

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram:**

- 1. Shri Ashok Basu, Chairperson**
- 2. Shri K.N. Sinha, Member**
- 3. Shri Bhanu Bhushan, Member**
- 4. Shri A.H. Jung, Member**

**Petition No.8/2004**

**In the matter of**

Approval of fees and charges payable to Regional Load Despatch Centres for undertaking load despatch functions for the period 1.4.2004 to 31.3.2007

**And in the matter of**

Power Grid Corporation of India Ltd.

.... **Petitioner**

**Vs**

1. Himachal Pradesh State Electricity Board, Shimla
2. Uttar Pradesh Power Corporation Ltd., Lucknow
3. Power Development Department, Govt. of J&K, Srinagar
4. Delhi Transmission Corporation, New Delhi
5. Rajasthan Rajya Vidyut Prasaran Nigam Ltd, Jaipur
6. Punjab State Electricity Board, Patiala
7. Chandigarh Administration, Chief Engineer and Secretary, Electricity Deptt., Chandigarh
8. Haryana Vidyut Prasaran Nigam Ltd, Panchkula
9. Uttranchal Power Corporation Ltd., Dehradun
10. Bihar State Electricity Board, Patna
11. Damodar Valley Corporation, Calcutta
12. West Bengal State Electricity Board, Calcutta
13. Grid Corporation of Orissa Ltd., Bhubaneshwar
14. Jharkand State Electricity Board, Ranchi
15. Power Deptt., Govt. of Sikkim, Gangtok
16. Madhya Pradesh State Electricity Board, Jabalpur
17. Maharashtra State Electricity Board, Mumbai
18. Gujarat Electricity Board, Vadodara
19. Chhatisgarh State Electricity Board, Raipur
20. Goa Electricity Department, Panaji, Goa
21. Collector, Union Territory of Dadra and Nagar Haveli, Silvassa
22. Electricity Department, Admn. Of Daman & Diu, Daman
23. Andhra Pradesh Transmission Corporation Ltd., Hyderabad

24. Karnataka Power Transmission Corporation Ltd., Bangalore
25. Kerala State Electricity Board, Trivandrum
26. Tamil Nadu Electricity Board, Chennai
27. Electricity Department, Govt. of Pondicherry, Pondicherry
28. Assam State Electricity Board, Guwahati
29. Meghalaya State Electricity Board, Shillong
30. Electricity Deptt., Govt. of Manipur, Imphal
31. Deptt. of Power, Govt. of Mizoram, Aizwal
32. Electricity Deptt, Govt. of Nagaland, Kohima
33. Electricity Deptt, Govt. of Tripura, Agartala
34. Deptt. of Power, Govt. of Arunachal Pradesh, Itanagar .....**Respondents**

**The following were present:**

1. Shri S.K. Banerji, ERLDC/PGCIL
2. Shri Shri S.K. Soonee, ED, NRLDC/PGCIL
3. Shri P.K. Agarwal, CM, NRLDC/PGCIL
4. Shri S.R. Narasimha, CM, NRLDC/PGCIL
5. Shri R.G. Yadav, ED(SO), PGCIL
6. Shri V.V. Sharma, AGM, PGCIL
7. Dr. A.K. De Bhowmick, DGM, PGCIL
8. Shri Sunil Agrawal, PGCIL
9. Shri A.K. Sinha, PGCIL
10. Shri V.K. Agrawal,, SRLDC/PGCIL
11. Shri Anjan Roy, WRLDC
12. Shri A. Mohan, PGCIL
13. Shri R.P. Rath, PGCIL
14. Shri V.B. K. Jain, NTPC
15. Shri S.N. Goel, NTPC
16. Shri D. Kar, NTPC
17. Shri A. Basu Roy, NTPC
18. Shri S.D. Tripathi, ED (Comml.), NTPC
19. Shri Ansuman Ray, Engineer, NHPC
20. Shri R. Suresh, DGM (Comml.), NLC
21. Ms. Ratna Choudhary, NLC
22. Shri D.D. Khandelwal, MPSEB
23. Shri Deepak Srivastava, MPSEB
24. Shri Niraj Gulati, DCE, BBMB
25. Shri T.P.S.Bawa, PSEB

**ORDER**

**(DATE OF HEARING : 21.9.2004)**

The petitioner has made the present application under sub-section (4) of Section 28 of the Electricity Act, 2003 (the Act) for approval of fees and charges leviable by the Load Despatch Centres, for the period from 1.4.2004 to 31.3.2007 and has claimed these charges from the respondents. The charges claimed are as under:

(Rs. in lakh)

RLDC	2004-05	2005-06	2006-07
Northern Regional Load Despatch Centre	703.03	751.96	804.26
Western Regional Load Despatch Centre	664.87	709.11	766.39
Southern Regional Load Despatch Centre	606.88	646.17	688.17
Eastern Regional Load Despatch Centre	608.87	649.87	693.68
North-eastern Load Despatch Centre	393.72	420.76	449.66
<b>Total</b>	<b>2977.36</b>	<b>3177.87</b>	<b>3402.16</b>

2. The Commission in its order of 8.5.2003 in Petition No.109/2000, had, in exercise of powers conferred under sub-section (10) of Section 55 of the Electricity (Supply) Act, 1948 (since repealed), approved fees and charges payable to the Regional Load Despatch Centres (RLDCs) by the respondents for undertaking load despatch functions from April 2000 to March 2004, and those for the year 2003-04 were as under:

(Rs. in lakh)

	NRLDC	WRLDC	SRLDC	ERLDC	NERLDC	TOTAL
<b>A. Escalatable Charges</b>	<b>646.40</b>	<b>584.78</b>	<b>519.35</b>	<b>541.87</b>	<b>356.89</b>	<b>2649.29</b>
<b>B. Non-escalatable Charges</b>	<b>4.78</b>	<b>33.36</b>	<b>45.89</b>	<b>23.77</b>	<b>7.80</b>	<b>115.6</b>
<b>C. Sub- Total (A)+(B)</b>	<b>651.18</b>	<b>618.14</b>	<b>565.24</b>	<b>565.64</b>	<b>364.69</b>	<b>2764.89</b>
Working Capital (WC)	54.77	51.99	47.54	47.57	30.67	232.54
<b>D. Interest on WC</b>	<b>6.02</b>	<b>5.72</b>	<b>5.23</b>	<b>5.23</b>	<b>3.37</b>	<b>25.57</b>
<b>Total RLDC fees and charges (C)+(D)</b>	<b>657.20</b>	<b>623.86</b>	<b>570.47</b>	<b>570.87</b>	<b>368.06</b>	<b>2790.46</b>

3. The methodology adopted by the Commission for arriving at RLDC fees and charges upto 31.3.2004 in the orders dated 22.3.2002 and 8.5.2003 is summarised as under:

- (a) For the year 1998-99 and 1999-2000, RLDC fees and charges were allowed as per the pre-existing arrangement based on the CEA's letter dated 15<sup>th</sup> July 1998.
- (b) Employee cost was arrived at based on total manpower of 330 employees as recommended by CEA for the year 2000-2001. For the year 2001-02 and onwards an increase of 15% in employee strength over and above that for the year 2000-01 for the purpose of calculation of allowable employee cost was approved in view of the addition to work consequent to implementation of ABT.
- (c) The Corporate Office expenses allowed to be included in RLDC fees and charges for the year 2000-01 were Rs 213.01 lakh. This was based on the estimate that 30 executives and non-executives at the Corporate Office were exclusively performing RLDC related functions.
- (d) An amount of Rs. 50.31 lakh was approved under the head "Repair and Maintenance" for 2000-01 as against Rs.68.10 lakh claimed .
- (e) Power charges, traveling charges, communication charges, printing and stationery, insurance, miscellaneous expenses, training and recruitment charges and rent were approved as claimed.
- (f) Deprecation as claimed was also allowed.

- (g) Income of RLDCs was deducted from the RLDC fees and charges so calculated to arrive at net RLDC charges for the base year 2000-01.
- (h) Interest on the loans repaid by the employees and the rent recovered from them were excluded from "Other income".
- (i) RLDC fees and charges so calculated for the base year 2000-01 (except depreciation) were escalated for future years @ 7% based on the weighted average of consumer price index for industrial workers (CPI\_IW) and a special whole sale price index (WPI\_RLDC). The method of escalation considered is as under:

WPI\_RLDC was obtained as a weighted average of relevant components selected from disaggregated WPI series (1993-94=100) as given herein under:

1. Electricity	5.4837
2. Paper & Paper Products	2.0440
3. Air conditioners	0.0879
4. Electrical Industrial Machinery	1.8105
5. Electrical Apparatus & Appliances	1.8231
<b>Total</b>	<b>11.2492</b>

Annual escalation formula for RLDC charges as per the above weightage schemes are expressed as hereunder:

$$\text{Annual Escalation} = 0.1 \times \text{INFLWPI\_RLDC} + 0.9 \times \text{INFLCPI\_IW}$$

Where:

INFLWPI\_RLDC = Annual Average Inflation in WPI\_RLDC

INFLCPI\_IW = Annual Average Inflation in CPI\_IW

- (j) Working capital based on one month's receivables was allowed.

- (k) Rebate of 1% only on payment of RLDC fees and charges through LC was allowed.

4. It was provided that if the difference between the actual expenditure and RLDC fees and charges approved by the Commission was in the range of  $\pm 5\%$ , this was to be settled between RLDCs and the beneficiaries directly, without any reference to the Commission. However, if difference was beyond  $\pm 5\%$ , adjustment could be made after obtaining approval of the Commission for which an appropriate petition with proper justification was to be filed before the Commission.

5. In the present petition, the petitioner has claimed RLDC fees and charges for the years 2004-05 to 2006-07 by escalating the escalatable portion of RLDC fees and charges approved by the Commission for the year 2003-04 @ 7% per annum, the rate of escalation approved by the Commission for escalating RLDC charges till 2003-04. The petitioner's claim for approval of RLDC fees and charges for the period only up to 31.3.2007 is probably because it expects ULDC Schemes to be operational in all the five regions by that date. These are already in operation in Northern, Southern and North-eastern Regions. Consideration of the petitioner's prayers for approving RLDC fees and charges for all the five regions, for the period 2004-2007, is being restricted to only Western and Eastern Regions on account of the fact that the Commission has separately approved ULDC charges, which replace RLDC fees and charges for the Northern, Southern and North-eastern Regions.

### **Preliminary objection**

6. Before we consider the merits of the petitioner's claim, a preliminary issue raised by Respondent No. 13, Grid Corporation of Orissa (GRIDCO) deserves to be considered. According to GRIDCO, under sub-section (4) of Section 28 of the Act, RLDC fees and charges can be levied and collected from the generating companies and licensees engaged in inter-state transmission of electricity. It has been submitted that GRIDCO is neither a generating company nor a licensee engaged in inter-state transmission of electricity. Accordingly, it has been urged that GRIDCO does not have any liability to share RLDC fees and charges.

7. The Central Government in Ministry of Power, vide S.O.795 (E) dated 8.6.2005, published in Part II, Section 3(ii), Gazette of India (Extraordinary), by virtue of powers under Section 183 of the Act, has ordered that RLDC fees and charges may be levied and collected from "the licensees using the inter-state transmission system". There is no dispute that GRIDCO has been using the inter-state transmission system. Therefore, by virtue of Ministry of Power order dated 8.6.2005, GRIDCO is liable to share RLDC fees and charges being determined through this order. This disposes of the preliminary objection raised by GRIDCO.

8. Although TNEB has raised a similar preliminary objection and also certain objections on merits regarding RLDC fees and charges for Southern Region, these are not being considered in this order as RLDC fees and charges for Southern Region are not being approved for the reasons indicated in para 5 above.

### **Merits of claim**

9. Now we consider the merits of the petitioner's claim in the light of the objections raised by some of the respondents.

10. MSEB has expressed a view that RLDC fees and charges approved by the Commission for the period up to 31.3 .2004 had an allocated portion of Corporate Office expenses also. However, Corporate Office expenses for the period 2004-09 have already been covered in per km and per bay norm fixed by the Commission. Therefore, in the opinion of MSEB, applying escalation on the previously approved RLDC charges would not be correct as it will lead to double reimbursement of a part of Corporate Office expenses. In its rejoinder, the petitioner has clarified that while fixing norms of O & M expenses on per km and per bay basis, Corporate Office expenses allocated to transmission activity only were taken into account. We have verified this fact and have satisfied ourselves of the correctness of the submission made by the petitioner. Accordingly, it does not involve any double payment. Therefore, a part of the Corporate Office expenses allocable to RLDC functions qualifies to be considered for the purpose of present petition.

11. The petitioner has claimed fees and charges for 2004-2007 based on the fees and charges allowed by the Commission for the year 2003-04. This is acceptable because the actual expenditure indicated in the petition for that year is on the higher side. However, the petitioner has proposed annual escalation @ 7% on RLDC fees and charges for the period 2004-05 to 2006-07 in line with escalation given for the period



ending 31.03.2004. In case of various tariff petitions, the Commission has awarded a normative escalation of 4% for the period 2004-2009. The actual escalation for the last five years (1999-00 to 2003-04) in respect of specific price index for RLDC fees and charges has been as follows:

<b>Item</b>	<b>1999-00</b>	<b>2000-01</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>
Infl <sub>WPI_RLDC</sub>	6.60	13.79	8.86	3.89	2.79
Infl <sub>CPI_IW</sub>	3.42	3.82	4.31	3.98	3.86
Escalation = 0.9 x Infl <sub>CPI_IW</sub> + 0.1x Infl <sub>WPI_RLDC</sub>	<b>3.74</b>	<b>4.82</b>	<b>4.77</b>	<b>3.97</b>	<b>3.75</b>
Average escalation	< ----- <b>4.2%</b> ----- >				

12. In view of above, we feel it would be reasonable to allow escalation of 4% on the base figure for the year 2003-04 to arrive at the charges for the period 2004-2007. In addition to escalatable and non-escalatable components, interest on working capital is also a component of RLDC fees and charges. We have not changed the basis for calculating interest on working capital from that in the order dated 8.5.2003 for the period up to 2003-04. Working Capital is taken as one month's receivables. The petitioner has used interest rate of 11%. However, in line with tariff notification dated 26.3.2004 for generation and transmission tariff, we are allowing short-term PLR of SBI as on 1<sup>st</sup> April 2004 (10.25%) for calculations. The tables below show calculation of RLDC fees and charges for the period 2004-05 to 2006-07.

(Rs. in lakh)

<b>Approved RLDC charges for 2004-05</b>		
	<b>WRLDC</b>	<b>ERLDC</b>
<b>A. Escalatable Charges</b>	608.17	563.54
<b>B. Non-escalatable charges</b>	33.36	23.77
<b>C. Total (A+B)</b>	641.53	587.31
<b>D. Working Capital (WC)</b>	53.90	49.34
<b>E. Interest on WC</b>	5.52	5.06
<b>Total RLDC charges (C+E)</b>	647.05	592.37
<b>Approved RLDC charges for 2005-06</b>		
	<b>WRLDC</b>	<b>ERLDC</b>
<b>A. Escalatable Charges</b>	632.50	586.09
<b>B. Non-escalatable charges</b>	33.36	23.77
<b>C. Total (A+B)</b>	665.86	609.86
<b>D. Working Capital (WC)</b>	55.94	51.24
<b>E. Interest on WC</b>	5.73	5.25
<b>Total RLDC charges (C+E)</b>	67.59	615.11
<b>Approved RLDC charges for 2006-07</b>		
	<b>WRLDC</b>	<b>ERLDC</b>
<b>A. Escalatable Charges</b>	657.80	609.53
<b>B. Non-escalatable charges</b>	33.36	23.77
<b>C. Total (A+B)</b>	691.16	633.30
<b>D. Working Capital (WC)</b>	58.07	53.21
<b>E. Interest on WC</b>	5.95	5.45
<b>Total RLDC charges (C+E)</b>	697.11	638.75

### **Sharing of RLDC fees & charges**

13. RLDC fees and charges shall be shared by beneficiaries located in the region concerned in the ratio of allocation from ISGS, as per the practice followed till 31.3.2004.

14. For the period ending 31.3.2004, the Commission had directed that if the difference between RLDC fees and charges approved by the Commission and actual expenditure was within  $\pm 5\%$  the same was to be adjusted between the RLDCs and beneficiaries directly and if difference was beyond  $\pm 5\%$ , adjustment was to be made after an appropriate petition was filed before the Commission. This mechanism shall be extended for the period upto 31.3.2007 as well.

### **Other issues**

15. The petitioner has also prayed that it may be allowed to approach the Commission separately with regard to additional expenses associated with:

- (a) Regional Energy Accounting with effect from the date this activity is handed over to the RLDCs, and
- (b) Additional work involved in RLDCs for open access.

16. On the first issue, MSEB, BSEB and WBSEB have submitted that the function of Energy Accounting has been entrusted to REBs under the notification dated 26.3.2004 and hence question of additional expenditure should not arise. DVC has expressed that since their inception, RLDCs keep record of energy flowing through grid and these records form the basis of Energy Accounting. Therefore, in the opinion of DVC, the petitioner's claim for enhanced RLDC charges should not be allowed.

17. In the above context, it is mentioned that in the IEGC separately published by the Commission, it has been stipulated that Regional Energy Accounting will be done by

RLDCs from 1.4.2006. In order to claim expenses for discharge of this function, the petitioner may approach the Commission for approval of additional expenses for undertaking the function of Regional Energy Accounting.

18. As far as additional work relating to open access is concerned, subsequent to filing of this petition, the regulations relating to open access have been finalised. Because of plethora of issues involved, the decision on estimating the additional expenditure of RLDCs for handling open access related matters was deferred and the charges payable to RLDCs were decided based mainly on the claim of RLDCs and views of other respondents. The Commission in its order dated 30.1.2004 directed as under:

*"We, therefore, direct that the charges shall be payable @Rs 3000/- per day by each short-term customer. We accept the argument of POWERGRID that scheduling of open access transactions involves additional work and effort, not factored into the Regional Load Despatch Centre fees and charges determined by the Commission. We, therefore, direct that the charges collected from the short-term customers shall be additional revenue and shall not be adjusted against the fees and charges for the Regional Load Despatch Centre or the State Load Despatch Centres approved by the Appropriate Commission. We do not anticipate any significant increase in the long-term customers and, therefore, the fees and charges for the Regional Load Despatch Centres and the State Load Despatch Centres approved by the Appropriate Commission shall be shared pro rata to the capacity in MW. In case the State Load Despatch Centre charges are not separately available for any reason, the long-term customers may also be charged @ Rs 3000/- per day. We may point out that the fees and charges for the Regional Load Despatch Centres approved by the Commission are valid up to 31.3.2004. The Commission shall take a comprehensive review of these charges while fixing these charges for the subsequent period, taking into account the volume of work involved and the manpower required. "*

19. However, subsequently at para 37 of statement of reasons in support of amendment to open access regulations issued on 10.2.2005, the Commission decided as under:

"We agree that each RLDC should be compensated for its efforts and, therefore, composite operating charges shall be payable to each RLDC @ Rs 3000/- per day and to each SLDC @ Rs.1000/- per day. We shall take a view on these charges while considering the petition relating to reimbursement of RLDC charges duly taking into account additional resources required to be employed by RLDCs to facilitate short-term open access transactions."

20. Some of the respondents have opposed additional reimbursement as the Commission has already allowed charges under open access regulations.

21. In order to carry forward views of the Commission expressed in previous orders and to fix the charges payable to RLDCs for the work relating to open access in fair and logical manner, the petitioner may make a separate application with estimates of operating charges for short-term open access transactions (head -wise like, employee cost, communication, etc) required to facilitate open access transactions, volume of transactions and other relevant factors (if any) to enable the Commission to take a view in the matter. The petitioner's claim will be examined after opportunity to other parties concerned.

22. In terms of the Commission's interim order dated 6.4.2004, the petitioner has been billing the respondents provisionally. The fees and charges provisionally collected by the petitioner shall be adjusted against the final fees and charges presently approved by us.

Sd/-  
**(A.H. JUNG)**  
**MEMBER**

Sd/-  
**(BHANU BHUSHAN)**  
**MEMBER**

Sd/-  
**(K.N. SINHA)**  
**MEMBER**

Sd/-  
**(ASHOK BASU)**  
**CHAIRPERSON**

**New Delhi dated the 3<sup>rd</sup> January 2006**