

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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Case No. 181 of 2011

In the matter of
Petition filed by MSETCL for approval of MSLDC Budget for FY 2012-13

Shri V.P. Raja, Chairman
Shri Vijay L. Sonavane, Member

ORDER

Dated: March 30, 2012

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) in the State of Maharashtra, operates the Maharashtra State Load Despatch Centre (MSLDC). MSETCL, in its capacity under the first proviso to section 31(2), filed a Petition on November 30, 2011, seeking the Commission's approval for the budget for operational cost of MSLDC for FY 2012-13 as required under Regulation 18.1 of the MERC (Transmission Open Access) Regulations, 2005. The Commission, in exercise of the powers vested in it under the Electricity Act, 2003, and all other powers enabling it in this behalf, and after taking into consideration all the submissions made by MSLDC, issues raised during Public Hearing, and all other relevant material, determines the Budget for MSLDC for FY 2012-13 as under:

Table of Contents

| | | |
|-------|---|----|
| 1 | BACKGROUND AND PRAYERS OF THE PETITIONER | 4 |
| 2 | TECHNICAL VALIDATION SESSION..... | 5 |
| 3 | PUBLIC HEARING | 5 |
| 4 | APPROVAL OF REVENUE BUDGET | 8 |
| 4.1 | Part – A: Operating Cost Budget | 8 |
| 4.1.1 | Employee Expenses | 9 |
| 4.1.2 | Administration and General Expenses..... | 14 |
| 4.1.3 | Repairs and Maintenance Expenses..... | 16 |
| 4.1.4 | Interest on Working Capital..... | 17 |
| 4.1.5 | RLDC Fees and WRPC charges | 19 |
| 4.2 | Part – B: MSLDC Capital Charge Budget | 20 |
| 4.2.1 | Depreciation | 22 |
| 4.2.2 | Interest and Finance charges | 24 |
| 4.2.3 | Return on Equity (RoE) | 25 |
| 4.3 | Part- C: Final True-up for FY 2010-11 | 27 |
| 4.4 | Part-D: Provisional True-up for FY 2011-12..... | 28 |
| 4.5 | Part-E: Summary of Revenue Budget for FY 2012-13..... | 30 |
| 5 | Determination of SLDC Fees and Charges and Mechanism for recovery | 31 |

Abbreviations

| | |
|--------|--|
| A&G | Administrative and General |
| ABT | Availability Based Tariff |
| ALDC | Area Load Despatch Centre |
| AMC | Annual Maintenance Charges |
| BSM | Balancing and Settlement Mechanism |
| Capex | Capital Expenditure |
| CERC | Central Electricity Regulatory Commission |
| CPD | Co-incident Peak Demand |
| CPI | Consumer Price Index |
| CWIP | Capital Work in Progress |
| DA | Dearness Allowance |
| FBSM | Final Balancing Settlement Mechanism |
| GFA | Gross Fixed Assets |
| GoM | Government of Maharashtra |
| IDC | Interest During Construction |
| InSTS | Intra-State Transmission System |
| LD | Load Despatch |
| MoP | Ministry of Power |
| MSETCL | Maharashtra State Electricity Transmission Company Limited |
| MSLDC | Maharashtra State Load Despatch Centre |
| NLDC | National Load Despatch Centre |
| NPTI | National Power Training Institute |
| NRLDC | Northern Regional Load Despatch Centre |
| PFC | Power Finance Corporation |
| PLR | Prime Lending Rate |
| R&M | Repairs and Maintenance |
| RLDC | Regional Load Despatch Centre |
| RoE | Return On Equity |
| SBI | State Bank of India |
| SCADA | Supervisory Control and Data Acquisition |
| STOA | Short-term Transmission Open Access |
| STU | State Transmission Utility |
| TOAU | Transmission Open Access Users |
| TVS | Technical Validation Session |
| WPI | Wholesale Price Index |
| WRLDC | Western Regional Load Despatch Centre |

1 BACKGROUND

The Commission scheduled a Technical Validation Session (TVS) at the office of the Commission on January 11, 2012 in the presence of Consumer Representatives authorised under Section 94(3) of EA 2003 to represent the interest of consumers in proceedings before the Commission, and a notice was issued for the same on December 22, 2011. In the meantime, the Commission directed MSLDC to address the initial data gaps identified and to file a reply on the same prior to the TVS. During the TVS held on January 11, 2012, MSLDC requested the Commission for additional time to file its reply on the identified data gaps. The Commission also made certain observations as covered under paragraph 2 below, which were required to be addressed for further processing of the Petition. MSLDC filed its response to the data gaps on January 19, 2012. Based on the analysis of the replies, the Commission made some further observations, and directed MSLDC to submit the revised Petition after incorporating the changes at the earliest. Subsequently, MSLDC submitted a revised Petition on January 30, 2012 for approval of SLDC Budget for FY 2012-13, after addressing the observations made during the TVS and furnished additional information in response to data gaps identified by the Commission. The prayers made in the revised Petition (hereafter referred as Petition) are, as under: -

“

- (a) *Consider and approve the Budget of Cost of Operations of the Maharashtra State Load Despatch Centre (MSLDC) for the Financial Year 2012-13.*
- (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. 90 of 2010 dtd.31st March 2011.*
- (e) *Consider and approve the performance linked and certificate linked incentive for employees working at MSLDC as proposed.”*

2 TECHNICAL VALIDATION SESSION

2. During the TVS, MSLDC requested the Commission for additional time to file its reply on the already identified data gaps. The following observations were made, additional information was sought and already identified data gaps were highlighted that were required to be addressed for further processing of the Petition:

- a) As regards the recommendations of the Gireesh Pradhan Committee Report, the Commission enquired about status of the proposal for Ring fencing and separate representative Board structure for governance of MSLDC. In response, MSLDC submitted that the MSEB Holding Co. Ltd., vide their Resolution No. 228 dated 07.03.2011, resolved that “there is no need for incorporation for separate Company for SLDC function.”
- b) MSLDC also requested the Commission to consider the compensation package proposed by it for its employees, which included ‘Performance Related Pay’ (Incentives) and ‘Certification linked Incentive’. MSLDC submitted that the same was designed as per the recommendations of the Girish Pradhan Committee Report and is necessary to attract and retain talent. The Commission opined that as the functions of MSLDC are extremely critical in nature, the Incentive Schemes should be merit-based and linked to Certification. The Commission directed MSLDC to forward the proposal to MSETCL management for necessary approval.
- c) MSLDC stated that the number of activities undertaken by the MSLDC in the recent past has increased and it shall need additional staff to perform its duties especially in view of the activities related to implementation of Renewable Energy Certificates (REC), Renewable Regulatory Fund (RRF), and Point of Connection (PoC) mechanism based transmission tariffs.
- d) MSLDC stated that its staff (around 12 engineers) have been deputed for basic training courses at NPTI, Bangalore.
- e) The Commission highlighted various data gaps already identified and directed MSLDC to file its reply along with the revised Petition within 10 days time.

3 PUBLIC HEARING

The Commission admitted the Petition of MSLDC on February 8, 2012 and directed MSLDC to publish a Public Notice under Section 64(2) of the Electricity Act, 2003 for inviting suggestions/objections from the Public through the Notice.

3. The Commission scheduled a Public Hearing on MSLDC's Petition on March 7, 2012. 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 2012-13 as required under Regulation 18.1 of the MERC (Transmission Open Access) Regulations, 2005 and also provided a status update on the Recommendations of the Gireesh Pradhan Committee Report:

- a) As regards the recommendation for Ring Fencing of LDC's to ensure their functional autonomy with separate representative Board structure, MSLDC submitted that the proposal for the same was approved by the MSETCL Board and forwarded to MSEB Holding Company Ltd. However, MSEB Holding Company Ltd., vide their Resolution No.228 dated March 7, 2011 resolved that "there is no need for incorporation for separate Company for SLDC function." In this regard, the Commission in its Order dated March 31, 2011 in Case No. 90 of 2010 had observed as under:

"3.

...

a).... It was observed during the hearing that the said Resolution purported to have been passed by MSEB Holding Company Ltd., is rather unusual and would place the State of Maharashtra out of gear with reference to the reforms agenda mentioned in the Electricity Act 2003 and the policies notified thereunder as the law has cast a responsibility on the MSLDC that it ought to act in an independent and autonomous manner and also recognised the MSLDC as a supreme body for the integrated operation of the power system in the State of Maharashtra and to give directions under Section 33 of the EA, 2003. Also, the Gireesh Pradhan Committee had been constituted by the Government of India and the recommendations have been accepted by the Ministry of Power. In connection with the above concerns, the Commission directed MSLDC to submit a copy of the Resolution purported to have been passed by MSEB Holding Company Ltd., and the other supporting documents."

Further, the Commission also opined that MSLDC should raise this issue at the Forum of Load Despatchers.

- b) MSLDC submitted that financial self reliance after ring fencing would be achieved through different revenue streams to be proposed under MSLDC Budget Petition. On the issue of separation of financial accounts, it was submitted that at present the

MSLDC accounts are separated within MSETCL. In this regard, the Commission in its Order dated March 31, 2011 in Case No. 90 of 2010 had observed as under:

“3.

...

*b) ...The Commission observed that MSLDC has to play the role of a Systems Operator and a Technical Regulator and in view of the same, **the financial autonomy of MSLDC is of utmost importance in order to play the role effectively.**" (emphasis added)*

- c) As regards Training and Manpower certification recommendation, MSLDC submitted that the responsibility for completion of basic level training certification of existing Load Despatch Centre (LDC) personnel is entrusted to National Power Training Institute (NPTI). MSLDC further submitted that NPTI have developed the facilities for certification and the training has commenced. Further, MSLDC is regularly deputing its engineers for the training. Earlier, MSLDC in its reply to data gaps submitted that 12 engineers have been deputed for training courses at NPTI Bangalore. The Commission directed MSLDC to ensure that adequate nominations are given for the training. The Commission also opined that besides technical areas, MSLDC personnel should also attend training sessions in Commercial areas and Contracts.
- d) As regards the recommendation for providing a suitable compensation structure to attract and retain talent, MSLDC submitted that as per directives given during the TVS, the proposal for incentive to SLDC employees was forwarded to MSETCL management for consideration and approval. MSLDC, in its Petition, has proposed the scheme for performance linked incentives and Certification linked incentives to the SLDC Personnel with an estimated expenditure of Rs. 139 Lakh for FY 2012-13; however, financial burden towards the Incentive scheme was not included under the Employee expenses as the same was subject to the approval by MSETCL management. Subsequently, the Management accorded approval to the Scheme and directed MSLDC to include the financial burden in the employee expenses. Accordingly, MSLDC submitted relevant modified formats as a supplementary submission to Budget Petition under affidavit on February 21, 2012. During the hearing, MSLDC presented the impact of inclusion of incentive to SLDC employees on the MSLDC budget and presented revised MSLDC Budget after including the Incentive for MSLDC employees.

MSEDCL further submitted/prayed that such Performance linked and Certification linked incentives may be approved so as to attract and retain talent.

- e) As regards modernisation of Load Despatch (LD) Centres, MSLDC provided the status update as on February 2012. The Commission enquired regarding the status of the construction of new SLDC building. In its reply, MSLDC stated that the building work is under progress and it is expected to be completed by June 2012. The Commission noted that amount of data handled by MSLDC has been increasing. The Commission directed MSLDC that it should concentrate on the area of data storage and data archiving.
- f) MSLDC stated that it has determined the number of additional executives required for operation of MSLDC (considering ALDC and sub-LDC Mumbai), taking clue from the observations/recommendations made in the Gireesh Pradhan Committee Report on staffing norms for a typical Load Despatch Centre. Further, the proposal for the same is under finalization, which shall be submitted to MSETCL management for approval.
- g) None of the Distribution Licensees or Generating Companies or Authorised Consumer Representatives was present during the Public Hearing.

4 APPROVAL OF REVENUE BUDGET

4. 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.,

- **Part -A : MSLDC Operating Cost Budget**
- **Part -B : MSLDC Capital Charge Budget**

4.1 Part - A: Operating Cost Budget

5. 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.

4.1.1 Employee Expenses

6. The details of employee related expenses actually incurred in FY 2010-11, revised estimates for FY 2011-12 and projections for FY 2012-13, including financial burden towards the incentive scheme, as submitted by MSLDC are shown in the following Table:

Table 1: Employee Expenses (Rs. Lakh)

| Particulars | FY 2010-11 | | FY 2011-12 | | | FY 2012-13 |
|-------------------------------|--|---------------|-------------------------------------|----------------------------------|--------------------------|------------------|
| | MERC Order Provisional True-up (Case No. 90 of 2010) | Actuals | MSLDC Petition (Case No.90 of 2010) | MERC Order (Case No. 90 of 2010) | MSLDC (Revised Estimate) | MSLDC (Petition) |
| Employee expenses | 938.94 | 897.98 | 1203.56 | 1157.05 | 999.01 | 1084.46 |
| Performance Linked Incentives | - | - | - | - | - | 129.00 |
| Certificate Linked Incentives | - | - | - | - | - | 10.00 |
| Total | 938.94 | 897.98 | 1203.56 | 1157.05 | 999.01 | 1223.46 |

MSLDC submitted that as per audited accounts, the total employee expenses of MSLDC for FY 2010-11 was Rs. 897.98 Lakh as against Rs. 938.94 Lakh approved by the Commission during provisional truing-up in the previous SLDC Budget Order (Case No. 90 of 2010).

7. For the purpose of final truing-up for FY 2010-11, the Commission has considered the actual employee expenses of Rs. 897.98 Lakh as submitted by MSLDC, which is based on actual employee strength of 113.

8. MSLDC submitted that for FY 2011-12, the estimate of total employee expenses is Rs. 999.01 Lakh. MSLDC clarified that the employee expenses for the period from April 2011 to September 2011 based on un-audited accounts is Rs. 381.37 Lakh and total employee expenses for FY 2011-12 have been estimated as Rs. 999.01 Lakh. The burden in second half is higher, as the employee expenses for the first half of FY 2011-12 are incurred

for 109 employees and the expenses projected for the second half of FY 2011-12 are based on sanctioned strength of 143 employees.

9. For FY 2012-13, MSLDC submitted that it has projected the employee expenses at suitable inflation rate over FY 2011-12 expenses. Further, MSLDC submitted that the provision for PF has been calculated as 12% of the sum of Basic Pay and DA, and the Gratuity has been calculated based on the actuals for the said period. Further, MSLDC proposed a scheme for Performance Linked Incentives and Certification Linked Incentives to the MSLDC personnel. MSLDC has estimated the financial burden of Rs. 139 Lakh for FY 2012-13 towards incentives. Accordingly, MSLDC has projected employee expense of Rs. 1223.46 Lakh for FY 2012-13.

10. In response to data gaps, MSLDC clarified that the Commission has already granted in-principle approval for the requirement of 5 additional engineers for the smooth operation of Mumbai sub-LDC on 'round the clock' basis and there is no further additional requirement of 5 engineers, and the matter is being taken up with the MSETCL management for sanction and implementation. MSLDC also stated that as compared to the recommendations of the Gireesh Pradhan Committee Report and of the Task Force set up by the MoP, the number of existing staff working at MSLDC is lesser, and the requirement of staff as per the Gireesh Pradhan Committee Report is being submitted to MSETCL.

11. For projection of employee expenses for FY 2011-12, the Commission has considered increase in various components of the approved employee expense for FY 2010-11 on account of inflation factor at the rate of 10.31% per annum. The inflation factor of 10.31% 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 2008-09 to FY 2010-11 to smoothen the inflation curve. The 'Prior Period Expense' claimed by MSLDC is an exception and is accepted as proposed. As regards number of employees, the Commission has considered actual number of employees (109) as submitted by MSLDC as part of the response to data gaps. Further, the Gratuity, and 'Leave Encashment on Retirement' expenses have been approved as proposed by MSLDC.

12. For FY 2012-13, 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 2011-12. The escalation factor of 5.72% per annum is in line with that specified in the MERC (Multi-Year Tariff) Regulations, 2011. As regards projection of number of employees, the Commission has considered MSLDC's projections

in line with sanctioned strength of 143 employees. Further, the 'Prior Period Expense', 'Gratuity', 'Leave Encashment on Retirement', and 'Incentive payment' expenses have been approved as proposed by MSLDC.

13. As regards Incentives to MSLDC personnel, the report of 'the Task Force on Capital Expenditure and Issues Related to Emoluments for Personnel in Load Despatch Centres' states as under:

“15 Proposed compensation structure for LDC personnel

The Task Force recommends that the compensation of the LDC personnel could comprise of two parts- fixed compensation and variable compensation.

The first part called the “fixed compensation” would be derived from the pay structure of the parent organization of the respective LDC. This would address the concern of maintaining parity in the pay structure of LDC personnel with the peers within the same organization.

The second part would be the “variable compensation” in the form of Performance Related Pay and incentives. The criteria for Performance Related Pay and incentives proposed in this report could be applicable to all the LDC personnel regardless of their posting at SLDC, RLDC or NLDC.

...

Based on Annex-IX of the report of the Gireesh Pradhan Committee, the functions of LDCs could be demarcated into three broad areas viz- System Operation, Market Operation and Logistics. The Performance Related Pay could be linked to the performance of the Load Despatch Centres under the above heads as well as to the Performance of the individual as evaluated through the Performance Management System of the respective LDC.

Further in line with the recommendations of the Gireesh Pradhan Committee the LDC personnel may also be encouraged to continuously update themselves and hone their skills. This encouragement could be given by introducing the concept of certification-linked incentive.

...

Thus the monetary compensation of the personnel involved in System Operation may comprise of following distinct components:

- a. *Basic Pay and perquisites derived from Pay Structure of the parent organization*
 - b. *Performance Related Pay (Incentives) for the personnel at SLDCs, RLDCs and NLDC based on the performance of the respective Load Despatch Centres as well as the individual*
 - c. *Certification linked Incentive*
 - d. *Special Allowance for contingency duty/night shift at LDCs*
 - e. *Awards for exceptional performance on the basis of accumulated credits earned during predetermined period of time*
- Each of the above components is further elaborated ahead.”*

MSLDC, in its Petition, has proposed a scheme for Performance Linked Incentives and Certification Linked Incentives to the SLDC Personnel with an estimated expenditure of Rs. 139 Lakh for FY 2012-13. The Commission observes that the suggested Key Result Areas and the Performance Indicators for measuring the performance of the SLDC and the broad elements of the Performance Appraisal System for measuring the performance of Individuals on which the Performance Related Pay (Incentives) is proposed, are in line with the Task Force Committee Report and are customised to capture the features of Intra State Transmission System. Further, MSLDC through its supplementary submission stated that the MSETCL management has accorded approval to the scheme.

The Commission in its Order dated March 31, 2011 stated as under:

- “3. ..
- d)*The Commission observed that all incentive schemes are good only if they are able to attract the right talent and are implemented effectively. The Commission agrees in principle with the idea, that a suitable incentive scheme needs to be framed as recommended by the Gireesh Pradhan Committee, and that **MSLDC should create a framework of checks and balances for effective implementation of such schemes.** The Commission may evaluate and approve the scheme based on the proposal made by MSLDC and the corresponding increase in the employee expense would be considered at the time of Provisional True-up.”*

Further, as per the Pradhan Committee Report, MSLDC shall furnish necessary Annual Compliance Report as stated under:

"6.3 Recommendation 3

...

d) All LDCs must ensure that all the personnel of LDCs undergo this 'basic level' training and certification and only certified personnel staff the LDCs within two years from the release of this report. **The appropriate Electricity Regulatory Commissions would be furnished with an Annual Compliance Report of this requirement. Subsequently advanced level training and certification programme must be introduced."**

MSLDC, in its submissions, has stated that 'Incentives will effectively improve the monitoring and control of the intra-State transmission system resulting in better efficiency of the LD Centres.' Accordingly, in order to facilitate MSLDC to cope with the changing requirements of electricity market operations and in view of the urgent need to attract and retain talent with the necessary skill sets, the Commission hereby approves this proposal in principle.

14. Accordingly, the summary of approved employee expenses is given in the Table below:

Table 2: Approved Employee Expenses **(Rs. Lakh)**

| Particulars | FY 2010-11 | | FY 2011-12 | | FY 2012-13 | |
|-------------------------------|-----------------|-------------------------|--------------------------|---------------|------------------|----------------|
| | Final Truing-up | | Provisional Truing-up | | Budget | |
| | MSLDC (Actual) | Allowed after Truing-up | MSLDC (Revised estimate) | Approved | MSLDC (Petition) | Approved |
| Employee expense | 897.98 | 897.98 | 999.01 | 852.67 | 1084.46 | 1169.01 |
| Performance Linked Incentives | - | - | - | - | 129.00 | 129.00 |
| Certificate Linked Incentives | - | - | - | - | 10.00 | 10.00 |
| Total | 897.98 | 897.98 | 999.01 | 852.67 | 1223.46 | 1308.01 |

4.1.2 Administration and General Expenses

15. The details of A&G expenses actually incurred in FY 2010-11, revised estimates for FY 2011-12 and projections for FY 2012-13 as submitted by MSLDC, are shown in the following Table:

Table 3: Proposed A&G Expenses (Rs. Lakh)

| Particulars | FY 2010-11 | | FY 2011-12 | | | FY 2012-13 |
|--------------|--|--------|-------------------------------------|----------------------------------|--------------------------|------------------|
| | MERC Order Provisional True-up (Case No. 90 of 2010) | Actual | MSLDC Petition (Case No.90 of 2010) | MERC Order (Case No. 90 of 2010) | MSLDC (Revised Estimate) | MSLDC (Petition) |
| A&G Expenses | 207.34 | 215.44 | 257.34 | 218.18 | 252.04 | 298.49 |

16. MSLDC submitted that the actual A&G expenses incurred during FY 2010-11 amounts to Rs. 215.44 Lakh as against Rs. 207.34 Lakh approved by the Commission during provisional true up for FY 2010-11. 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.

17. MSLDC submitted that the actual A&G expenses for the period April 2011 to September 2011 is Rs. 99.59 Lakh and the estimated expenses for the period October 2011 to March 2012 is Rs. 152.45 Lakh. It is noted that the difference in two halves of the year is due to increase in expenses under the head 'Technical Fees, Consultancy and Other Professional Charges', 'Conveyance and Travel', Vehicle Running & Hiring Expenses, Petrol & Oil', 'Security/Service Charges Paid To Outside Agencies for Safety & Protection' and 'Advertisement Expenses (including purchase related) Exhibition & Demo' during the second half. The revised estimate for A&G expenses for FY 2011-12 is Rs. 252.04 Lakh as against the Commission approved figure of Rs. 218.18 Lakh. The Commission has noted a significant increase in the estimated A&G expenses of Ambazari. For the first half (April 2011 to Sept 2011) it was Rs. 24.13 Lakh and for the Second half (Oct 2011 to Mar 2012), it is projected as Rs. 51.39 Lakh. In response to the Commission's query on the same, MSLDC submitted that the difference is due to electricity charges and security charges, as the pending bills of first half are be paid in second half. The Commission observes that the explanation is not satisfactory, as accrual based accounting principles require unpaid bills

for first half of fiscal year need to be accounted for under relevant accounting period to which such expense relates.

18. For provisional truing-up of A&G expenses for FY 2011-12, the Commission has considered inflationary impact of 8.93% per annum over FY 2010-11 based on the increase in Wholesale Price Index (WPI) and Consumer Price Index (CPI), except the 'Security/Service Charges Paid To Outside Agencies for Safety & Protection' and 'Prior Period Expense', which have been accepted as estimated by MSLDC. Thus, the Commission has considered Security Charges of Rs. 21 Lakh, and no Prior Period Expenses as estimated by MSLDC. For the purpose of computation of percentage of inflationary impact, 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 2008-09 to FY 2010-11, 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. The total amount of A&G expense approved by the Commission for FY 2011-12 is Rs. 243.15 Lakh.

19. For FY 2012-13, MSLDC has projected the A&G Expenses as Rs. 298.49 Lakh, out of which Rs. 202.55 Lakh is projected for MSLDC (Kalwa), and Rs. 95.94 Lakh is projected for ALDC (Ambazari). 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 2011-12. The summary of approved A&G expenses is given in the Table below:

Table 4: Approved A&G Expenses **(Rs. Lakh)**

| Particulars | FY 2010-11 | | FY 2011-12 | | FY 2012-13 | |
|--------------|-----------------|-------------------------|--------------------------|----------|------------------|----------|
| | Final Truing-up | | Provisional Truing-up | | Budget | |
| | MSLDC (Actual) | Allowed after Truing-up | MSLDC (Revised estimate) | Approved | MSLDC (Petition) | Approved |
| A&G Expenses | 215.44 | 215.44 | 252.04 | 243.15 | 298.49 | 257.06 |

4.1.3 Repairs and Maintenance Expenses

20. The details of R&M expenses actually incurred in FY 2010-11, revised estimates for FY 2011-12 and projections for FY 2012-13, as submitted by MSLDC are shown in the following Table:

Table 5: Proposed R&M Expenses **(Rs. Lakh)**

| Particulars | FY 2010-11 | | FY 2011-12 | | | FY 2012-13 |
|-------------|--|---------|-------------------------------------|----------------------------------|--------------------------|------------------|
| | MERC Order Provisional True-up (Case No. 90 of 2010) | Actuals | MSLDC Petition (Case No.90 of 2010) | MERC Order (Case No. 90 of 2010) | MSLDC (Revised Estimate) | MSLDC (Petition) |
| R&M Expense | 78.14 | 75.62 | 114.74 | 82.41 | 113.65 | 140.00 |

21. MSLDC submitted that the actual R&M expense incurred during FY 2010-11 as per audited accounts is Rs. 75.62 Lakh, which is lower than the approved expense of Rs 78.14 Lakh. For the purpose of final truing-up for FY 2010-11, the Commission has considered the actual R&M expenses as submitted by MSLDC.

22. For FY 2011-12, MSLDC submitted that the actual R&M expenses for the period from April 2011 to September 2011 is Rs. 36.78 Lakh and the estimated figure for the period from October 2011 to March 2012 is Rs. 76.87 Lakh. MSLDC submitted that the difference in two halves of the year is due to Annual Maintenance Contract (AMC) for Plant & Machinery and Building R&M expenses, which falls due for payment in the latter half of the year. The revised estimate for R&M expenses for FY 2011-12 is Rs.113.65 Lakh as against the Commission approved figure of Rs.82.41 Lakh and the difference is mainly on account of R&M expense towards Plant & Machinery and 'Lines, Cables, Networks, etc.'. For the purpose of provisional truing-up for FY 2011-12, the Commission has considered an inflationary impact (based on the increase in Wholesale Price Index (WPI)) of 8.02% per annum over FY 2010-11, except for the R&M expense under the head Building and 'Lines, Cables, Networks, etc.'. The R&M expenses under the head 'Lines, Cables, Networks, etc.' has been accepted as proposed by MSLDC, whereas R&M expenses allowed by the Commission under the head Building is equal to twice the amount incurred during the first half. 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 2008-09 to FY 2010-11, to smoothen the inflation curve. Accordingly, the Commission has approved R&M expense of Rs. 99.83 Lakh after provisional true-up for FY 2011-12.

23. For FY 2012-13, MSLDC has projected R&M expenses as Rs. 140.00 Lakh, out of which Rs. 108.00 Lakh is projected for Kalwa and Rs. 32.00 Lakh is projected for Ambazari. MSLDC submitted that the total estimation of R&M Expenses for FY 2012-13 is based on a detailed analysis of various components of R&M for both Kalwa as well as Ambazari Units. In response to the Commission's query regarding the basis for projecting R&M expense at Rs. 140 Lakh for FY 2012-13, MSLDC stated that requirements of R&M expenses consisting of AMC payments, repairs to Plant & Machinery, recalibration of measuring equipments, etc., are collected from various sections at SLDC and ALDC and the basis for projection is escalation in the cost of services. For projecting R&M expenses for FY 2012-13, 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 2011-12. The summary of approved R&M expenses is given in the Table below:

Table 6: Approved R&M Expenses (Rs. Lakh)

| Particulars | FY 2010-11 | | FY 2011-12 | | FY 2012-13 | |
|--------------|-----------------|-------------------------|--------------------------|----------|------------------|----------|
| | Final Truing-up | | Provisional Truing-up | | Budget | |
| | MSLDC (Actual) | Allowed after Truing-up | MSLDC (Revised estimate) | Approved | MSLDC (Petition) | Approved |
| R&M Expenses | 75.62 | 75.62 | 113.65 | 99.83 | 140.00 | 105.55 |

4.1.4 Interest on Working Capital

24. The normative Interest on Working Capital for FY 2010-11, revised estimates for FY 2011-12 and projection for FY 2012-13, as submitted by MSLDC, is shown in the following Table:

Table7: Interest on Working Capital (Rs. Lakh)

| Particulars | FY 2010-11 | | FY 2011-12 | | | FY 2012-13 |
|-------------|--------------------------------------|---------|----------------------------|----------------------------|--------------------------|------------------|
| | MERC Order Provisional True-up (Case | Actuals | MSLDC Petition (Case No.90 | MERC Order (Case No. 90 of | MSLDC (Revised Estimate) | MSLDC (Petition) |
| | | | | | | |

| | No. 90 of 2010) | | of 2010) | 2010) | | |
|-----------------------------|-----------------|-------|----------|-------|-------|-------|
| Interest on Working Capital | 34.96 | 48.38 | 56.84 | 45.34 | 52.49 | 68.98 |

25. 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 as under on Interest on Working Capital:

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

26. MSLDC further submitted that interest has been considered 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. Hence, the SBI PLR rate which is 14.75% w.e.f. August 13, 2011 has been considered. Applying the interest rate of 14.75% on the total of the allowable items, the total interest on working capital works out to Rs.48.38 Lakh for FY 2010-11, Rs.52.49 Lakh for FY 2011-12, and Rs.68.98 Lakh for FY 2012-13.

27. 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 2010-11 MSLDC, in its Petition, has considered receivables equal to two months, whereas for FY 2011-12 and FY 2012-13, MSLDC has considered receivables equal to one and half months, equivalent to the expected revenue from tariff and charges.

28. For the purpose of final truing-up for FY 2010-11, 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 of 11.75% and 12.50% for FY 2010-11 and FY 2011-12 respectively. However, for FY 2012-13, the same has been

considered as 14.75% as the prevailing SBI PLR as on the date of filing of the Petition (November 30, 2011) was 14.75%.

Table 8: Interest Rates for Working Capital

| Particulars | FY 2010-11 | FY 2011-12 | FY 2012-13 |
|-----------------------------------|------------|------------|------------|
| Interest Rate for working capital | 11.75% | 12.50% | 14.75% |

29. Further, interest cost on working capital would undergo a change since, O&M expenses, receivables, etc., are different from that projected by MSLDC. Also MSLDC has considered 'Maintenance spares' at 1% of Closing Gross Fixed Assets (GFA), whereas the Commission considers the same at 1% of Opening GFA. Therefore, the Commission has allowed Interest on Working Capital, as summarised under the following Table:

Table 9: Approved Interest on Working Capital (Rs. Lakh)

| Particulars | FY 2010-11 | | FY 2011-12 | | FY 2012-13 | |
|-----------------------------|-----------------|-------------------------|--------------------------|----------|------------------|----------|
| | Final Truing-up | | Provisional Truing-up | | Budget | |
| | MSLDC (Actual) | Allowed after Truing-up | MSLDC (Revised estimate) | Approved | MSLDC (Petition) | Approved |
| Interest on Working Capital | 48.38 | 34.61 | 52.49 | 41.45 | 68.98 | 49.73 |

4.1.5 RLDC Fees and WRPC charges

30. MSLDC has booked RLDC fees and WRPC charges of Rs. 239.71 Lakh (including WRPC fees and charges of Rs. 10 Lakh (approx.) per year) for FY 2010-11, which has been accepted by the Commission.

31. Further, the Commission approves RLDC fees and WRPC charges of Rs. 238.60 Lakh (including WRPC fees and charges of Rs. 10 Lakh (approx.) per year) for FY 2011-12 and Rs. 240.35 Lakh as projected by MSLDC for FY 2012-13, as shown in the Table below:

Table 10: Approved RLDC fees and WRPC Charges**(Rs. Lakh)**

| Particulars | FY 2010-11 | | FY 2011-12 | | FY 2012-13 | |
|-----------------------|-----------------|-------------------------|--------------------------|----------|------------------|----------|
| | Final Truing-up | | Provisional Truing-up | | Budget | |
| | MSLDC (Actual) | Allowed after Truing-up | MSLDC (Revised estimate) | Approved | MSLDC (Petition) | Approved |
| RLDC Fees and Charges | 239.71 | 239.71 | 238.60 | 238.60 | 240.35 | 240.35 |

4.2 Part - B: MSLDC Capital Charge Budget

32. 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.

33. MSLDC submitted that it has prepared a 4-year revised Capital Expenditure Plan for the period from FY 2011-12 to FY 2014-15 and included it as a part of its Petition on Budget of Cost of Operations of MSLDC for FY 2012-13. The Capital Expenditure heads as recommended by the Committee on 'Manpower Certification and Incentives for System Operations and Ring Fencing of Load Despatch Centre (LDC's)' constituted by MoP, Govt. of India have been considered for preparation of revised 4 years Capex Plan in consultation with WRLDC. Further, MSLDC submitted that out of Rs.2,667 Lakh of Capital Expenditure planned over the period of four years, Rs.1,805 Lakh will be the expenditure for MSLDC Kalwa and Rs.862 Lakh for Area Load Despatch Centre, Ambazari.

34. MSLDC also stated that the implementation of the Capital Expenditure schemes approved by the Commission during previous 5 years Capex Plan is in progress. The schemes are as follows:

- a) Enhancement of SCADA facilities at LD Centres
- b) Final Balancing and Settlement Mechanism Software
- c) Construction of new SLDC Building
- d) Renovation and Modernisation of existing ALDC Building

35. MSLDC, in its Petition, submitted the details of Capital Work in Progress (CWIP), capital expenditure incurred and Capitalisation during FY 2010-11 and estimation for FY 2011-12 under Form F14. MSLDC has submitted capitalisation of Rs. 249.97 Lakh, Rs. 2119.42 Lakh, and Rs. 2041.00 Lakh during FY 2010-11, FY 2011-12 and FY 2012-13, respectively. It also submitted the Infrastructural Development Plan elaborating the various components and nature of infrastructure development.

36. For the purpose of final true-up for FY 2010-11, the Commission has considered capitalisation of Rs. 249.97 Lakh as claimed by MSLDC as per its audited proforma accounts.

37. As submitted by MSLDC, the capitalisation of Rs. 2119.42 Lakh during FY 2011-12 includes capitalisation of five major schemes. The details are Rs. 250.62 Lakh towards Balancing and Settlement Mechanism (BSM) software cost for Intra State ABT Mechanism, Rs. 989.80 towards Construction of new SLDC Control Room Building and Renovation of existing building at SLDC Kalwa, Rs. 225 Lakh towards renovation of existing building at ALDC Ambazari, Rs.330 Lakh towards Enhancement of Real time data acquisition and Rs.200 Lakh towards Infrastructure Development, which includes expense on account of Office equipments, Testing equipments & tools, Furniture, Auxiliary supplies and Security systems for the premises. The Commission has noted the status update on implementation of various schemes submitted by MSLDC, in its response to data gaps raised and during the public hearing.

38. In view of the fact that Final Balancing Settlement Mechanism (FBSM) is functional from August 1, 2011 and FBSM bills are issued up to January 15, 2012 and in view of the MSLDC response that the scheme will be capitalised before March 2012 after removal of software bugs and additional routines, the Commission has approved the capitalisation of Rs 250.62 Lakh as claimed by MSLDC for FY 2011-12. As regards 'Construction of new SLDC Control Room Building and Renovation of existing building at SLDC Kalwa', the Commission has noted as per MSLDC's submission during the public hearing that the construction work is delayed and rescheduled target date for completion is changed from December 2011 to June 2012. Hence, the Commission has not considered the capitalisation of the same during the FY 2011-12, and the same is considered for the next financial year. As regards renovation of existing building at ALDC Ambazari, the Commission has approved the capitalisation in view of the MSLDC's submission that all work related to the scheme is completed except security gate. For Enhancement of Real time data acquisition, in view of past performance of MSLDC and based on inputs on status of implementation of schemes as furnished by MSLDC, the Commission has approved only 75% of the amount

proposed by MSLDC which is Rs. 247.50 Lakh, whereas for Infrastructure Development, the Commission has approved only 50% of the amount proposed by MSLDC, which is Rs. 100 Lakh. Similarly for the 'Offline System' project, the Commission has approved Rs. 17 Lakh. Accordingly, for FY 2011-12, the Commission has approved a total Capitalisation amount of Rs. 930.12 Lakh.

39. In line with the recommendations of the Gireesh Pradhan Committee, MSLDC has been submitting the Capital Expenditure Plan, and the Commission after undertaking prudence check, has been allowing a reasonable amount, given the mandate of the EA 2003. However, at this point, the Commission observes that actual capitalisation by MSLDC is lagging behind the projected capitalisation over the past few years, though, it is true that MSLDC is a system operator and unlike other Utilities, it does not have expertise in project execution. Given the pace at which the power system in the State is expanding, MSLDC should strive to achieve project execution on a faster track, and if required the necessary inputs/expertise may be drawn from the parent organisation.

40. As submitted by MSLDC, the capitalisation of Rs. 2041 Lakh during FY 2012-13 includes capitalisation of four major schemes. The details are Rs. 650 Lakh towards 'Replacement of existing RTUs and commissioning of additional RTUs & DCs', Rs. 458 Lakh towards 'Construction of new SLDC Control Room Building and Renovation of existing building at State Load Despatch Centre Kalwa', Rs. 380 Lakh towards 'Enhancement of real time data acquisition', and Rs. 320 Lakh towards Infrastructure Development. The Commission has considered the capitalisation for the schemes of 'Replacement of existing RTUs and commissioning of additional RTUs & DCs', 'Renovation of existing building for Ambazari' as proposed by MSLDC. For the remaining five projects, the Commission has considered that only the opening Capital Work-in-progress would be capitalised during the year. Accordingly, for the purpose of computation of depreciation, interest on long-term debt and return on equity, the Commission has considered capitalisation of Rs. 249.97 Lakh for FY 2010-11, Rs. 930.12 Lakh for FY 2011-12 and Rs. 2007.30 Lakh for FY 2012-13.

4.2.1 Depreciation

41. The details of depreciation expenses actually incurred in FY 2010-11, revised estimates for FY 2011-12 and projection for FY 2012-13, as submitted by MSLDC, are shown in the following Table:

Table 11: Proposed Depreciation**(Rs. Lakh)**

| Particulars | FY 2010-11 | | FY 2011-12 | | | FY 2012-13 |
|--------------|--|---------|-------------------------------------|----------------------------------|--------------------------|------------------|
| | MERC Order Provisional True-up (Case No. 90 of 2010) | Actuals | MSLDC Petition (Case No.90 of 2010) | MERC Order (Case No. 90 of 2010) | MSLDC (Revised Estimate) | MSLDC (Petition) |
| Depreciation | 155.69 | 148.00 | 223.90 | 185.22 | 170.35 | 296.99 |

42. MSLDC submitted that during FY 2010-11, depreciation of Rs. 148 Lakh has been considered based on applicable rates of depreciation for different class of assets. For the purpose of final truing-up for FY 2010-11, the Commission has considered depreciation expense of Rs. 148 Lakh in line with MSLDC's submission as per its audited proforma accounts. MSLDC has also confirmed that none of the assets of MSLDC have been depreciated beyond 90% of their value.

43. For FY 2011-12, MSLDC has estimated the depreciation expenses as Rs. 170.35 Lakh for opening GFA of Rs. 4978.88 Lakh, as per applicable rate of depreciation for different class of assets. For provisional truing-up, the Commission has considered depreciation of Rs. 164.01 Lakh on average GFA arrived at on the basis of opening and closing GFA.

44. For FY 2012-13, MSLDC has estimated the depreciation expenses as Rs. 296.99 Lakh for opening GFA of Rs. 7098.30 Lakh, as per applicable rate of depreciation for different class of assets. The Commission has considered depreciation of Rs. 261.35 Lakh on average GFA arrived at on the basis of opening and closing GFA.

Table 12: Approved Depreciation**(Rs. Lakh)**

| Particulars | FY 2010-11 | | FY 2011-12 | | FY 2012-13 | |
|--------------|-----------------|-------------------------|--------------------------|----------|------------------|----------|
| | Final Truing-up | | Provisional Truing-up | | Budget | |
| | MSLDC (Actual) | Allowed after Truing-up | MSLDC (Revised estimate) | Approved | MSLDC (Petition) | Approved |
| Depreciation | 148.00 | 148.00 | 170.35 | 164.01 | 296.99 | 261.35 |

4.2.2 Interest and Finance charges

45. The interest expenses actually incurred in FY 2010-11, revised estimates for FY 2011-12 and projections for FY 2012-13, as submitted by MSLDC, are shown in the following Table:

Table 13: Proposed Interest and Finance Charges (Rs. Lakh)

| Particulars | FY 2010-11 | | FY 2011-12 | | | FY 2012-13 |
|-------------------|--|--------|-------------------------------------|----------------------------------|--------------------------|------------------|
| | MERC Order Provisional True-up (Case No. 90 of 2010) | Actual | MSLDC Petition (Case No.90 of 2010) | MERC Order (Case No. 90 of 2010) | MSLDC (Revised Estimate) | MSLDC (Petition) |
| Interest Expenses | 73.45 | 47.86 | 213.87 | 187.11 | 129.46 | 289.64 |

46. MSLDC submitted that the interest expense 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, which had considered interest expense based on Normative Debt-Equity of 70:30 in line with MERC (Terms and conditions for Tariff) Regulations, 2005. Accordingly, MSLDC has used the same to calculate the loan amount for FY 2010-11, FY 2011-12 and FY 2012-13.

47. The interest on the existing loans for MSLDC has been apportioned as Rs. 28.61 Lakh by MSETCL for FY 2010-11. For the purpose of final true-up exercise for FY 2010-11, the Commission has considered capitalisation of Rs. 249.97 and the interest expense corresponding to normative loan at debt:equity of 70:30 basis has been computed at Rs. 13.43 Lakh, in addition to the interest expense of Rs. 28.61 allocated by MSETCL towards existing loans. The Commission has considered loan repayment factor assuming ten-year tenure for the new additional loans. Therefore, the Commission has approved Rs. 42.04 Lakh as Interest on Long Term Loans for FY 2010-11.

48. For FY 2011-12, MSLDC has calculated interest expense on new loans according to the Capex plan of Rs. 2219.42 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, MSLDC has considered

uniform spending of capital expenditure through the year, and hence, the interest cost on the new loans has been estimated as Rs. 129.46 Lakh.

49. For the provisional truing-up exercise, the Commission has considered capitalisation of Rs. 930.12 Lakh and the interest expense corresponding to normative loan at debt:equity of 70:30 basis has been computed as Rs. 57.50 Lakh, in addition to the interest expense of Rs. 28.61 Lakh apportioned by MSETCL towards existing loans. The Commission has also considered loan repayment factor assuming ten-year tenure for the new additional loans. Therefore, the Commission has approved Rs. 86.11 Lakh as Interest on Long Term Loans for FY 2011-12.

50. For FY 2012-13, MSLDC has considered capitalisation of Rs. 2041.00 Lakh and computed Rs. 289.64 Lakh as Interest on Long Term Loans. The Commission has considered capitalisation of Rs. 2007.30 Lakh as elaborated under para 40, and approved Rs. 193.90 Lakh as Interest on Long Term Loans comprising interest on new loans at Rs. 164.69 Lakh and interest cost apportionment of Rs 28.61 Lakh from MSETCL towards existing loans.

Table 14: Approved Interest and Finance Charges *(Rs. Lakh)*

| Particulars | FY 2010-11 | | FY 2011-12 | | FY 2012-13 | |
|-------------------|-----------------|-------------------------|--------------------------|----------|------------------|----------|
| | Final Truing-up | | Provisional Truing-up | | Budget | |
| | MSLDC (Actual) | Allowed after Truing-up | MSLDC (Revised estimate) | Approved | MSLDC (Petition) | Approved |
| Interest Expenses | 47.86 | 42.04 | 129.46 | 86.11 | 289.64 | 193.90 |

4.2.3 Return on Equity (RoE)

51. The return on equity for FY 2010-11, revised estimates for FY 2011-12 and projection for FY 2012-13, as submitted by MSLDC, are shown in the following Table:

Table 15: Proposed Return on Equity *(Rs. Lakh)*

| Particulars | FY 2010-11 | FY 2011-12 | FY 2012-13 |
|-------------|------------|------------|------------|
| | | | |

| | MERC Order Provisional True-up (Case No. 90 of 2010) | Actual | MSLDC Petition (Case No.90 of 2010) | MERC Order (Case No. 90 of 2010) | MSLDC (Revised Estimate) | MSLDC (Petition) |
|------------------|---|---------------|--|---|---------------------------------|-------------------------|
| Return on Equity | 21.20 | 15.90 | 96.62 | 84.89 | 60.41 | 147.77 |

52. MSLDC has estimated RoE for FY 2010-11 as Rs. 15.90 Lakh. However, for the purpose of truing-up exercise, the Commission in line with the principles outlined under its Order dated May 16, 2006 in Case No. 30 of 2005, has considered the equity component at 30% of the asset addition of Rs. 74.99 Lakh during the year and computed RoE at the rate of 14%, which amounts to Rs. 5.25 lakh. In addition, the Commission has also considered a return of 14% on opening equity of Rs.46.35 Lakh, which amounts to Rs. 6.489 Lakh for FY 2010-11. The total amount approved by the Commission is Rs. 11.74 Lakh.

53. For FY 2011-12, 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. 60.41 Lakh for FY 2011-12. 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. 930.12 Lakh during the year, totalling to Rs. 36.52 Lakh.

54. MSLDC submitted that the equity contribution for FY 2012-13 is Rs. 612.30 Lakh (i.e., 30% of the total capital outlay of Rs. 2041.00 Lakh) and RoE at 14% on opening equity and 50% of addition of equity component amounts to Rs. 147.47 Lakh. The Commission has considered asset addition of Rs. 2007.30 Lakh as outlined under para 40 and approved RoE as Rs. 98.21 Lakh for FY 2012-13, as shown in the Table below:

Table 16: Approved Return on Equity

(Rs. Lakh)

| Particulars | FY 2010-11 | | FY 2011-12 | | FY 2012-13 | |
|--------------------|------------------------|--------------------------------|---------------------------------|-----------------|-------------------------|-----------------|
| | Final Truing-up | | Provisional Truing-up | | Budget | |
| | MSLDC (Actual) | Allowed after Truing-up | MSLDC (Revised estimate) | Approved | MSLDC (Petition) | Approved |
| Return on Equity | 15.90 | 11.74 | 60.41 | 36.52 | 147.77 | 98.21 |

4.3 Part- C: Final True-up for FY 2010-11

55. Final true-up of expenses for FY 2010-11 is summarized in the following Table:

Table 17: Final True-up for FY 2010-11

(Rs. Lakh)

| Sr. No. | Particulars | FY 2010-11 | | | |
|---------|--|--|----------------|--------------------------------|------------------------------------|
| | | APR Order Provisional true –up (Case 90 of 2010) | 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 | 938.94 | 897.98 | 897.98 | (40.96) |
| 1.2 | Administration & General Expenses | 207.34 | 215.44 | 215.44 | 8.10 |
| 1.3 | Repair & Maintenance Expenses | 78.14 | 75.62 | 75.62 | (2.52) |
| 2 | Interest on Working Capital | 34.96 | 48.38 | 34.61 | (0.35) |
| 3 | RLDC Fees and WRPC Charges | 239.71 | 239.71 | 239.71 | 0.00 |
| | Sub-total (Operating Cost Budget) | 1499.08 | 1477.13 | 1463.36 | (35.73) |
| | Capital Charge Budget | | | | |
| 4 | Depreciation, including advance against depreciation | 155.69 | 148.00 | 148.00 | (7.69) |
| 5 | Interest on Long-term Loan Capital | 73.45 | 47.86 | 42.04 | (31.41) |
| 6 | Return on Equity Capital | 21.20 | 15.90 | 11.74 | (9.46) |
| | Sub-total (Capital Charge Budget) | 250.35 | 211.76 | 201.78 | (48.56) |
| | TOTAL SLDC Budget | 1749.43 | 1688.88 | 1665.15 | (84.28) |
| | SLDC Revenue Components | | | | |
| 7 | Income from Annual SLDC Fees | 283.50 | 283.50 | 283.50 | 0.00 |
| 8 | Income from Monthly SLDC | 1144.32 | 1144.32 | 1144.32 | 0.00 |

| Sr. No. | Particulars | FY 2010-11 | | | |
|---------|--|---|----------------|--------------------------------|------------------------------------|
| | | APR Order Provisional true-up (Case 90 of 2010) | Actuals | Approved after final Truing-up | Deviation from provisional true-up |
| | | (a) | (b) | (c) | (c-a) |
| | Operating Charges | | | | |
| 9 | SLDC fees | 181.38 | 205.72 | 205.72 | 24.34 |
| 10 | Rescheduling charges | 107.07 | 119.93 | 119.93 | 12.86 |
| 11 | Other receipts | 2.76 | 5.32 | 5.32 | 2.56 |
| | Total Revenue | 1719.03 | 1758.79 | 1758.79 | 39.76 |
| | Revenue Gap / (Surplus) | 30.40 | (69.91) | (93.64) | (124.04) |
| | Revenue gap/(surplus) of FY 2010-11 after final truing up | | | | (124.04) |

56. Accordingly, excess recovery of Rs. 124.04 Lakh for FY 2010-11 is required to be considered while approving MSLDC Budget for FY 2012-13.

4.4 Part-D: Provisional True-up for FY 2011-12

Table 18: Provisional True-up for FY 2011-12

(Rs. Lakh)

| Sr. No. | Particulars | FY 2011-12 | | | |
|---------|-----------------------------------|-----------------------------|----------------|--------------------------------------|-----------|
| | | APR Order (Case 90 of 2010) | MSLDC Petition | Approved after Provisional Truing-up | Deviation |
| | | (a) | (b) | (c) | (c-a) |
| | Operating Cost Budget | | | | |
| 1 | Operation & Maintenance Expenses | | | | |
| 1.1 | Employee Expenses | 1157.05 | 999.01 | 852.67 | (304.38) |
| 1.2 | Administration & General Expenses | 218.18 | 252.04 | 243.15 | 24.97 |
| 1.3 | Repair & Maintenance Expenses | 82.41 | 113.65 | 99.83 | 17.42 |
| 2 | Interest on Working Capital | 45.34 | 52.49 | 41.45 | (3.89) |

| Sr. No. | Particulars | FY 2011-12 | | | |
|---------|---|-----------------------------|-----------------|--------------------------------------|-----------------|
| | | APR Order (Case 90 of 2010) | MSLDC Petition | Approved after Provisional Truing-up | Deviation |
| | | (a) | (b) | (c) | (c-a) |
| 3 | RLDC Fees and WRPC Charges | 240.35 | 238.60 | 238.60 | (1.75) |
| | Sub-total (Operating Cost Budget) | 1743.33 | 1655.79 | 1475.70 | (267.63) |
| | Capital Charge Budget | | | | |
| 4 | Depreciation, including advance against depreciation | 185.22 | 170.35 | 164.01 | (21.21) |
| 5 | Interest on Long-term Loan Capital | 187.11 | 129.46 | 86.11 | (101.00) |
| 6 | Return on Equity Capital | 84.89 | 60.41 | 36.52 | (48.37) |
| | Sub-total (Capital Charge Budget) | 457.22 | 360.21 | 286.64 | (170.58) |
| | TOTAL SLDC Budget | 2200.55 | 2016.00 | 1762.35 | (438.20) |
| | SLDC Revenue Components | | | | |
| 7 | Income from Annual SLDC Fees | 382.06 | 382.06 | 382.06 | (0.00) |
| 8 | Income from Monthly SLDC Operating Charges | 1457.16 | 1457.16 | 1457.16 | 0.00 |
| 9 | SLDC fees | 0.00 | 370.27 | 370.27 | (370.27) |
| 10 | Rescheduling charges | 0.00 | 150.09 | 150.09 | (150.09) |
| 11 | Other Receipts | 0.00 | 6.35 | 6.35 | (6.35) |
| | Total Revenue | 1839.22 | 2365.93 | 2365.93 | (526.71) |
| | Revenue Gap / (Surplus) | 361.33 | (349.93) | (603.58) | (964.91) |
| | Add: Revenue gap/(Surplus) of FY 2010-11 after provisional truing up | | | | (964.91) |

57. Accordingly, excess recovery of Rs. 964.91 Lakh for FY 2011-12 is required to be considered while approving MSLDC Budget for FY 2012-13.

58. MSLDC vide their prayer clause (c) and (d) have 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 and also retain the charges as approved in MSLDC Budget Petition Order in Case No. 94 of 2010. 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. The Commission does not adjust this additional revenue while approving revenue projections and the same is adjusted only once it is actually earned. Under these 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.

4.5 Part-E: Summary of Revenue Budget for FY 2012-13

59. Accordingly, MSLDC Budget for FY 2012-13 as approved by the Commission is summarized in the following Table:

Table 19: Revenue Budget for FY 2012-13 (Rs. Lakh)

| Sr. No. | Particulars | FY 2012-13 | FY 2012-13 |
|---------|--|----------------|---------------------|
| | | MSLDC Petition | Commission Approved |
| | Operating Cost Budget | | |
| 1 | Operation & Maintenance Expenses | | |
| 1.1 | Employee Expenses | 1223.46 | 1308.01 |
| 1.2 | Administration & General Expenses | 298.49 | 257.06 |
| 1.3 | Repair & Maintenance Expenses | 140.00 | 105.55 |
| 2 | Interest on Working Capital | 68.98 | 49.73 |
| 3 | RLDC Fees and WRPC Charges | 240.35 | 240.35 |
| | Sub-total (Operating Cost Budget) | 1971.28 | 1960.70 |

| | Capital Charge Budget | | |
|-----------|---|----------------|----------------|
| 4 | Depreciation, including advance against depreciation | 296.99 | 261.35 |
| 5 | Interest on Long-term Loan Capital | 289.64 | 193.30 |
| 6 | Return on Equity Capital | 147.77 | 98.21 |
| | Sub-total (Capital Charge Budget) | 734.40 | 552.85 |
| 7 | TOTAL SLDC Budget for FY 2011-12 | 2705.68 | 2513.55 |
| | True-up Adjustments on account of Over-recover/Under-recovery | | |
| 8 | Add: Revenue gap/(surplus) of FY 2010-11 after truing up | (100.31) | (124.04) |
| 9 | Add: Revenue gap/(surplus) of FY 2011-12 after provisional truing up | (711.26) | (964.91) |
| | Sub-total (9+10)(True-up adjustments for FY 2010-11 and FY 2011-12) | (811.56) | (1088.96) |
| 10 | Total Revenue to be recovered through SLDC Fees & Charges for FY 2012-13 | 1894.11 | 1424.59 |

5 Determination of SLDC Fees and Charges and Mechanism for recovery

60. Thus, the Commission approves the MSLDC Budget for FY 2012-13 as Rs. 2513.55 Lakh, however, due to true-up adjustment to the extent of Rs. 1089.33 Lakh, the approved revenue from SLDC Fees and Charges for FY 2012-13 shall be Rs. 1424.59 Lakh. Further, the total true-up adjustment of Rs. 1088.96 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 2012-13. The approved revenue from Annual SLDC Operating Charges corresponding to Operating Cost Budget and Annual SLDC Fees corresponding to Capital Charge Budget for FY 2012-13 is presented in the following Table:

Table 20: Total SLDC Budget

(Rs. Lakh)

| Sr. No. | Particulars | FY 2012-13 | | |
|----------|--------------------------|----------------------|---------------------|------------------|
| | | Approved SLDC Budget | True- Up Adjustment | Approved Revenue |
| 1 | Operating Cost Budget | 1960.70 | (849.44) | 1111.25 |
| 2 | Capital charge Budget | 552.85 | (239.52) | 313.34 |
| 3 | Total SLDC Budget | 2513.55 | (1088.96) | 1424.59 |

61. 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 have been adopted for FY 2012-13, as enumerated below.

62. 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.

63. Based on the principles outlined in the Order dated May 16, 2006 in Case No. 30 of 2005, the Annual SLDC Fees and Annual SLDC Operating Charges were levied on distribution licensees in proportion to their contribution to Co-incident Peak Demand (CPD) in MW terms met during the previous year. However, in its last Order dated March 31, 2011 in Case No. 90 of 2010 the Commission modified the methodology for sharing of SLDC Fees and Charges. The relevant extract of the Order reads as under:

“61. ...

*...However, in accordance with the MERC (Multi Year Tariff) Regulations, 2011, which is applicable for determination of tariff from FY 2011-12, the mechanism of sharing of Transmission charges has now been modified such that the **sharing would be done on the basis of proportion of Distribution Licensee’s contribution to average of CPD and Non-coincident Peak Demand (NCPD).**” (emphasis added)*

In view of the above, for FY 2012-13, the Commission is adopting similar methodology for sharing of SLDC Fees and Charges, wherein the same shall be shared among Distribution Licensees in proportion to their contribution to average of CPD and NCPD.

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.

64. 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.

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

1. "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.

2. 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.

3. **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."

66. The **net SLDC Budget for FY 2012-13**, after final truing up for FY 2010-11 and provisional truing up for FY 2011-12, has been approved as **Rs. 1424.59 Lakh, comprising Net approved Operating Cost Budget of Rs. 1111.25 Lakh and Net approved Capital Charge Budget of Rs. 313.34 Lakh.**

67. MSLDC will have to recover charges from the distribution licensees based on the share of average of co-incident peak demand (CPD) and non co-incident peak demand (NCPD) met by individual distribution licensee for the period October 2010 to September 2011. The 12- monthly average of CPD and NCPD from October 2010 to September 2011 and the share of each distribution licensee in terms of contribution to average of CPD and NCPD (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 2012-13 as summarized below:

Table 21: Determination of share of each distribution licensee out of approved MSLDC Budget for FY 2012-13 (Rs. Lakh)

| Particulars | Net MSLDC Budget for FY 2012-13 | Net Annual Operating Budget | Net Capital Charge Budget | Share of Average of CPD and NCPD | 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 | 1424.59 | 1111.25 | 313.34 | 12446 | 81.55% | 906.25 | 255.53 | 1161.79 |
| TPC-D | | | | 895 | 5.86% | 65.17 | 18.38 | 83.55 |
| RInfra-D | | | | 1122 | 7.35% | 81.69 | 23.03 | 104.72 |

| Particulars | Net MSLDC Budget for FY 2012-13 | Net Annual Operating Budget | Net Capital Charge Budget | Share of Average of CPD and NCPD | 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) |
| BEST | | | | 799 | 5.23% | 58.14 | 16.39 | 74.54 |
| TOTAL | | | | 15261 | 100.0% | 1111.25 | 313.34 | 1424.59 |

68. Further, the Commission hereby approves recovery of Monthly SLDC Operating Charges and Semi annual SLDC Fees during FY 2012-13 from various distribution licensees as summarized below:

Table 22: Approved recovery of SLDC Fees & Charges (Rs. Lakh)

| Particulars | Monthly MSLDC Operating Charge | Semi-Annual MSLDC Fees |
|--------------|--------------------------------|------------------------|
| | (Rs. Lakh/month) | (Rs. Lakh/ hlf yr) |
| MSEDCL | 75.52 | 127.77 |
| TPC-D | 5.43 | 9.19 |
| RInfra-D | 6.81 | 11.52 |
| BEST | 4.85 | 8.20 |
| TOTAL | 92.60 | 156.67 |

69. The Commission will true up actual expenses incurred subject to prudence check and revenue earned during FY 2011-12 and FY 2012-13 after submission of audited results and Allocation Statements by MSLDC.

With the above, the Commission disposes of the Petition filed in Case No. 181 of 2011, seeking approval of MSLDC Budget for FY 2012-13.

Sd/-
(Vijay L. Sonavane)
Member

Sd/-
(V.P. Raja)
Chairman