

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 244/TT/2015

Coram:

**Shri Gireesh B. Pradhan, Chairperson
Shri A.K. Singhal, Member
Shri A.S. Bakshi, Member
Dr. M.K. Iyer, Member**

Date of Order : 26.12.2016

In the matter of:

Determination of National Load Despatch Center Charges for the control period 1.4.2014 to 31.3.2019 under sub-section 4 of Section 28 of the Electricity Act, 2003 and Regulation 6 of Central Electricity Regulatory Commission (Fees & Charges of Regional Load Despatch Centre and other related matters) Regulations 2015.

And in the matter of:

National Load Despatch Center (NLDC)
Power System Operation Corporation Limited (POSOCO)
Regd. Office : B-9, Qutub Institutional Area
Katwaria Sarai, New Delhi-110016

.....Petitioner

Vs

1. U.P. Power Corporation Limited,
Shakti Bhawan,14-Ashok Marg,
Lucknow-226 001
2. Power Development Department,
Government of J & K, Civil Secretariat,
Srinagar, J&K
3. Rajasthan Rajya Vidyut Prasaran Nigam Limited,
Vidyut Bhawan, Vidyut Marg,
Jaipur-302 005
4. Punjab State Electricity Board,
The Mall, Patiala-147 001
5. Haryana Vidyut Prasaran Nigam Limited,
Shakti Bhawan, Sector-6,
Panchkula-134 109
6. Delhi Transco Limited,
Shakti Sadan, Kotla Road,
New Delhi-110 002



7. Himachal Pradesh State Electricity Board,
Kumar House, Vidyut Bhawan,
Shimla-171 004
8. Power Transmission Corporation of Uttarakhand Limited,
7-B, Lane No-1, Vasant Vihar Enclave,
Dehradun-248 001
9. Electricity Department,
UT Chandigarh, Sector-9 D,
UT Chandigarh-160 019
10. Northern Central Railway,
GM Office Building, Allahabad, UP
11. NRTS-I, Power Grid Corporation of India Limited,
B-9, Qutab Institutional Area,
New Delhi-110 016
12. NTPC Limited,
NTPC Bhawan, Core-7, Scope Complex,
7, Institutional Area, Lodhi Road,
New Delhi-110 003
13. Nuclear Power Corporation of India Limited,
Nabhkiya Bhawan, Anu-Shakti Nagar,
Mumbai-400 094
14. National Hydro Power Corporation Limited,
NHPC Office Complex, Lodhi Road, New Delhi
15. Satluj Jal Vidyut Nigam Limited,
Power Project, Jhakri, Rampur, District Shimla,
Himachal Pradesh-172 201
16. Tehri Hydro Development Corporation of India Limited,
Pragatpuram, Rishikesh,
Uttarakhand-249 201
17. ADHPL Prini,
Tehsil Manali, District-kullu, HP
18. Aravali Power Company Private Limited,
Indira Gandhi Super Thermal Power Project,
VPO: Jharli, Tehsil Matanhail, District Jhajjar, Haryana
19. Jaiprakash Power House Ventures Limited,
Baspa-II Hydro Electric Project, Sholtu Colony,
PO-Tapti, District Kinnaur,
Himachal Pradesh-172 104



20. Everest Power Private Limited,
1st Floor, Hall-1, NBCC Tower,
Bhikaji Cama Place, New Delhi-110 066
21. Shree Cement Limited,
PO Box No. 33, Bangur Nagar,
Beawar-305 901, District: Ajmer (Rajasthan)
22. Greenco Budhil HPS Limited,
Plot No. 1367, Road No.-45,
Jubilee Hills, Hyderabad-500 033
23. Powerlinks Transmission Limited,
10th Floor, DLF Tower-A,
District Centre, Jasola,
New Delhi-110 044
24. Jaypee Powergrid Limited,
House No.-7, Housing Board Colony,
Chuha Bagh, Khaneri Rampur,
Bushahr, Shimla, HP
25. APL, Achalraj, Opposite Mayor Bungalow,
Law Garden, Ahmedabad-380 009
26. Parbati Koldam Transmission Company Limited,
B-9, Qutab Institutional area,
New Delhi-110 016
27. Maharashtra State Electricity Distribution Company Limited,
Prakashgad, 5th Floor, Bandra (East),
Mumbai-400 051, Maharashtra
28. Gujarat Urja Vikas Nigam Limited,
Sardar Patel Vidyut Bhawan,
Race Course, Vadodara-390 007, Gujarat
29. Madhya Pradesh Power Management Company Limited,
3rd Floor, block No. 11, Shakti Bhawan, Rampur,
Madhya Pradesh-482 008
30. Chhattisgarh State Power Trading Company Limited,
P.O. Sunder Nagar, Chhattisgarh Raipur,
Dangania-492 013
31. Electricity Department,
U.T. of Daman and Diu,
Sachivalaya, Daman & Diu, Moti Daman-396 210



32. Electricity Department,
U.T. of Dadra Nagar Haveli,
Secretariat, 66 kv Amli Road, Dadra Nagar & Haveli,
Silvassa-396 230
33. Essar Steel India Limited,
27th KM, Surat Hazira Road,
Surat-394 270, Gujarat
34. Electricity Department,
Government of Goa, 3rd Floor, Vidyut Bhavan,
Panjim, Goa-403 401
35. ACB (India) Limited,
Kasaipali thermal Power Project,
District Korba, Chakabura-495 445, Chhattisgarh
36. Bharat Aluminum Company Limited,
Captive Power Plant-II,
BALCO Nagar, Korba-495 445, Chhattisgarh
37. Coastal Gujarat Power Limited,
Tunda Vandh Road, Tunda Village,
Mundra, Kutch-370 435, Gujarat
38. DB Power,
Village-Baradarha, Post-Kanwali District, Champa,
Baradarha-495 695 Chhattisgarh
39. Jindal Power Limited,
O.P. Jindal STPP,
P.O. Tamnar, Tehsil-Gjarghoda,
District Raigarh, Chattisgarh-496 107
40. DGEN Mega Power Project,
Plot No. Z-9, Dahej SEZ Area (Eastern Side)
At: Dahej, Taluka-Vagra, District-Bharuch, Gujarat-392 130
41. EMCO Power Limited,
Plot No. B-1, Mohabala MIDC Growth Centre Post,
Tehsil-Warora, District-Chandrapur,
Maharashtra-442 907
42. Essar Power MP Limited,
Village Bandhora, Post-Karsualal, Tehsil-Mada,
District Singrauli, Madhya Pradesh-486 886
43. GMR Chhattisgarh Energy Limited,
Skip house, 25/1, Museum Road,
Banglore-560 025, Karnataka



44. Jaippee Nigrie super Thermal Power Project,
Nigri District, Singrauli-486 668,
Madhya Pradesh
45. Korba West Power Company Limited,
Village-Chhote Bhandar, P.O.-Bade Bhandar, Tehsil-Pussore,
District-Raigarh, Raigarh-496 100, Chhattisgarh
46. KSK Mahanadi,
8-2-293/82/A/431/A, Road No. 22,
Jubilee Hills, Hyderabad-500 033,
Andhra Pradesh
47. LANCO Power Limited,
Plot No. 397, Phase-III, Udyog Vihar,
Gurgaon-122 016, Haryana
48. NTPC Sail Power Company Private Limited,
Puranena Village, District-Durg, Bhilai-490 021
Chhattisgarh
49. Ratnagiri Gas & Power Private Limited,
2nd Floor, Block-2, IGL Complex, Sector-126,
Express-Way, Noida-201 304, Uttar Pradesh
50. Sasan Power Limited,
DAKC, I Block, 2nd Floor, North Wing,
Thane Belapur Road, Koparkhairana,
New Mumbai-400 710, Maharashtra
51. Narmada Control authority,
Narmada Sadan, Sector-B, Scheme no. 74,
Vijaynagar, Indore-452 010,
Madhya Pradesh
52. MB Power (Madhya Pradesh) Limited,
Corporate Office: 239, Okhla Industrial estate, Phase-III,
New Delhi-110 020
53. RKM Powergen Private Limited,
Village: Uchpinda, PO-Dhurkot, District-Janjgir,
Champa-495 692, Chhattisgarh
54. Jhabua Power Limited,
Village-Barrella, Post-Attaria, Tehsil-Ghansor,
District-Seoni, Madhya Pradesh-480 997



55. Dhariwal Infrastructure Limited,
CESC House, Chowringee square,
Kolkata-700 001
56. SKS Power Generation Chhattisgarh Limited,
501B, Elegant Business Park, Andheri Kurla Road,
J B Nagar, Andheri (East),
Mumbai-400 059
57. TRN Energy Private Limited,
18, Vasant Enclave, Rao Tula Ram Marg,
New Delhi-110 057
58. Essar Power Transmission Company Limited,
A-5, Sector-3, Gautam Buddha Nagar,
Noida-201 301, Uttar Pradesh
59. Torrent Power Grid Limited,
Torrent House, Off Ashram Road,
Ahmedabad-380 009, Gujarat
60. Western Region Transmission (Gujarat) Private Limited,
12th Floor, Building No.-10-B, DLF, Cyber City,
Gurgaon-122 002, Haryana
61. Western Region Transmission (Maharashtra) Private Limited,
12th Floor, Building No.-10-B, DLF, Cyber City,
Gurgaon-122 002, Haryana
62. Adani Power Limited,
Achalraj, Opposite Mayor bungalow,
Law Garden, Ahmedabad-380 006,
Gujarat
63. Bhopal Dhule Transmission Company Limited,
C-2, Mitra Corporate Suite, Iswar Nagar,
Mathura Road, New Delhi-110 065
64. Raichur Solapur Power Transmission Company Limited,
Patel estate, SV Road, Jogeshwari West,
Mumbai-400 102
65. Jabalpur Transmission Company Limited,
Tower-B, 1st Floor, Logix Techno Park, sector-127,
Noida-201 301, Uttar Pradesh
66. Bihar State Holding Company Limited,
Vidyut Bhawan, Bailey Road,
Patna-800 001, Bihar



67. Jharkhand Urja Vikas Nigam Limited,
Dhurwa Road, Ranchi-834 002,
Jharkhand
68. Damodar Valley Corporation
DVC Tower, VIP Road,
Kolkata-700 054, West Bengal
69. Gird Corporation of Orissa Limited,
Janpath, Bhubaneswar-751 007,
Odisha
70. Power Department,
Govt. of Sikkim, Kaji Road, Sikkim-731 101
Gangtok
71. West Bengal State Electricity Distribution Corporation Limited,
Bidyut Bhawan, Salt Lake,
Kolkata-700 091, West Bengal
72. NTPC Vidyut Vyapar Nigam Limited,
Lodhi Road, New Delhi-110 003
73. Sterlite Energy Limited,
1st Floor, City Mart Complex,
Baramunda-751 023, Odissa
74. Maithon Power Limited,
MA-5 Gogna Colony, P.O: Maithon,
Dhanbad-828 027, Jharkhand
75. GATI Infrastructure Limited,
268, Udyog Vihar, Phase-IV
Gurgaon-122 001, Haryana
76. Adhunik Power & Natural Resources Limited,
Village; Padampur, PS: Kandra, Tata-Seraikela Road,
Jharkhand-832 105
77. GMR Kamalanga Energy Limited,
Plot No.-29, Satyanagar,
Bhubaneswar-751 007, Odissa
78. Jindal India Thermal Power Limited,
Plot No. 12, Local Shopping Complex,
Sector-B1, Vasant Kunj, New Delhi-110 070
79. Ind-Barath Energy Utkal Limited,
Sahajbahal, PO Charpali Barpali
District-Jharsuguda-768 211, Odissa



80. Tata Power Trading Company Limited,
C-43, Sector-62, Noida-201 307, UP
81. East North Interconnection Company Limited,
C-2, Mathura Road, New Delhi-110 065
82. Powerlinks Transmission Limited,
Vidyut Nagar, Siliguri-734 015, WB
83. Andhra Pradesh Power Co-ordination Committee,
4th Floor, Room No. 451, VidyutSoudha, Khairatabad,
Hyderabad-500 082, Andhra Pradesh
84. Power Company of Karnataka Limited,
KPTCL Building, Kaveri Bhavan,
Bangalore-560 009, Karnataka State
85. Kerala State Electricity Board,
Vydyuthi Bhavanam, Pattom,
Thiruvananthapuram-695 004, Kerala State
86. TANGEDCO,
7th Floor, Eastern Wing, NPKRR Maaligai,
144, Anna Salai, Chennai-600 002, Tamil Nadu State
87. Electricity Department,
Government of Puducherry, I Floor, Main Building,
Puducherry-605 001, Puducherry
88. Neyvelli Lignite Corporation Limited,
P.O. Neyvelli-607 801,
Cuddalore District, Tamil Nadu
89. NTPC Tamil Nadu Energy Company Limited,
Vallur Thermal Power Project, Vellivoyalchavadi Post,
Poneri Taluck, Tiruvallur District,
Chennai-600 013, Tamil Nadu
90. NLC Tamil Nadu Power Limited,
Harbour Estate, Tuticorin-628 004,
Tamil Nadu
91. LANCO-Kondapalli Power Private Limited,
Kondapalli, Ibrahimpatnam Mandal,
PIN 521 228, Telangana
92. Meenakshi Energy Private Limited,
NSL ICON, Plot No. 1, 2, 3, 4, H-No-8-2-684/2/A,
2nd Floor, Road No.12, Banjara Hills, Hyderabad-500034



93. Madhucon Green Lands,
6-3-866/2, 3rd Floor, Begumpet,
Hyderabad-560 016, Telengana
94. Coastel Energen Private Limited,
7th Floor, Buhari Towers, No.4 Moores Road,
Chennai-600 006,
Tamil Nadu
95. Thermal Powertech Corporation India Limited,
6-3-1090, A-Block, 5th Floor, T.S.R. Towers,
Raj Bhavan Road, Somajiguda,
Hyderabad-500 082, Telangana
96. IL&FS Tamil Nadu Power Company Limited,
C. Pudhupettai (Post), Parangipettai (via),
Chidambaram (TK), Cuddalore-608 502, Tamil Nadu
97. Assam Power Distribution Company Limited,
Bijuli Bhavan, Paltan Bazar,
Guwahati-781 001
98. Meghalaya Electricity Corporation Limited,
(MeECL), Lumjingshai, Short Round Road,
Shillong-793 001
99. Tripura State Electricity Corporation Limited,
Agartala-799001, Tripura
100. Department of Power,
Government of Arunachal Pradesh,
Itanagar-791 111
101. Department of Power,
Government of Mizoram,
Aizwal-796 001, Mizoram,
102. Department of Power,
Government of Nagaland,
Kohima-791 001
103. Manipur State Power Distribution Company Limited,
Keishampat, Imphal-795 001
104. North-Eastern Electric Power Corporation Limited,
(NEEPCO limited), 15, NBCC Tower,
Bhikaji Cama Place, New Delhi



105. ONGC Tripura Power Company Limited,
6th Floor, A Wing, IFCI Tower-61,
Nehru Place, New Delhi-110 019
106. North Eastern Transmission Company Limited,
1st Floor, Ambience Corporate Tower, Ambience Mall,
Gurgaon-122 001, Haryana...

.....Respondents

For petitioner : Shri S.K. Soonee, POSOCO
Shri R.K. Bansal, POSOCO

For respondents : None

ORDER

The instant petition has been filed by Power System Operation Corporation Limited (POSOCO), a wholly owned subsidiary of Power Grid Corporation of India Limited (PGCIL) under sub-section (4) of Section 28 of Electricity Act, 2003 and Regulation 6 of Central Electricity Regulatory Commission (Fees & Charges of Regional Load Despatch Centre and other related matters) Regulations, 2015(hereinafter “the 2015 RLDC fees regulations”)for determination of tariff for the period from 1.4.2014 to 31.3.2019.

2. The tariff for 2009-14 tariff period for the instant asset was allowed vide order dated 14.2.2011 in Petition No. 83/2010. Subsequently, the fee and charges for 2009-14 tariff period were trued-up and approved vide order dated 14.3.2016 in Petition No. 524/TT/2014.

3. The petitioner has served the petition on the respondents. None of the respondents have filed any reply.



4. The hearing in the matter was held on 22.12.2015. Having heard the representatives of the parties and perused the material on record, we proceed to dispose of the petition.

Brief Background

5. As per the directives of Government of India vide order dated 4.7.2008, Power System Operation Corporation Ltd. (POSOCO), a wholly owned subsidiary of Power Grid Corporation of India Ltd. was created and POSOCO is responsible for system operation of National Load Despatch Centre (NLDC) and Regional Load Despatch Centres (RLDCs). Pursuant to Satnam Singh Committee's report, the assets pertaining to system operations have been transferred to POSOCO for which separate tariff orders were issued by the Commission.

6. The Commission has notified Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2015 and RLDC fee and charges have been determined in the instant petition as per the provisions of the said regulations.

Determination of Annual Fee and Charges for 2014-19

7. The annual fee and charges claimed by the petitioner are as hereunder:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Return on Equity	200.13	228.58	261.09	280.30	361.13
Interest on Loan Capital	0.00	0.00	0.00	0.00	0.00
Depreciation	270.73	290.60	286.11	511.14	706.27
O&M Expenses excluding HR Expenses	588.17	626.13	659.24	626.26	566.16
HR Expenses	1793.12	2759.32	3977.63	6404.60	7243.65
Total	2852.15	3904.63	5184.07	7822.29	8877.21



Capital Cost

8. Regulation 9 of the 2015 RLDC fees regulations provides as under:-

“9. Computation of Capital Cost:

(1) The capital cost as admitted by the Commission after prudence check, for each of the Regional Load Despatch Centre or NLDC, as the case may be, shall form the basis for determination of annual charges.

(2) The capital cost shall be computed by considering the following:

(a) The Capital cost as admitted by the Commission as on 1.4.2014 duly trued up by excluding liability, if any;

(b) Expenditure on account of additional capitalization and de-capitalization determined in accordance with the Regulation 10;

(c) The original capital cost of the fixed assets which has been replaced during control period shall be de-capitalized from the admitted capital cost from the respective date duly adjusting cumulative depreciation and cumulative repayment, if any;

(d) Interest during construction and incidental expenditure during construction;

(e) Any grant received from the Central or State Government or any statutory body or authority for execution of the project which does not carry any liability of repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation;

(3) The Capital cost shall be admitted after prudence check which may include scrutiny of the reasonableness of the capital expenditure, financing plan, Interest During Construction (IDC), Incidental Expenditure During Construction (IEDC), financing charges, any gain or loss on account of Foreign Exchange Rate Variation (FERV), use of efficient technology, cost over-run and time over-run, and such other matters as may be considered appropriate by the Commission:

Provided further that interest during construction shall be computed corresponding to the loan from the date of infusion of debt fund, and after taking into account the prudent phasing of funds duly adjusting IDC on account of time over run if any ;

Provided further that incidental expenditure during construction shall be computed after prudence check duly adjusting the IEDC on account of time over run if any, interest on deposits or advances, or any other receipts and liquidated damages recovered or recoverable corresponding to the delay.

9. The capital cost of ₹2643.16 lakh as on 31.3.2014 was allowed vide order dated 14.3.2016 in Petition No. 524/TT/2014. The same gross block value has been considered for the purpose of computation of tariff for the 2014-19 period.



Additional Capitalization

10. Regulation 10 of the 2015 RLDC fees regulations provides as under:-

“10. Additional Capitalisation and De-Capitalization:

(1) The capital expenditure incurred or projected to be incurred for the assets already in service and the additional assets projected to be procured during tariff period may be admitted, in its discretion, by the Commission, subject to prudence check:

Provided that any expenditure for acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, heat convectors, mattresses, carpets etc. purchased during 2009-14 tariff period shall not be considered for additional capitalization for determination of fees and charges.

(2) In case of de-capitalisation of assets under the REPEX or otherwise, the original cost of such asset as on the date of de-capitalisation shall be deducted from the value of gross fixed asset along with corresponding adjustment in equity, outstanding loan, cumulative repayment of loan and depreciation in the year such de-capitalisation takes place.”

11. The petitioner has claimed the following additional capital expenditure for 2014-19 tariff period:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	2643.16	2762.99	3421.99	3708.99	5476.99
CAPEX	119.83	659.00	287.00	100.00	2020.00
REPEX	0.00	0.00	0.00	1668.00	0.00
Closing Capital Cost	2762.99	3421.99	3708.99	5476.99	7496.99

Capital Expenditure (CAPEX) and Additional Replacement Expenditure (REPEX) Plan

12. Regulation 5 of the 2015 RLDC fees regulations provides as under:-

“5. Capital Expenditure (CAPEX) and Replacement Expenditure (REPEX)Plan:

(1) The Regional Load Despatch Centres and National Load Despatch Centre shall formulate the scheme for Capital Expenditure (CAPEX) and Replacement Expenditure (REPEX) for the control period duly approved by the Board of Power System Operation Company. The CAPEX and REPEX plan shall also include future costs to be incurred for the up-gradation, modernization, automation and expansion of infrastructure in addition to existing capital assets.



(2) The concerned Regional Load Despatch Centre and National Load Despatch Centre shall submit the following along with the petition for determination of fees and charges:

(a) the CAPEX for the control period of 2014-19 along with details of estimated expenses, reasonableness of capital cost, financing plan, interest during construction, use of efficient technology, upgradability/scalability of the technology and systems to accommodate the growing requirement of system operation and estimated completion period of each scheme ;

(b) the REPEX plan for capital expenditure of existing asset, completion of life of existing asset, cumulative depreciation recovered, date of replacement, cumulative repayment of loan upto date of replacement, writing off of the gross value of the original assets from the original fixed assets along with estimated expenses, reasonableness of capital cost, financing plan, interest during construction, use of efficient technology, upgradability/scalability of the technology and systems to accommodate the growing requirement of system operation and estimated completion period of each scheme.

(3) In relation to any consolidated schemes of CAPEX and REPEX involving one or more RLDCs and/or NLDC, the capital expenditure chargeable to each RLDC and NLDC shall be segregated and considered as a part of capital expenditure of RLDC concerned and NLDC, as the case may be.”

13. The petitioner has claimed the CAPEX and REPEX for the 2014-19 as given

below:-

CAPEX Plan:

(₹ in lakh)

Sr. No.	Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Hardware	17.49	261.00	15.00	10.00	10.00	313.49
2	Software	95.37	374.00	242.00	70.00	10.00	791.37
3	Civil Works	0.00	0.00	20.00	10.00	2000.00	2030.00
4	Air Conditioning System	3.50	5.00	10.00	10.00	0.00	28.50
5	Other infrastructure	3.50	19.00	0.00	0.00	0.00	22.50
	Total	119.86	659.00	287.00	100.00	2020.00	3185.86

REPEX Plan:

(₹ in lakh)

Sr. No.	Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Hardware	0.00	0.00	0.00	756.00	0.00	756.00
2	Software	0.00	0.00	0.00	912.00	0.00	912.00
3	Civil Works	0.00	0.00	0.00	0.00	0.00	0.00
4	Air Conditioning System	0.00	0.00	0.00	0.00	0.00	0.00
5	Other infrastructure	0.00	0.00	0.00	0.00	0.00	0.00
	Total	0.00	0.00	0.00	1668.00	0.00	1668.00



14. Total projected capital and replacement expenditure (CAPEX/REPEX) provided for 2014-19 for NLDC is ₹4853.86 lakh (₹3185.86 lakh CAPEX+₹1668 lakh REPEX). Major items are as below:-

Replacement of SCADA system (REPEX)

15. The petitioner has claimed ₹1668 lakh towards replacement of SCADA systems of RLDCs and NLDC. The petitioner has submitted that it was planned during the 2009-14 period and was included in the CAPEX in the 2009-14 period and it forms the major portion of the projected CAPEX of 2009-14. The petitioner has submitted that replacement of SCADA systems of the RLDCs and the SLDC was taken up in a unified manner and awards for the RLDCs (except NERLDC) was placed only in 2012-13 after getting the concurrence of the SLDCs of the respective regions. However it could not be executed during 2009-14 period therefore, these have been included in the CAPEX for 2014-19.

Procurement of IT systems

16. The petitioner has claimed ₹1105 lakh towards procurement of IT systems (Hardware and Software). This expenditure projected by the petitioner towards IT Systems include general IT infrastructure, Data base Management System, Business Intelligence software, Simulation software, Web Based Scheduling software, Forecasting Software, Transient Analysis, Deviation Settlement Software, Reporting System, Financial Accounting System, PSDF Software, Software for weather system etc.

Civil works

17. The petitioner has planned ₹2000 lakh towards civil works at NLDC, Corporate Office. The petitioner has submitted the approval of its Board in support



of the above projected civil works during 2014-19 period. The projected civil works is allowed subject to true up of actual expenditure.

18. Thus, the CAPEX and REPEX plan approved for the purpose of capitalisation in accordance with Regulation 5 read with Regulation 10 of the 2015 RLDC Fees Regulations subject to true up are as given below:

CAPEX Plan:

(₹ in lakh)

Sr. No.	Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Hardware	17.49	261.00	15.00	10.00	10.00	313.49
2	Software	95.37	374.00	242.00	70.00	10.00	791.37
3	Civil Works	0.00	0.00	20.00	10.00	2000.00	2930.00
4	Air Conditioning System	3.50	5.00	10.00	10.00	0.00	28.50
5	Other infrastructure	3.50	19.00	0.00	0.00	0.00	22.50
	Total	119.86	659.00	287.00	100.00	2020.00	3185.86

REPEX Plan:

(₹ in lakh)

Sr. No.	Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Hardware	0.00	0.00	0.00	756.00	0.00	756.00
2	Software	0.00	0.00	0.00	912.00	0.00	912.00
3	Civil Works	0.00	0.00	0.00	0.00	0.00	0.00
4	Air Conditioning System	0.00	0.00	0.00	0.00	0.00	0.00
5	Other infrastructure	0.00	0.00	0.00	0.00	0.00	0.00
	Total	0.00	0.00	0.00	1668.00	0.00	1668.00

19. The petitioner has submitted that the REPEX and CAPEX as claimed have been funded through LDC Fund. We have considered the submissions of the petitioner. It is observed from Form 4D, submitted by the petitioner alongwith the petition, that the loan portion (i.e. 70 %) of add-cap during 2014-19 period has been funded through LDC fund and equity portion (i.e. 30%) is notional equity, thus, there is 'NIL' actual equity. The expenditure on CAPEX and REPEX is allowed to be met from the LDC funds. The expenditure shall be reflected in the Books of NLDC.



However, in terms of Regulation 12 (5) of the 2015 RLDC Fees Regulations the expenditure shall not earn any return on equity, interest on loan and depreciation.

Regulation 12(5) of the 2015 RLDC Fees Regulations provides as under :-

"Any asset created by the Power System Operation Company out of the money deposited into the LDC Fund shall not be considered for computation of return on equity, interest on loan and depreciation on same principles as in case of grant. Power System Operation Company shall submit details of such assets in the CAPEX plan."

20. POSOCO in Petition No. 222/MP/2015 had submitted that depreciation shall be allowed on the expenditure incurred out of the LDC Fund for CAPEX and REPEX in order to replenish the LDC Fund and denial of depreciation would result in depletion of the LDC Fund. The Commission after considering the submissions of POSOCO decided the issue as under in order dated 30.8.2016 in Petition No. 222/MP/2015:-

"16. As per the above provision, asset created by POSOCO out of the money deposited into the LDC Development Fund is not required to be considered for computation of return on equity, interest on loan and depreciation on same principles as in case of grant. POSOCO has submitted that the purpose of allowing depreciation for assets is to make available fund to the company to replace those assets once their economic life is over. If no depreciation on the assets funded from the LDC Development Fund is allowed, the fund shall start depleting and will not be available for future CAPEX/REPEX needs of POSOCO. In our view, although the interpretation taken by the Commission is correct as any amount allocated out of Reserve Fund are in the form of grant. However this aspect needs detailed examination and deliberation. Accordingly, we direct the staff to make a detailed analysis of the impact of disallowance of depreciation and treating it as grant on the assets funded out of LDC Development Funds on the future asset of POSOCO and submit for consideration of the Commission"

21. In compliance with the direction, staff of the Commission analysed the issue of denial of depreciation on assets created out of LDC Fund and its impact on the overall funds availability in LDC Fund and submitted its analysis to the Commission. On going through the analysis, it is observed that after meeting the funding of CAPEX and REPEX requirements out of LDC Fund as projected in the petition, NLDC would still be left with sufficient funds to meet the CAPEX and REPEX



requirements during 2014-19 period. Therefore, there is no requirement to revisit the provisions of Regulations 12(5) of the 2015 RLDC Fee Regulations during the control period 2014-19. The issue of allowance/disallowance of depreciation on the assets created from LDC Fund will be considered at the time of making Regulations on fees and Charges for the next control period. In case of any difficulty, the petitioner may approach the Commission through an appropriate application.

22. In the instant case, the additional CAPEX and REPEX is proposed to be met from the LDC Fund and as such, additional capital expenditure claimed is not allowed for the purpose of computation of fee and charges as provided in Regulation 12(5) of the 2015 RLDC Fees Regulations.

De-capitalisation

23. The details of de-capitalisation carried out as provided under Regulation 10(2) of the 2015 RLDC fees regulations are as under:-

(₹ in lakh)					
Description	2014-15	2015-16	2016-17	2017-18	2018-19
IT equipments (SCADA Hardware with test equipment & Spares)	0.71	0.00	0.00	600.58	0.00
Software (IT Equipments)	0.00	31.5	0.00	913.62	0.00
Total	0.71	31.5	0.00	1514.20	0.00

Debt-equity ratio

24. Regulation 11 of 2015 RLDC Fee Regulations provide as under:-

"11. Debt-Equity Ratio:

(1) The actual debt: equity ratio as admitted by the Commission for the period ending 31.3.2014 shall be considered for the opening capital cost of each of the Regional Load Despatch Centres and National Load Despatch Centre, as the case may be.



(2) The capital expenditure incurred prior to 1.4.2014, where debt: equity ratio has not been determined by the Commission for determination of annual charges of RLDC for the period ending 31.3.2014, the Commission shall determine the debt:equity ratio in accordance with Regulation 9(2) of the Central Electricity Regulatory Commission (Fees and Charges for Regional Load Despatch Centres and other related matters) Regulations, 2009.

(3) For the capital expenditure incurred or projected to be incurred on or after 1.4.2014, the debt-equity ratio shall be considered as 70:30. If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan: Provided that:

- i. where equity actually deployed is less than 30% of the capital cost, actual equity shall be considered for determination of tariff;
- ii. the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment;
- iii. any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt : equity ratio.

Explanation.-The premium, if any, raised by the power system operation company while issuing share capital and investment of internal resources created out of its free reserve, for the funding of the project, shall be reckoned as paid up capital for the purpose of computing return on equity, only if such premium amount and internal resources are actually utilised for meeting the capital expenditure of the RLDC."

25. The details of Debt-Equity worked out for the instant asset as on 1.4.2014 and 31.3.2019 as provided in Regulation 11 of the 2015 RLDC fees regulations is given below:-

(₹ in lakh)

Particulars	Debt-Equity Ratio as on			
	1.4.2014		31.3.2019	
Debt	1850.21	70.00%	767.72	70.00%
Equity	792.95	30.00%	329.03	30.00%
Total	2643.16	100.00%	1096.75	100.00%

The de-capitalisation has been carried out in 70:30 debt–equity ratio.

Return on Equity (ROE)

26. Regulation 17 of 2015 RLDC Fee Regulations provide as under : -

"17. Return on equity:

(1) Return on equity shall be computed in Rupee terms on the equity base determined in accordance with Regulation 11 of these regulations.



(2) Return on equity shall be computed on pre-tax base rate of 15.50% to be grossed up as per the sub-clause (3) of this regulation.

(3) The rate of return on equity shall be computed by grossing up the base rate with the effective tax rate of the financial year 2014-15 applicable to the Power System Operation Company :

Provided that the return on equity with respect to the actual tax rate applicable to the Power System Operation Company in line with the provisions of the relevant Finance Acts of the respective year during control period shall be trued up at the end of the control period.

(4) Rate of return on equity shall be rounded off to three decimal points and be computed as per the following formula :

$$\text{Rate of pre-tax return on equity} = \text{Base rate}/(1-t)$$

Where 't' is the effective tax rate in accordance with sub-clause (3)".

27. As per above regulation, the base rate considered for the calculation of ROE is 15.5% for 2014-19 period. We have considered the effective tax rate of 17.566% for 2014-15 in line with the Central Electricity Regulatory Commission (Terms and Conditions) Regulations, 2014 and the same has been applied for the control period 2014-19. Accordingly, the ROE computed for control period 2014-19 is as under:-

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	792.95	792.74	783.29	783.29	329.03
Addition due to Additional Capitalisation	-0.21	-9.45	0.00	-454.26	0.00
Closing Equity	792.74	783.29	783.29	329.03	329.03
Average Equity	792.84	788.01	783.29	556.16	329.03
Return on Equity (Base Rate)	15.50%	15.50%	15.50%	15.50%	15.50%
Effective Tax rate during 2014-15	17.566%	17.566%	17.566%	17.566%	17.566%
Rate of Return on Equity (Pre Tax)	18.803%	18.803%	18.803%	18.803%	18.803%
Return on Equity (Pre Tax)	149.08	148.17	147.28	104.57	61.87

Interest on Loan

28. The petitioner has not claimed Interest of Loan component for 2014-19 tariff period as the principal portion of loan has been repaid fully.



Depreciation

29. Regulation 19(2) and 19(4) of 2015 RLDC Fee Regulations provide as under:-

"(2) The salvage value of the asset (excluding IT equipments and Software's) shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset. The salvage value for IT equipments and Softwares shall be considered as NIL and 100% value of the assets shall be considered as depreciable.

(4) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-III to these regulations for the assets of the Regional Load Despatch Centre."

30. The petitioner has submitted that depreciation has been worked as per Regulation 19 of the 2015 RLDC Fee Regulations and the salvage value of assets, excluding IT Equipment and Software, have been considered as 10% and there is no salvage value for IT Equipment and Software. The petitioner has further submitted that depreciation has been worked out as per the rates given in Appendix III of the 2015 RLDC Fee Regulations.

31. Depreciation has been calculated annually based on Straight Line Method and at rates specified in the 2015 RLDC Fee Regulations. Year-wise Weighted Average Rates of depreciation have been calculated by applying specified rates of depreciation to individual items and these weighted average rates of depreciation have been applied to the 90% depreciable assets and 100% depreciable assets. Following is the working of the depreciation for the instant assets/items:-

	(₹ in lakh)				
Gross Block	2014-15	2015-16	2016-17	2017-18	2018-19
As per Last Order	2643.16	2642.45	2610.95	2610.95	1096.75
Addition during 2009-14 due to Projected Additional Capitalisation	-0.71	-31.50	0.00	-1514.20	0.00
Closing Gross Block	2642.45	2610.95	2610.95	1096.75	1096.75
Average Gross Block	2642.81	2626.70	2610.95	1853.85	1096.75
Average Gross Block of 90% Depreciable assets	730.95	730.95	730.95	730.95	730.95



Average Gross Block of 100% Depreciable assets	1911.86	1895.75	1880.00	1122.90	365.80
Rate of Depreciation	18.6541%	18.5865%	18.5177%	16.2581%	10.8789%
Depreciable Value (excluding IT equipments and softwares)	657.86	657.86	657.86	657.86	657.86
Depreciable value of IT equipments and softwares	1911.86	1895.75	1880.00	1122.90	365.80
Total Depreciable Value	2569.71	2553.61	2537.86	1780.76	1023.66
Remaining Depreciable Value	561.12	52.56	8.19	0.00	0.00
Depreciation	492.99	52.56	8.19	0.00	0.00
Cumulative Depreciation/ Advance against Depreciation	2501.04	2529.67	2537.86	1387.18	1387.18

Operation and Maintenance Expenses (O&M Expenses)

32. Regulation 20 of 2015 RLDC fee regulations provide as under: -

"20. Operation and Maintenance Expenses: -

(1) Operation and maintenance (O&M) expenses (excluding human resource expenses) shall be derived on the basis of actual operation and maintenance expenses for the years 2009-10 to 2013-14, based on the audited balance sheets. The O&M expenses shall be normalized by excluding abnormal operation and maintenance expenses, donation, loss-in-inventory, prior-period adjustments, claims and advances written-off, provisions, etc, if any, after prudence check by the Commission.

(2) The normalized operation and maintenance expenses, after prudence check, for the years 2009-10 to 2013-14, shall be escalated at the rate of 5.72% to arrive at the normalized operation and maintenance expenses at the 2013-14 price level respectively and then averaged to arrive at normalized average operation and maintenance expenses for the 2009-10 to 2013-14 at 2013-14 price level. The average normalized operation and maintenance expenses of 2013-14 price level shall be escalated at the escalation rate as worked out in accordance with clause (4) of this Regulation to arrive the operation and maintenance expenses for the year 2014-15.

(3) The operation and maintenance expenses for the year 2014-15 shall be escalated further at the annual escalation rate as worked out in accordance with clause (4) this Regulation to arrive at permissible operation and maintenance expenses for the subsequent years of the control period.

(4) The escalation rate shall be worked out by considering the compounded annual growth rate, inflation rate, rationalization of O&M expenses and other factors, if any.

(5) The actual expenditure towards Annual Maintenance Contract (AMC) of SCADA system, after prudence check, shall be considered for arriving at the Operation and Maintenance Expenses during 2014-15 to 2018-19."



33. The petitioner has submitted that the O&M Expenses excluding employee expenses have been calculated as per Regulation 20 of the 2015 RLDC fees regulations. The petitioner has submitted that the normalized O&M Expenses of 2009-14 have been escalated at the rate of 5.72% and then averaged to arrive at the normalized average expenses of 2013-14 level. Accordingly, the petitioner has claimed the O&M Expenses as under:-

(₹ in lakh)					
Items	2014-15	2015-16	2016-17	2017-18	2018-19
Repairs and maintenance expenses	233.31	243.31	246.24	180.72	85.52
Administrative and general expenses etc.	354.86	382.83	412.99	445.54	480.65
Total	588.17	626.13	659.24	626.26	566.16

34. The petitioner has considered the escalation rate of 7.79% to arrive at O&M Expenses for the year 2014-15. This rate has been arrived at after taking into consideration the Compounded Annual Growth Rate (CAGR) of actual O&M Expenses of the control period 2009-14 and inflation rate as provided in the Regulation 20(4) of the 2015 RLDC fees regulations.

35. We have considered the submissions of the petitioner. The donations and other charges which do not form part of O&M Expenses are disallowed. As regards the training expenditure, it has been decided in order dated 30.8.2016 in Petition No. 222/MP/2015 that the expenditure incurred for training the personnel from SLDC would be met from the LDC Fund. Since in case of expenditure on training of the personnel of NLDC has been considered as part of the O&M Expenses of NLDC, the same shall be met from the O&M Expenses. Accordingly, the training expenditure related to employees of POSOCO (NLDC) is allowed as part of O&M Expenses. It is observed that the petitioner has booked certain expenses under the head 'Organization Developmental Expenses'. However, the petitioner has not



clarified whether this expenditure is related to employee welfare development or other expenses. Thus, only 50% of the expenses claimed under the head 'Organization Developmental Expenses' is allowed. The same will be reviewed at the time of trueing up of 2014-19 charges on submission of clarification by the petitioner.

36. The petitioner has submitted the details of actual expenses upto 31.3.2014 and hence, we have considered base year as 2014-15 for the purpose of arriving at O&M Expenses. Normalized O&M Expenses actually incurred by the petitioner have been arrived at for working out the O&M Expenses for base year 2014-15 to further work out the O&M Expenses for 2014-19 tariff period as under:-

(₹ in lakh)

Year	Normalized Repairs and Maintenance	Normalized A&G expenses	Total
5 year Average	28.55	285.59	314.13
*Escalated upto base year 2014-15 @5.72%	32.80	328.20	361.00

*O&M Expenses (excluding HR expenses) have been worked out based on actual expenses of 2009-14 period.

37. The petitioner has claimed ₹787.06 lakh towards AMC of SCADA as part of O&M Expenses and the same is allowed. The expenses towards AMC of SCADA are based on the contract and hence, the same has been allowed subject to adjustment with actual expenses at the time of true-up.

Escalation Rate

38. The escalation rate has been computed based on the five year average WPI and CPI indices for 2008-09 to 2013-14. Considering 60% WPI and 40% CPI, it works out to 7.79%. It is observed that after normalisation, the increase in O&M Expenses for the period 2008-09 to 2013-14 was around 15-16% for the petitioner.



We are therefore of the view that average CPI(40%) and WPI(60%) indices are an indicator of inflation and the same is considered in the instant case. Accordingly, the escalation rate of 7.79% has been considered to work out the O&M Expenses for 2014-19 period.

39. The O&M Expenses excluding employee expenses have been worked out by considering normalized expenses and escalation rate as discussed above. The O&M Expenses worked out are as under:-

Items	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
O&M Expenses	361.00	389.16	419.51	452.23	487.50
AMC of SCADA	198.79	206.07	206.07	137.38	38.76
Total O&M expenses	559.79	595.22	625.58	589.61	526.26

40. The total O&M Expenses worked out above excluding employee expenses and including projected annual maintenance charges of SCADA will be reviewed at the time of true up based on actual O&M Expenses.

Human Resource Expenses (HR Expenses)

41. Regulation 21 of 2015 RLDC Fee Regulations provide as under:-

(1) Human resource expenses shall be derived on the basis of actual human resource expenses for the years 2009-10 to 2013-14 based on the audited balance sheets. The human resource expenses shall be normalized by excluding abnormal Human resource expenses, ex-gratia, VRS expenses, prior-period adjustments, claims and advances written-off, provisions, etc., if any, after prudence check by the Commission: Provided that performance related pay computed in accordance with DPE guidelines shall be met from the incentive allowed in accordance with sub-clause (5) of Regulation 29 of these Regulations.

(2) The normalized human resource expenses, after prudence check, for the year 2009-10 to 2013-14, shall be escalated at the rate of 5.72% to arrive at the normalized human resource expenses at the 2013-14 price level respectively and then averaged to arrive at normalized average human resource expenses for the 2009-10 to 2013-14 at 2013-14 price level.



(3) The manpower approved during the year 2013-14 shall be the basis for computation of the HR expenses for 2014-15. Thereafter, for the subsequent years, the HR expenses shall be escalated at the annual escalation rate.

(4) The average normalized human resource expenses of 2013-14 price level shall be escalated at the escalation rate as worked out in accordance with clause (6) this Regulation to arrive the operation and maintenance expenses for the year 2014-15.

(5) The human resource expenses for the year 2014-15 shall be escalated further at the annual escalation rate as worked out in accordance with clause (6) this Regulation to arrive at permissible human resource expenses for the subsequent years of the control period:

Provided that the human resource expenses from 1.1.2017 onwards shall be further rationalized after considering 50% increase in employee cost on account of pay revision of the employees of the Public Sector Undertakings to arrive at the permissible human resource expenses for the year 2017-18 and 2018-19.

(6) The escalation rate shall be worked out by considering the compound annual growth rate, inflation rate, rationalization of human resource and other factors, if any.

(7) The cost of anticipated increase in the manpower of each year of the control period shall also be considered after prudence check.

42. The petitioner has claimed the HR expenses for the tariff period 2014-19 as under:-

(₹ in lakh)				
2014-15	2015-16	2016-17	2017-18	2018-19
1793.12	2759.32	3977.63	6404.60	7243.65

43. The petitioner has submitted that the normalized HR expenses of 2009-14 have been escalated at the rate of 5.72% and then averaged to arrive at the normalized average HR expenses at 2013-14 level. The petitioner has further submitted that the manpower projection for computation of the HR expenses for the control period 2014-19 is based on increase functions/responsibilities of NLDC over the past few years which need to be complemented with proportionate increase in manpower for carrying out duties/responsibilities with efficacy and quality. The additional manpower has been envisaged in NLDC to take care of the additional responsibilities in the areas of regulatory affairs, integration of renewable, WAMS-PMU project, big data management, Information Technology, ancillary services,



logistics, energy efficiency and physical security, system operation, SCADA/EMS up-gradation and management, power system, open access, handling of pool accounts and the associated taxation issues, and Human Resource Development. As per the submission of the petitioner, the actual manpower in 2014-15 is 86 and the manpower projected for 2018-19 is 156.

44. We have examined the petitioner's claim of HR Expenses in the light of Regulation 21 of the 2015 RLDC Fees Regulations. The petitioner has submitted the copy of supporting calculation along with tariff forms. We have analysed sub-head wise HR Expenses incurred by NLDC. It is observed that there is abrupt increase in the HR Expenses during the year 2010-11 and 2013-14. The increase during 2010-11 and 2013-14 is to the tune of 107% and 37% respectively after normalization of expenses. Some of the expenses like ex-gratia, productivity linked incentives, provisions and adjustments made by the petitioner have been rationalized to work out the normalized HR Expenses. The 2015 RLDC Fees Regulations provides for incentive provision separately linked with performance and therefore the same should be paid by the petitioner from the increase in revenue due to efficient system operations. The petitioner company is hived off from Powergrid during 2010-11 and therefore, it is not appropriate for the petitioner to consider the HR Expenses from 2009-12 for the purpose of working out the HR Expenses for the 2014-19 period. We have considered the average of normalised HR Expenses of last two years of the petitioner for the purpose of working out the HR Expenses.

45. The petitioner has submitted that as per Regulation 21 of RLDC Fees Regulations HR Expenses are to be considered on normalized basis with further



rationalization considering 50% increase in employee cost on account of pay revision. We have considered the submissions of the petitioner. The wage revision is expected to be effective from 1.1.2017. The last pay revision of the employee of CPSE took place with effect from 1.1.2007. Pay revision of CPSE employees takes place after a gap of 10 years. However, the pay revision of the CPSE has not been notified as yet. Even though it is provided in the 2015 RLDC fee regulations to allow the HR expenses on account of pay revision with effect from 1.1.2017, the Commission is of the view that it would not be appropriate to allow the expenditure through fees and charges, which has not been crystallized on the date of order. Therefore, the claim of the petitioner for expenditure on account of wage revision has not been allowed. Liberty is granted to the petitioner to approach the Commission after implementation of the wage revision for CPSE employees.

46. There is a wide variation in actual HR expenses during 2009-14 period. The HR expenses of last two years were relatively comparable and accordingly, we have considered the actual HR expenses of 2012-13 and 2013-14 as representative. The actual HR expenses of 2012-13 and 2013-14 have been further rationalized by considering the observations as discussed in the previous paragraphs. We have accordingly derived normalised HR Expenses actually incurred by the petitioner for working out the HR expenses for base year 2014-15 to work out the O&M Expenses for 2014-19 tariff period as under:-

(₹ in lakh)

Year	Normalized HR expenses
2 year Average	1359.28
Escalated upto base year 2014-15*	1519.22



47. We have considered escalation rate of 7.79% for working out O&M Expenses. HR Expenses, excluding employee expenses, have been worked out considering normalized expenses and escalation rate of 7.79%. The details of HR Expenses worked out are as under:-

	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19
HR expenses	1519.22	1637.72	1765.50	1903.10	2051.60

Additional Manpower

48. The petitioner has claimed additional manpower during 2014-19 period. The year wise addition of manpower projected by the petitioner for 2014-19 is given below:-

Year	Executive	Non-executive
2014-15 (existing staff)	71	15
2015-16 (addition)	30	4
2016-17 (addition)	19	0
2017-18 (addition)	5	-3
2018-19 (addition)	15	0

49. The petitioner has claimed HR Expenses by considering increased number of manpower. The petitioner has also submitted the approval of its Board in support of the increase of manpower. The petitioner has submitted that assignment of additional responsibilities in the areas of system operation, regulatory affairs, integration of renewable, WAMS project, SCADA up-gradation, ancillary services etc. requires additional manpower. It is observed that the additional responsibilities considered by the petitioner have already been factored while providing for the manpower in the regulations. The petitioner should optimize the utilization of existing manpower to discharge any additional responsibilities already assigned to POSOCO (NLDC). It appears that NLDC has not recruited the manpower commensurate with the projections made for the years 2015-16 and 2016-17.



The Commission is of the view that NLDC should approach the Commission based on the actual increase in manpower and accordingly liberty is granted to NLDC.

Engagement of Consultants

50. Regulation 24 of 2015 RLDC Fee Regulations provide as under : -

“24. Contingency expenses:

(1) The Power System Operation Company shall maintain a separate account for the other income like short term open access charges and REC charges etc.

(2) The Power System Operation Company shall use such income to meet the short fall, if any, in the annual charges allowed by the Commission or to meet the contingency expenses which were not foreseen at the time of making the application for fees and charges and are considered necessary for the efficient power system operation.

(3) The balance amount shall be deposited into the LDC development fund after meeting the statutory tax requirements.”

51. The petitioner has submitted that there is an increasing requirement for hiring of services of consultants for providing services of specialized nature for reliable and secure grid operations. A few of these services are to be provided in accordance with the directions from the Commission/Government of India. A list of such services along with the estimated cost has been submitted as under:-

Services required	Agency	Estimated Cost	Remarks
Primary response testing of generating units	Solvina International AB, Sweden dated 23.7.2014	Contract value:56,00,00/- SEK Estimated value in Indian Currency is ₹437 lakh approx. (As on 19.10.2015).	Activity taken up by POSOCO in accordance with the directions of the Commission in order dated 31.12.2012 in Petition No. 191/2011 to conduct a pilot project for testing the hydro, thermal and gas fired units.
To review the status of implementation of recommendations of the Enquiry Committee and	Tractabel Engineering S.A. Romania, 2.6.2015	Contract value: EURO 292,224 +₹206 lakh Estimated value in Indian Currency is ₹422 lakh (As	Pursuant to the recommendations of the Task Force on Power System Analysis under contingencies, Ministry of Power, Government of India



Services required	Agency	Estimated Cost	Remarks
Protection Audit (Package A)		on 19.10.2015)	directed vide letters dated 16.7.2014 and 29.9.2014 that consultants be appointed by POWERGRID and POSOCO to bear all the expenses.
To review transmission system transfer capability and review of Operational and long term planning (Package-B)	Powertech Labs Ins., Canada dated 7.8.2015	Contract value: USD 2164541.50+INR 9,37,344/- Estimated value in Indian Currency is ₹1412 lakh (As on 19.10.2015).	

52. The petitioner has also submitted that the Commission vide order dated 13.10.2015 in Petition No. 11/SM/2015 directed to conduct a detailed study through a consultant on market based framework for efficient provisioning of secondary reserves from all generators across the country and suggest a proposal to the Commission for implementation by 1.4.2017 giving due consideration to the experience gained in the implementation of Spinning Reserves w.e.f. 1.4.2016. The petitioner has prayed to allow these charges to be reimbursed from the LDC Development Fund as one-time expense and also to allow any similar expenditure that may be incurred in future on the directions of the Commission/Government of India.

53. We are of the view that the consultancy charges paid to the consultants engaged pursuant to the directions of the Commission/Government of India shall be met from the income realized from the short term open access charges and REC charges etc. provided under Regulation 24 of the 2015 RLDC Fees Regulations. However, consultancy charges paid by POSOCO to the consultants towards performance of its statutory obligations specified in the Electricity Act, 2003, will



only be reimbursable from the income generated from STOA charges and REC provided in Regulation 24 of the 2015 RLDC Fees Regulations.

Annual Fee and charges

54. The details of the annual fee and charges allowed for the instant assets for the 2014-19 tariff period is summarized below:-

(₹ in lakh)

Annual Fee & Charges	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	492.99	52.56	8.19	0.00	0.00
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	149.08	148.17	147.28	104.57	61.87
O & M Expenses Excluding Human Resource Expenses	559.79	595.22	625.58	589.61	526.26
Human Resource Expenses	1519.22	1637.72	1765.50	1903.10	2051.60
Total	2721.08	2433.67	2546.55	2597.28	2639.73

Filing fee and other Expenses

55. The petitioner has prayed to allow to bill and adjust the impact of FERV, the same is allowed to be recovered from the beneficiaries directly as provided under Regulation 33 of 2015 RLDC Fees Regulations.

56. Billing and payment of charges allowed shall be governed by Regulation 31 of the 2015 RLDC Fees Regulations. Accordingly, POSOCO will raise bills for these charges on monthly basis directly from the users as per the said Regulation.

57. This order disposes of Petition No. 244/TT/2015.

sd/-

(M.K. Iyer)
Member

sd/-

(A.S. Bakshi)
Member

sd/-

(A.K. Singhal)
Member

sd/-

(Gireesh B. Pradhan)
Chairperson

