

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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Case No. 94 of 2009

In the matter of
Petition filed by MSETCL for approval of MSLDC Budget for FY 2010-11

Shri V.P. Raja, Chairman
Shri S.B. Kulkarni, Member
Shri V.L. Sonavane, Member

ORDER

Dated: August 6, 2010

In accordance with the first proviso to Section 31(2) of the Electricity Act, 2003 (“EA 2003”), the Maharashtra State Electricity Transmission Company Limited (MSETCL), which is the State Transmission Utility (“STU”), operates the Maharashtra State Load Despatch Centre (MSLDC). MSETCL, in the capacity of STU, initially filed a Petition on December 7, 2009, seeking the Commission’s approval for the budget for operational cost of the MSLDC for FY 2010-11 as required under Regulation 18.1 of the MERC (Transmission Open Access) Regulations, 2005. The Commission scheduled a Technical Validation Session (TVS) at the office of the Commission on February 8, 2010, during which the Commission made several observations and identified data gaps as covered under paragraph 2, which were required to be addressed for further processing of the Petition. Subsequently, after the Technical Validation Session (TVS), MSLDC submitted a revised Petition on March 11, 2010 for approval of SLDC Budget for FY 2010-



11, after addressing the observations made during the TVS and furnished additional information in response to data gaps identified. The prayers made in the Revised Petition are, as under: -

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- (a) *Consider and approve the Budget of Cost of Operation of the State Load Despatch Centre for the Financial Year 2010-11.*
- (b) *Approve the MSLDC Fees & charges as deemed appropriate, and approve the principles for levy of MSLDC Fees and Charges.*
- (c) *Retain the revenue through scheduling, rescheduling, registration fees and processing fees with MSLDC as a surplus and reserves of MSLDC which would help in providing the margin money for further CAPEX as recommended by the Task Force set up by MoP.*
- (d) *Retain the other charges i.e. Scheduling charges, Rescheduling Charges, Registration Fees, Processing Charges and Delayed Payment Charges as approved in MSLDC Budget Petition Order in Case No.117 dtd.29th April 2009.”*

2. During the TVS, the following observations were made, additional information were sought and data gaps were identified that were required to be addressed for further processing of the Petition:

- a) As regards the capital expenditure (capex) schemes, the Commission enquired whether the capex schemes are in continuation from last year. In response, MSLDC submitted that implementation of Supervisory Control and Data Acquisition (SCADA) and Availability Based Tariff (ABT) mechanism are continuing schemes and are expected to be completed in June 2010 and the infrastructural development under capex scheme is expected to be completed in FY 2010-11.
- b) The Commission observed that the budget submitted by MSLDC is basically an incremental budget and MSLDC should review the same and submit the revised Petition for approval of budget for FY 2010-11, by taking into consideration the



recommendations of the Pradhan Committee and Task Force (Satnam Singh) Report.

- c) The Commission further observed that Western Regional Load Despatch Centre (WRLDC) and National Load Despatch Centre (NLDC) may be considered as benchmark for different operational parameters. Further, the Commission enquired regarding the status of compliance with the Pradhan Committee recommendations regarding IT preparedness of SLDC, i.e., implementation status of SCADA and other metering devices. MSLDC apprised the status of various activities vis-a-vis the recommendations of Pradhan Committee.
- d) The Commission expressed its concern that the operations of MSLDC are not keeping pace with the reforms envisaged at national level and the State of Maharashtra should not fall out of step with the developments taking place at the Central level. The Commission also enquired regarding the segregation of accounts of MSLDC from MSETCL.
- e) The Commission directed MSLDC to submit reviewed capex plan for next three years indicating physical and financial achievable targets with realistic timeframe. In response, Shri. Arvind Singh, MD-MSETCL submitted that the capex plan of MSLDC shall be revisited considering all the recommendations of Pradhan Committee and Satnam Singh Report and also WRLDC shall be consulted before proposing capex plan.
- f) The Commission enquired about the present status of Mumbai Sub-LDC. MSLDC submitted that Mumbai Sub-LDC operates only in general shift due to inadequate manpower.
- g) The Commission enquired about the present status of intra-State ABT implementation. In response, Shri. Girish Limaye, Dir. (Operation) MSETCL submitted that 90% metering has been done and 80% of the total meters are working satisfactorily with communication link. He added that 100% ABT meters have been procured and are expected to be fully operationalised by March 2010. Shri. Arvind



Singh added that by mid-February 2010, all the links and ABT metering are expected to be in place except for few new grid sub-stations.

h) Further, in response to the Commission's query, MSLDC, in its Petition, submitted an updated status of ABT implementation in the State:

Particulars	Status of Implementation	Remarks
ABT Metering	1873 (No. of Locations required) 1673 (Ordered) 1673 (Commissioned) 186 (Balance)	(1) All meters installed and commissioned as per the Order no.-273 and 274 dated- January 04, 2007 placed on M/s Secure meters. (2) Balance 186 location, which mainly are new bays, new transformers and about 35 new sub-stations added after placement of order and are being considered in extension Order under process
Communication Links	526 (No. of Locations required) 515 (Ordered) 515 (Commissioned) - (Balance)	(1) All links are installed and commissioned as per the Order no.- 6087 and 6088 dated- June 06, 2007 placed on M/s Tulip. (2) New sub-stations added after placement of order are being considered in extension order under process.



- i) Authorised Consumer Representative, Shri Abrol, stated that a three-year plan should be submitted by MSLDC.
- j) MSLDC was asked to submit the reasons for lower than expected capital expenditure during FY 2009-10. It was further observed that the capex plan period should coincide with the second Control Period of Multi-Year Tariff (FY 2011-12 to FY 2015-16), and the actual and sanctioned number of employees should be reconciled.
- k) The Commission directed MSLDC to provide transmission availability data in public domain.

3. Subsequently, MSLDC submitted revised petition on March 11, 2010 upon addressing the queries and data gaps raised during TVS. The Commission scheduled a Public Hearing on MSLDC's Petition on April 12, 2010, in the presence of Consumer Representatives authorized on a standing basis under Section 94(3) of the EA 2003 to represent the interest of consumers in the proceedings before the Commission. During the Public Hearing, MSLDC, which is currently being operated by MSETCL (the STU), presented its case for approval of the operational Budget for FY 2010-11 as required under Regulation 18.1 of the MERC (Transmission Open Access) Regulations, 2005. Authorized Consumer Representatives, Shri. N. Ponrathnam and Shri. Rakshpal Abrol were present. Shri. Ponrathnam emphasised on training of MSLDC personnel. None of the Distribution Licensees or Generating Companies were present during the said Public Hearing.

4. During the Public Hearing, the Commission emphasised on online linking-up of SLDC data with Regulatory Information Management System (RIMS) software at MERC. Further, the Commission opined that proper Human Resource (HR) policies should be formulated and put in practice in order to attract and retain personnel having potential. In response, MSLDC submitted that HR policies will be formed once MSLDC becomes a separate corporate entity.

A. Approval of Revenue Budget

5. The Commission, in its Order for approval of MSLDC Budget for FY 2006-07 in Case No. 30 of 2005, has outlined the modalities for approval of SLDC Budget as well as principles for recovery of MSLDC Fees and Charges from the Generating Companies and Licensees engaged in intra-State transmission of electricity. Accordingly, MSLDC Revenue Budget comprises of two parts, viz.,



- (i) **Part -A : MSLDC Operating Cost Budget**
- (ii) **Part -B : MSLDC Capital Charge Budget**

Part – A: Operating Cost Budget

6. MSLDC’s Operating Cost Budget comprises of expenses such as (i) Employee Expenses, (ii) Administration & General (A&G) Expenses, (iii) Repairs & Maintenance (R&M) Expenses, (iv) Interest on Working Capital, and (v) RLDC Fees and Charges.

(i) Employee Expenses

7. The details of employee related expenses actually incurred in FY 2008-09, revised estimates for FY 2009-10 and projections for FY 2010-11, as submitted by MSLDC, are shown in the following Table:

(Rs. Lakh)

Particulars	FY 2008-09		FY 2009-10			FY 2010-11
	MERC Order Provisional True-up (Case No. 117 of 2008)	Actual	MSLDC Petition (as in Case No. 117 of 2008)	MERC Order (Case No. 117 of 2008)	MSLDC (Revised Estimate)	MSLDC (Petition)
Employee expenses	589.34	672.05	753.86	632.42	855.56	1064.67

8. MSLDC submitted that as per audited accounts, the total employee expenses of MSLDC for FY 2008-09 was Rs. 672.05 Lakh as against Rs. 589.34 Lakh approved by the Commission during provisional truing-up in the previous SLDC Budget Order (Case No. 117 of 2008). The difference between the approved and actual employee expenses for FY 2008-09 is mainly on account of the wage revision due from April 1, 2008 and Load Despatch (LD) allowance, etc., which had not been considered in the earlier Order dated April 29, 2009 in Case No. 117 of 2008, due to pending approval from MSETCL. Further, in its reply to the Commission’s query regarding the reconciliation of the difference between the number of employees working and that sanctioned by MSETCL, MSLDC along with its revised Petition submitted the actual employee strength and employee



strength sanctioned by MSETCL for the period from FY 2008-09 to FY 2010-11, as shown below:

Financial Year	Sanctioned Employees (Nos.)	Actual Employees (Nos.)
FY 2008-09	136	118
FY 2009-10	143	122
FY 2010-11	143	143

9. MSLDC submitted that the total employee expenses of Rs. 672.05 Lakh submitted in the Petition has been arrived at based on actual employee strength of 118 and upon taking into consideration the impact of arrears of around Rs 125.16 Lakh due to wage revision. As per MSLDC's submission under Form F2 and Notes to certified proforma accounts, the Commission notes that arrears due to wage revision have been considered as Rs 124.21 lakh as against Rs 125.16 lakh claimed under write-up. Accordingly, for the final truing-up exercise for FY 2008-09, the Commission has considered employee expenses of Rs. 671.10 Lakh for FY 2008-09, including payment of Rs 124.21 Lakh comprising of Rs. 119.93 Lakh towards pay revision arrears and Rs. 4.28 Lakh towards pay fixation arrears in line with the submissions of MSLDC, under its duly certified Proforma Accounts.

10. MSLDC submitted that the estimate of total employee expenses of Rs 855.56 lakh for FY 2009-10 is based on projected employee strength of 143 equal to sanctioned manpower strength. MSLDC has clarified that the employee expenses for the period April 2009 to September 2009 based on unaudited accounts is Rs.380.12 Lakh and total employee expenses for FY 2009-10 have been estimated as Rs.855.56 Lakh.

Further, MSLDC submitted that the projection of total employee expenses for FY 2010-11 is based on projected employee strength of 143 equal to sanctioned manpower strength including manpower cost for 6 personnel sanctioned to work at Mumbai Sub-LDC at Trombay. In addition, MSLDC submitted that 5 additional engineers will be required for the smooth operation of Mumbai sub-LDC on 'round the clock' basis. Accordingly, MSLDC has projected employee expense of Rs. 672.05 Lakh for FY 2008-09, Rs 855.56 Lakh for FY 2009-10 and Rs. 1064.67 Lakh for FY 2010-11.



11. For projection of employee expenses for FY 2009-10, the Commission has considered increase in various components of the approved employee expense for FY 2008-09 on account of inflation factor at the rate of 10.06% per annum. The inflation factor of 10.06% p.a. is based on Consumer Price Index (CPI). The Commission has considered the point to point inflation over CPI numbers for Industrial Workers (as per Labour Bureau, Government of India) for a period of 3 years, i.e., FY 2006-07 to FY 2008-09 to smoothen the inflation curve. Incentive payment is an exception and is accepted as proposed. As regards number of employees, the Commission has considered actual number of employees as presented by MSLDC during FY 2009-10 and projected employee strength equivalent to sanctioned strength for FY 2010-11. In addition, the Commission has also considered additional manpower cost for undertaking Mumbai Sub-LDC operations, as proposed by MSLDC. The Commission notes that Government of Maharashtra has already permitted MSLDC to set up sub-load despatch centre at TPC-Trombay to cater to Mumbai area operations.

12. For FY 2010-11, the Commission has considered increase in various components on account of inflation at the rate of 5.72% per annum over approved employee expenses (after provisional true-up) for FY 2009-10. The escalation factor of 5.72% per annum is in line with that specified by the Central Electricity Regulatory Commission (CERC) in the CERC (Terms and Conditions of Tariff) Regulations, 2009. Further, the DA expenses have been approved as proposed by MSLDC. Accordingly, the summary of approved employee expenses is given in the Table below:

(Rs. Lakh)

Particulars	FY 2008-09		FY 2009-10		FY 2010-11	
	Final Truing-up		Provisional Truing-up		Budget	
	MSLDC (Actual)	Allowed after Truing-up	MSLDC (Revised estimate)	Approved	MSLDC (Petition)	Approved
Employee expenses	672.05	671.10	855.56	746.43	1064.67	858.09

(ii) Administration and General Expenses



13. The details of A&G expenses actually incurred in FY 2008-09, revised estimates for FY 2009-10 and projections for FY 2010-11 as submitted by MSLDC, are shown in the following Table:

(Rs. Lakh)

Particulars	FY 2008-09		FY 2009-10			FY 2010-11
	MERC Order Provisional True-up (Case No. 117 of 2008)	Actual	MSLDC Petition (as in Case No. 117 of 2008)	MERC Order (Case No. 117 of 2008)	MSLDC (Revised Estimate)	MSLDC (Petition)
A&G Expenses	134.41	139.84	214.59	142.52	222.93	246.79

14. MSLDC submitted that the actual A&G expense incurred during FY 2008-09 amounts to Rs. 139.84 Lakh as against Rs 134.41 lakh approved by the Commission during provisional true up for FY 2008-09. For the purpose of final truing-up, the Commission has considered the actual A&G expenses as submitted by MSLDC in line with audited proforma accounts, as difference between approved and actual A&G expenses for FY 2008-09 is not significant.

15. MSLDC submitted that the estimated A&G expenses for FY 2009-10 is Rs. 222.93 Lakh, which includes A&G expense of Rs. 3.18 Lakh towards Mumbai Sub-LDC operations, as against the Commission approved figure of Rs. 142.52 Lakh. Further, MSLDC added that the difference between the revised estimate and earlier approved figure is mainly due to the significant increase in estimate of electricity charges and A&G expenses for Mumbai Sub-LDC operations, which were not factored in, while approving projection of A&G expenses for FY 2009-10 in the previous Order.

16. For provisional truing-up of A&G expenses for FY 2009-10, the Commission has considered inflationary impact of 7.64% per annum based on the increase in Wholesale Price Index (WPI) and Consumer Price Index (CPI) for all other components of A&G expenses excluding electricity charges. The Commission has considered the point to point inflation over WPI numbers (as per Office of Economic Advisor of Govt. of India) and CPI numbers for Industrial Workers (as per Labour Bureau, Government of India) for a period of 3 years, i.e., FY 2006-07 to FY 2008-09, to smoothen the inflation curve. The



Commission has considered a weight of 60% to WPI and 40% to CPI, based on the expected relationship with the cost drivers. As regards electricity charges, the Commission notes that actual electricity charges for the period from Apr-09 to Sep-09 as per MSLDC submission under Form F3 is Rs 59.60 Lakh. Accordingly, the Commission has considered electricity charges of Rs. 109 Lakh and rent of Rs.1.69 Lakh as projected by MSLDC.

17. For FY 2010-11, MSLDC has projected the A&G Expenses as Rs. 246.79 Lakh, out of which Rs. 144.20 Lakh is projected for MSLDC (Kalwa), Rs. 93.16 Lakh is projected for ALDC (Ambazari) and Rs. 9.43 Lakh is projected for Mumbai sub-LDC. The Commission has considered increase in various components on account of inflation at the rate of 5.72% per annum, in accordance with the rationale explained above while projecting employee expenses, over revised estimate of A&G expense (after provisional true-up) for FY 2009-10. The summary of approved A&G expenses is given in the Table below:

(Rs. Lakh)

Particulars	FY 2008-09		FY 2009-10		FY 2010-11	
	Final Truing-up		Provisional Truing-up		Budget	
	MSLDC (Actual)	Allowed after Truing-up	MSLDC (Revised estimate)	Approved	MSLDC (Petition)	Approved
A&G Expenses	139.84	139.84	222.93	198.27	246.79	214.60

(iii) Repairs and Maintenance Expenses

18. The details of R&M expenses actually incurred in FY 2008-09, revised estimates for FY 2009-10 and projection for FY 2010-11, as submitted by MSLDC are shown in the following Table:

(Rs. Lakh)

Particulars	FY 2008-09		FY 2009-10			FY 2010-11
	MERC Order Provisional True-up (Case No. 117 of 2008)	Actual	MSLDC Petition (as in Case No. 117 of 2008)	MERC Order (Case No. 117 of 2008)	MSLDC (Revised Estimate)	MSLDC (Petition)



R&M Expense	121.11	77.86	174.85	127.39	117.70	115.50
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19. MSLDC submitted that the actual R&M expense incurred during FY 2008-09 as per audited accounts is Rs. 77.86 Lakh, which is significantly lower than the approved expense of Rs 121.11 Lakh. The reduction in R&M expenses is on account of lower R&M expenditure on various heads like plant and machinery and civil works. Under the head civil works, MSLDC has incurred an expenditure of Rs. 1.73 Lakh as against the Commission approval of Rs. 35.10 Lakh. For the purpose of final truing-up for FY 2008-09, the Commission has considered the actual R&M expenses as submitted by MSLDC.

20. For FY 2009-10, MSLDC submitted that the actual R&M expenses for the period from April 2009 to September 2009 is Rs. 17.36 Lakh and the estimated figure for the period from October 2009 to March 2010 is Rs. 100.34 Lakh. The difference in two halves of the year is due to civil R&M expenses against AMCs in the latter half. Accordingly, MSLDC has projected revised estimate for R&M expenses for FY 2009-10 as Rs. 117.70 Lakh as against the Commission approved figure of Rs. 127.39 Lakh. For the purpose of provisional truing-up for FY 2009-10, the Commission has considered an inflationary impact of 6.03% per annum over FY 2008-09, based on the increase in Wholesale Price Index (WPI). The Commission has considered the point to point inflation over WPI numbers (as per Office of Economic Advisor of Govt. of India) for a period of 3 years, i.e., FY 2006-07 to FY 2008-09, to smoothen the inflation curve. Accordingly, the Commission R&M expenses upon provisional true-up of Rs 81.91 Lakh has been considered for FY 2009-10.

21. For FY 2010-11, MSLDC has projected R&M expenses as Rs. 115.50 Lakh, out of which Rs. 90.50 Lakh is projected for Kalwa and Rs. 25.00 Lakh is projected for Ambazari. Further, MSLDC added that the R&M expenses are comparatively lower under heads like civil works, office equipment, furniture and fixtures, etc. For projecting R&M expenses for FY 2010-11, the Commission has considered increase in various components on account of inflation at the rate of 5.72% per annum over the revised estimate of R&M expense (approved after provisional true-up) for FY 2009-10. The summary of approved R&M expenses is given in the Table below:

(Rs. Lakh)

Particulars	FY 2008-09	FY 2009-10	FY 2010-11
	Final Truing-up	Provisional Truing-up	Budget



	MSLDC (Actual)	Allowed after Truing-up	MSLDC (Revised estimate)	Approved	MSLDC (Petition)	Approved
R&M Expense	77.86	77.86	117.70	81.91	115.50	86.60

(iv) Interest on Working Capital

22. The normative Interest on Working Capital for FY 2008-09, revised estimates for FY 2009-10 and projection for FY 2010-11, as submitted by MSLDC, is shown in the following Table:

(Rs. Lakh)

Particulars	FY 2008-09		FY 2009-10			FY 2010-11
	MERC Order Provisional True-up (Case No. 117 of 2008)	Actual	MSLDC Petition (as in Case No. 117 of 2008)	MERC Order (Case No. 117 of 2008)	MSLDC (Revised Estimate)	MSLDC (Petition)
Interest on Working Capital	37.90	40.05	48.55	39.96	39.18	49.09

23. MSLDC submitted that it has considered the methodology provided in MERC (Terms and Conditions of Tariff) Regulations, 2005 for computation of Working Capital requirement and Interest on Working Capital. The Operating Cost Budget alone has been considered as per Commission's directive in this regard in the MSLDC Budget Order (Case No. 30 of 2005) where it has been stated under Para 34 on Interest on Working Capital as under:

“Accordingly, receivables corresponding to operating cost budget only need to be accounted for”.

24. MSLDC added that in the past, interest has been allowed at a rate equal to the Short Term Prime Lending Rate (PLR) of the State Bank of India (SBI) prevailing on the date on which the application for determination of charges is made. However, MSLDC has considered interest rate of 12.75% for FY 2008-09 and 11.75% for FY 2009-10 and FY 2010-11 for computation of normative interest on working capital.

25. MSLDC submitted that the Interest on Working Capital for FY 2008-09 is Rs. 40.05 Lakh. Further, MSLDC added that the Interest on Working Capital shall be payable on normative basis notwithstanding that MSLDC has not taken any working capital loan from



any outside agency. Further, while calculating interest on Working Capital for FY 2008-09, MSLDC, in its Petition, has considered receivables equal to two months equivalent of the expected revenue from tariff and charges. For the purpose of final truing-up for FY 2008-09, the Commission has considered the receivables equal to one and a half months equivalent of the expected revenue from tariff and charges in accordance with the MERC (Terms and Conditions of Tariff) Regulations, 2005. The Commission has considered interest rate for working capital as 11.75% from FY 2008-09 up to FY 2010-11. Further, interest on working capital would undergo a change since, O&M expenses, receivables, etc., are different from that projected by MSLDC. Therefore, the Commission has allowed Interest on Working Capital of Rs. 32.99 Lakh for FY 2008-09, Rs. 27.56 Lakh for FY 2009-10 and Rs. 35.84 Lakh for FY 2010-11, as summarised under the following Table:

(Rs. Lakh)

Particulars	FY 2008-09		FY 2009-10		FY 2010-11	
	Final Truing-up		Provisional Truing-up		Budget	
	MSLDC (Actual)	Allowed after Truing-up	MSLDC (Revised estimate)	Approved	MSLDC (Petition)	Approved
Interest on Working Capital	40.05	32.99	39.18	27.56	49.09	35.84

(v) RLDC related charges

26. MSLDC has booked RLDC related charges of Rs. 240.07 Lakh (comprising of RLDC charges and WRPC charges) for FY 2008-09, which has been accepted by the Commission.

27. Further, the Commission approves RLDC related charges of Rs. 241.05 Lakh (including WRPC fees and charges of Rs. 10.70 Lakh per year) for FY 2009-10 and Rs. 241.05 Lakh as projected by MSLDC for FY 2010-11, as shown in the Table below:

(Rs. Lakh)

Particulars	FY 2008-09		FY 2009-10		FY 2010-11	
	Final Truing-up		Provisional Truing-up		Budget	
	MSLDC (Actual)	Allowed after Truing-up	MSLDC (Revised estimate)	Approved	MSLDC (Petition)	Approved
RLDC Fees and Charges	240.07	240.07	241.05	241.05	241.05	241.05



Part – B: MSLDC Capital Charge Budget

28. MSLDC Capital Charge Budget comprises of (i) Depreciation, (ii) Interest and Finance Charges, and (iii) Return on equity, and these components are linked to Gross Fixed Assets as well as capital expenditure proposed to be capitalized during the year.

29. MSLDC, in its Petition, submitted the details of Capital Work in Progress (CWIP), capital expenditure incurred and Capitalisation during FY 2008-09 and projections for FY 2009-10. It further submitted the infrastructural development plan elaborating the various components and nature of infrastructure development and the expected benefits. However, under Form F5, MSLDC has submitted capitalisation of Rs. 102.44 Lakh, Rs. 314.62 Lakh, and Rs. 3754.00 Lakh during FY 2008-09, FY 2009-10 and FY 2010-11, respectively.

30. Further, in reply to data gaps, MSLDC submitted that in order to meet its strategic objectives, MSLDC has revised its Capital Expenditure plan for the Plan period from FY 2010-11 to FY 2012-13 to strengthen the following areas:

- (a) Enhancement of Real Time Data Acquisition Capability
- (b) Energy accounting, Balancing and Settlement System
- (c) Off-Line Systems for data management & system studies
- (d) Infrastructure Development to develop MSLDC as the state of the art centre.

31. For the purpose of final true-up for FY 2008-09, the Commission has considered capitalisation of Rs 102.44 Lakh as claimed by MSLDC as per its audited proforma accounts.

32. The capitalisation of Rs 314.62 Lakh during FY 2009-10 includes capitalisation of Rs 250.62 Lakh towards Balancing and Settlement Mechanism (BSM) software cost and capitalisation of energy accounting system. The Commission notes that as per MSLDC's submission, the Final Balancing Settlement Mechanism (FBSM) has not yet been operationalised and the same is expected to be put to use for commercial settlement by August 2010, hence, the Commission has considered capitalisation of the same during FY 2010-11 and not during FY 2009-10 as claimed by MSLDC. Thus, the Commission has considered capitalisation of only around Rs 64 Lakh (i.e., Rs 314.62 Lakh – Rs 250.62 Lakh) as against that claimed by MSLDC during FY 2009-10.



33. As regards projection of capitalisation of Rs 3754 Lakh during FY 2010-11, MSLDC submitted that as such, the total expenditure expected to be capitalized towards the ongoing schemes during FY 2010-11 would be Rs. 1909.00 Lakh. In addition, the expenditure towards new capex schemes during FY 2010-11 is estimated as Rs. 1845.00 Lakh. Hence total capital expenditure to be capitalized during FY 2010-11 will be Rs.3754.00 Lakh. For the purpose of projection of capitalisation during FY 2010-11, the Commission has considered capitalisation of only approved ongoing schemes equivalent to Rs 1909 Lakh and BSM software capitalisation cost of Rs 250.62 Lakh totalling to Rs 2159.62 Lakh. The actual capitalisation of ongoing schemes during FY 2010-11 shall be ascertained for cost and benefit analysis subject to prudence check during next year's SLDC budget approval exercise. Based on past trend of actual capitalisation by MSLDC, the Commission observes that there has been significant shortfall in accomplishment of capitalisation by MSLDC against approved capitalisation. Hence, the projected capitalisation of new schemes as proposed by MSLDC can be considered upon due approval and subject to prudence check subsequently.

34. Accordingly, for the purpose of computation of depreciation, interest on long-term debt and return on equity, the Commission has considered capitalisation of Rs. 102.44 Lakh for FY 2008-09, Rs. 64.00 Lakh for FY 2009-10 and Rs. 2159.62 Lakh for FY 2010-11 respectively.

(i) Depreciation

35. The details of depreciation expenses actually incurred in FY 2008-09, revised estimates for FY 2009-10 and projection for FY 2010-11, as submitted by MSLDC, are shown in the following Table:

36.

(Rs. Lakh)

Particulars	FY 2008-09		FY 2009-10			FY 2010-11
	MERC Order Provisional True-up (Case No. 117 of 2008)	Actual	MSLDC Petition (as in Case No. 117 of 2008)	MERC Order (Case No. 117 of 2008)	MSLDC (Revised Estimate)	MSLDC (Petition)



Depreciation	138.14	135.89	206.94	152.24	144.76	172.98
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37. MSLDC submitted that during FY 2008-09, depreciation of Rs. 135.89 Lakh has been considered based on applicable rates of depreciation for different class of assets. For the purpose of final truing-up for FY 2008-09, the Commission has considered depreciation expense of Rs. 135.89 Lakh in line with MSLDC's submission as per its audited proforma accounts. The overall average depreciation rate on average of opening and closing GFA works out to 2.66%.

38. For FY 2009-10, MSLDC has estimated the depreciation expenses as Rs. 144.76 Lakh for opening GFA of Rs 5165.87 Lakh, as per applicable rate of depreciation for different class of assets. For provisional truing-up, the Commission has considered depreciation of Rs. 142.16 Lakh on opening GFA as well as on assets added during the year on pro rata basis and the overall depreciation rate works out to 2.73% on average GFA of Rs 5197. 87 Lakh for FY 2009-10.

39. For FY 2010-11, MSLDC has estimated the depreciation expenses as Rs. 172.98 Lakh for opening GFA of Rs 5480.89 Lakh, as per applicable rate of depreciation for different class of assets. For projection of depreciation during FY 2010-11, the Commission has considered depreciation of Rs. 153.33 Lakh on opening GFA as well as projection of assets added during the year on pro rata basis mainly on account of difference in asset capitalisation during the year as considered by the Commission at Rs 2159.62 Lakh as against Rs 3754 Lakh as claimed by MSLDC, and the overall depreciation rate works out to 2.43% on average GFA of Rs 6309.68 Lakh for FY 2009-10.

(Rs. Lakh)

Particulars	FY 2008-09		FY 2009-10		FY 2010-11	
	Final Truing-up		Provisional Truing-up		Budget	
	MSLDC (Actual)	Allowed after Truing-up	MSLDC (Revised estimate)	Approved	MSLDC (Petition)	Approved
Depreciation	135.89	135.89	144.76	142.16	172.98	153.33

(ii) Interest on Debt



40. The interest expenses actually incurred in FY 2008-09, revised estimates for FY 2009-10 and projection for FY 2010-11, as submitted by MSLDC, are shown in the following Table:

(Rs. Lakh)

Particulars	FY 2008-09		FY 2009-10			FY 2010-11
	MERC Order Provisional True-up (Case No. 117 of 2008)	Actual	MSLDC Petition (as in Case No. 117 of 2008)	MERC Order (Case No. 117 of 2008)	MSLDC (Revised Estimate)	MSLDC (Petition)
Interest Expenses	119.36	59.54	268.25	169.67	75.60	232.24

41. The interest on the existing loans for MSLDC has been apportioned as Rs. 55.60 Lakh by MSETCL for FY 2008-09. In the final truing-up exercise for FY 2008-09, the Commission has considered the same as proposed by MSLDC in line with its Audited Accounts and Allocation Statements.

42. MSLDC submitted that the interest cost corresponding to new loans for new capitalised schemes has been computed in accordance with the guidelines specified by the Commission in its Order dated May 16, 2006, under Para 29. Accordingly, MSLDC proposed to consider interest costs based on normative debt-equity of 70:30 for the capital expenditure proposed during FY 2009-10 and FY 2010-11.

43. For FY 2009-10, MSLDC has calculated interest cost on new loans according to the Capex plan of Rs. 314.62 Lakh. For calculation of interest, normative debt of 70% of the Capex and an interest rate of 11.00% equivalent to interest rate of Power Finance Corporation (PFC) has been considered by MSLDC. Further, in the absence of specific details of capital expenditure and capitalisation schedule for each capex scheme, the Commission has considered uniform spending of capital expenditure through the year, 50% of Capex has been considered for computation of interest and hence, the interest cost on the new loans as per MSLDC for FY 2009-10 amounts to Rs. 75.60 Lakh. In this context, the Commission clarifies that the interest costs for revenue expenditure purposes should be computed only on the value of the capitalised assets, and the interest cost up to capitalisation should be treated as Interest During Construction (IDC) and should be capitalised along with the asset value.



44. Accordingly, for the provisional truing-up exercise, the Commission has considered capitalisation of Rs. 64.00 Lakh and the interest expense corresponding to normative loan at debt:equity of 70:30 basis has been computed as Rs 9.96 Lakh, in addition to the interest expense of Rs. 55.60 Lakh apportioned by MSETCL towards existing loans. Therefore, the Commission has approved Rs. 65.56 Lakh as Interest on Long Term Loans for FY 2009-10.

45. For FY 2010-11, MSLDC has considered Capex of Rs. 3754.00 Lakh and computed Rs. 232.24 Lakh as Interest on Long Term Loans. The Commission has considered capitalisation of Rs. 2159.62 Lakh as elaborated under para 33, and approved Rs. 150.13 Lakh as Interest on Long Term Loans comprising interest on new loans at Rs. 94.53 Lakh and interest cost apportionment of Rs 55.60 Lakh from MSETCL towards existing loans.

(Rs. Lakh)

Particulars	FY 2008-09		FY 2009-10		FY 2010-11	
	Final Truing-up		Provisional Truing-up		Budget	
	MSLDC (Actual)	Allowed after Truing-up	MSLDC (Revised estimate)	Approved	MSLDC (Petition)	Approved
Interest Expenses	59.54	59.54	75.60	65.56	232.24	150.13

(iii) Return on Equity (RoE)

46. The return on equity for FY 2008-09, revised estimates for FY 2009-10 and projection for FY 2010-11, as submitted by MSLDC, are shown in the following Table:

(Rs. Lakh)

Particulars	FY 2008-09	FY 2009-10	FY 2010-11



	MERC Order Provisional True-up (Case No. 117 of 2008)	Actual	MSLDC Petition (as in Case No. 117 of 2008)	MERC Order (Case No. 117 of 2008)	MSLDC (Revised Estimate)	MSLDC (Petition)
Return on Equity	12.44	5.06	145.24	41.13	18.28	175.94

47. MSLDC has estimated RoE for FY 2008-09 as Rs. 5.06 Lakh. However, for the purpose of truing-up exercise, the Commission in line with the principles outlined under its Order dated May 16, 2006 as in (Case 30 of 2005) has considered the equity component at 30% of the asset addition of Rs. 102.44 Lakh during the year and computed RoE at the rate of 14%, which amounts to Rs 2.15 Lakh for FY 2008-09.

48. For FY 2009-10, MSLDC has projected RoE of 14% on the equity contribution of 30% of assets capitalised during the year. MSLDC submitted its estimate of total RoE at Rs. 18.28 Lakh for FY 2009-10. The Commission has considered 14% RoE on the opening equity as well as on 50% of the equity contribution of 30% of the asset addition of Rs. 64.00 Lakh during the year, totalling to Rs. 5.65 Lakh.

49. MSLDC submitted that the equity contribution for FY 2010-11 is Rs. 1126.20 Lakh (i.e., 30% of the total capital outlay of Rs. 3754.00 Lakh) and RoE at 14% on opening equity and 50% of addition of equity component amounts to Rs 175.94 Lakh. The Commission has considered asset addition of Rs. 2159.62 Lakh as outlined under para 33 and approved RoE as Rs. 52.34 Lakh for FY 2010-11, as shown in the Table below:

(Rs. Lakh)

Particulars	FY 2008-09		FY 2009-10		FY 2010-11	
	Final Truing-up		Provisional Truing-up		Budget	
	MSLDC (Actual)	Allowed after Truing-up	MSLDC (Revised estimate)	Approved	MSLDC (Petition)	Approved
Return on Equity	5.06	2.15	18.28	5.65	175.94	52.34

Part- C: Final True-up for FY 2008-09

50. Final true-up of expenses for FY 2008-09 is summarized in the following Table:

(Rs. Lakh)



Sr.No.	Particulars	FY 2008-09			
		APR Order Provisional true-up (Case 117 of 2008)	Actuals	Approved after Final Truing-up	Deviation from provisional true-up
		(a)	(b)	(c)	(c) - (a)
	Operating Cost Budget				
1	Operation & Maintenance Expenses				
1.1	Employee Expenses	589.34	672.05	671.10	81.76
1.2	Administration & General Expenses	134.41	139.84	139.84	5.43
1.3	Repair & Maintenance Expenses	121.11	77.86	77.86	-43.25
2	Interest on Working Capital	37.90	40.05	32.99	-4.91
3	Other Expenses / (arrears due to wage revision)	0.00	0.00	0.00	0.00
4	RLDC Fees and WRPC Charges	238.35	240.07	240.07	1.72
	Sub-total (Operating Cost Budget)	1121.11	1169.87	1161.86	40.75
	Capital Charge Budget				
5	Depreciation, including advance against depreciation	138.14	135.89	135.89	-2.25
6	Interest on Long-term Loan Capital	119.36	59.54	59.54	-59.82
7	Return on Equity Capital	12.44	5.06	2.15	-10.29
	Sub-total (Capital Charge Budget)	269.94	200.50	197.59	-72.35
8	TOTAL SLDC Budget	1391.05	1370.37	1359.45	-31.60
	SLDC Revenue Components				
9	Income from Annual SLDC Fees	249.40	249.40	249.40	0.00
10	Income from Monthly SLDC Operating Charges	1248.70	1248.70	1248.70	0.00
11	SLDC fees	186.00	282.83	282.83	96.83
12	Rescheduling charges	112.40	48.27	48.27	-64.13
13	Other receipts	3.00	13.09	13.09	10.09
14	Total Revenue	1799.50	1842.29	1842.29	42.79



Sr.No.	Particulars	FY 2008-09			
		APR Order Provisional true-up (Case 117 of 2008)	Actuals	Approved after Final Truing-up	Deviation from provisional true-up
		(a)	(b)	(c)	(c) - (a)
	Operating Cost Budget				
15	Revenue Gap / (Surplus)	(408.45)	(471.92)	(482.84)	(74.39)
16	Add: Revenue gap/(surplus) of FY 2008-09 after final truing up				(74.39)

51. Accordingly, excess recovery of Rs. 74.39 Lakh for FY 2008-09 is required to be considered while approving MSLDC Budget for FY 2010-11.

Part-D: Provisional True-up for FY 2009-10

(Rs. Lakh)

Sr. No.	Particulars	FY 2009-10			
		APR Order (Case 117 of 2008)	MSLDC Petition	Approved after provisional truing up	Deviation
		(a)	(b)	(c)	(c) - (a)
	Operating Cost Budget				
1	Operation & Maintenance Expenses				
1.1	Employee Expenses	632.42	855.56	746.43	114.01
1.2	Administration & General Expenses	142.52	222.93	198.27	55.75
1.3	Repair & Maintenance Expenses	127.39	117.70	81.91	-45.48
2	Interest on Working Capital	39.96	39.18	27.56	-12.40
3	RLDC Fees and WRPC Charges	240.07	241.05	241.05	-0.98
	Sub-total (Operating Cost Budget)	1182.36	1476.43	1295.23	112.87



Sr. No.	Particulars	FY 2009-10			
		APR Order (Case 117 of 2008)	MSLDC Petition	Approved after provisional truing up	Deviation
		(a)	(b)	(c)	(c) – (a)
	Capital Charge Budget				
5	Depreciation, including advance against depreciation	152.24	144.76	142.16	-10.08
6	Interest on Long-term Loan Capital	169.67	75.60	65.56	-104.11
7	Return on Equity Capital	41.13	18.28	5.65	-35.48
	Sub-total (Capital Charge Budget)	363.04	238.64	213.36	-149.68
8	TOTAL SLDC Budget	1545.40	1715.07	1508.58	-36.82
	SLDC Revenue Components				
9	Income from Annual SLDC Fees	239.12	239.01	239.01	-0.11
10	Income from Monthly SLDC Operating Charges	778.79	778.68	778.68	-0.11
11	SLDC fees	0.00	155.81	155.81	155.81
12	Rescheduling charges	0.00	96.30	96.30	96.30
13	Other Receipts	0.00	1.13	1.13	1.13
14	Total Revenue	1017.91	1270.93	1270.93	253.02
15	Revenue Gap / (Surplus)	(527.49)	(444.14)	(237.65)	(289.84)
16	Add: Revenue gap/(surplus) of FY 2009-10 after provisional truing up			(237.65)	(289.84)



52. Accordingly, excess recovery of Rs. 289.84 Lakh for FY 2009-10 is required to be considered while approving MSLDC Budget for FY 2010-11. The Commission observes that apart from reduction in revised estimate of expenses as compared to that approved under operating cost budget and capital charge budget for FY 2009-10, there has been significant increase in revenue during FY 2009-10 on account of SLDC fees charged for open access transactions and re-scheduling charges.

53. MSLDC has requested the Commission to allow it to retain the additional revenue earned through scheduling fees, rescheduling fees, registration fees, and processing fees as surplus and reserves of MSLDC, which would help in providing the margin money for further Capex as recommended by the Task Force set up by MoP. However, the Commission notes that funding requirement to fund capex through debt and equity has already been addressed as part of capital charge related budget provisions. Further, all associated cost of operations towards scheduling and open access related activities have been covered as part of various operating cost budget components. Under the circumstances, the Commission is of the view that revenue from such activities should be used to adjust the SLDC fees and charges to be recovered from long-term users. In case of any specific funding requirement for any specific project, MSLDC may submit separate application, which can be considered on the merits of such case.

Part-E: Summary of Revenue Budget for FY 2010-11

54. Accordingly, MSLDC Budget for FY 2010-11 as approved by the Commission is summarized in the following Table:

(Rs. Lakh)

Sr.No.	Particulars	FY 2010-11	
		MSLDC Petition	Approved
	Operating Cost Budget		
1	Operation & Maintenance Expenses		
1.1	Employee Expenses	1064.67	858.09
1.2	Administration & General Expenses	246.79	214.60
1.3	Repair & Maintenance Expenses	115.50	86.60
2	Interest on Working Capital	49.09	35.84



3	RLDC Fees and WRPC Charges	241.05	241.05
	Sub-total (Operating Cost Budget)	1717.09	1436.18
	Capital Charge Budget		
5	Depreciation, including advance against depreciation	172.98	153.33
6	Interest on Long-term Loan Capital	232.24	150.13
7	Return on Equity Capital	175.94	52.34
	Sub-total (Capital Charge Budget)	581.16	355.80
8	TOTAL SLDC Budget for FY 2010-11	2298.25	1791.98
	True-up Adjustments on account of Over-recover/Under-recovery		
9	Add: Revenue gap/(surplus) of FY 2008-09 after final truing up		(74.39)
10	Add: Revenue gap/(surplus) of FY 2009-10 after provisional truing up		(289.84)
	Sub-total (True-up adjustments for FY 2008-09 and FY 2009-10)		(364.23)
14	Total Revenue to be recovered through SLDC Fees & Charges for FY 2010-11		1427.75

Part-F: Determination of SLDC Fees and Charges and Mechanism for recovery

55. Thus, the Commission approves the MSLDC Budget for FY 2010-11 as Rs. 1791.98 Lakh, however, due to true-up adjustment to the extent of Rs. 364.23 Lakh, the approved revenue from SLDC Fees and Charges for FY 2010-11 shall be Rs. 1427.75 Lakh. Further, the total true-up adjustment of Rs. 364.23 Lakh has been adjusted in proportion to operating cost budget and capital charge budget to determine Annual SLDC Operating Charges and Annual SLDC Fees for FY 2010-11. The approved revenue from Annual SLDC Operating Charges corresponding to Operating Cost Budget and Annual SLDC Fees corresponding to Capital Charge Budget for FY 2010-11 is presented in the following Table:

(Rs. Lakh)

S.No.	Particulars	FY 2010-11		
		Approved SLDC Budget	True-Up Adjustment	Approved Revenue
1	Operating Cost Budget	1436.18	(291.91)	1144.27
2	Capital Charge Budget	355.80	(72.32)	283.48
3	Total SLDC Budget	1791.98	(364.23)	1427.75



56. The Commission, in its earlier Order dated May 16, 2006 in Case No. 30 of 2005 has outlined the principles for determination of SLDC Fees and Charges and mechanism for recovery of the same, which has been adopted for FY 2010-11, as enumerated below.

- i. SLDC Fees and Charges shall comprise of following components:
 - (a) Annual SLDC Fees – corresponding to Capital Charge related Budget components, payable on semi-annual basis.
 - (b) SLDC Operating Charges – corresponding to annual operating cost budget comprising of Employee expense, R&M expense, A&G expense, interest on working capital and RLDC fees and charges, payable monthly in arrears.
- ii. Annual SLDC Fees and Annual SLDC Operating Charges shall be levied on distribution licensees in proportion to their contribution to Co-incident Peak Demand (CPD) in MW terms met during the previous year. Annual SLDC Fees shall be recovered on semi-annual basis on April 10 and October 10 of each financial year, whereas Annual SLDC Operating Charges shall be recovered on monthly basis, in arrears. Semi-annual SLDC fees as approved under this Order for first half of FY 2010-11, shall be payable by August 10, 2010 and second half of FY 2010-11 shall be payable by October 10, 2010.
- iii. Further, SLDC shall be entitled to levy and recover Registration/Connection Fee and Rescheduling Charges as under:
 - Registration or Connection Fees at the rate of Rs 10,000/- per connection for connecting to the intra-State transmission system (InSTS). The registration fees shall be a one-time fee payable at the time of registration or seeking connection to InSTS. The registration fees shall be applicable for all generating companies, distribution licensees and Transmission Open Access Users (TOAU).
 - Rescheduling Charges: To be levied on generating companies, distribution licensees, trading companies, transmission OA users, as the case may be, at the rate of Rs 3000/- for each revision in schedule after finalization of



schedules by MSLDC on day-ahead basis or for non-submission of schedule as per State Grid Code requirements.

iv. In addition, MSLDC has proposed to retain **Other Charges** as approved under earlier Order (Case 117 of 2008) dated April 29, 2009, as reproduced below:

- (a) **"Scheduling Charges:** *MSLDC has proposed Scheduling charges of Rs 1000 per day for intra-State short term open access transactions. In this context, MSLDC is required to undertake 'scheduling' process on day-ahead basis in accordance with State Grid Code Regulations, co-ordinate with RLDC and facilitate open access transactions. Hence, the Commission hereby approves the Scheduling Charges for short term open access transactions at Rs 1000 per day, as proposed by MSLDC. The revenue from such scheduling charges shall be considered for adjustment of SLDC budget in subsequent years.*
- (b) **Short Term Open Access Application Processing Fees:** *MSLDC has proposed to levy non-refundable application processing fee of Rs 5000/- per application in case of short term open access applications. MSLDC, as Nodal Agency for short-term Transmission Open Access (STOA) transactions, will have to facilitate and process short-term open access applications in accordance with the procedures formulated for the purposes. The volume of open access transactions and applications thereof is expected to increase. In this regard, the Commission has already approved non-refundable application processing fees of Rs 5000/- per application in case of short-term open access transactions under its Order in Case No. 92 of 2008, with effect from April 1, 2009.*
- (c) **Delayed Payment Charges:** *MSLDC has proposed that delayed payment charges at the rate of SBI PLR plus 4% per annum should be applicable in case of delay in payment beyond due date in respect of SLDC fees and charges approved under this Order. The Commission recognises that timely payment of SLDC fees and*



charges would be critical. Accordingly, the Commission hereby approves the delayed payment charges as proposed by MSLDC."

57. The **net SLDC Budget for FY 2010-11** after final truing up for FY 2008-09 and provisional truing up for FY 2009-10, has been approved as **Rs. 1427.75 Lakh, comprising Net approved Operating Cost budget of Rs. 1144.27 Lakh and Net approved Capital Charge Budget of Rs. 283.48 Lakh.**

MSLDC will have to recover charges from the distribution licensees based on the share of co-incident peak demand met by individual distribution licensee for the period October 2008 to September 2009. The 12- monthly average of co-incident peak demand and share of each distribution licensee in terms of contribution to co-incident peak demand (MW) is summarized in the following Table. Accordingly, the Commission hereby determines the share of each distribution licensee out of approved MSLDC Budget for FY 2010-11 as summarized below:

(Rs. Lakh)

Particulars	Net MSLDC Budget for FY 2010-11	Net Annual Operating Budget	Net Capital Charge Budget	Share of coincident peak demand	Percentage share	Annual MSLDC Operating Charges	Annual MSLDC Fees	Annual MSLDC Fees and Charges
	(Rs. Lakh)	(Rs. Lakh)	(Rs. Lakh)	(MW)		(Rs. Lakh)	(Rs. Lakh)	(Rs. Lakh)
MSEDCL	1427.75	1144.27	283.48	11057	82.3%	942.15	233.41	1175.56
TPC-D				345	2.6%	29.42	7.29	36.71
RInfra-D				1381	10.3%	117.67	29.15	146.82
BEST				646	4.8%	55.03	13.63	68.67
TOTAL				13429	100.0%	1144.27	283.48	1427.75

58. Further, the Commission hereby approves recovery of Monthly SLDC Operating Charges and Semi annual SLDC Fees during FY 2010-11 from various distribution licensees as summarized below



(Rs. Lakh)

Particulars	Monthly MSLDC Operating Charge	Semi- Annual MSLDC Fees
	(Rs. Lakh/month)	(Rs. Lakh/ hlf yr)
MSEDCL	78.51	116.71
TPC-D	2.45	3.64
RInfra-D	9.81	14.58
BEST	4.59	6.82
TOTAL	95.36	141.74

59. The Commission will true up actual expenses incurred subject to prudence check and revenue earned during FY 2009-10 and FY 2010-11 after submission of audited results and Allocation Statements by MSLDC.

With the above, the Commission disposes off the Petition filed in Case No. 94 of 2009, seeking approval of MSLDC Budget for FY 2010-11.

Sd/-
(V.L. Sonavane)
Member

Sd/-
(S.B. Kulkarni)
Member

Sd/-
(V.P. Raja)
Chairman



(K.N. Khawarey)
Secretary, MERC