

18 MAR 2019.

No: PCKL/A12/5/2018-19/ 5461  
Encl: One

The Secretary,  
Central Electricity Regulatory Commission,  
3<sup>rd</sup> and 4<sup>th</sup> Floor, Chandralok Building,  
36, Janpath,  
New Delhi - 110001.

Sir,

**Sub: CERC (Fees and Charges of Regional Load Despatch Centre  
and other related matters) Regulations, 2019**  
**Ref: Notification NO.L-1/153/2019/CERC dtd 26.02.2019.**

Adverting to the above, please find enclosed herewith the views /  
comments on the draft CERC (Fees and Charges of Regional Load Despatch  
Centre and other related matters) Regulations, 2019 for kind consideration.

Yours faithfully

  
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ADDITIONAL DIRECTOR (PROJECTS)

**Comments / views of PCKL for CERC ((Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2019**

<b>Regulation</b>	<b>Contents in Para</b>	<b>PCKL reply</b>	<b>Rationale</b>
19. Return on Equity	(2) Return on equity shall be computed on pre-tax base rate of 15.50% to be grossed up as per the sub-clause (3) of this Regulation.	(2) Return on equity shall be computed on pre-tax base rate of <b>14%</b> to be grossed up as per the sub-clause (3) of this Regulation.	The RoE proposed at 15.5% is on higher side as compared to the present Industrial Returns. Moreover, RLDC have been used equity for creation of asset like plant and equipment, IT hardware and software. These assets are not a major capital intensive expenditure
25. Interest on Working Capital	(1) The working capital shall cover: (i) Operation and maintenance expenses (excluding human resource expenses) for one month; (ii) Human resource expenses including Human Resource Development Expenses for one month; (iii) NLDC charges for one month ;and (iv) Receivables equivalent to 45 days of annual charges as approved by the Commission. (2) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2019 as per tariff Regulations	(1) The working capital shall cover: (i) Receivables equivalent to 45 days of annual charges as approved by the Commission. (2) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2019 as per tariff Regulations	O&M expenses, human resource expenses including human resource development expenses and NLDC charges are part of the receivables of LDC Charges. Once again included in computation of Interest on working capital will result in increases of annual LDC charges .

Regulation	Contents in Para	PCKL reply	Rationale		
32. Performance linked incentive to RLDCs and NLDC	The RLDCs or NLDC, as the case may be, shall be allowed to recover incentive of 15% of Annual LDC Charges for aggregate performance level of 85%. The incentive shall increase by 1% on pro-rata basis for every 5% increase of performance level above 85%: The incentive shall be capped as per DPE Office Memorandum No. W-02/0028/2017-DPE (WC)-GL-XIII/17 dated 3.8.2017. Provided that incentive shall be reduced by 1% on pro-rata basis for the every 3% decrease in performance level below 85%.	The RLDCs or NLDC, as the case may be, shall be allowed to recover incentive of <b>7%</b> of Annual LDC Charges for aggregate performance level of <b>90%</b> . The incentive shall increase by 1% on pro-rata basis for every 5% increase of performance level above 85%: The incentive shall be capped as per DPE Office Memorandum No. W-02/0028/2017-DPE (WC)-GL-XIII/17 dated 3.8.2017. Provided that incentive shall be reduced by 1% on pro-rata basis for the every 3% decrease in performance level below 85%.	<p>The incentive payment shall be retained as per the existing CERC (Fees and charges) Regulation, 2015 applicable for the control period 2014-2019. If proposed method is considered the additional burden of Rs.2.70 Crores will be payable by the users. The detailed calculation is as below;</p> <p>For example, Annual LDC charges of Southern Region for the year 2018-19 is Rs. 300143000.</p>		
			Particulars	Incentive Amount as per Proposed Regulation 2019	Incentive amount as per existing Regulation 2015
			LDC charges (Rs.)	300143000	300143000
			Incentive	15% on LDC	7% on LDC
			Incentive amount (Rs.)	45021450	21010010
			Aggregate performance level	85%	90%
			Assumed aggregate performance	97%	97%

Regulation	Contents in Para	PCKL reply	Rationale		
			level		
			Additional incentive amount in Rs	6002860	3001430
			Total incentive amount in Rs	51024310	24011440
			Additional impact in Rs	27012870	
			The proposed percentage is on higher side.		
35 Late payment surcharge	In case the payment of any bill for charges payable under these regulations is delayed by a user beyond a period of 45 days from the date of billing, a late payment surcharge at the rate of 1.25% per month shall be levied from the users.	In case the payment of any bill for charges payable under these regulations is delayed by a user beyond a period of 45 days from the date of billing, a late payment surcharge at the rate of <b>1%</b> per month shall be levied from the users	1.25% per month is higher when compared to the prevailing MCLR rate		