

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 542/TT/2014

Coram:

Shri Gireesh B. Pradhan, Chairperson

Shri A.K. Singhal, Member

Shri A.S. Bakshi, Member

Date of Hearing : 07.07.2015

Date of Order : 22.03.2016

In the matter of:

Truing up of fee and charges under regulation 5 of Central Electricity Regulatory Commission (fees and charges of Regional Load Despatch Centre and other related matters) Regulations 2009 read with regulation 111 of the Central Electricity Regulatory Commission (Conduct of Business) Regulation, 1999, for Eastern Region Load Despatch Centre, for the control period 1.4.2009 to 31.03.2014.

And In the matter of:

Eastern Regional Load Despatch Centre
Power System Operation Corporation Ltd.
(A wholly owned subsidiary of POWERGRID)
Registered office: - B-9, Qutab Institutional Area,
Katwaria Sarai, New Delhi - 110016

.....Petitioner

Versus

Users under the Category of Distribution Licensees & Buyers

1. Bihar State Holding Co. Ltd., VidyutBhavan, Bailey Road, Patna, Bihar 800021
2. Jharkhand UrjaVikash Nigam Limited, Dhurwa Road, Ranchi, Jharkhand 834002
3. Damodar Valley Corporation, DVC Tower, VIP Road, Kolkata, WB 700054
4. Grid Corporation of India Ltd, Janpath, Bhubaneswar, Odisha 751022
5. Power Deptt., Govt. of Sikkim, Kaji Road Sikkim Gangtok 731101
6. West Bengal State Electricity Distribution Corporation Limited, BidyutBhavan, Saltlake, Kolkata WB 700091
7. ER-I, Power Grid Corporation (I) Ltd., Boring Road, Patna 800001
8. NTPC VidyutVyapar Nigam Limited, Lodhi Road New Delhi 110003

Users under the Category of Generating Stations & Sellers



9. Farakka Super Thermal Power Plant-I&II, NTPC Ltd., Farakka, WB 742236
10. Kahalgaon Super Thermal Power Plant-I NTPC Ltd, Bhagalpur Bihar 813214
11. Kahalgaon Super Thermal Power Plant-II NTPC Ltd, Bhagalpur Bihar 813214
12. Talcher Super Thermal Power Stn-I NTPC Ltd, Nayapalli, Odisha 751012
13. Teesta V HEP, NHPC, Singtam, East Sikkim 737134
14. Rangit Hydro Electric Project NHPC, P.O. Rangit Nagar South Sikkim 737111
15. Damodar Valley Corporation DVC Tower, VIP Road West Bengal Kolkata 700054
16. Farakka Super Thermal Power Plant-III, NTPC Ltd., Farakka, WB 742236
17. Sterlite Energy Limited 1st. Floor, City Mart Complex, Baramunda, Odisha 751023
18. Maithon Power Limited MA-5 Gogna Colony, P.O: Maithon, Dhanbad, Jharkhand 828027
19. National Thermal Power Corporation Limited, BARH Thermal Power Station, Patna, Bihar 803213
20. GATI Infrastructure Ltd, 268, UdyogVihar, Phase-IV, Gurgaon, Haryana 122001
21. Adhunik Power & Natural Resource Limited Village: Padampur, PS: Kandra Tata-Seraikela Road, Jharkhand 832105

Users under the Category of Inter-State Transmission Licensees

22. East North Interconnection Company Ltd., C-2, Mathura Road, New Delhi 110065
23. ER-I, Power Grid Corporation (I) Ltd Boring Road, Patna 800001
24. Powerlinks Transmission Limited Vidyut Nagar, Siliguri WB 734015

... Respondents

The following were present:

Shri Manas Das, ERLDC
SHRI G Chakroborty, ERLDC
Shri Nishant Gupta, NTPC
SHRI Pulkit Sharma, ENICL

ORDER

The present petition has been preferred by Power System Operation Corporation Ltd. (“the petitioner”), for truing up of Eastern Regional Load Dispatch Centre (ERLDC) charges under regulation 5 of Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations 2009 (hereinafter referred to as “the RLDC fees



regulations 2009”) for the control period 1.4.2009 to 31.3.2014. The petitioner, Eastern Regional Load Despatch Centre (ERLDC) is the apex body to ensure integrated operation of the Eastern Regional Power System. ERLDC is empowered under Section 29(1) of the Electricity Act, 2003 (“the Act”) to give such directions and exercise and supervision and control as may be required for ensuring stability of grid operation and for achieving the maximum economy and efficiency of the power system in the Eastern Region. ERLDC is also responsible for carrying out real time operations for grid control and despatch of electricity over inter-regional links in accordance with the Grid Standards and the Grid Code.

The Respondents are distribution licensees, generating stations and inter-state transmission licensees who are users of the Eastern Regional Load Dispatch Centre.

2. The instant petition was filed on 9.12.2014.
3. The brief facts of the case are as follows:-
 - (a) The Fees and Charges of ERLDC (POSOCO portion) for the control period 1.4.2009 to 31.3.2014 was allowed based on capital cost of ₹4759.09 lakh as on 31.3.2009 vide order dated 8.3.2011 in Petition No. 95/2010 in accordance with the RLDC fees regulations 2009. The fee and charges allowed for the control period 2009-14 is as under:-

(₹ in lakh)					
Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	1187.60	1200.18	1208.50	600.03	1131.59
Interest on Loan	89.76	48.38	14.00	1.82	1.82
Return on Equity	148.15	154.06	158.97	196.05	278.58
Interest on Working Capital	81.71	95.51	102.51	98.09	118.35
O & M Expenses (excluding Human Resource Expenses)	245.24	479.22	489.49	500.36	511.84
Human Resource Expenses	1138.07	1275.65	1440.57	1620.18	1815.63
NLDC Charges & Corporate Office expenses	279.79	365.09	427.92	485.18	516.73
Total	3170.33	3618.09	3841.96	3501.73	4374.53

(b) In the instant petition the petitioner has claimed the following Fees and Charges of ERLDC for the control period 1.4.2009 to 31.03.2014 based on the actual expenditure incurred:-

(₹ in lakh)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	1186.30	1180.17	645.83	208.21	225.16
Interest on Loan	62.18	25.11	6.85	0.32	0.00
Return on Equity	147.97	148.29	150.81	161.75	173.89
Interest on Working Capital	78.20	89.57	96.38	112.27	108.99
O & M Expenses (excluding Human Resource Expenses)	207.88	588.96	642.55	739.58	680.25
Human Resource Expenses	1220.07	1257.79	1513.62	1702.80	1677.07
NLDC Charges & Corporate Office expenses	142.58	240.47	209.49	280.41	320.96
Total	3045.18	3530.36	3265.53	3205.34	3186.32

4. The hearings in this matter were held on 31.3.2015 and 7.7.2015. None of the respondents have filed their reply.

5. The petitioner was directed to file additional information vide RoP of hearing dated 31.3.2015 and 7.7.2015. In response, the petitioner has submitted its response vide affidavit dated 29.5.2015, 30.6.2015 and 11.8.2015. Having heard the representatives of the petitioner and perused the material on record, we proceed to dispose of the petition, as stated in the subsequent paragraphs.

TRUING UP OF FEE AND CHARGES FOR CONTROL PERIOD 2009-14

6. Clause (5) of the RLDC Regulations 2009 provides for the true up of the RLDC fees and charges determined by the Commission. The relevant provision for true up of the RLDC fees and charges are extracted as under:-

"(1) The Commission shall carry out truing up exercise along with the application for determination of fees and charges filed for the period after the expiry of the control period, for the fees and charges recovered up to 31.3.2014 and admitted by the Commission after prudence check at the time of truing up.



(2) The Power System Operation Company shall make an application, in the formats annexed as Appendix I to these regulations, for carrying out truing up exercise by 31.10.2014.

(3) The Power System Operation Company shall submit along with the application for truing up, details of capital expenditure including additional capital expenditure, sources of financing, human resource expenditure, operation and maintenance expenditure, etc incurred for the period from 1.4.2009 to 31.3.2014, duly audited and certified by the auditors.

(4) Where after the truing up, the charges recovered exceeds the charges approved by the Commission under these regulations, the Power System Operation Company shall refund to the users, the excess amount so recovered along with simple interest at the rates specified in the proviso to this regulation.

(5) Where after the truing up, the charges recovered is less than the charges approved by the Commission under these regulations, the Power System Operation Company shall recover from the users, the under-recovered amount along with simple interest at the rates specified in the proviso to this regulation.

(6) The amount under-recovered or over-recovered, along with simple interest at the rates specified in the proviso to this regulation, shall be recovered or refunded by the Power System Operation Company in six equal monthly Instalments starting within three months from the date of the order issued by the Commission after the truing up exercise:

Provided that the rate of interest, for clauses (4), (5) and (6) of this regulation, for calculation of simple interest shall be considered as under:-

- (i) SBI short-term Prime Lending Rate as on 01.04.2009 for the year 2009-10.
- (ii) SBI Base Rate as on 01.07.2010 plus 350 basis points for the year 2010-11.
- (iii) Monthly average SBI Base Rate from 01.07.2010 to 31.3.2011 plus 350 basis points for the year 2011-12. (iv) Monthly average SBI Base Rate during previous year plus 350 basis points for the year 2012-13 and 2013-14;

Provided further that in cases where charges have already been determined on the date of issue of this notification, the above provisions shall be given effect to at the time of truing up.”

7. The truing up of fee and charges for the control period 2009-14 has been determined as discussed below:-

Capital Cost

8. Clause (2) of Regulation 6 of the RLDC fees regulations 2009 provides that:-



“(2) The capital cost admitted by the Commission after prudence check shall form the basis for determination of charges.”

9. The petitioner has claimed capital cost of ₹ 4759.09 lakh as on 31.3.2009 for the purpose of tariff as admitted vide order dated 8.3.2011 in Petition No. 95/2010. The same has been considered as the opening capital cost as on 1.4.2009 for determination of tariff in accordance with Regulation 6 of the RLDC fees regulations 2009.

Additional Capital Expenditure

10. Clause 1 of Regulation 7 of the RLDC fees regulations 2009 provides as follows:-

“(1) The capital expenditure incurred or projected to be incurred after the date of commercial operation may, in its discretion, be admitted by the Commission, subject to prudence check:

Provided that any expenditure on acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the date of commercial operation shall not be considered for additional capitalization for determination of fees and charges.”

11. The capital expenditure (including additional capital expenditure) allowed to ERLDC, vide order dated 8.3.2011 in Petition No. 95/2010, is as under:

(₹ in lakh)

	As on 31.3.2009	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Block	4759.09	4759.09	4806.59	4921.59	4941.59	5941.59
Additional Capital Expenditure allowed vide petition # 95/2010		47.50	115.00	20.00	1000.00	1269.67
Capital cost allowed		4806.59	4921.59	4941.59	5941.59	7211.26

12. The additional capital expenditure actually incurred during the control period 2009-14, as per Auditor Certificate dated 7.7.2015 submitted vide affidavit dated 13.8.2015, is as under:-



(₹ in lakh)

	As on 31.3.2009	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Block	4759.09	4759.09	4801.53	4771.9	4876.07	5077.67
Actual Additional Capital Expenditure claimed		42.44	14.33	104.17	203.79	26.07
Assets De-capitalized		0	43.96	0	2.19	6.33
Capital cost claimed		4801.53	4771.9	4876.07	5077.67	5097.41

13. The year wise detail of additional capital expenditure incurred is as under:-

(₹ in lakh)

S. No.	Description	2009-10	2010-11	2011-12	2012-13	2013-14
1	Free Hold Land	-	-	-	-	-
2	Lease Hold Land	-	-	-	-	-
3	Building & Other Civil Works	0.60	0.26	-	-	-
4	Auxilliary Power System	0.05	-	1.80	-	-
5	Office Furniture & furnishing (including communication equipment)	1.84	3.98	24.00	12.94	2.35
6	Others	-	0.89	3.40	79.01	5.71
7	IT Equipments (SCADA Hardware with Test Equipments and Spares)	31.58	7.48	22.94	33.04	4.48
8	Software (IT equipments)	8.37	1.72	52.03	78.80	13.53
	TOTAL claimed	42.44	14.33	104.17	203.79	26.07

14. The petitioner has submitted the following reasons for variation in the actual capital expenditure incurred from CAPEX allowed by CERC:

(i) The RLDCs and NLDC are Control Centre based organizations. The SCADA/EMS, IT system and other facilities have been established for smooth operation of the functions comprising of system operation and market operation in real time, operational planning, post operation analysis, scheduling, energy accounting, reporting systems, etc. The CAPEX requirements are need based and lumpy in nature. In case of SCADA systems it is for up gradation of existing systems at an interval of five to seven years. The Hon'ble Commission has recognized this requirement and has allowed a faster depreciation rate so that replacement can be carried out in about seven years.

(ii) A CAPEX of ₹ 2452.17 lakh was approved for 2009-14. Major part of this, amounting to ₹1069.67 lakh, was for up gradation of the existing SCADA/ EMS system



of ERLDC during 2013-14. Initially the process of up gradation of SCADA system was taken up only for the RLDCs. However, at the subsequent developments at the Regional Power Committee forum it was desired by the constituents that the Regions take up the up gradation of SCADA system in a unified manner to ensure seamless data integration in the overall interest of all the SLDCs and RLDCs.

(iii) POWERGRID filed a petition on this issue (Petition no. 32/MP/2011) wherein, the Hon'ble Commission directed that the projects for RLDC and SLDCs in respective regions be implemented in an integrated and compatible manner to obviate any operational problem in future.

(iv) As per the directions of the Hon'ble Commission, it was decided to go ahead with single NIT for all the constituents of Eastern Region along with ERLDC except Odisha (who have commissioned SCADA separately) under consultation of POWERGRID LD&C. The Notification of Award (NOA) for the same was placed on 31.03.2013 and further agreement signed on 31.05.2013 with a total completion period of 18 months including parallel operation.

15. The Commission observed that RLDCs should have assessed the projected expenditure realistically while making the application for approval of fees and charges. During the course of hearing on 31.3.2015, the Commission asked the representative of POSOCO to explain non-utilisation of fees and charges approved by the Commission.

16. The representative of POSOCO submitted as under:-

- (a) The orders approving the fees and charges were issued by the Commission in 2011, by which time considerable part of the control period was already over;
- (b) Actual capital expenditure was mainly on account of integrated implementation of various SCADA/EMS projects for RLDCs and SLDCs which was incurred subsequent to the order dated 28.12.2011, in Petition No. 32/MP/2011, filed by



PGCIL;

- (c) During the tariff period there was a reduction of prices of the electronics items leading to an approximate variation of 30%;
- (d) The CAPEX requirements are need based and lumpy in nature and that the Commission has recognized this requirement and allowed a faster depreciation rate so that replacement can be carried out in about seven years; and
- (e) The approved capital expenditure also included WAMS and ERP project which have been taken up for implementation by PGCIL.

17. Accordingly, the details of additional capital expenditure allowed are given as below. The expenditure on office furniture and furnishing has been disallowed in terms of proviso to Clause 1 of Regulation 7 of the RLDC fees regulations 2009.

(₹ in lakh)

S. No.	Description	2009-10	2010-11	2011-12	2012-13	2013-14
1	Free Hold Land	-	-	-	-	-
2	Lease Hold Land	-	-	-	-	-
3	Building & Other Civil Works	0.60	0.26			
4	Auxiliary Power System	0.05	-	1.80	-	-
5	Office Furniture & furnishing (including communication equipment)	0.00	0.00	0.00	0.00	0.00
6	Others	-	0.89	3.40	79.01	5.71
7	IT Equipments (SCADA Hardware with Test Equipments and Spares)	31.58	7.48	22.94	33.04	4.48
8	Software (IT equipments)	8.37	1.72	52.03	78.80	13.53
	TOTAL add cap allowed	40.60	10.35	80.17	190.85	23.72
	De-capitalisation allowed	-	43.96	-	2.19	6.33
	Net add cap allowed	40.60	(-)33.61	80.17	188.66	17.39

18. The capital expenditure (including additional capital expenditure) allowed to ERLDC is as under:

(₹ in lakh)

	As on 31.3.2009	2009-10	2010-11	2011-12	2012-13	2013-14
Gross Block	4759.09	4759.09	4799.69	4766.08	4846.25	5034.91
Additional Capital Expenditure allowed		40.6	-33.61	80.17	188.66	17.39
Capital cost allowed		4799.69	4766.08	4846.25	5034.91	5052.30



DEBT- EQUITY RATIO

19. Regulation 8 of the RLDC fees regulations 2009 provides as under:-

“(1) The actual debt: equity ratio appearing in the books of accounts as on the date of transfer shall be considered for the opening capital cost of National Load Despatch Centre and Regional Load Despatch Centres.

(2) For an investment made on or after the date of transfer, 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 where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of charges:

Provided further that the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment.

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 capital expenditure, and funds created out of the LDC Development Fund as approved by the Commission shall be reckoned as paid up capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilised for meeting the capital expenditure.”

20. The debt: equity ratio as on 31.3.2009 admitted by the Commission vide order dated 8.3.2011 in Petition No. 95/2010 has been considered as on 1.4.2009 for determination of tariff in accordance with the Regulation 8 of the RLDC fees regulations 2009.

21. Debt-equity ratio of 70:30 has been adopted for the additional capital expenditure and accordingly equity base for different years of the tariff period has been determined.

Return on Equity (“ROE”)

22. Regulation 12 of the RLDC fees regulations provides that:-



“12. Return on equity. - (1) Return on equity shall be computed in Rupee term on equity base determined in accordance with Regulation 8 of these regulations.

(2) Return on equity shall be computed on pre-tax base rate of 16% 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 normal tax rate for the financial year 2009-10 applicable to the Power System Operation Company:

Provided that 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 formula given below:-

Rate of pre-tax return on equity = Base rate / (1-t)

Where t is the applicable tax rate in accordance with sub clause (3).”

23. As per para 12(c)(v) of the petition, Debt portion of the capital cost has been financed from LDC development fund and Equity portion has been met from own resources.

24. MAT rate has been applied for working out the pre-tax ROE for the year 2009-10 and corporate tax rate for the respective year has been applied for the remaining years of the control period.

25. The ROE as trued up and allowed is as follows:-

(₹ in lakh)

Return on Equity	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 8.3.2011	148.15	154.06	158.97	196.05	278.58
Claimed by the petitioner	147.97	148.29	150.81	161.75	173.89
Allowed after truing up in this order	117.62	146.44	146.42	155.97	167.11

Interest on Loan (“IoL”)

26. Regulation 13 of the RLDC fees regulations 2009 provide the methodology for working out weighted average rate of Interest on Loan. The Commission in its earlier order dated 8.3.2011 in Petition No. 95/2010 has observed that:-



“...The interest on Loan has been calculated on the basis of the interest rate prevailing as on 1.4.2009. Any change in rate of Interest subsequent to 1.4.2009 will be considered at the time of truing up.”

27. The petitioner has submitted the weighted average rate of IoL, based on its actual loan portfolio and rate of interest. Accordingly, the IoL has been calculated based on actual interest rate submitted by the petitioner, in accordance with the Regulation 13 of the RLDC fees regulations 2009.

28. As mentioned in para 23 above, debt portion of the capital cost has been financed from LDC development fund, therefore, no IoL is being allowed on the Add-Cap for 2009-14. The details of weighted average rate of interest are placed in Annexure-1. The IoL worked out is as follows:-

(₹ in lakh)

Interest on Loan	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 8.3.2011	89.76	48.38	14.00	1.82	1.82
Claimed by the petitioner	62.18	25.11	6.85	0.32	0.00
Allowed after truing up in this order	62.18	25.04	6.48	0.00	0.00

Depreciation

29. The depreciation has been worked out as per the methodology provided in the Regulation 14 of the RLDC fees regulations 2009. The depreciation allowed is as follows:-

(₹ in lakh)

Depreciation	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 8.3.2011	1187.60	1200.18	1208.50	600.03	1131.59
Claimed by the petitioner	1186.30	1180.17	645.83	208.21	225.16
Allowed after truing up in this order	1186.45	1187.40	1194.37	146.70	99.77

Operation & Maintenance Expenses (“O&M Expenses”)

30. The summary of O&M expenses allowed during the control period 2009-14 is as under:



(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Repairs and maintenance Expenses	98.16	323.75	325.17	326.66	328.24
Administrative and general expenses, etc	147.08	155.46	164.33	173.69	183.59
Total O&M Expenses	245.24	479.22	489.49	500.36	511.84

31. Against the above the summary of actual O&M expenses incurred by the petitioner during the control period 2009-14 is as under:-

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Repairs and maintenance expenses	22.33	376.36	372.01	391.25	353.46
Administrative and general expenses, etc	185.55	212.60	270.54	348.33	326.79
Total O&M Expenses	207.88	588.96	642.55	739.58	680.25

32. The petitioner has submitted the following reasons for variation in the actual expenses from the approved expenses:

(i) The AMC of SCADA system was awarded w.e.f. 15th January 2010 for five years at an amount of ₹ 1498.68 Lakh thereby reduction in the R&M expenses for 2009-10. Further, some additional expenses towards civil works & R&M of AC plant were incurred during the subsequent years due to emergency breakdowns which were not envisaged earlier.

(ii) Under administrative and general expenses, it may be noted that during filing the petition ref 95/2010 ERLDC has requested for approval of additional expenditure of Rs.325.46Lakhs over and above the normalized admin & general expenses worked out as per provision of the regulation for the control period 2009-14 for incurring the expenditure on account of insurance, legal expenses, audit fees, travelling expenses, watch and ward, seminars and workshops, training, financial charges and R&D expenses etc. In this regard Hon'ble commission vide para 50 of Order no. 95/2010 dated 08.03.2014 states:



The petitioner has made provision of additional expenditure of Rs.70.97lakh as administrative and general expenses during 2010-11 as indicated in Form 7D which includes expenditure on insurance, legal expenses, audit fees, travelling expenses, watch and ward, seminars and workshops, training, financial charges and R&D expenses. These expenses fall outside the scope of the methodology provided for in Regulation 15 of RLDC fees regulations and accordingly not allowed.

It may be appreciated that, the expenditures in the aforesaid heads were earlier done centrally by POWERGRID Corporate office during the period of 2004-2009 and hence was not reflected in ERLDC expenditure for the same period, which was taken as a base case for arriving at the normalized admin & general expenses for the control period of 2009-14.

(iii) Further, the actual expenditure as indicated above also includes an amount of Rs.183.01 lakh incurred towards allowing rebate to the Users as per provision of the regulation.

33. Clause 4 of Regulation 15 of the RLDC fees regulations provides that:-

“(4) The actual expenditure towards Annual Maintenance Contract (AMC), after prudence check, shall be considered in arriving at the Operation and Maintenance Expenses during 2009-10 to 2013-14”

34. As there has been increase in R&M expenses due to AMC of SCADA and increase in administrative and general expenses due to insurance, legal expenses, audit fees, travelling expenses, watch and ward, seminars and workshops, training, financial charges and R&D expenses etc., therefore, the actual O&M expenses incurred by the petitioner have been allowed.

HUMAN RESOURCE EXPENSES

35. The summary of human resource expenses allowed by CERC during the control period 2009-14 is as under:



(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Normalised HR- Cost as per RLDC fees Regulations	1138.07	1203.17	1271.99	1344.75	1421.67
HR Cost for additional man power requirement	0.00	72.48	168.58	275.43	393.96
Total HR Expenses	1138.07	1275.65	1440.57	1620.18	1815.63
No. of Employees (Executive and Non-executive)	83	88	94	100	106

36. The summary of actual human resource expenses incurred during the control period 2009-14 is as under:-

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Total HR Expenses (₹ in lakh)	1220.07	1257.79	1513.62	1702.80	1677.07
No. of Employees (at the beginning of each year)	83	90	87	85	88

37. The petitioner has submitted the reasons for increase in the actual expenses from the expenses approved by CERC as given below:-

(i) The HR expenses were calculated as per the regulation while keeping provisions of 50% increase in employee Salary in the year 2007- 08 and 2008-09 on account of pay revision whereas the increase in the wages was much higher. This has resulted in the increase in HR expenses.

(ii) POSOCO is a subsidiary of POWERGRID. The employees posted in POSOCO are on secondment basis from POWERGRID and their total emoluments are protected. The manpower under the executive category has been added at regular intervals. During 2009 - 14, total 17 executives have been posted in ERLDC as Engineer Trainee and Engineers with specialisation in Power System at post –graduation level from premier institution. Further strengthening is being done every year to meet the specialized manpower requirement on a sustained basis. The increase in manpower is being done gradually at the induction level to ensure career progression of the employees.



38. In view the justification submitted by the petitioner, the actual HR expenses incurred by the petitioner has been allowed.

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Allowed after truing up in this order	1220.07	1257.79	1513.62	1702.80	1677.07

Interest on Working Capital (“IWC”)

39. The IWC has been worked out as per the methodology provided in the Regulation 17 of the RLDC fees regulations 2009 and allowed as under:-

	(₹ in lakh)				
Interest on Working Capital	2009-10	2010-11	2011-12	2012-13	2013-14
Approved vide order dated 8.3.2011	81.71	95.51	102.51	98.09	118.35
Claimed by the petitioner	78.20	89.57	96.38	112.27	108.99
Allowed after truing up in this order	77.49	83.84	94.19	96.28	97.50

NLDC CHARGES

40. Regulation 18 (3) of the RLDC fees regulations provides for apportionment of the NLDC charges and corporate office expenses among the RLDCs as under:

“(3) NLDC charges and corporate office expenses shall be apportioned to the Regional Load Despatch Centre on the basis of the demand served in the respective region.”

41. In accordance with the above provision, NLDC charges as approved in petition No. 524/2014 have been apportioned among the five Regional Load Despatch Centres to be recovered along with their fees and charges.

APPROVED RLDC FEES AND CHARGES FOR THE CONTROL PERIOD 2009-14

42. The detailed computation of the various components of the trued up Fees and charges for Eastern Regional Load Despatch Centre allowed during the control period 2009-14 is summarized as under:



(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation					
Opening Gross Block	4759.09	4799.69	4766.08	4846.25	5034.91
Addition during 2009-14	40.60	-33.61	80.17	188.66	17.39
Closing Gross Block	4799.69	4766.08	4846.25	5034.91	5052.30
Average Gross Block	4779.39	4782.89	4806.17	4940.58	5043.61
Rate of Depreciation	24.8244%	24.8260%	24.8509%	24.7005%	24.5656%
Depreciable Value (excluding IT equipments and software)	301.68	298.28	296.93	333.84	368.13
Depreciable value of IT equipments and software	4444.20	4451.47	4476.25	4569.65	4634.58
Total Depreciable Value	4745.87	4749.74	4773.17	4903.49	5002.70
Depreciation	1186.45	1187.40	1194.37	146.70	99.77
Interest on Loan					
Gross Normative Loan	4155.00	4155.00	4155.00	4155.00	4155.00
Cumulative Repayment upto Previous Year	1111.78	2298.23	3485.63	4155.00	4155.00
Net Loan-Opening	3043.22	1856.77	669.37	0.00	0.00
Addition due to Additional Capitalisation	0.00	0.00	0.00	0.00	0.00
Repayment during the year	1186.45	1187.40	669.37	0.00	0.00
Net Loan-Closing	1856.77	669.37	0.00	0.00	0.00
Average Loan	2449.99	1263.07	334.68	0.00	0.00
Weighted Average Rate of Interest on Loan	2.5379%	1.9823%	1.9362%	2.1009%	1.8170%
Interest	62.18	25.04	6.48	0.00	0.00
Return on Equity					
Opening Equity	604.09	616.27	606.19	630.24	686.84
Addition due to Additional Capitalisation	12.18	-10.08	24.05	56.60	5.22
Closing Equity	616.27	606.19	630.24	686.84	692.05
Average Equity	610.18	611.23	618.21	658.54	689.44
Return on Equity (Base Rate)	16.00%	16.00%	16.00%	16.00%	16.00%
Tax rate for the respective years	16.995%	33.217%	32.445%	32.445%	33.990%
Rate of Return on Equity (Pre Tax)	19.276%	23.958%	23.684%	23.684%	24.239%
Return on Equity (Pre Tax)	117.62	146.44	146.42	155.97	167.11
Interest on Working Capital					
NLDC Charges	11.66	20.02	17.35	24.84	28.95
O & M Expenses Excluding Human Resource Expenses	17.32	49.08	53.55	61.63	56.69
Human Resource Expenses	101.67	104.82	126.14	141.90	139.76
Receivables	501.94	588.28	634.30	523.24	511.53
Total	632.60	762.20	831.33	751.61	736.92
Rate of Interest	12.25%	11.00%	11.33%	12.81%	13.23%
Interest	77.49	83.84	94.19	96.28	97.50
Annual Fees and Charges					
Depreciation	1186.45	1187.40	1194.37	146.70	99.77
Interest on Loan	62.18	25.04	6.48	0.00	0.00
Return on Equity	117.62	146.44	146.42	155.97	167.11
Interest on Working Capital	77.49	83.84	94.19	96.28	97.50



O & M Expenses Excluding Human Resource Expenses	207.88	588.96	642.55	739.58	680.25
Human Resource Expenses	1220.07	1257.79	1513.62	1702.80	1677.07
NLDC Charges & Corporate Office expenses	139.95	240.24	208.18	298.09	347.46
Total	3011.64	3529.70	3805.81	3139.42	3069.15

43. The total truing up liability due to the variation in the trued up charges and the charges allowed vide order No. 95/2010 is as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Fees and Charges allowed vide order no. 95/2010	3170.33	3618.09	3841.96	3501.73	4374.53
Trued up fees and charges	3011.64	3529.70	3805.81	3139.42	3069.15
Truing up liability	-158.69	-88.39	-36.15	-362.31	-1305.38

44. The petitioner has also claimed Foreign Exchange Rate Variation (FERV) of Rs. 195.62 lakh on the foreign loan during the 2009-14 control period as under:-

	(₹ in lakh)					
Details	2009-10	2010-11	2011-12	2012-13	2013-14	Total
FERV ERLDC-IBRD-II	11.78	7.84	24.86	58.4	91.48	194.36
FERV NLDC Portion	0.00	0.00	-0.22	0.37	1.11	1.26
Total FERV	11.78	7.84	24.64	58.77	92.59	195.62

45. In accordance with para 5.4 of the Statement of Reasons in the RLDC fees regulations 2009, the foreign exchange rate variation corresponding to the normative foreign debt, in the relevant year on year-to-year basis as expense in the period in which it arises shall be recoverable.

46. The representative of POSOCO, during the hearing on 31.3.2015, requested the Commission to allow it to refund the excess amount of fees and charges recovered from the beneficiaries along with interest in one instalment, within three

months from the date of approval by the Commission, instead of the six instalments as provided in the RLDC fees regulations 2009.

47. Taking into consideration the submissions made by the RLDCs in the petitions and by the representative of POSOCO during the hearing, the Commission directed the petitioner to refund 95% of the refundable fees and charges as specified in the petition in case of NLDC, NRLDC, SRLDC, WRLDC and ERLDC along with interest in one instalment within two months. The interest on refundable amount is to be worked out on yearly basis till the amount is refunded in one instalment. However, in case of NERLDC, shortfall in fees and charges can be recovered after issue of final order.

48. This order disposes of Petition No.542/TT/2014.

Sd/-
(A.S. Bakshi)
Member

Sd/-
(A. K. Singhal)
Member

Sd/-
(Gireesh B. Pradhan)
Chairperson



Annexure 1

CALCULATION OF WEIGHTED AVERAGE RATE OF INTEREST ON LOAN						
(Rs. in Lacs)						
	Details of Loan	2009-10	2010-11	2011-12	2012-13	2013-14
1	IBRD- II					
	Gross loan opening	4155.00	4155.00	4155.00	4155.00	4155.00
	Cumulative Repayment upto DOCO/previous year	452.25	653.91	868.54	1097.02	1340.27
	Net Loan-Opening	3702.75	3501.09	3286.46	3057.98	2814.73
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	201.66	214.63	228.48	243.25	258.90
	Net Loan-Closing	3501.09	3286.46	3057.98	2814.73	2555.82
	Average Loan	3601.92	3393.78	3172.22	2936.35	2685.28
	Rate of Interest	2.5379%	1.9823%	1.9362%	2.1009%	1.8170%
	Interest	91.41	67.27	61.42	61.69	48.79
	Rep Schedule	30 half yearly installment from 15.12.2006				
	Total Loan					
	Gross loan opening	4155.00	4155.00	4155.00	4155.00	4155.00
	Cumulative Repayment upto DOCO/previous year	452.25	653.91	868.54	1097.02	1340.27
	Net Loan-Opening	3702.75	3501.09	3286.46	3057.98	2814.73
	Additions during the year	0.00	0.00	0.00	0.00	0.00
	Repayment during the year	201.66	214.63	228.48	243.25	258.90
	Net Loan-Closing	3501.09	3286.46	3057.98	2814.73	2555.82
	Average Loan	3601.92	3393.78	3172.22	2936.35	2685.28
	Rate of Interest	2.5379%	1.9823%	1.9362%	2.1009%	1.8170%
	Interest	91.41	67.27	61.42	61.69	48.79

