

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram

1. **Shri D.P. Sinha, Member**
2. **Shri G.S. Rajamani, Member**
3. **Shri K.N.Sinha, Member**

Petition No.109/2000

In the matter of

Approval for Payment of Fees and Charges to Regional Load Despatch Centres (RLDCs) for undertaking load despatch functions for the years 1998-99 and onwards.

And in the matter of

Power Grid Corporation of India Ltd. Petitioner
VS
Himachal Pradesh State Electricity Board & OthersRespondents

The following were present:

1. Shri K.K. Das, GM(SO), Powergrid
2. Shri R.G. Yadav, Executive Director (SO), Powergrid
3. Dr. A.K. De Bhowmick, DGM(SO), Powergrid
4. Shri Alok Roy, AGM, NRLDC, Powergrid
5. Shri N.C. Goel, CE (G.M.), CEA
6. Shri D.K. Saxena, Director (GM), CEA
7. Shri P. Batra, Dy. Director, CEA
8. Shri S. Sowmyanarayanan, Consultant, TNEB
9. Shri V.K. Gupta, SE (ISP), RVPNL
10. Shri J.S. Bhargawa, RVPNL
11. Shri V.K. Agarwal, DGM (Operations), NRLDC, Powergrid.
12. Shri Milind Kumar, Advocate, PDD, J&K
13. Shri Rohit K. Singh, Advocate, MPSEB
14. Shri D.K. Srivastava, Executive Engineer, MPSEB,
15. Shri M.H. Parviz, Controller, KPTCL
16. Shri Gurcharan Singh, Sr. AO/EE, HVPNL

ORDER
(DATE OF HEARING 31-10-2001)

Power Grid Corporation of India Ltd., the petitioner herein, has been notified as the Central Transmission Utility under Section 27A(1) of the Indian Electricity Act, 1910. Under Section 55 (1) of the Electricity (Supply) Act, 1948, the petitioner as the Central Transmission Utility is entrusted with the responsibility to operate the Regional Load Despatch Centres, namely, Northern Regional Load Despatch Centre (NRLDC), Western Regional Load Despatch Centre (WRLDC), Southern Regional Load Despatch Centre (SRLDC), Eastern Regional Load Despatch Centre (ERLDC) and North-Eastern Regional Load Despatch Centre (NERLDC). Under sub-section (10) of Section 55 of the Electricity (Supply) Act, 1948, the Commission is invested with the power to specify the fees and charges to be paid to Regional Load Despatch Centres for undertaking the load despatch functions. Accordingly, the present petition was filed on 31.10.2000 with the following prayers to:

QUOTE

- a) Specify the fees and charges payable by the respondents for the years 1998-99 and 1999-2000 as per the actual audited expenditure shown in para 17(a) in the petition, which is the amount spent for operating RLDCs.
- b) Specify the RLDC fees and charges for the year 2000-2001 onwards as per the actual audited expenditure on the O&M of the RLDCs and be approved by the Hon"ble Commission after auditing of accounts for the respective years
- c) Specify the RLDC charges for the year 2000-2001 onwards which may be derived by increasing @ 10% per annum of the previous year's audited RLDC charges for provisional billing.

- d) Direct the respondents to share the fees and charges amongst the respondents as per their entitlement in their respective Region (as mentioned in para 23.2)
- e) Direct the respondents to pay the fees & charges of RLDC expenses as per actuals for 1998-99 & 1999-2000 in two instalments. The charges for the year 2000-2001 from April 2000 till the date of the order may also be paid in one instalment.
- f) Direct the respondents to pay RLDC charges for the remaining part of the year 2000-2001 on monthly basis. For monthly billing, a provisional bill may be raised taking audited figures of the last year with an escalation of 10% and at the end of the year an additional bill (13th bill) may be raised to settle the difference between actual charges approved by CERC and provisional amount billed by petitioner, if any.
- g) In case the payment of bills by the constituents is delayed beyond a period of one month from the date of billing, a late payment surcharge @1.5% per month shall be levied. The amount of taxes, levies payable by petitioner, if any, shall also be borne by the respondents. The interest on working capital based on two months receivables shall also be charged as per GOI norms.
- h) Permit the petitioner to reserve the right to make appropriate petition after the assets etc. have been transferred to CTU.

UNQUOTE

2. The regional load despatch functions were originally performed by the Central Electricity Authority (CEA), constituted under Section 3 of the Electricity (Supply) Act, 1948. The expenses incurred in connection with the performance of regional load

despatch functions were met out of the budgetary allocations made by the Central Government. However, during the period from 1994-1996, the regional load despatch centres were transferred to the petitioner progressively, but the Central Government did not provide any budgetary support to the petitioner for meeting the expenses for undertaking these functions. The expenses were, therefore, met by the petitioner from its own resources. Meanwhile, through the statutory amendment of Section 55 of the Electricity (Supply) Act, 1948 introduced through Electricity (Laws) Amendment Act, 1998, the Commission is empowered to specify the fees and charges payable to the Regional Load Despatch Centres for undertaking the load despatch functions and hence the present petition.

3. In the first instance, we propose to examine the petitioner's prayer for payment of expenses for the years 1998-1999 and 1999-2000. For these years, the petitioner has claimed reimbursement of actual expenses, as per para 23.2 of the petition, based on the audited accounts, as given in Table I hereunder:

TABLE I

(Rs. in lakhs)

| RLDC | 1998-99 | 1999-2000 |
|--------------|----------------|----------------|
| NRLDC | 418.85 | 575.50 |
| WRLDC | 451.33 | 505.22 |
| SRLDC | 329.28 | 411.20 |
| ERLDC | 384.09 | 498.71 |
| NERLDC | 128.92 | 178.19 |
| TOTAL | 1712.47 | 2168.82 |

4. CEA as a statutory expert body, had earlier examined the question of sharing of O&M expenditure of RLDCs by the regional constituents. In its letter dated 15.7.1998 (Annexure I to the petition), CEA had conveyed to the petitioner that for the year 1996-97, the total RLDC expenditure of Rs.12 crores, to be reasonable. CEA advised the petitioner that the expenditure for the future years be arrived at by taking the expenses for the year 1996-97 as the base and by escalating expenses of the previous year at the rate of 10%. In the opinion of CEA, where the actual expenses exceeded the normative expenses arrived at in the manner prescribed by it, the sharing of expenses should be limited to the normative expenses. The break up of expenses for the year 1996-97 for various RLDCs, as given in CEA's letter *ibid*, is as given below in Table II

TABLE II

| | (Rs. in lakhs) |
|--------------|----------------|
| NRLDC | 300 |
| WRLDC | 325 |
| SRLDC | 225 |
| ERLDC | 300 |
| NERLDC | 50 |
| | ----- |
| TOTAL | 1200 |
| | ===== |

5. Based on the principles laid down in CEA's letter dated 15.7.1998, RLDC charges for the years 1998-99 and 1999-2000 above, work out as given hereunder in Table III.

TABLE III

(Rs. in lakhs)

| RLDC | 1998-99 | 1999-2000 |
|--------------|-------------|-------------|
| NRLDC | 363 | 399 |
| WRLDC | 393 | 433 |
| SRLDC | 272 | 299 |
| ERLDC | 363 | 399 |
| NERLDC | 61 | 67 |
| TOTAL | 1452 | 1597 |

6. The petitioner has prayed for approval of actual expenses for the years 1998-99 and 1999-2000 as given under para 3 above, so that it gets reimbursement of the expenditure incurred by it in discharge of regional load despatch functions.

7. This matter was earlier considered by the Commission. In its interim order dated 3.1.2001, the Commission had directed that RLDC charges for years 1998-99 and 1999-2000 be recovered in keeping with the principles contained in CEA's letter dated 15.7.1998 as the Commission did not favour retrospective upward revision of RLDC charges. We are in respectful agreement with the reasons given in the order dated 3.1.2001 *ibid*. Accordingly, we do not find enough justification for allowing reimbursement of actual expenses for the years 1998-99 and 1999-2000. We reiterate that for these years RLDC expenses shall be payable by the beneficiaries in accordance with the principles laid down in CEA's letter dated 15.7.1998 and tabulated under para 5 above. This leaves the question of determination of RLDC charges for the year 2000-2001 and onwards.

8. For the purpose of arriving at reasonable expenses for the year 2000-01 and onwards, the Commission had requested CEA to conduct a fresh detailed study in respect of the expenses sought to be reimbursed by the petitioner as RLDC charges and make appropriate recommendations to the Commission. CEA had submitted its report in September 2001, which was circulated to all concerned for their views. Along with the CEA's report, the Commission's staff paper on annual escalation of expenses was also circulated. In addition to the petitioner, TNEB, KSEB, RRVPNL, WBSEB, HVPNL and Uttaranchal Power Corporation Ltd., filed their written submissions. The parties, including the petitioner were thereafter heard on the recommendations made by CEA and the annual escalation factor recommended by the Commission's staff. We deal with various components of RLDC fees and charges in the succeeding paras in the light of submissions filed by the parties.

Employee cost

9. For the purposes of arriving at the employee cost, CEA has analysed workload of the RLDCs on the basis of energy handled, number of constituents in the region and ISGS & inter-regional links. Based on this analysis of workload, CEA has grouped the RLDCs in three categories - NRLDC with maximum workload, followed by WRLDC, SRLDC and ERLDC with medium workload and NERLDC with least workload. CEA has assessed manpower requirements of RLDCs under the broad categories of executives and non-executives for various disciplines. CEA has recommended less manpower for the year 2000-01 than the manpower recommended for subsequent years as, according to CEA, work related to website development/maintenance, scheduling, simulator training, SEMs & commercial accounting and SCADA was found comparatively less or rather non-existent during this year i.e. 2000-01. In the absence of requisite data

regarding average employee cost for different levels of executives and non-executives, the average employee cost for executives and non-executives as available in respect of NRLDC for the year 2000-01 has been used by CEA as the base for assessment of employee cost for other RLDCs. CEA has in its report considered the average employee cost of Rs.4.34 lakhs per annum for executives and Rs.2.74 lakhs per annum for non-executives, based on information for the year 2000-01 available in respect of NRLDC. The employee cost calculated by CEA is exclusive of the arrears paid to the employees during 2000-01 on account of pay revision with effect from 1.1.97 on the ground that these pertained to the years prior to 2000-01. The recommendations of CEA for the year 2000-01 on the employee cost for different RLDCs are summarised as under in Table IV:

TABLE IV

| RLDC | No. of Employees | | | Employee Cost (Rupees in lakhs) |
|--------------|------------------|----------------|------------|------------------------------------|
| | Executives | Non-executives | Total | |
| NRLDC | 35 | 42 | 77 | 266.98 |
| WRLDC | 31 | 36 | 67 | 233.18 |
| SRLDC | 31 | 36 | 67 | 233.18 |
| ERLDC | 31 | 36 | 67 | 233.18 |
| NERLDC | 23 | 29 | 52 | 179.28 |
| TOTAL | 151 | 179 | 330 | 1145.80 |

10. The petitioner has stated that as against the total amount of Rs.1145.80 lakhs recommended by CEA for reimbursement on account of employee cost, it had incurred expenditure of Rs.1667.15 lakhs during the year 2000-01. The petitioner has claimed that it has not been able to post the required number of personnel in RLDCs as it is not getting full reimbursement of actual expenditure. The petitioner has questioned the basis for arriving at reasonable RLDC staff strength and employee cost by CEA. In this regard

it has been stated that grouping of RLDCs into three categories based on workload is not in order. According to the petitioner, NRLDC/WRLDC/SRLDC/ERLDC deserve to be grouped together for assessment of employee cost. The petitioner has also stated that the work related to installation of SEMs, collection of meter reading, development of software, etc. is going on for the last 3 years. On this ground the petitioner has further questioned CEA's recommendation for the year 2000-01. Accordingly, the petitioner has prayed for reimbursement of total amount of Rs. 1667.15 lakhs, which, according to the petitioner, has been actually spent for the year 2000-01.

11. TNEB has stated that the recommendation of CEA on the question of employee cost for SRLDC is on higher side. It has argued that the workload of State Load Despatch Centres is much more complex and arduous as compared to RLDCs. On the contrary, staff strength of Tamil Nadu SLDC is just 39 against staff strength of 67, recommended for SRLDC. TNEB has argued that the perks given to staff of RLDCs is a policy of the organisation and the burden on account of that should not be passed on to the beneficiaries. It has stated that the average cost of executive and non-executive considered by CEA is exorbitant. Similarly, KSEB has also raised questions about perks and staff strength of RLDCs vis-à-vis SLDCs.

12. We prima-facie felt that RLDCs were overstaffed and there was a mismatch in staff strength in various RLDCs. Therefore, after the hearing held on 31.10.2001, we in our order dated 7.11.2001, had directed the petitioner to review the existing staff strength in the RLDCs and file an affidavit indicating the plan for streamlining staff strength in a phased manner till 31.3.2004. In compliance of the above direction, the petitioner has submitted two affidavits, dated 21.11.2001 and 12.12.2001. The petitioner has stated that out of 349 non-executives transferred from CEA along with the transfer of regional load despatch functions, 108 non-executives have been transferred to other

Regional Transmission Systems. It has been further stated that at present only 241 non-executives are posted in RLDCs and in the normal course 6 other non-executives in various RLDCs shall be retiring by March 2004. The petitioner feels that no further reduction in manpower is possible under the present circumstances.

13. We have carefully considered recommendations of CEA and the views of the petitioner and the respondents on the issue of employee cost. As noticed above, some of the beneficiaries and the respondents herein have compared staff strength of RLDCs with that of State Load Despatch Centres to press their argument that recommendations of CEA on the staff strength of RLDCs is on higher side. For a proper understanding of the issue, we in our order dated 28.8.2001, had directed the State Transmission Utilities (STUs) to furnish staff strength of SLDCs in their respective state. Only 6 STUs/SEBs have submitted this information, which is tabulated below as Table V:

TABLE V

| <u>SEB/STU</u> | <u>Staff strength</u> |
|-----------------------|------------------------------|
| KPTCL | 70 |
| HPSEB | is under construction |
| RVPNL | 66 |
| TNEB | 39 |
| KSEB | 15 |
| WBSEB | 84 |

14. In view of the wide variations in staff strength of different SLDCs and the fact that only limited information has become available, it is not possible for us to draw any parallel with the State Load Despatch Centres and come to a definite conclusion on the reasonableness of manpower requirements for managing the Regional Load Despatch Centres. We, therefore, are of the view that the employee cost for the year 2000-01 may be pegged at Rs. 266.98 Lakhs for NRLDC, Rs. 233.18 Lakhs each for WRLDC,

SRLDC & ERLDC and Rs. 179.28 Lakhs for NERLDC as per the recommendation of CEA.

15. CEA has recommended higher staff strength for years subsequent to 2000-01 in view of anticipated additional work relating to website development/maintenance, scheduling, simulator training, SEMs and commercial accounting and SCADA. We are led to believe that STUs are cooperating with RLDCs in furnishing SEM readings, thereby easing the workload of RLDCs to that extent. We feel that development of SCADA, website and scheduling software coupled with better information availability through SEMs shall contribute towards improvement in efficiency and effectiveness of RLDC staff. Therefore, the work relating to maintenance of website and scheduling in real time can be managed with the staff strength recommended for the year 2000-2001. Also, development of website as well as software for scheduling and processing of SEM data requires one time effort and the petitioner may seek separate compensation on that account, if required with proper justification. In view of this we direct that reimbursement of employee cost for the year 2001-2002 and onwards shall be limited to employee strength for the year 2000-01 as stated under para 9 hereinabove, subject to correction by applying appropriate escalation factor for subsequent years, to be discussed in later part of this order.

Share of Corporate office expenses

16. The petitioner has sought reimbursement of Rs. 334.96 lakhs for the year 2000-01 as RLDC charges on account of apportionment of Corporate Office expenses towards coordination of RLDC activities at corporate level. The apportionment has been

done in the ratio of O&M expenses of RLDCs to that of the transmission system belonging to the petitioner.

17. The petitioner has indicated a total of Rs.7750 lakhs as corporate expenses for the year 2000-2001. This has been scaled down by CEA to Rs. 6711.35 lakhs, covering only costs under employee cost, power charges, travelling, printing & stationery, rent, communication, security and hiring of vehicles as apportionable to RLDCs. CEA has opined that apportionment of corporate expenses in the ratio of O&M expenses of RLDCs to that of the transmission system belonging to the petitioner is not justified. CEA feels that RLDCs are more or less stand-alone organisations and do not draw much support/services from the Corporate Office, except the System Operation Group which is exclusively dedicated to RLDCs. Accordingly, the amount of Rs.6711.35 lakhs has been apportioned in the ratio of employees in the System Operation Group (17 nos.) to total number of employees in the Corporate Office (740 nos.). Based on this criteria, CEA has finally recommended allocation of Rs.154.19 lakhs as reasonable corporate expenses for inclusion in RLDC charges for the year 2000-01.

18. The petitioner has contended that though the staff strength of System Operation Group in Corporate Office is only 17 nos., yet for accomplishment of the responsibilities, the contribution made by other departments in Corporate Office such as, Commercial Operation Services, Finance, Personnel, Legal, Materials & HRD, etc. cannot be overlooked. Hence, according to the petitioner, allocation of corporate expenses in the ratio of 17 employees in System Operation Group to total number of 740 employees in the Corporate Office is not correct and is arbitrary. The petitioner has pleaded for reimbursement of Rs. 334.96 lakhs as share of Corporate Office expenses towards RLDC charges.

19. TNEB has no objection to allocation of corporate expenses of Rs. 154.19 lakhs to RLDC as charges, subject to elimination of perks provided to the staff. RRVPNL feels that recommendations of CEA on this account are on higher side.

20. On careful consideration of the recommendations of CEA and the views put forth by the parties, we are of the firm view that CEA's recommendations on the principle to be followed for allocation of corporate expenses to RLDCs is reasonable. As may be seen from the organisational charts of RLDCs enclosed as Exhibits I to III in the CEA's report, RLDCs have their own HRM, Administration, Accounts & Finance Departments. They draw only an insignificant amount of support from the different departments of Corporate Office, other than System Operation Group. To ascertain the exact number of persons in the Corporate Office associated with RLDC work, we had directed the petitioner, by our order dated 07.11.2001 to submit a list of such executives/non-executives posted in the Corporate Office. The petitioner has filed its affidavit dated 12.12.2001 wherein it is stated that in addition to System Operation Group, which is exclusively handling RLDC work, a number of other departments are also partially involved in RLDC work and are extending support on regular basis. The petitioner has not identified the total staff, which is exclusively involved in RLDC functions at Corporate Office. In the absence of the relevant information from the petitioner, we are inclined to consider that 17 nos. personnel in the System Operation Group at the Corporate Office are performing functions related to RLDCs as has been considered by CEA in its report.

21. We have noted that the average cost of an employee (including executives and non-executives) at the Corporate Office for the year 2000-01 works out to Rs. 7.1 Lakh, which is on the higher side as compared to the average employee cost of Rs. 4.34 lakhs for executives and Rs. 2.74 lakhs for non-executives at NRLDC. This difference is

perhaps on account of inclusion of payment of arrears of the previous years in the employee cost of Corporate Office for 2000-01. CEA has, in its assessment of reasonable employee cost of Rs.4.34 lakhs for executives and Rs.2.74 lakhs for non-executives at NRLDC for 2000-01, has excluded the payment of arrears to employees on account of pay revision w.e.f. 1.1.97 since these arrears related to the years prior to 2000-01. We, therefore, consider it appropriate to arrive at a reasonable average employee cost of Corporate Office, for the purpose of apportionment to RLDCs by taking into account the average employee cost of Corporate Office for the purpose of apportionment to RLDCs by taking into account the average employee cost of NRLDC for the year 2000-01. It has been submitted by the petitioner that the total of 740 employees in Corporate Office comprise of 462 executives and 278 non-executives. Therefore, based on average employee cost of executives and non-executives for NRLDC as recommended by CEA for the year 2000-01, the total employee cost for 740 employees at Corporate Office works out to Rs.2766.80 lakhs. Based on the ratio of employees handling RLDC work (17 nos.) to total employees in Corporate Office (740 nos.) the total of employee cost of Rs.63.56 lakhs of Corporate Office should be allocated to RLDCs for the year 2000-01.

22. We have noticed that CEA has considered only Rs.6711.35 lakhs under the selected heads of Corporate expenses for apportionment to RLDCs, as against the total expenses of Rs.7750 lakhs claimed by the petitioner for the year 2000-01. The petitioner has contested the deduction of Rs. 1038.65 lakhs ($\text{Rs.7750} - \text{Rs.6711.35} = 1038.65$ lakhs) from Corporate Office expenses as incorrect and arbitrary. It has been pleaded that the total corporate expenses should be considered for apportionment towards RLDC fees and charges. We are in agreement with the petitioner on this count that the entire expenditure of Corporate Office need to be allocated to RLDCs. Therefore, the

expenditure of Rs.2489.19 lakhs under other heads of corporate expenses, excluding the employee cost for the year 2000-01 should be apportioned to RLDCs in the ratio of employees handling RLDC work exclusively (17 nos.) to total employees in Corporate Office (740 nos.). This works out to Rs.57.18 lakhs.

23. Based on the above discussion, the share of Corporate Office expenses apportionable to RLDCs for the year 2000-2001 works out to Rs.120.74 lakhs, the detailed calculations in support of which are given below.

Computation of share of Corporate Office expenses towards RLDCs for 2000-01

- (a) Total employee cost for 740 nos. employees of Corporate Office
= No. of executives (462 nos.) and non-executives (278 nos.) in Corporate Office X Average Employee cost of executives (Rs. 4.34 lakhs) and non-executives (Rs. 2.74 lakhs) respectively as recommended by CEA for RLDCs during 2000-01
= Rs. (462 x 4.34 + 278 x 2.74) Lakhs
= Rs. 2766.80 lakhs
- (b) Apportioned employee cost of 17 nos. employees in System Operation group of Corporate Office for RLDCs during 2000-01
= Rs. 2766.80 lakhs x (17 / 740)
= Rs. 63.56 lakhs
- (c) Expenditure other than employee cost of Corporate Office for 2000-01 (based on information furnished by the petitioner)
= Total Corporate Expenses (Rs. 7750 lakhs) less Total Employee Cost (Rs. 5260.81 lakhs)
= Rs. 2489.19 lakhs

(d) Expenditure (other than employee cost) at Corporate Office apportioned to RLDCs during 2000-01

= Rs 2489.19 lakhs x (17 / 740)

= Rs. 57.18 Lakhs

(e) Total Corporate Office expenditure allocated to RLDCs during 2000-01

= (b) + (d)

= Rs. 120.74 lakhs

24. The above amount shall be shared by RLDCs in proportion to the employee cost approved for respective RLDC in this order.

25. The petitioner is being reimbursed Corporate Office expenses in transmission tariff as O&M expenses by the respondents. Therefore, we make it clear that the sum of Rs.120.74 lakhs being allowed by us shall be deducted from the O&M expenses allowed in tariff, to avoid double liability of the respondents and guard against any unintended benefits to the petitioner.

Communication expenses

26. As per the audited figures, the total communication expenses for different RLDCs during 2000-01 are Rs. 241.67 lakhs. CEA has estimated reasonable communication charges as Rs. 225.64 lakhs. Since difference in actual communication expenses and those assessed by CEA is negligible, CEA has recommended reimbursement of actual expenditure of Rs.241.67 lakhs.

27. TNEB has pointed out that the amount of Rs. 50.29 lakhs recommended by CEA towards communication charges for the SRLDC based on the actual audited figures, is

on the higher side. It has suggested that the Commission should fix a normative upper limit for communication charges and reimbursement should be based on normative or actual, whichever is lower. KSEB has also contended that the telephone charges of SRLDC are very high. In its rejoinders dated 26.12.2001 and 28.12.2001 to affidavits filed by the respondents, the petitioner has submitted that there has been a significant decline in communication expenses of RLDCs from 1998-99 on account of surrender of some of the leased circuits, with commissioning of VSAT system and reduction in telephone charges. The petitioner has also mentioned that efforts were being made to optimize these expenses further.

28. We accept the recommendation of CEA for reimbursement of communication expenses of RLDCs for the year 2000-01 as given below in Table VI:

TABLE VI

| | |
|--------------|-------------------------|
| NRLDC | Rs. 56.34 lakhs |
| WRLDC | Rs. 65.96 lakhs |
| SRLDC | Rs. 50.29 lakhs |
| ERLDC | Rs. 46.19 lakhs |
| NERLDC | Rs. 22.89 lakhs |
| Total | Rs. 241.67 lakhs |

29. We have noticed a significant downward revision of rates for long distance telephony, which forms major part of communication charges. Keeping this in view, we direct that the communication charges shall remain fixed in nominal terms at the 2000-01 base and shall not be escalated for inflation during the subsequent years up to March, 2004.

Power Charges

30. The petitioner has indicated actual expenditure on power consumption as Rs. 136.76 lakhs for the year 2000-01. CEA has recommended the same for reimbursement since this is based on actual bills.

31. TNEB has submitted that the power charges for SRLDC are on higher side and has suggested to fix a ceiling in order to promote conservation of energy. KSEB has pleaded that the amount related to RLDC activities only should be reimbursed since the expenditure under this head is on the higher side.

32. We have considered the rival submissions. Apart from the bald assertion that the actual expenses are high, the respondents have not produced any evidence to support their contention. The amount is meagre and constitutes less than 5% of the total RLDC expenses. Therefore, we approve the power expenses actually incurred during 2000-01 for reimbursement by the respondents. However, RLDCs should try to conserve the electricity to the extent possible. We hope that when the fixation of RLDC fees and charges for the period beyond 31.3.2004 is considered by the Commission, there would be reduction in the power charges.

Repair and Maintenance (R&M) Charges

33. As against Rs.68.10 lakhs claimed by the petitioner, CEA has recommended Rs. 45.62 lakhs of R&M Charges for reimbursement for the year 2000-01. In case of NRLDC, CEA has not recommended charges on account of Annual Maintenance Contracts (AMCs), which do not fall within any part of the base year i.e. 2000-01. In case

of WRLDC, CEA has pointed out that certain items of expenditure included in the maintenance charges under the head "R&M charges" for the year 1999-2000 (the petitioner's letter dated 06.09.2001) namely, water charges, EDP expenses, security charges, vehicle running charges & hire charges and miscellaneous/meetings/hospitality expenses (totaling to Rs. 17.78 lakhs) have also been covered under the heads "miscellaneous expenses" or "other expenses". In the absence of the details of these expenses for the year 2000-01, CEA has deducted an amount of Rs. 17.78 lakhs from R&M charges for the year 2000-01 claimed by the petitioner. CEA has recommended the full amount claimed by the petitioner for reimbursement during 2000-01 in case of SRLDC, ERLDC and NERLDC. CEA's recommendation for reimbursement of R&M charges for the year 2000-01 is summarised in Table VII below

TABLE VII

| <u>RLDC</u> | (Rs. In Lakhs) | |
|--------------|--|--|
| | <u>Amount claimed by</u> <u>POWERGRID</u> | <u>Amount recommended</u> <u>by CEA</u> |
| NRLDC | 17.59 | 12.90 |
| WRLDC | 27.39 | 9.60 |
| SRLDC | 4.27 | 4.27 |
| ERLDC | 14.90 | 14.90 |
| NERLDC | <u>3.95</u> | <u>3.95</u> |
| TOTAL | <u>68.10</u> | <u>45.62</u> |

34. KSEB has expressed that the amount recommended by CEA for reimbursement on account of R&M charges for SRLDC for the year 2000-01 is very high. RRVPNL has suggested that the petitioner may be directed to furnish capital cost of equipment taken over by it from CEA to assess reasonableness of R&M charges.

35. The petitioner has challenged the recommendations of CEA for reducing its claim of R&M charges for NRLDC for the year 2000-01 from Rs.17.59 lakhs to Rs. 12.90 lakhs

(i.e. by 4.69 lakhs) on account of AMCs. It has argued that since AMCs do not coincide with the financial year, it is difficult to provide year-wise information. The petitioner has mentioned that some of the AMCs of previous financial years were used in the financial year 2000-01 also, therefore, suitable apportionment is required for the financial year 2000-01.

36. We find sufficient force in the argument of the petitioner as regards R&M charges of NRLDC and accordingly, we direct that entire amount of Rs.17.59 lakhs, claimed by the petitioner as R&M charges for NRLDC shall be reimbursed for the year 2000-2001. As regards the reduction of Rs. 17.78 lakhs recommended by CEA in the amount claimed by the petitioner as reimbursement for R&M charges in respect of WRLDC, the petitioner has merely stated that the figures indicated are based on actual audited figures and there is no mistake or repetition of any item, but without elaborating further. In view of the discrepancy pointed out by CEA in the figures for the year 1999-2000, we are of the opinion that doubts raised by CEA are well founded. The petitioner has not submitted detailed audited accounts of WRLDC to support its claims. We, therefore, direct that only the amount of Rs. 9.60 lakhs as recommended by CEA shall be reimbursed as R&M charges in respect of WRLDC for the year 2000-01. We also approve R&M charges of SRLDC, ERLDC and NERLDC as Rs. 4.27 lakhs, Rs. 14.90 lakhs and Rs. 3.95 lakhs respectively for the year 2000-01 as recommended by CEA.

Travelling Charges

37. The petitioner has claimed an amount of Rs. 19.96 lakhs, Rs.23.97 lakhs, Rs.26.18 lakhs, Rs. 20.3 lakhs and Rs.13.65 lakhs as travelling charges for NRLDC, WRLDC, SRLDC, ERLDC and NERLDC respectively in the year 2000-01. CEA has

recommended the same for reimbursement. CEA has, however, observed that efforts could be made to reduce the travelling charges.

38. According to TNEB, the travelling charges for SRLDC are very high, particularly as practically all the meetings are held at Bangalore, the headquarters of SRLDC and, therefore, need for the executives of SRLDC to travel on tour outside should not arise. KSEB has mentioned that travel budget of its SLDC is only Rs. 4.5 lakhs, which also includes journey of senior officials for SREB meetings at Bangalore and travel expenses of officers and staff of meter testing unit.

39. We find substance in the arguments put forth by the respondents that the need for travel by the RLDC staff outside should be limited, as most of the meetings to be attended by them take place at the headquarters only. Though we direct that the travelling charges as claimed by the petitioner and recommended by CEA for the year 2000-01 be reimbursed, but the amounts approved for reimbursement in the year 2000-01, shall not be escalated and shall remain fixed in nominal terms for the year 2000-01 for the entire period up to 31.3.2004.

Depreciation

40. The petitioner has claimed depreciation of Rs. 4.78 lakhs, Rs.33.36 lakhs, Rs.45.89 lakhs, Rs.23.77 lakhs and Rs.7.80 lakhs for the NRLDC, WRLDC, SRLDC, ERLDC and NERLDC respectively. The petitioner has stated that these calculations are based on straight line method as per the rates laid down by the Central Government under Electricity (Supply) Act, 1948 and Income Tax Act, 1961. CEA has recommended

for reimbursement of the depreciation claimed by the petitioner for the year 2000-01, as it conforms to the relevant statutory provisions and are based on audited figures.

41. TNEB has suggested that the depreciation of equipment, office furniture, computers, etc. should be clubbed with the Unified Load Despatch and Communication (ULDC) scheme and depreciated at an acceptable rate. KSEB has expressed a view that rate of depreciation used for calculation is very high.

42. In the absence of any well-supported arguments against reimbursement of the aforesaid expenses on account of depreciation, we approve these charges as recommended by CEA for the year 2000-01. However, we would like to make it clear that no escalation shall be applied on appreciation for future years.

Printing & Stationery, Insurance, Rent, Miscellaneous Expenses, and Training & Recruitment Expenses

43. The amounts of Rs. 12.20 lakhs, Rs. 1.61 lakhs, Rs.23.46 lakhs, Rs.17.10 lakhs and Rs. 53.43 lakhs have been claimed by the petitioner towards "Printing & Stationery charges", "Training & Recruitment charges", "Miscellaneous expenses", "Hiring of Vehicles" and "others" respectively for the year 2000-01. In regard to Printing & Stationery charges and Training & Recruitment charges, CEA has observed that the said expenses form a very small percentage of the total expenses of RLDCs, and hence these have been recommended for reimbursement. CEA has also recommended the amount claimed by the petitioner towards "Miscellaneous expenses", and "Hiring of Vehicles" for the year 2000-01 since the expenses compare favourably with those for the preceding years. Under the head "others" also, CEA has found the charges to be in

order and recommended Rs.53.43 lakhs for reimbursement for the year 2000-01, subject to confirmation regarding availability of guest house facilities for RLDCs. The petitioner has explained that the guest house facilities are being utilised by its own officers and those of the constituents, hence guest house expenses have been included under the “miscellaneous” head.

44. In the absence of any serious objections from the respondents on the recommendations made by CEA regarding reimbursement of the aforesaid expenses, we approve these expenses for the year 2000-01 for reimbursement.

Insurance

45. The amount of Rs.0.53 lakh claimed by the petitioner towards “Insurance” for the year 2000-01, forms a very small proportion of the total expenses of RLDCs and, hence, have been recommended for reimbursement by CEA. In this regard, it has been mentioned in the report submitted by CEA that the petitioner transfers 0.1% of the gross block towards self-insurance reserve and charges it to profit and loss account. We allow recovery of these expenses. As per Section 55(1) of the Electricity (Supply) Act, 1948, until otherwise specified by the Central Government, the CTU shall operate RLDCs. Further, in terms of Section 27A (1) of the Indian Electricity Act,1910, the Central Government may notify any Government company as the CTU and presently Central Government has notified the petitioner as the CTU. These provisions lead to two other possibilities - (i) the Central Government may hand over operation of RLDCs to an entity, other than the CTU and (ii) the Central Government may notify a Government company other than the petitioner as CTU. In either case, RLDCs will be operated by an entity other than the petitioner. Hence, we direct that the petitioner shall maintain a separate

account for the expenses recovered for self-insurance of RLDCs and hand over the unutilised amount to the operator of RLDCs in case the function of operating RLDCs is transferred to any other entity, in accordance with the statutory provisions adverted to above by us.

Rent

46. CEA has recommended an amount of Rs.3.77 lakhs for reimbursement on account of rent for office building for NERLDC for the year 2000-01. It has been mentioned by CEA in its report that in case of other RLDCs, the reimbursement of rent as a part of O&M expenses of RLDCs would depend on the Central Government's decision regarding transfer of assets of REBs (office, residential buildings, etc) being used by RLDCs. We have considered the views of CEA and the reimbursement of rent expenses of Rs.3.77 lakhs for the year 2000-01 in respect of NERLDC is approved as recommended by CEA.

Transfer of moveable assets from CEA to the petitioner

47. CEA in its report has pointed out that as per the reports of the Central Government auditors, the petitioner is required to pay Rs. 45.19 Crs towards the cost of moveable assets transferred from CEA to RLDCs. CEA has stated that the matter cannot be addressed at this stage as the decision of the Central Government on the issue is awaited. We are, therefore, not inclined to take any decision on this issue for the present. The petitioner is at liberty to approach the Commission for appropriate relief once a decision in this regard is taken by the Central Government.

Penal surcharge for delay in payment and rebate for timely payment

48. The petitioner has proposed a late payment surcharge of 1.5% per month in case payment of bills by the beneficiaries is delayed beyond a period of one month from the date of billing. Some of the respondents have objected to levy of surcharge while some others have proposed a rebate on timely payment. CEA has recommended the late payment surcharge of 1.5% per month as proposed by the petitioner and a rebate of 2.5% for payment of bills through Letter of Credit and a rebate of 1% on payment of bills within one month of presentation of bills by RLDCs or the petitioner. CEA feels that its recommendations on the twin issues of surcharge and rebate should apply prospectively.

49. We are satisfied of the reasonableness of the recommendation made by CEA. In fact, the schemes of levy of surcharge, and rebate are already in vogue in the electricity sector. We, therefore, approve of the recommendations of the CEA. However, rebate as well as the late payment surcharge as recommended by CEA shall be applicable only prospectively for bills raised by RLDCs or the petitioner on or after 1.5.2002.

Interest on Working Capital

50. The petitioner has proposed to charge interest on working capital based on 2 months receivables for financing RLDCs expenses. CEA has recommended the proposal of the petitioner. TNEB has argued that there is no need to stock any fuel or spares in case of RLDCs and hence there is no justification for providing for working capital and consequently no interest is payable.

51. We are in agreement with TNEB that in case of RLDCs, there is no need to stock fuel or spares. However, certain expenses are still to be incurred by RLDCs, mainly on account of salaries to employees and payment of power charges, communication expenses, etc. These payments are generally made at the end of the month. If the bills are raised by RLDCs within a short period, say one week of close of the month, and payments are received within one month, the period between the time of expenditure and time of reimbursement is to the extent of one month only. In view of this, we approve interest on working capital based on one month's receivables to be charged from prospective date only for bills raised by RLDCs on or after 1.4.2002. The rate of interest shall be 11% per annum. This is based on the fact that the Prime Lending Rate for the year 2000-01 was 11.5% and that the Banks offered rebate in rate of interest to clients with sound financial capability.

Payment of taxes, duties, etc.

52. RLDC charges proposed for reimbursement are exclusive of statutory taxes, levy, duty, cess or any other kind of impost by the Government or any other statutory authority. The petitioner has proposed that such expenses should be borne by the beneficiaries. CEA has recommended this proposal.

53. According to TNEB, RLDCs are operated on "no profit, no loss" basis and hence question of imposition of Income Tax or any other tax should not arise. In case such taxes are levied, then it should be borne by the petitioner or the issue may be taken up with the government concerned for exemption from tax.

54. RLDCs are being operated for the beneficiaries located in the respective region and hence they should not be made to bear to any kind of liability on account of taxes and duties, etc. The taxes, levies, duties, etc. can be imposed by the Government or the

other statutory authorities. The beneficiaries should appropriately compensate the petitioner. The amount so paid (except Income Tax) must, therefore, be reimbursed to RLDCs. In regard to Income Tax, we are conscious of the fact that the functions of load despatch being performed by RLDCs do not involve any commercial activity. However, there can be a possibility of the petitioner incurring actual RLDC expenditure less than the fees and charges received as per directions contained in this order, thereby RLDCs becoming liable to Income Tax. In such an event, the beneficiaries shall not be liable to pay Income Tax and the liability shall be borne by the petitioner out of its own income.

One-time expenditure during 1999-2000

55. The Commission vide its order dated 03.01.2001 had directed that certain expenses incurred by the petitioner during 1999-2000 for compliance of the Commission's directives on familiarisation of IEGC, provision of on-line computer terminals in REB Secretariat, etc. should be placed before CEA for consideration and appropriate recommendation, for reimbursement as part of RLDC expenses for the year 2000-01. CEA, in its report has stated that CTU has proposed reimbursement of Rs. 11.74 lakhs and Rs.11.25 lakhs towards IEGC and ABT documents respectively for preparation and distribution. CEA has recommended the aforesaid expenditure for reimbursement. CTU has proposed that one-time expenditure has also been incurred for procurement of computers for REBs and Voice recorders for RLDCs. However, the details of actual expenditure on this account have not been furnished by CTU. CEA has stated that the said expenses may also be claimed by the petitioner along with the RLDC charges in the year 2001-2002.

56. We approve reimbursement of one-time expenditure claimed by the petitioner towards preparation and distribution of IEGC and ABT documents along with RLDC charges for the year 2000-2001. The petitioner is, however, at liberty to approach the Commission for its approval for reimbursement of expenditure on computers for REBs and Voice recorders for RLDCs, whenever the details of such expenditure are available. In regard to sharing of these one-time expenses by the beneficiaries, we direct that these shall be apportioned to various RLDCs in proportion to RLDC charges payable to them.

Prior period expenses

57. The petitioner has sought reimbursement of expenses of Rs.109.14 lakhs pertaining to earlier period as part of RLDC charges for the year 2000-01. CEA has neither recommended any reimbursement nor offered any comment on the issue. We have already ordered that for the years 1998-99 and 1999-2000, RLDC charges shall be recovered in keeping with the principles contained in CEA's letter dated 15.7.98. Therefore, we are not inclined to approve reimbursement of expenses for any earlier period, particularly when specific details of these expenses have not been furnished by the petitioner.

Other income

58. The petitioner had indicated "other income" of Rs. 10.22 lakhs, 20.61 lakhs, 8.72 lakhs, 3.92 lakhs and 2.51 lakhs in NRLDC, WRLDC, SRLDC, ERLDC and NERLDC respectively for the year 2000-01. CEA has not discussed this aspect in its report but has considered "other income" as nil in of its report. Although the petitioner has not submitted break-up of "Other income" but vide its letter dated 14.5.2001, it has indicated the broad details. We are of the view that "other income" received by the petitioner during 2000-01 should be deducted from the total RLDC expenses to arrive at the net RLDC charges payable to the petitioner for the year 2000-2001. The base level "other income" is subject to escalation for arriving at on "other income" for subsequent years.

59. A summary of the of the region-wise RLDC charges payable by the beneficiaries for the year 2000-01 approved by us in this order is appended in the Table VIII below:

TABLE VIII

Approved RLDC charges for 2000-01

| Charges Approved (in Rs. Lakhs) | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|----------------|
| | NRLDC | WRLDC | SRLDC | ERLDC | NERLDC | TOTAL |
| Part-1 | | | | | | |
| Escalable Charges | | | | | | |
| Employee Cost | 266.98 | 233.18 | 233.18 | 233.18 | 179.28 | 1145.80 |
| Repair & Maintenance | 17.59 | 9.60 | 4.27 | 14.90 | 3.95 | 50.31 |
| Power Charges | 57.51 | 36.45 | 7.85 | 34.35 | 0.60 | 136.76 |
| Training & Recruitment | 0.35 | 0.58 | 0.61 | 0.07 | 0 | 1.61 |
| Printing & Stationery | 3.53 | 3.00 | 3.06 | 1.61 | 1.00 | 12.20 |
| Rent | 0 | 0 | 0 | 0 | 3.77 | 3.77 |
| Miscellaneous Expenses | 4.39 | 7.79 | 4.70 | 4.86 | 1.72 | 23.46 |
| Insurance | 0.04 | 0.10 | 0.21 | 0.14 | 0.04 | 0.53 |
| Share of Corporate office expense | 28.13 | 24.57 | 24.57 | 24.57 | 18.90 | 120.74 |
| Others | 7.37 | 19.15 | 15.03 | 6.34 | 5.54 | 53.43 |
| Hiring of Vehicles | 6.03 | 5.56 | 1.95 | 1.59 | 1.97 | 17.10 |
| Less : Other Income | 10.22 | 20.61 | 8.72 | 3.92 | 2.51 | 45.98 |
| A. Sub-total (Escalable Charges) | 381.7 | 319.37 | 286.71 | 317.69 | 214.26 | 1519.73 |
| Part-2 | | | | | | |
| Non-escalable Charges | | | | | | |
| Communication Expenses | 56.34 | 65.96 | 50.29 | 46.19 | 22.89 | 241.67 |
| Travelling Charges | 19.96 | 23.97 | 26.18 | 20.30 | 13.65 | 104.06 |
| Depreciation | 4.78 | 33.36 | 45.89 | 23.77 | 7.80 | 115.6 |
| B. Sub-total (Non-escalable Charges) | 81.08 | 123.29 | 122.36 | 90.26 | 44.34 | 461.33 |
| C. Total(Escalable + Non-escalable) Charges | 462.78 | 442.66 | 409.07 | 407.95 | 258.6 | 1981.06 |
| D. Interest on WC | 4.28 | 4.10 | 3.78 | 3.77 | 2.39 | 18.32 |
| E. Net RLDC charges (C+D) | 467.06 | 446.76 | 412.85 | 411.72 | 260.99 | 1999.38 |
| Working Capital (WC) | 38.92 | 37.23 | 34.40 | 34.31 | 21.75 | 166.62 |
| F. One time expenses | 5.37 | 5.14 | 4.75 | 4.73 | 3.00 | 22.99 |
| Total RLDC charges for 2000-01 (E+F) | 472.43 | 451.90 | 417.60 | 416.45 | 263.99 | 2022.37 |

Escalation of Base O&M of RLDCs

60. We have decided the question of RLDC fees and charges (O&M expenses) for the year 2000-01 which shall form the base for determination of RLDC fees and charges for subsequent years. For escalating the base level of O&M expenses for RLDCs, a paper prepared by the Commission's staff was circulated to the parties in September 2001. This paper had recommended an annual escalation of 7%, in O&M expenses of RLDCs.

61. In the approach adopted in the staff paper RLDC charges have been linked to cost of employees & other associated goods and services. Escalation in cost of these items is then linked to appropriate price indices. The approach improves upon the existing escalation norms in the following ways:

~~✍~~ The overall WPI includes some items that are not associated with O&M expenses of RLDCs e.g. agricultural commodities. An index of those components of wholesale prices (WPIOM) closely associated with O&M expenses that reflects the 'non-employee cost' better than overall WPI is used.

~~✍~~ The employee related expenditure is linked to the Consumer Price Index for Industrial workers (CPI_IW). It may be noted that CPI is available separately for a given basket of goods and services consumed by a defined group of population viz. Agricultural Labourers (CPI_AL), Urban Non-manual Employees (CPI_UNME) and Industrial workers (CPI_IW). The coverage of CPI_IW extends to factories, mines, plantations, railways, public motor transport undertakings, electricity generation and distribution establishments and ports and docks. It is, therefore, more suited for

measuring the increases in cost of living of employees related to the power sector in general.

~~62.~~ The annual escalation factor is expressed as a weighted average of inflation in CPI_IW and WPI_RLDC, which is a special index of those components of WPI which are related to O&M operations. The allocation of weights has been done on the basis of the share of various components in the overall O&M cost and each component is linked to the appropriate price index.

62. A special index of WPI (WPI_RLDC) that includes relevant groups/sub-groups of WPI has been worked out for RLDC charges. These components of WPI mimic the 'non-employee' related costs better than overall WPI. WPI_RLDC is obtained as a weighted average of relevant components (listed below) selected from disaggregated WPI series (1993-94=100).

| | |
|--------------------------------------|----------------|
| 1. Electricity | 5.4837 |
| 2. Paper & Paper Products | 2.0440 |
| 3. Airconditioners | 0.0879 |
| 4. Electrical Industrial Machinery | 1.8105 |
| 5. Electrical Apparatus & Appliances | 1.8231 |
| Total | 11.2492 |

63. Although WPI_RLDC is not published as a separate category, yet it can be easily constructed from the disaggregated WPI data that is available with the same frequency as the overall WPI. The principal advantage of WPI_RLDC is that it is a better proxy for the non-employee O&M expenses of RLDCs than WPI for all-commodities.

64. To work out a reasonable weighting pattern we need to examine the structure of RLDC expenses for the period 1999-00 to 2000-01. RLDC charges are divided into two broad categories; CPI-related and WPI-related. CPI-related expenses include employee costs, communication, training and recruitment, travelling, rent, insurance, corporate expenses and a part of repair & maintenance expenses. WPI-related expenses include power charges, printing and stationery and a part of repair & maintenance expenses. Repair and maintenance (R&M) expenses have been allocated between WPI-related and CPI-related expenses as R&M expenses include elements of both. 50 percent of R&M was allocated to CPI-related and the rest to WPI-related expenses.

65. The average share of CPI-related and WPI-related expenses during 1999-00 & 2000-01 was approximately 92 percent and 8 percent respectively. The O&M expenses of RLDCs are, therefore, dominated by CPI-related charges. For simplicity the CPI-related and WPI-related expenses can be rounded off to 90% and 10% respectively.

66. Annual escalation formula for RLDC charges as per the above weighting schemes can be expressed as

$$\text{Annual Escalation Formula} = 0.1 \times \text{INFLWPI_RLDC} + 0.9 \times \text{INFLCPI_IW}$$

Where:

INFLWPI_RLDC = Annual Average Inflation in WPI_RLDC

INFLCPI_IW = Annual Average Inflation in CPI_IW

Whereas CPI_IW is directly published by the government, WPI_RLDC shall be computed from the disaggregated data on wholesale prices published by Ministry of Industry.

67. The average escalation factor for the two years (1999-00 to 2000-01) on the basis of the escalation formula specified above has been rounded off to 7 percent.

68. The petitioner has pleaded for an annual escalation factor of 10% since, according to the petitioner, the average escalation in RLDC charges during the period from 1996-97 to 2000-01 is to the extent of 13.9%. CEA in its letter dated 15.7.1998 had also prescribed an escalation factor of 10%. TNEB has argued that only 6% annual escalation should be permitted as was prescribed in the Commission's order on transmission tariff. Uttaranchal Power Corporation Ltd. (UPCL) has commented that the escalation formula is complicated and that escalation provision could be based on WPI alone.

69. We have noted that 7% escalation prescribed in the staff paper is based on a comprehensive study of components of O&M expenses of RLDCs and relevant price indices. Therefore, we overrule the petitioner's argument as not relevant. TNEB's observation is also not tenable as the components considered for computing the escalation factor in the case of RLDCs differ from those considered while laying down terms and conditions for transmission tariff. With regard to the comment of UPCL, it is noted that WPI and its components along with CPI (Industrial workers) are regularly published by the Central Government and are also posted on their website. In view of this, we approve the approach proposed in the Staff paper and approve the escalation factor of 7%.

70. It may be noted that the base O&M of RLDCs has been split into two parts viz. Part-1 (expenses which are subject to escalation) and Part-2 (expenses which are not subject to escalation). Part-2 includes depreciation charges and travelling and

communication charges (to be held constant in nominal terms at their base level in 2000-01).

71. The escalation factor of 7 per cent per annum shall be used to revise Part-1 of the base RLDC charges for each RLDC. The deviation of the escalation factor computed from the actual inflation data that lies within 20% of the above notified 7 percent (which works out to be 1.4 percentage points on either side 7 percent) shall be absorbed by RLDCs/beneficiaries. In other words if the escalation factor computed from the published data lies in the range of 5.6 to 8.4 per cent, the variation should be absorbed by RLDCs. Any deviations beyond this limit shall be adjusted on the basis of the actual escalation factor arrived at by applying weighted price index of CPI for industrial workers (CPI_IW) and an index of select components of WPI (WPI_IW) as per the formulae given above for which the RLDC/CTU shall approach the Commission with the petition.

72. We direct that each month every RLDC shall bill and the beneficiaries shall pay one twelfth of the expenses arrived at as per directions contained in the order. RLDC charges shall be shared by the constituents of the respective region only on entitlement basis as directed in the Commission's order dated 3.1.2001. This order shall remain in force up to 31.3.2004. The RLDC fees and charges for the period beyond 31.3.2004 shall be determined afresh for which an appropriate petition shall be filed by the petitioner sufficiently in advance of expiry of the period fixed under this order.

73. Summary of escalable and non-escalable charges payable to various RLDCs for the years 2001-02, 2002-03 and 2003-04 are as given in Table IX below. The escalable charges are net of "other income".

TABLE IX**Approved RLDC charges for 2001-02**

| Charges Approved (Rs.in Lakhs) | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|----------------|
| | NRLDC | WRLDC | SRLDC | ERLDC | NERLDC | TOTAL |
| A. Escalable Charges | 408.42 | 341.73 | 306.78 | 339.93 | 229.26 | 1626.12 |
| B. Non-escalable Charges | 81.08 | 123.29 | 122.36 | 90.26 | 44.34 | 461.33 |
| C. Sub- Total (A+B) | 489.50 | 465.02 | 429.14 | 430.19 | 273.60 | 2087.45 |
| D. Interest on WC | 4.53 | 4.30 | 3.97 | 3.98 | 2.53 | 19.31 |
| Total RLDC charges for 2001-02(C+D) | 494.03 | 469.32 | 433.11 | 434.17 | 276.13 | 2106.76 |
| Working Capital (WC) | 41.17 | 39.11 | 36.09 | 36.18 | 23.01 | 175.56 |

Approved RLDC charges for 2002-03

| Charges Approved (Rs. in Lakhs) | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|----------------|
| | NRLDC | WRLDC | SRLDC | ERLDC | NERLDC | TOTAL |
| A. Escalable Charges | 437.01 | 365.65 | 328.25 | 363.73 | 245.31 | 1739.95 |
| B. Non-escalable Charges | 81.08 | 123.29 | 122.36 | 90.26 | 44.34 | 461.33 |
| C. Sub- Total (A+B) | 518.09 | 488.94 | 450.61 | 453.99 | 289.65 | 2201.28 |
| D. Interest on WC | 4.79 | 4.52 | 4.17 | 4.20 | 2.68 | 20.36 |
| Total RLDC charges for 2002-03(C+D) | 522.88 | 493.46 | 454.78 | 458.19 | 292.33 | 2221.6 |
| Working Capital (WC) | 43.57 | 41.12 | 37.90 | 38.18 | 24.36 | 185.14 |

Approved RLDC charges for 2003-04

| Charges Approved (Rs.in Lakhs) | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|----------------|
| | NRLDC | WRLDC | SRLDC | ERLDC | NERLDC | TOTAL |
| A. Escalable Charges | 467.60 | 391.25 | 351.23 | 389.19 | 262.48 | 1861.75 |
| B. Non-escalable Charges | 81.08 | 123.29 | 122.36 | 90.26 | 44.34 | 461.33 |
| C. Sub- Total (A+B) | 548.68 | 514.54 | 473.59 | 479.45 | 306.82 | 2323.08 |
| D. Interest on WC | 5.08 | 4.76 | 4.38 | 4.44 | 2.84 | 21.50 |
| Total RLDC charges for 2003-04(C+D) | 553.76 | 519.30 | 477.97 | 483.89 | 309.66 | 2344.58 |
| Working Capital (WC) | 46.15 | 43.28 | 39.83 | 40.32 | 25.80 | 195.38 |

74. We direct that if in any of the financial year during the period ending March 2004, difference between actual expenses incurred and RLDC charges calculated as per directions contained in this order is 5% or more, in respect of any of the RLDCs, the petitioner shall submit details of the same to the Commission in the form of a petition for appropriate directions. However, the difference within the limit of 5% shall be absorbed by the concerned RLDC.

75. We further direct that fees and charges specified in this order shall be notified in accordance with sub-section (10) of Section 55 of the Electricity (Supply) Act, 1948. With the above directions the petition stands disposed of.

76. Before parting with this case, we consider it our bounden duty to place on record our appreciation for the comprehensive and detailed study made by CEA on the request of the Commission for assessing RLDC fees and charges for the year 2000-01. CEA's report has been of great assistance to us in formulating our views on the issues raised in the petition.

Sd/-
(K.N. Sinha)
Member

Sd/-
(G.S. Rajamani)
Member

Sd/-
(D.P. Sinha)
Member

New Delhi dated 22nd, March 2002.