expenses	189.35	215.98
(less) Expenses capitalized	0.00	0.00
Net R&M expenses	189.35	215.98

- 1.29 The Commission observes that estimated increase in R&M expenses is mainly on account of Plant & Machineries which SLDC is required to incur for ring fencing. No R&M expense has been capitalised. In view of the above, **projections for R&M expenditure of Rs 215.98 Lacs for FY 2011-12 are allowed by the Commission.**
- 1.30 Based on the above, the Commission approves O&M expenses as given below :

Table 8: O&M expenses as approved by the Commission for FY 2011-12 (Rs. Lacs)

Sr. No.	Particulars	Claimed by SLDC	Approved by MPERC
1	Net employee expenses	675.15	675.15
2	Net Administration & General (A&G) expenses	90.44	85.09
3	Net Repair & Maintenance (R&M) expenses	215.98	215.98
	Total Operation & Maintenance (O&M) expenses	981.57	976.22

DEPRECIATION, ROE AND INCOME TAX:**Petitioner's submission:**

- 1.31 The GoMP has identified the assets of SLDC as a part of MPPTCL. SLDC has submitted that the depreciation has been worked out to Rs 13.75 Lacs & the Return on Equity (RoE) has been worked out to Rs 13.88 Lacs based on normative debt to equity ratio as 70:30. The Income Tax comes to Rs 4.72 Lacs. However, in line with the orders passed by the Commission for levy & collection of fee & charges for FY 2008-09, these charges are not included in the Annual Revenue Requirement of SLDC for the FY 2011-12.

Commission's Analysis:

- 1.32 The Commission observes that no Depreciation & RoE have been requested by the Petitioner as no separate Opening Balance Sheet for SLDC has been notified by the Govt of M. P. in

the Order dated 12th June 2008. The Commission accepts the petitioner's submission & **no amount for depreciation & RoE have been approved in this Order.**

INTEREST AND FINANCE CHARGES:

Petitioner's Submission:

- 1.33 SLDC has submitted that the interest and finance charges comprises of only one component i.e. Interest on Working Capital. The working capital has been computed considering the expenses for Employee cost, A&G, R&M and IWC. The monthly working capital comes out to Rs.82.59 Lacs. As per third amendment in Regulation of SLDC Fee and Charges notified on 19th Nov 2010, the Rate of interest on working capital has to be considered on normative basis equal to the Base Rate of State Bank of India as on 1st April of FY plus 4%. Accordingly the rate of IWC has been taken as 11.50 % (Base Rate 7.5% wef 1st July 2010). The IWC works out to Rs.9.50 Lacs.
- 1.34 The Commission vide letter No.3524 dated 24/12/2010 sought justification from SLDC in respect of its claim for interest on working capital on following grounds :
- i) Page 7 of the petition SLDC stated that salary, A&G and R&M of SLDC are being paid by MPPTCL and no revenue gap is observed.
 - ii) Information in form 8 indicates that the **actual expenditure** on Interest on Working Capital during FY 2009-10 is 0 (Nil).
 - iii) The information submitted in para 7(4) page 7 of the petition shows that the cumulative balance of capex fund was Rs.88.59 Lacs as on 31/03/2010 and interest of Rs.7.32 Lacs (approximately) has been calculated.
- 1.35 SLDC vide letter No.482 dated 07/03/2011 has submitted that *“Interest on working capital has been submitted in accordance with MPERC (Levy & Collection of SLDC fee & charges) Regulation-2004, 9.9(ii). As per third amendment in Regulation of SLDC Fee and Charges notified on 19th Nov 2010, the Rate of interest on working capital has to be considered on normative basis equal to the Base Rate of State Bank of India as on 1st April of FY plus 4%. Accordingly the rate of IWC has been taken as 11.50 % (Base Rate 7.5% wef 1st July 2010). The IWC works out to “Rs.9.50 Lacs”.*

SLDC also submitted that *“The information furnished in para 7(4) of the petition was on the basis of actual earning from Scheduling & Operation charges for FY 2006-07 to FY 2008-09 and provision earning for FY 2009-10. As the accounts for FY 2009-10 are finalized, the revised calculation of interest on Capex amount works out to Rs.8.07 Lacs, as given below :*

Calculation of interest on Capex fund (Rs in Lacs)

Sr. No.	Financial Year	Average rate of interest for FY	Capital Fund : (50% of Opn & Sch.)	Capital Exp during year (FA+CWIP +Adv)	Yearly balance of Capex fund (4)-(5)	Cumulative Balance of fund (5)-(6)	interest on (7) balance Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	
1	2006-07	8.60%	19.59	33.33	-13.74	NIL	NIL
2	2007-08	7.50%	33.82	15.94	17.88	4.14	0.15525
3	2008-09	7.50%	62.68	2.24	60.44	64.58	2.57700
4	2009-10	6.00%	75.79	26.86	48.93	113.51	5.34270
TOTAL							8.07495

Commission's Analysis:

- 1.36 The information filed by SLDC in Form F8 of its petition clearly shows that it is not required to service any interest on any long term loan and hence SLDC has not claimed any Interest and Finance charges in its petition. The Commission accepts SLDC's submission and no Interest & finance charges on long term loan is approved in this Order.
- 1.37 The Commission in Para 1.30 and para 1.31 of SLDC Tariff Order for FY 2010-11 noted that the amount of Rs.114.70 Lacs was available with SLDC for Capex and SLDC stated that **“as such no revenue gap is observed”**. The Commission stated in the same order that, *“the Commission is allowing fee & charges for SLDC for meeting the employee expenses, A&G expenses and R&M expenses in this Order and as such keeping a view consistent with the remarks in para 2.16 of its last Tariff Order for FY 2009-10, the Commission does not approves any Interest on Working capital in this Order. Since FY 2009-10 is still in progress, hence true-up of FY 2009-10 has not been done in this order for FY 2010-11. If SLDC makes actual expenditure on Interest on Working Capital and furnishes the details of interest earned on amount kept idle for past years, then it may be claimed in the True-up petition”*.
- 1.38 SLDC's balance sheet for FY 2009-10 also shows NIL interest and finance charges during FY 2009-10.
- 1.39 It is observed that in the present petition SLDC has considered its ARR as Rs.991.07 Lacs and has not considered the free Capex fund available with it, while calculating Interest on Working Capital.
- 1.40 Regulation 10.3 of MPERC (levy and collection of fee and charges by SLDC) Regulation, 2004, Revision – 1, 2006 (RG – 16 of 2006 dated 5th May, 2006 states that *“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 years. The SLDC shall maintain separate account for such earnings and shall have to disclose the details of investment made to the Commission at the time of determination of its annual revenue requirement”*.

- 1.41 During FY 2011-12 Operation and Scheduling (O&S) charges are expected to be Rs.160.00 Lacs. In format F1 of the present petition SLDC has considered 50% of O&S charges i.e. Rs.80.00 Lacs while calculating revenue from other charges for purpose of ARR. In accordance with the above mentioned provisions of the Regulations, the same practice was followed during previous years also. The SLDC's actual expenditure on Capex has been much lower than the Capex fund available with it. This is evident from the information submitted by the SLDC and this is the reason for cumulative balance of Capex fund of Rs.113.51 Lacs available with SLDC as on 31/03/2010 (as per latest balance sheet).
- 1.42 Taking into consideration all these factors the calculation for Interest on Working Capital is as under:-

Interest on Working Capital for FY 2011-12

(Rs. in Lacs)

S. No.	Particulars	As filed by SLDC	As approved by MPERC
1.	Net ARR	991.07	652.07
2.	Monthly Expenses (1/12 of ARR)	82.59	54.34
3.	Less: Cumulative Balance of Capex Fund (as per latest balance sheet information)	0.00	113.51
4.	Working Capital Requirement (2 – 3)	82.59	-59.17
5.	Interest on WC (@ 11.5%)	9.50	0.00

- 1.43 The Commission observes that the free reserves (in the form of unspent cumulative funds available for Capex) exceed the working capital requirement of the SLDC. Hence **the Commission does not approve any interest on Working Capital for FY 2011-12 in this order**. In its proposal to fill the revenue gap, SLDC has stated that “no revenue gap is observed”. If SLDC actually incurs any expenditure for Interest on Working capital & submits justification for it, such claim may be considered appropriately by the Commission, in the True-up petition for FY 2011-12.

OTHERS - PAYMENT OF STATUTORY TAXES, CESS, ETC.

Petitioner's Submission:

- 1.44 The Fee and Charges to be levied and collected by SLDC from the Licensees using the intra-state transmission system has been worked out exclusive of statutory taxes, levy, duty, Cess or any other kind of impost by the Government or any statutory authority. Such expenses, if any, shall be borne by the Licensees using the intra-state transmission system and shall be adjusted in the subsequent years.

Commission's Analysis:

- 1.45 The Commission accepts SLDC's submission and such taxes, cess, etc will be dealt with appropriately when actually incurred and claimed in the True-up petition.

OTHER INCOME:**Petitioner's Submission:**

- 1.46 Other Income of Rs.131.00 Lacs has been projected as income from Operation & Scheduling charges, connection charges and application processing fee from OAC. A comparative chart of actual other income for FY 09-10, other income allowed in SLDC Tariff Order for FY 10-11 & that claimed by SLDC for FY 11-12 is as under:

(Rs. in Lacs)

S. No.	Particulars	Actual (FY 09-10)	As allowed in Tariff Order (FY 10-11)	Estimated by SLDC for (FY 11-12)
1	Scheduling & Operation Charges (50% as income)	75.79	75.00	80.00
2	Connectivity Charges	5.65	6.00	6.00
3	Application processing fee from STOAC	41.70	90.00	45.00
	Total	123.14	171.00	131.00

Provisions of Regulations:

- 1.47 The Clause 9.14 & 10 of the Regulations provides that,

“Income from all charges determined by the Commission for SLDC operations shall be considered as income. This income shall include all fee and charges as may be specified by the Commission under these regulations.

Operation and Scheduling Charges:

The customers having the Long-Term agreements shall not be required to pay the System Operation and Scheduling Charges but they shall have to pay the charges for revising the schedule each time as determined by the Commission.

The system operation and scheduling charge as determined by the Commission on per transaction per day or part thereof basis shall be charged from all short-term open access customers using the State Transmission System and Distribution System, which shall be paid in advance every month. They shall also be required to pay the charges for revising the schedule each time as determined by the Commission.

Fifty percent (50%) of the revenue earned from Operation and Scheduling charges as per Regulation 10 from short-term customers above shall be retained by State Load Despatch Centre for Capital expenditure for the development of infrastructure at SLDC. The remaining 50% revenue shall be treated as income for computation of SLDC Fee and Charges for the following year. The SLDC shall maintain separate account for such earnings and shall have to disclose the details of investment made to the Commission at the time of determination of its annual revenue requirement.”

Commission's Analysis:

1.48 In form F1 of the petition, SLDC has estimated other income as under:

Table 9: Other Income (as filed by SLDC)

Sr. No.	Particulars	Amount (Rs. in Lacs)
1	Connectivity charges	6.00
2	Operation & Scheduling charges (50% as income)	80.00
3	Application processing fee for SOTA	45.00
	Total income from Connectivity and Operating charges	131.00

1.49 The Commission vide letter No.3524 dated 24/12/2010 sought reasons for reduction in “**expected revenue from other charges**” from Rs.171.00 Lacs in FY 2010-11 to 131.00 Lacs in FY 2011-12.

1.50 The SLDC vide its letter No.482 dated 07/03/2011 submitted that “*the revenue from other charges comprises of Scheduling & Operation charges, Connectivity charges and Application Processing fee. The income projections of Rs.171.00 Lacs for FY 10-11 were given on the basis of revenue received during previous year and anticipated application fees from Open Access customers during FY. The actual revenue from other charges for 2008-09 was Rs.149.24 Lacs, and the same for FY 2009-10 is Rs.123.14 Lacs. The reason for reduction in other income projected for FY 2011-12, as compared to FY 2010-11, is due to reduced anticipated application Fees from Open Access customers during ensuing year.*”

1.51 The Commission observed that,

- a) Trial balance as on 31/03/2010 shows that the connectivity charges are increased from Rs.3.75 Lacs in FY 2008-09 to Rs.5.65 Lacs in FY 2009-10. Hence SLDC’s projection of connectivity charges as Rs.6.00 Lacs for FY 2011-12 appears reasonable.
- b) Trial balance as on 31/03/2010 shows that the operation and scheduling (O&S) charges are increased from Rs.125.37 Lacs in FY 2008-09 to Rs.151.57 Lacs in FY 2009-10. Hence SLDC’s projection of connectivity charges as Rs.160.00 Lacs for FY 2011-12 appears to be reasonable. 50% of O&S charges, to be considered as revenue from other income, comes to Rs.80.00 Lacs.
- c) Schedule 10 of the SLDC’s balance sheet for FY 2009-10 shows that “application fee from open access customers” has reduced from Rs.82.80 Lacs in FY 2008-09 to Rs.41.70 Lacs in FY 2009-10. This shows that SLDC reduced projection of “application processing fee” from Rs.90.00 Lacs in FY 2010-11 petition to Rs.45.00 Lacs for FY 2011-12 in the present petition.

1.52 During the course of the hearing on 03/05/2011 the Commission directed the petitioner to submit details of actual connectivity charges and operation scheduling charges and application processing fee for FY 2008-09 and FY 2009-10 and to justify its projection for FY 2011-12 made in the present petition.

1.53 SLDC vide its letter No.966 dated 13/05/2011 submitted that:

Application processing fee received from Open Access Consumers was Rs.82.80 Lacs during FY 2008-09 and the same was Rs.41.70 Lacs during FY 2009-10. Hon'ble commission desired information / reasons for reduction in application processing during FY 2009-10.

Regarding reduction in application fee for FY 2009-10, it is submitted that under the category of day ahead transaction, around 855 applications were received during financial year 2008-09 and around 232 applications during financial year 2009-10. The amount of application fee received by SLDC under the head "Application processing fee" got reduced due to less number of applications during the financial year 2009-10 in comparison to financial year 2008-09. On the other hand, increase in scheduling and system operation charges for FY 2009-10 in comparison to FY 2008-09 is due to revision of Schedules by MP Genco, after Implementation of Balancing & Settlement Code during FY 2009-10. It also indicates that the short term open access transactions under advance or first come first category have increased during the financial year 2009-10 in comparison to financial year 2008-09.

A comparative chart of actual other income for last 3 years is as under:

Summary of O&S charges, Connectivity & Application processing fee					
Amount in Rs. Lacs					
Financial Year	Operation & Scheduling Charges.	Connectivity Charges	Application Processing Fee	50% of O&S treated as Income	Total Income (3+4+5)
1	2	3	4	5	6
2008-09	125.37	3.75	82.80	62.69	149.24
2009-10	151.57	5.65	41.70	75.79	123.14
2010-11	203.78	9.75	27.45	101.89	139.09

1.54 The Commission has considered the petitioner's submission and observed that the actual other income for past 3 years has been Rs.149.24 Lacs, Rs.123.14 Lacs & Rs.139.09 Lacs respectively. The Commission also observed that the increase in operation & scheduling charges for FY 2009-10 in comparison to FY 2008-09 is due to revision of Schedules by MP Genco, after Implementation of Balancing & Settlement Code during FY 2009-10. O&S charges have increased further in FY 10-11. The other income has increased by Rs.16 lacs in FY 2010-11 and may be expected to increase by Rs.11 Lacs in FY 11-12. The Commission, therefore **approves SLDC's other income as Rs.150.00 Lacs for FY 2011-12 for the purpose of this order.** The actual income under these heads shall be considered and adjusted appropriately while undertaking true-up process.

RECONCILIATION/ TRUE UP OF FY 2009-10 ACCOUNTS WITH FY 2009-10 ORDER

1.55 In SLDC tariff order for FY 2010-11, the Commission directed SLDC to file True-up for FY 2009-10 along with the Tariff petition for FY 2011-12.

1.56 The Commission vide letter No.3524 dated 24/12/2010 observed that SLDC had not considered the actual expenses made in FY 2009-10 in the present petition. The Commission directed SLDC to incorporate the true-up amount for FY 2009-10 also as part of the subject petition.

1.57 SLDC vide letter No. 482 dated 07/03/2011 submitted that the details of expenses and income approved in ARR for FY 2009-10 and actual expenditure and actual income as per audited account are summarized are as under:

• **“Expenses:**

(Rs. in Lacs)

<i>Particular</i>	<i>Expenses as allowed in ARR for FY 2009-10</i>	<i>Actual Expenses for FY 2009-10 as filed in the petition</i>	<i>Difference (Allowed-Actual) to be reconciled</i>
<i>Employee Costs</i>	483.51	454.98	28.53
<i>Administration & general Expenses</i>	136.23	21.59	114.64
<i>Repairs & Maintenance Expenses</i>	170.22	106.10	64.12
<i>Interest & Finance Charges</i>	0.00	0.04	-0.04
<i>Total</i>	789.96	582.71	207.25

Other Income:

(Rs. in Lacs)

<i>Particular</i>	<i>Income as allowed in ARR for FY 2009-10</i>	<i>Actual income for FY 2009-10 as filed in the petition</i>	<i>Differences (Allowed-Actual) to be reconciled</i>
<i>50% of Scheduling & Operating Charges.</i>	70.00	75.79	-5.79
<i>Connectivity Charges</i>	5.00	5.65	-0.65
<i>Application Charges</i>	85.00	41.70	43.30
<i>Sub-Total</i>	160.00	123.14	36.86
<i>Other miscellaneous receipts as mentioned in Form F2</i>	0.00	3.76	-3.76
<i>Total</i>	160.00	126.90	33.10

SLDC submitted that net amount to be reconciled for FY 2009-10 and to be adjusted in ARR of FY 2011-12 works out to (207.25- 33.10) i.e. Rs 174.15 Lacs..

1.58 The Commission observed that Interest and Finance Charges of Rs.0.04 Lacs as shown above by SLDC are actually bank charges of Rs.3,860/- only which are shown under schedule 14 (A&G expenses) of Profit & Loss account of SLDC.

- 1.59 The Commission while observing some discrepancies between the figures shown in the balance sheet, profit and loss account and its schedule for FY 2009-10 and corresponding figures mentioned in various formats of the petition asked the petitioner to reconcile all figures mentioned in the balance sheet and profit & loss account for FY 2009-10, with the corresponding figures filed in the petition and submit reasons for discrepancies, if any.
- 1.60 SLDC vide its letter No.482 dated 07/03/2011 submitted that “*the Employee cost, A &G and R&M expenses shown in respective forms of the petition for FY 2009-10 are on the basis of Audited Trial Balance of SLDC for the FY 09-10, hence the same are actual expenses. Further, regarding the discrepancies pointed out by Hon’ble commission in para (xi) of the letter dated 24.12.11, it is submitted that variation in the figures shown in Balance Sheet, Profit & Loss A/c and its schedule for Financial Year 09-10 is due to following reasons:*

(Amount in Rs Lacs.)

Particular	Financial statement		Petition		Difference	Response by SLDC
	Schedule No.	Amount	Form No	Amount		
Employee Cost	13	480.61	F4	454.98	25.63	Explanation 1
A & G Expenses	14	21.65	F5	21.59	0.06	Explanation 2
SLDC charges	10	717.94 759.64	F1	560.72 683.86	75.78	Explanation 3
Other Income	11	2.50 1.25	F2	3.61	0.14	Explanation 4
Gross Fixed Asset & Depreciation	2	288.30 196.19	F7	296.19 157.08	Form F7 has been Revised	Explanation 5

Explanation:- 1

The employee cost of Rs.454.98 mentioned in Form F4 comprises of actual employee cost of Rs.454.95 and training expenses of Rs.0.03 Lacs The employee cost of Rs.480.61 Lacs mentioned in Schedule 13 comprises of actual employee cost of Rs.454.95 as well as the amount of Rs.25.66 Lacs approx towards **provision** of wage revision arrears which is not mentioned in the form F4 of the petition. Further, the training expense Rs.0.03 Lacs are shown in Form 4 as per standard format of the petition but the same is considered as A&G expenses and included in schedule 14. Therefore, actual Employee Cost of Rs.454.98 Lacs as mentioned in Form F4 is claimed for true up.

Explanation:- 2

The A & G expenses of Rs.21.65 Lacs mentioned in schedule 14 comprises of various A&G expenses of Rs.21.59, the Banking charges of Rs.0.03 Lacs and the Training expenses of Rs.0.03 Lacs. The A&G expenses Rs.21.59 Lacs shown in form F5 are exclusive of banking charges and Training charges because the banking charges are shown in Form F8 and training charges are shown in Form F4. Therefore, A&G expenses of Rs.21.59 Lacs as mentioned in Form F5 are actual expenses claimed for true up.

Explanation:- 3

The SLDC Charges comprises of Revenue from fee & Charges (i.e from three Discoms & SEZ) and revenue from other charges (i.e. Scheduling & Operation, Connectivity & Application Processing Fees). The amount of Rs.683.86 Lacs shown in Form F1 includes Rs.75.78 Lacs towards revenue from 50% of Scheduling & Operation Charges. As per MPERC (Levy & Collection of Fee & Charges) Regulation 2004, (10.3), 50% of scheduling & operation charges are to be considered as earning and balance 50% is to be retained for infrastructure development. Accordingly, total Scheduling & Operation charges of Rs.151.57 Lacs are shown in two equal parts, 50% amount as earning in Form F1 and 50% amount retained for capex. The amount of Rs.759.64 shown in schedule 10 include Rs.151.57 Lacs towards revenue from total Scheduling & Operating Charges. An increase of Rs.75.78 Lacs in schedule 10 is due to accounting of 100% of Scheduling & operating charges received during the Financial Year 09-10. Therefore, the amount of Rs.123.14 Lacs as shown in Form F1, is actual earning for FY2009-10 claimed for true up.

Explanation:- 4

The amount of Rs.3.76 Lacs (approx) shown in other income schedule 11 comprises of Rs.2.50 Lacs towards Interest income on loan & advance to staff and Rs.1.25 Lacs towards miscellaneous receipts. The same is shown in other income Form F2. The difference in Schedule 11 and Form F2 of Rs.0.14 Lacs was due to inadvertent mistake appeared in excel sheet, Form No. F2, row B (10). The mistake has been corrected. The amount shown in schedule 11 & Revised Form F2 are now same, which has been claimed for true up.

Explanation:- 5

Gross Fixed Asset & Depreciation amounts shown in Form F7 were worked out on the basis of Asset Records available at SLDC & earlier % of rate of depreciation. The Form F7 has been revised on the basis of Audited Financial Statement Schedule 10 and now there is no discrepancy in the Gross Fixed Asset & Depreciation statements.

- 1.61 The justifications given by the SLDC appear to be appropriate in light of the balance sheet and trial balance for FY 2009-10 submitted by it. The Commission considers the SLDC's submission and **the net amount of reconciliation (true-up for FY 2009-10) of Rs.174.15 Lacs is adjusted in ARR of FY 2011-12.**

SUMMARY OF ARR

1.62 In view of above analysis, the ARR of SLDC for FY 2011-12 as approved by the Commission is summarized below :

Table 10: Summary of the ARR as approved by the Commission for FY 2011-12 (Rs. Lacs)

Sr. No.	Particulars	As filed by SLDC	As approved by MPERC
1	Net Employee Expenses (excluding Terminal Benefits)	675.15	675.15
2	Net A&G expenses	90.44	85.09
3	Net R&M expenses	215.98	215.98
4	Depreciation	0.00	0.00
5	Interest on Loans	0.00	0.00
6	Interest on Working Capital	9.50	0.00
7	Return on Equity	0.00	0.00
8	Income Tax	0.00	0.00
9	Total revenue expenditure	991.07	976.22
10	(Less) Income from Connectivity and Operating charges	N.C.	150.00
11	(Less) True-up for FY 2009-10	N.C.	174.15
12	Net ARR for FY2011-12	991.07	652.07

*N.C. stands for "Not considered" by the petitioner in its original filing.

ALLOCATION OF ANNUAL SLDC CHARGES

1.63 MPPTCL filed the transmission system capacity of 9229 MW (excluding SEZ, Pithampur) for FY 2011-12 in the multi-year tariff petition for FY 2009-10 to FY 2011-12 filed by MPPTCL with the Commission. The same transmission system capacity is considered in this order also for FY 2011-12. It is further to mention that the capacity allocation filed by MPPTCL in the aforementioned MYT petition was based on the reallocation of the generation capacity notified by the State Government on 16th June, 2009. Further, the Energy Department, GoMP vide notification No.4353-F-3-24-2009-XIII dated 16th May, 2011 has re-allocated the total generation capacity available as on date to the three Distribution Companies in the State in the following manner:

Discom	Generation Capacity Allocation
M. P. Madhya Kshetra Vidyut Vitaran Co. Ltd.	32.15%
M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd.	37.33%
M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd.	30.51%

1.64 As per clause 11.2 of the MPERC (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2004 (Revision-1, 2006); the allocation of SLDC charges to the individual Licensees and Open Access customers having the Long-Term Agreements

shall be in proportion of share allocation to the total transmission capacity determined by the Commission. Accordingly annual SLDC charges work out as under:

Table 11: Annual SLDC Charges for Long - Term Open Access Customers for FY 2011-12

Sr. No	Particulars	Long-Term Open Access customers				Total
		East Discom	West Discom	Central Discom	SEZ Indore	
1	Total annual SLDC charges (Rs. Lacs)					652.07
2	Long-term allocation of Transmission Capacity (MW) (as per Transmission MYT Order dated 11/01/2010)	2816	3445	2968	12	9241
3	Annual SLDC charges payable by Long-Term Access customers (Rs. Lacs)	198.68	243.18	209.36	0.85	652.07
4	Annual SLDC charges payable by Long-Term Access customers (Rs./MW)					7056.27

SUMMARY OF FEES AND CHARGES

1.65 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. It is presumed that existing level of fee and charges would be sufficient to meet the annual expenses of SLDC. The following table summarises fees and charges approved by the Commission for use of SLDC services:

Table 12: Applicability and levy of various SLDC fees and charges for FY 2011-12

Sr. No.	Fee/Charge Applicable towards	Applicability to customer category on the basis of type of agreement								
		Long Term			Short Term			Renewable Energy Sources		
		Yes /No	Frequency	Amount (Rs.)	Yes /No	Frequency	Amount (Rs.)	Yes /No	Frequency	Amount (Rs.)
1	Connection fee	Yes	One Time	1,00,000	Yes	Once for a month or part thereof	5,000	Yes	Only Once, irrespective of Long Term or Short Term	5,000
		No charges for additional short term open access								
2	Annual SLDC charges	Yes	Two Half yearly instalment	7056.27 per MW of allocated transmission capacity	No	--	--	No	--	--
3	Operation & Scheduling	No	--	--	Yes	Per transaction per day or part thereof	3,000	No	--	--
4	Revising schedule	Yes	For each revision	3,000	Yes	For each revision	3,000	No	--	--

MISCELLANEOUS :

Late payment surcharge:

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

Rebate on early payment:

- 1.67 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.

PUBLIC OBJECTIONS AND COMMENTS ON THE PETITION:

- 1.68 The Commission vide its letter No.1017 dated 28/03/2011 directed the petitioner to ensure that the copies of the petition are served to all respondents within a week's time. The Commission vide same letter sought comments / suggestions on the petition from all respondents i.e M. P. Power Generating Company Ltd. (MPPGCL), Narmada Hydro-electric Development Corporation Ltd. (NHDC), Narmada Valley Development Authority (NVDA), M. P. Power Transmission Company Ltd. (MPPTCL), M. P. Poorv Kshetra Vidyut Vitaran Co. Ltd. (East Discom), M. P. Madhya Kshetra Vidyut Vitaran Co. Ltd. (Central Discom), M. P. Paschim Kshetra Vidyut Vitaran Co. Ltd. (West Discom), and M. P. Audyogik Kendra Vikas Nigam Indore (SEZ). The Commission directed that Comments/ suggestions must be submitted by 25/04/2011 & fixed hearing on 03/05/2011 to hear the respondents in the matter.

- 1.69 No comment was received by the Commission from any of the respondents in the matter till due date. The petitioner vide its letter No.842 dated 27/04/2011 submitted that copies of the petition have been served to all respondents vide its letter No.SE/LD:E&T/645-VIII/807 dated 08/12/2010 and SLDC has not received any comment / suggestion till 26/04/2011 in the matter of this petition.

- 1.70 However, MPAKVN Indore vide its Affidavit dated 26/04/2011 submitted its suggestion /comment after the due date. MPAKVN has submitted as under;

“That the respondent is procuring short term power from MP Tradeco and for this it is required to pay scheduling charges @ Rs 3000/- per day. Considering that the petitioner is scheduling power for large number of customers including three distribution companies , various generators and large number of open access customers (long & short term), these charges may be reduced for short term open access. This will also encourage open access customer to source power from alternate sources viz energy exchanges, traders and generators etc which may mitigate power shortage in the state.”

- 1.71 The MPAKVN's suggestion was forwarded to the petitioner seeking its response. The petitioner vide its letter No. 865 dated 29/04/2011 submitted its response to the Commission. SLDC has submitted as under;

- (i) *“In accordance with MPERC (Terms & Conditions for Intra State Open Access in Madhya Pradesh) Regulations-2005 and as determined and fixed by the Hon’ble Commission from time to time, the scheduling and system operation charges Rs 3000/- per transaction per day or part thereof for SLDC in case of Intra State Short Term Open Access are being claimed by SLDC.*
- (ii) *In response to contention of comments made by the Respondent that the Petitioner is scheduling power for large number of customers including three Discoms, various Generators and large no. of open access customers (long & short term), it is submitted that for Long Term Open Access Customers, such charges are not applicable.*
- (iii) *At present, only two open access customers are trading power under intra-state short-term open access regime. The statement of respondent regarding receipt of large amount by SLDC under scheduling & operation charges is not correct.*
- (iv) *The contention of respondent regarding scheduling & operation charges and encouragement of Open Access customers to source power from alternate sources, is not understood. As the levy & collection of scheduling & operation charges does not restrict Open Access customers to source power from alternate sources viz. Energy exchanges, traders and generators to mitigate power shortage in the state.*
- (v) *It is submitted that State network is quite complex comprising wide transmission & distribution system at different levels i.e. 400 KV, 220 KV, 132 KV etc, The scheduling & operation charges for SLDC are fixed by Hon’ble Commission for SLDC’s role involved for scheduling of power and keeping continue watch on system parameters to operate the system in reliable mode within safe operating limits as per Indian Electricity Grid Code and M.P. Electricity Grid Code standards. As such, scheduling & operation charges Rs 3000/- fixed by Hon’ble Commission are quite reasonable and justified.*
- (vi) *The petitioner most respectfully prays that the Hon’ble Commission be pleased to continue present rate of scheduling & operation charges Rs 3000/- for the FY 11-12”.*

1.72 The Commission considered MPAKVN’s suggestion & the petitioner’s response. The Commission checked that O&S charges have been Rs 3000/- per transaction per day since FY 2006-07. The Commission also considered that Committee on “Manpower, certification and incentives for system operation & Ring fencing of LDCs” formed by the Ministry of Power, Government of India, has emphasised on making LDCs self reliant. The Commission also considered that its Regulations state that “50% of revenue earned from O&S charges from short term customers shall be retained by SLDC for Capital expenditure for development of infrastructure at SLDC”. After careful examination of all related issues, the Commission decided that O&S charges of Rs.3000/- per transaction per day or part thereof for FY 2011-12 are appropriate.

- 1.73 The Commission conducted hearing on the Tariff Petition of SLDC at Bhopal on 03/05/2011 in the office of the Commission. During the hearing the petitioner's representatives gave a brief description of the petition filed by it. The representatives appeared on behalf of the MPMKVCL Bhopal & MPPKVCL Jabalpur stated that they have no objection on the petition filed by the SLDC. The Commission sought some clarifications regarding Capex actually done by the SLDC, details of Connectivity fee / Application fee and O&S charges received during the previous year and directed the petitioner to file information regarding the issues discussed during the course of hearing. These have been discussed in detail in the relevant portion of this Order.

CHAPTER 2

COMMISSION'S DIRECTIVES

- 2.1 The Commission directs MPPTCL and SLDC to comply with the recommendations related to Manpower, certification and incentives for system operation and ring fencing Load Despatch Centres made by the Committee constituted by the Ministry of Power.
- 2.2 The signed, dated and authenticated annual financial statements including Balance Sheet and P&L account of SLDC for FY 2010-11 be filed with the Commission along with the petition for SLDC charges for FY 2012-13. The annual financial statements must follow all accounting standards prescribed by ICAI and must be prepared as per rules notified by ICAI from time to time.
- 2.3 The Commission directs SLDC to submit its proposal to fill the revenue gap, if any along with its Petition for FY 2012-13.
- 2.4 The Commission directs SLDC to complete Capex works as per schedule and to file full details on the issues raised in the chapter of Capital expenditure with next petition.
- 2.5 The Commission directs the SLDC to file details of separate accounts towards capital expenditure actually incurred since FY 2007-08 as required as per Regulation 10 of MPERC (levy and collection of fee and charges by SLDC) Regulations.
- 2.6 The details in respect of interest earned on the funds marked for Capex out of the Operation & Scheduling charges, connectivity charges & processing fee being received by SLDC be also submitted to the Commission with full details with the next year's petition.
- 2.7 The SLDC should file the details of year-wise Sub-SLDC expenses mentioning the year in which these expenses have been separated from the M. P. Power Transmission Company Ltd., to SLDC accounts. A certificate from the Competent Authority of the MPPTCL shall also be placed before the Commission before filing the petition for levy & collection of fee & charges by SLDC for FY 2012-13.

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