

**CENTRAL ELECTRICITY REGULATORY COMMISSION**

**NEW DELHI**

**Petition No. 433/MP/2019**

**Coram:**

**Shri P.K. Pujari, Chairperson**

**Shri I.S. Jha, Member**

**Shri Arun Goyal, Member**

**Date of Order: 5.4.2021**

**In the matter of**

Truing up application under sub-section (4) of section 28 of Electricity Act 2003 read with Regulation 8 of Central Electricity Regulatory Commission (Fees & charges of Regional Load Despatch Centre and other related matters) Regulations, 2015 for truing up of North Eastern Regional Load Despatch Centre (NERLDC) fees and charges for control period 2014-19.

**And in the matter of**

North Eastern Regional Load Despatch Centre (NERLDC),  
Power System Operation Corporation of India Limited (POSOCO),  
Registered Office: B-9, Qutub Institutional Area,  
Katwaria Sarai, New Delhi- 110016

**.... Petitioner**

**Versus**

1. Chairman, APDCL,  
Bijuli Bhavan, Paltan Bazar,  
Guwahati- 781001.
2. Chairman & Managing Director, MePDCL,  
Meter Factory Area, Short Round Road,  
Integrated Office Complex, Shillong- 793001.
3. Chairman & Managing Director, TSECL,  
Bidyut Bhavan, North Banamalipur,  
Agartala- 799001.



4. Chief Engineer (W. Zone), Department of Power, Government of Arunachal Pradesh, Bidyut Bhavan, Itanagar- 791111.
5. Engineer-in-Chief, P & E Department, Government of Mizoram, Khatla, Aizawl- 796001.
6. Chief Engineer (Power), Department of Power, Government of Nagaland, Kohima- 797001.
7. Managing Director, MSPDCL, 3<sup>rd</sup> Floor, New Directorate Building, Near 2<sup>nd</sup> MR Gate, Imphal – Dimapur Road, Imphal- 795001, Manipur.
8. Addl. General Manager, Power Grid Corporation of India Limited, 800 kV HVDC Converter Station, Biswanath Chariali, Village- Niz Baghmari, P.O.- Burigang, Assam-784176
9. General Manager, Doyang HEP, NEEPCO, Wokha, Nagaland
10. General Manager, Ranganadi HEP, NEEPCO, P.O. Ranganadi Project, District Subansiri, Arunachal Pradesh-791121
11. General Manager, AGBPP, NEEPCO, Kathalguri, Tinsukia, Assam-786191
12. General Manager, AGTCCP, NEEPCO, Ramchandranagar, Agartala, Tripura-799008
13. General Manager, KHANDONG HEP, NEEPCO, Umrangsoo, N.C.Hills, Assam
14. General Manager, KOPILI HEP, NEEPCO, Umrangsoo, N.C.Hills, Assam



15. General Manager, KOPILI-2 HEP,  
NEEPCO, Umrangsoo, N.C.Hills,  
Assam
16. General Manager, Pare HEP,  
NEEPCO, Daimukh,  
Arunachal Pradesh-791112
17. Chief Engineer, Loktak HEP,  
NHPC, Leimatak-795124,  
Manipur
18. Managing Director, ONGC Tripura Power Company Limited,  
6th Floor, A Wing, IFCI Tower-61,  
Nehru Place, New Delhi-110019
19. AGM, BgTPP,  
NTPC Limited, Salakati (P), District: Kokrajhar (BTAD),  
Assam-783369.
20. Executive Director, Power Grid Corporation of India Limited,  
RHQ, NERTS, Lapalang,  
Shillong-793006, Meghalaya.
21. Managing Director, North Eastern Transmission Company Limited,  
D-21, 3<sup>rd</sup> Floor-2C, 217, Corporate Park, DMRC Building,  
Sector-21, Dwarka, Delhi-110077
22. Vice President-Corporate Affairs & BD, ENICL,  
Sterlite Grid Limited, F-1, The Mira Corporate Suite,  
Ishwar Nagar, Mathura Road, New Delhi-110065

**...Respondents**

**Parties present:**

**For Petitioner:** Shri Shiv Kumar Sharma, NLDC  
Shri Rakesh Kumar, NLDC  
Shri Nishdeep Singh, NLDC  
Shri Ankit Jain, NERLDC  
Ms. Himani Dutta, NERLDC

**For Respondent:** Shri S. S. Raju, PGCIL



## ORDER

The instant petition has been filed by North Eastern Region Load Despatch Centre (NERLDC) under Regulation 8 of the Central Electricity Regulatory Commission (Fees & Charges of Regional Load Despatch Centre and other related matters) Regulations, 2015 (hereinafter referred to as “the 2015 RLDC Fees Regulations”) for truing up of fees and charges of NERLDC for the control period from 1.4.2014 to 31.3.2019.

2. The Petitioner has made the following prayers:

*“1) Approve the charges for NERLDC, as per para-8 above, for control period 2014 to 2019.*

*2) Approve the recovery/refund of the under-recovered/over-recovered amount, if any, along with simple interest at the rate equal to the bank rate as on 1st April of the respective year in six equal monthly instalments starting within three months from the date of the order issued by the Commission after the truing up exercise.*

*3) Pass such other relief as Hon’ble Commission deems fit and appropriate under the circumstances of the case and in the interest of justice.”*

3. The brief facts of the case are as follows:

a) National Load Despatch Centre (NLDC) and the Regional Load Despatch Centres (RLDCs) are statutory bodies set up under Section 26 and Section 27 respectively of the Electricity Act, 2003. With effect from 1.10.2010, NLDC and the RLDCs are being operated by Power System Operation Corporation Limited (POSOCO), a Government of India undertaking, in accordance with the Gazette Notification dated 27.9.2010 and 19.12.2016 of Ministry of Power, Government of India.

b) In exercise of powers conferred under Section 178 of the Electricity Act, 2003, the Central Electricity Regulatory Commission, vide notification dated 18<sup>th</sup> May 2015, issued the 2015 RLDC Fees Regulations. The said Regulations are applicable for determination of fees and charges of NLDC and RLDCs for the control period 2014-19.

c) The Commission vide order dated 18.3.2011 in Petition no. 100/2010, had approved the fee and charges of NERLDC (POSOCO portion) based on



the capital expenditure as on 1.4.2009 and projected Additional Capital Expenditure during 2009-14 period. Subsequently, the Commission, vide order dated 31.3.2016 in Petition No. 541/TT/2014, has approved the true-up fee and charges of NERLDC (POSOCO portion) for the control period 2009-14.

d) The Commission vide order dated 26.12.2016 in Petition No. 240/TT/2015 had accorded its approval to the fees and charges of NERLDC for 2014-19 period.

e) While approving the fees and charges for the control period 2014-19, in the different petitions filed by NLDC and RLDCs, the Commission had not allowed the impact of 3<sup>rd</sup> wage revision. However, liberty was granted to NLDC and RLDCs to approach the Commission after implementation of the wage revision.

f) As POSOCO started functioning as an independent company with effect from 3.1.2017, increased functions, recruitment of additional manpower and additional space requirements etc. resulted in considerable increase in the O&M expenses. POSOCO approached the Commission for, inter-alia, approval of the additional expenses on account of wage revision and additional O&M expenses for the control period 2014-19 through Petition No. 344/MP/2018 and the Commission, vide its order dated 10.6.2019 approved the additional expenses claimed by POSOCO.

g) In accordance with the Regulation 8(1) of the 2015 RLDC Fees Regulations, NERLDC has filed the instant petition for truing up of fees and charges for the control period 2014-19.

4. The summary of approved fee and charges as per order dated 26.12.2016 in Petition No. 240/TT/2015 and order dated 10.6.2019 in Petition No. 344/MP/2018 for the control period 2014-19 are as under:

							(₹ in lakh)
S.N.	Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Depreciation	14.26	0.00	0.00	0.00	0.00	14.26
2	Interest on Loan	0.00	0.00	0.00	0.00	0.00	0.00
3	Return on Equity	40.73	30.59	19.91	18.75	17.23	127.21
4	Interest on Working	54.29	51.87	53.59	58.9	63.19	281.84



S.N.	Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
	Capital						
5	O&M Expenses excluding Human Resource Expenses	483.73	355.38	325.64	387.63	413.5	1965.88
	Additional O&M expenses (Order dated 10.6.2019 in Petition No. 344/MP/2018)	0.00	0.00	0.00	0.00	61.50	61.50
	Sub-Total O&M	483.73	355.38	325.64	387.63	475.00	2027.38
6	Human Resource Expenses	1011.30	1090.17	1175.19	1266.85	1365.65	5909.16
	Pay Revision (Order in Petition No. 344/MP/2018 dated 10.6.2019)	0.00	0.00	43.59	211.63	311.54	566.76
	Certification Linked Incentive (Order in Petition No. 344/MP/2018 dated 10.6.2019)	0.00	0.00	0.00	0.00	96.30	96.30
	Sub-Total HR	1011.30	1090.17	1218.78	1478.48	1773.49	6572.22
7	NLDC charges & corporate office expenses	40.77	36.46	38.15	38.91	39.55	193.84
	Additional O&M expenses (Order in Petition No. 344/MP/2018 dated 10.6.2019)	0.00	0.00	1.07	4.90	36.33	42.30
	Sub-Total NLDC	40.77	36.46	39.22	43.81	75.88	236.14
	Total before 344/MP/2018	1645.09	1564.48	1612.49	1771.04	1899.12	8492.22
	<b>Total approved after 344/MP/2018</b>	<b>1645.09</b>	<b>1564.48</b>	<b>1657.15</b>	<b>1987.57</b>	<b>2404.79</b>	<b>9259.08</b>

5. The summary of fee and charges claimed by the Petitioner in the instant Petition for the control period 2014-19 is given below:

(₹ in lakh)							
S.N.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Depreciation	14.46	0.00	0.00	0.00	0.00	<b>14.46</b>
2	Interest on Loan	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
3	Return on Equity	50.88	50.51	34.92	19.80	17.32	<b>173.43</b>
4	Interest on Working Capital	53.37	50.79	51.11	54.99	70.72	<b>280.98</b>
5	O & M Expenses excluding Human	483.10	349.83	366.31	452.02	668.60	<b>2319.86</b>



S.N.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Depreciation	14.46	0.00	0.00	0.00	0.00	<b>14.46</b>
	Resources						
6	Human Resource Expenses	973.38	1048.35	1131.05	1188.54	1506.63	<b>5847.95</b>
7	NLDC charges and Corporate office expenses	45.63	39.10	42.47	55.35	84.90	<b>267.45</b>
	<b>Total</b>	<b>1620.82</b>	<b>1538.58</b>	<b>1625.86</b>	<b>1770.70</b>	<b>2348.17</b>	<b>8904.13</b>

6. The Respondents are the generating companies, distribution companies, electricity departments and transmission licensees, which are availing services from the Petitioner.

7. The Petitioner has served the copy of the petition upon the respondents. None of the Respondent has submitted reply in the matter.

8. The hearing in this matter was held on 29.5.2020 through video conferencing and the order was reserved. The Petitioner was directed to submit certain information during the hearings held on 25.2.2020 and 25.5.2020 and the same was furnished by the Petitioner *vide* affidavits dated 13.3.2020 and 23.6.2020 and additional reply *vide* affidavit dated 8.10.2020, respectively.

9. This order has been issued after considering the main petition dated 30.10.2019 and Petitioner's affidavits dated 13.3.2020, 23.6.2020 and 8.10.2020.

10. Having heard the representatives of the Petitioner present at the hearing and perused the material on record, we proceed to dispose of the petition.

### **TRUING-UP OF ANNUAL FEES AND CHARGES OF 2014-19 CONTROL PERIOD**

11. The Petitioner has submitted the information as required under the 2015 RLDC Fees Regulations for truing up of NERLDC fees and charges for control period 2014-19. The NERLDC fee and charges for control period 2014-19 has been trued up in the subsequent paragraphs.



## **Capital Cost**

12. Regulation 9 of the 2015 RLDC Fees Regulations provides as under: -

*“9. Computation of Capital Cost:*

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

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

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

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

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

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

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

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

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

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

13. Details related to the CAPEX/REPEX of NERLDC and its financing, decapitalisation etc. have been furnished by the Petitioner in applicable forms like 4D, 6A, 6B and Auditor Certificate for CAPEX utilisation.





14. The capital cost of ₹731.42 lakh as on 31.3.2014 was allowed vide order dated 31.3.2016 in true up Petition No. 541/TT/2014 for the period 2009-14. Same capital cost of ₹731.42 lakh was admitted by the Commission, vide order dated 26.12.2016 in petition no. 240/TT/2015, as on 31.3.2014. Accordingly, the capital cost of ₹731.42 lakh has been considered as opening capital cost as on 1.4.2014 for determination of fee and charges in accordance with Regulation 9 of the 2015 RLDC Fees Regulations for trueing up of NERLDC fees and charges for 2014-19 control period.

### **Additional Capitalisation/ De-Capitalisation**

15. Regulation 10 of the 2015 RLDC Fees Regulations provides as under:

*“10. Additional Capitalisation and De-Capitalization:*

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

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

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

### **Capital Expenditure (CAPEX) and Replacement Expenditure (REPEX)**

16. Regulation 5 of the 2015 RLDC Fees Regulations provides as under:

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

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



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

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

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

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

17. The CAPEX and REPEX plans were approved (subject to true up) vide order dated 26.12.2016 in petition no. 240/TT/2015 for the purpose of capitalisation in accordance with Regulation 5 read with Regulation 10 of the 2015 RLDC Fees and Charges Regulations. The same are as given below:

#### CAPEX Plan:

(₹ in lakh)

S.N.	Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Land (Freehold)	0.00	500.00	24.00	0.00	0.00	<b>524.00</b>
2	Hardware	19.64	16.85	84.25	6.25	110.35	<b>237.34</b>
3	Software	69.59	54.00	130.00	70.00	15.00	<b>332.59</b>
4	Power Supply	0.00	0.00	0.00	0.00	216.00	<b>216.00</b>
5	Civil Works	0.00	26.00	31.00	1120.50	0.50	<b>1178.00</b>
6	Air Conditioning System	0.00	35.00	0.00	0.00	50.00	<b>85.00</b>
7	Other Infrastructure	1.11	12.00	1.75	5.75	15.75	<b>36.36</b>
	<b>Total</b>	<b>84.34</b>	<b>643.85</b>	<b>271.00</b>	<b>1202.50</b>	<b>407.60</b>	<b>2609.29</b>

#### REPEX Plan:



(₹ in lakh)

S.N.	Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	SCADA Hardware	0.00	435.52	0.00	0.00	0.00	<b>435.52</b>
2	Software	0.00	1079.37	0.00	0.00	0.00	<b>1079.37</b>
3	Hardware	0.00	18.00	13.00	10.00	4.00	<b>45.00</b>
4	Power Supply	0.00	0.00	16.00	0.00	0.00	<b>16.00</b>
5	Civil Works	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
6	Air Conditioning System	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
7	Other Infrastructure	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
	<b>Total</b>	<b>0.00</b>	<b>1532.89</b>	<b>29.00</b>	<b>10.00</b>	<b>4.00</b>	<b>1575.89</b>

18. The Petitioner has submitted the segregation of additional capital expenditure into capital expenditure (CAPEX) and replacement expenditure (REPEX). The details of the capital expenditure as on 1.4.2014 and the actual expenditure claimed during 2014-19 are as follows:

(₹ in lakh)

Particulars	As on 31.3.2014	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Opening Gross Block	731.42	731.42	815.76	834.06	2680.27	2908.59	731.42
CAPEX	-	84.34	18.30	539.96	112.32	315.01	<b>1069.93</b>
REPEX	-	0.00	0.00	1306.25	116.00	0.00	<b>1422.25</b>
<b>Sub Total (2+3)</b>	-	<b>84.34</b>	<b>18.30</b>	<b>1846.21</b>	<b>228.32</b>	<b>315.01</b>	<b>2492.18</b>
<b>Closing Capital Cost</b>	-	<b>815.76</b>	<b>834.06</b>	<b>2680.27</b>	<b>2908.59</b>	<b>3223.60</b>	<b>3223.60</b>

19. The Petitioner has claimed actual Additional Capital Expenditure for 2014-19 control period and has submitted the Auditor's certificate dated 18.10.2019 in support of the same (separate REPEX has not been indicated). The details of actual capital expenditure (CAPEX including REPEX) for the period 2014-19, is as follows:

(₹ in lakh)

Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Land Under Full Ownership(Freehold)	0.00	0.00	431.03	0.00	0.00	<b>431.03</b>
Civil Works	0.00	0.00	0.00	4.50	89.44	<b>93.94</b>
Power Supply	0.00	0.00	78.25	37.93	0.00	<b>116.18</b>
Air Conditioning-Portable	0.00	16.27	7.83	0.00	0.00	<b>24.10</b>
Scada Systems (Software)	0.00	0.00	205.50	55.60	0.00	<b>261.10</b>
Scada Systems (Hardware)	1.35	0.00	1100.75	49.65	0.40	<b>1152.15</b>
Other Infrastructure, including equipment	4.42	1.01	1.32	26.27	23.58	<b>56.60</b>



Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
IT Systems (Hardware)	14.99	1.02	6.61	38.73	21.14	<b>82.49</b>
IT Systems (Software)	63.58	0.00	14.92	15.64	180.45	<b>274.59</b>
<b>TOTAL</b>	<b>84.34</b>	<b>18.30</b>	<b>1846.21</b>	<b>228.32</b>	<b>315.01</b>	<b>2492.18</b>

20. Further, the Petitioner *vide* affidavit dated 8.10.2020 has submitted the cost break-up, as mentioned in the Auditor Certificate dated 18.10.2019, along with the clarification of expenditure under head of “Other Infrastructure including equipment”, which is as follows:

**Year-wise breakup of claimed expenditure under head “Other Infrastructure, including equipment”**

(₹ in lakh)

Asset Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Purchase of Furniture	0.56	0.84		1.18	5.80	8.38
Ceiling Fan	0.26	0.02				0.28
Wall Mounted Fan	0.13					0.13
Pedestal Fan	0.17					0.17
Access control and security system	3.30					3.30
Weighing Machine		0.02				0.02
Water Tank		0.10				0.10
Bluetooth speaker		0.03				0.03
Geyser			0.08			0.08
Television			0.75			0.75
Stabilizers (9 Nos.)			0.50			0.50
Surveillance camera Back Up				10.49		10.49
Office printing devices				14.52		14.52
Communication Equipment				0.08		0.08
Visiting card scanner					0.10	0.10
Appliances like TV, Heater, Digital camera, Geyser etc					2.08	2.08
Musical Instruments					0.22	0.22
Public address system					3.03	3.03
Telephones					0.08	0.08
Public address system					12.27	12.27
<b>Total</b>	<b>4.42</b>	<b>1.01</b>	<b>1.32</b>	<b>26.27</b>	<b>23.58</b>	<b>56.60</b>

21. Deviation in CAPEX/ REPEX during control period 2014-19 is as follows:

(₹ in lakh)

Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Approved CAPEX/REPEX	84.34	2176.74	300.00	1212.5	411.60	4185.18
Actual/ Claimed CAPEX/REPEX	84.34	18.30	1846.21	228.32	315.01	2492.18
<b>Variation (Actual-Approved)</b>	<b>0.00</b>	<b>2158.44</b>	<b>(1546.21)</b>	<b>984.18</b>	<b>96.59</b>	<b>1693.00</b>

22. The break-up of variation in CAPEX is as follows:



(₹ in lakh)

CAPEX VARIATION	Approved	Actual	Variation: (Actual-Approved)
Land Under Full Ownership(Freehold)	524.00	431.03	92.97
Civil Works	1178.00	93.94	1084.06
Power Supply	216.00	0.00	216.00
Air Conditioning Systems -Static	85.00	0.00	85.00
Air Conditioning Systems- Portable	0.00	24.10	(24.10)
SCADA Systems (Hardware)	0	1.75	(1.75)
Other Infrastructure, including equipments	36.36	56.6	(20.24)
IT Systems (Hardware)	237.34	71.19	166.15
IT Systems (Software)	332.59	274.59	58.00
<b>TOTAL</b>	<b>2609.29</b>	<b>953.18</b>	<b>1656.09</b>

23. The break-up of variation in REPEX is as follows:

(₹ in lakh)

REPEX VARIATION	Approved	Actual	Variation: (Actual-Approved)
Power Supply	16.00	116.18	(100.18)
SCADA Systems (Software)	1079.37	261.11	818.26
SCADA Systems (Hardware)	435.52	1150.4	(714.89)
IT Systems (Hardware)	45.00	11.30	33.70
<b>TOTAL</b>	<b>1575.89</b>	<b>1539.00</b>	<b>36.89</b>

24. The Petitioner *vide* affidavit dated 8.10.2020 has submitted that there is no major deviation in CAPEX/ REPEX utilization for the control period of 2014-19 w.r.t CAPEX/ REPEX allowed by the Commission. However, variation of CAPEX/ REPEX expenditure in a given year has been shifted to next year due to non-utilization in that particular year. Deviation in the CAPEX/ REPEX utilization is attributed to the following reasons:

- a) Acquisition of land for new Backup NERLDC Building at Guwahati had been done on 31.3.2017 at the cost of ₹431.03 lakh. It was delayed by one year due to delay in getting sale permission from Government of Assam (Government-owned land) and other permissions from district authority, municipal authority etc. Variation is due to actual expenditure being less as compared to estimated cost. Major portion of CAPEX approved under civil work head was ₹1178 lakh, out of which ₹1120 lakh was for construction of new Backup NERLDC Building at Guwahati. Construction of permanent building could not be completed during the control period due to the delay in the process of obtaining various permissions/ clearances from different



authorities of the State Government. The dates by which various clearances were received are as below:

- (i) Registration of land: 31.3.2017
- (ii) Mutation of land: 17.10.2017
- (iii) NOC from Guwahati Metropolitan Development Authority for construction of building- 8.3.2018
- (iv) NOC from Guwahati Municipal Corporation for construction of building- 25.10.2018

b) The backup control centre continued to operate from the temporary office setup at AEGCL Complex. The permanent structure is envisaged to be completed during 2019-24 control period. MOU for construction of permanent structure has been signed with CPWD and first phase of the project is scheduled to be completed by 2020-21.

c) Other CAPEX associated with construction of new Backup NERLDC Building approved under the head of power supply (₹200 lakh), air conditioning systems (₹50 lakh), IT infrastructure (₹101 lakh) etc. also could not be achieved due to delay in the main project.

d) Other deviations in CAPEX other than above-mentioned new Backup NERLDC Building projects, are mainly in IT system due to variation in actual requirement, price of office IT infrastructure and non-procurement of some of the software.

e) New SCADA project along with required power supply system was commissioned after replacing the old SCADA system. Approved cost for the project was ₹1514.89 lakh and actual capital cost was ₹1527.70 lakh (SCADA software and hardware of ₹1411.51 lakh and power supply system of ₹116.18 lakh). The project could not be completed in the scheduled period (2015-16) due to delayed testing and commissioning by the vendor and delay in establishing communication link by CTU/ POWERGRID.

f) Deviation occurred in IT systems (hardware) under REPEX as servers and network equipment could not be decapitalized due to dependency of



existing critical software applications running on the servers. Replacement of old servers have been planned in the next control period of 2019-24.

25. Regulations 6(5) and 10(1) of the 2015 RLDC Fees Regulations are reproduced as follows:

**6. Application for determination of fees and charges:**

xxxx

*“(5) The concerned RLDC or NLDC, as the case may be, shall be allowed the fees and charges by the Commission based on the capital expenditure incurred as on 1.4.2014 and projected to be incurred during control period on the basis of CAPEX and REPEX duly certified by the auditor in accordance with these Regulations:*

*Provided that the application shall contain details of underlying assumptions and justification for the capital expenditure incurred and the expenditure proposed to be incurred in accordance with the CAPEX and REPEX.”*

Xxxx

**10. Additional Capitalisation and De-Capitalization:**

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

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

Xxxxx

26. Proviso to the Regulation 10(1) of the 2015 RLDC Fees Regulations provides that minor items or assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, heat convectors, mattresses, carpets etc. shall not be considered for capitalisation. We observe that the Petitioner has claimed expenses against the head ‘furniture’, ‘electrical appliances’ and other such items amounting to ₹ 56.60 lakh for capitalisation. These being minor items or assets, we are not inclined to allow the capitalization of these assets in line with proviso to Regulation 10(1) of the 2015 RLDC Fees Regulations.





27. We observe from the Petitioner's submissions that expenses were deferred to next financial year within the same 2014-19 control period and in some cases to the next control period 2019-24 due to delay in getting land and other statutory clearances for establishment of new backup NERLDC building and consequent delay in execution of civil work and other auxiliary works like power supply, air conditioning, IT infrastructure. Further, the contract for Power Supply awarded separately could not be completed as scheduled in 2015-16 due to the delayed testing and commissioning by the vendor and delay in establishing communication link by CTU/ POWERGRID. Also, deviation occurred in IT systems (hardware) head as servers and network equipment could not be de-capitalized due to dependency of existing running critical software applications on the servers. Replacement of old servers has been planned in the next control period of 2019-24.

28. Overall, the Petitioner has incurred ₹2492.18 lakh under CAPEX and REPEX against ₹4185.18 lakh allowed *vide* order dated 26.12.2016 in Petition 240/TT/2015. Keeping in view the justifications submitted by the Petitioner, we allow the CAPEX/ REPEX claimed by the Petitioner except for the minor assets as discussed above.

29. Thus, the following trued-up Additional Capital Expenditure is approved in accordance with Regulation 5 read with Regulation 6(5) and Regulation 10(1) of the 2015 RLDC Fees Regulations for control period 2014-19:

(₹ in lakh)						
Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Land Under Full Ownership(Freehold)	0.00	0.00	431.03	0.00	0.00	<b>431.03</b>
Civil Works	0.00	0.00	0.00	4.50	89.44	<b>93.44</b>
Power Supply	0.00	0.00	78.25	37.93	0.00	<b>116.18</b>
Air Conditioning-Portable	0.00	16.27	7.83	0.00	0.00	<b>24.10</b>
Scada Systems (Software)	0.00	0.00	205.50	55.60	0.00	<b>261.10</b>
Scada Systems (Hardware)	1.35	0.00	1100.75	49.65	0.40	<b>1152.15</b>





<b>Expenditure Head</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>Total</b>
Other Infrastructure, including equipment	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
IT Systems (Hardware)	14.99	1.02	6.61	38.73	21.14	<b>82.49</b>
IT Systems (Software)	63.58	0.00	14.92	15.64	180.45	<b>274.59</b>
<b>TOTAL</b>	<b>79.92</b>	<b>17.29</b>	<b>1844.89</b>	<b>202.05</b>	<b>291.43</b>	<b>2435.48</b>

30. Regulation 12(5) of the 2915 RLDC Fees Regulations stipulates as below:

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

31. In line with this provision, the Commission vide order dated 26.12.2016 in Petition No. 240/TT/2015 has observed the following:

*“22. The petitioner has submitted that the REPEX and CAPEX claimed shall be funded through LDC Fund. As per Form 4D, submitted by the petitioner along with the petition, the loan portion (i.e. 70 %) of add-cap during 2014-19 period has been funded through LDC fund and equity portion (i.e. 30%) is notional equity, thus, there is no actual equity.*

*23. The expenditure on CAPEX and REPEX is allowed to be met from the LDC funds. The expenditure shall be reflected in the Books of NERLDC. However, in terms of Regulation 12 (5) of the 2015 RLDC Fees Regulations the expenditure shall not earn any return on equity, interest on loan and depreciation. Regulation 12(5) of the 2015 RLDC Fees Regulations provides as under:*

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

32. It is clear that Commission has already taken cognisance of the fact that the additional capitalization by the Petitioner on account of CAPEX has been funded through LDC Funds. However, the said expenditure towards additional capital Expenditure shall not be considered for the purpose of computation of fees and charges as per Regulation 12(5) of the 2015 RLDC Fees Regulations.

### **De-capitalisation**



33. The details of de-capitalisation approved vide order dated 26.12.2016 in Petition No. 240/TT/2015 as provided under Regulation 10(2) of the 2015 RLDC Fees Regulations are as under:

(₹ in lakh)

Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Auxiliary Power Supply System	0.00	0.00	4.20	0.00	0.00	4.20
Communication Equipment (including Office fixture and furniture)	0.46	0.00	0.00	0.00	0.00	0.46
SCADA Hardware with Test Equipment & Spares (IT Equipments)	2.63	69.17	17.66	19.37	34.52	143.35
Software (IT Equipments)	0.00	287.46	0.00	0.00	0.00	287.46
<b>Total</b>	<b>3.09</b>	<b>356.53</b>	<b>21.86</b>	<b>19.37</b>	<b>34.52</b>	<b>435.47</b>

34. The details of the de-capitalization as per Form-4D and as derived from Form-6B submitted by the Petitioner, is indicated below:

(₹ in lakh)

Asset Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Power Supply	0.00	0.00	11.78	0.00	0.00	<b>11.78</b>
Scada Systems (Software)	0.00	0.00	284.97	0.00	0.00	<b>284.97</b>
Scada Systems (Hardware)	0.00	0.00	67.31	0.00	0.00	<b>67.31</b>
Other Infrastructure, including equipments	0.00	0.00	3.27	0.00	0.00	<b>3.27</b>
Communication System	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
IT Systems (Hardware)	2.63	21.67	42.51	8.19	20.99	<b>95.99</b>
IT Systems (Software)	0.00	0.00	11.73	0.00	0.00	<b>11.73</b>
<b>TOTAL</b>	<b>2.63</b>	<b>21.67</b>	<b>421.58</b>	<b>8.19</b>	<b>20.99</b>	<b>475.06</b>

35. The Petitioner vide its affidavit dated 8.10.2020 has submitted detailed reasons for de-capitalization as under:

a) SCADA Hardware & Software and power supply

The old SCADA system along with power supply system was implemented prior to last control period in 2003-04 under ULDC project with Government grant. The old SCADA system has been de-capitalised and deleted from the gross assets in 2016-17 after implementation of the new SCADA system.

b) IT Hardware and Software

Most of the old IT equipment like desktops, laptops, printers, hard drives etc. purchased during the years 1995 to 2009 have been decapitalised. The web-

based STOA software which was capitalised in April 2011, has also been decapitalised.

c) Other infrastructures including equipments

All the furniture items purchased along with ULDC project during the year 2002 to 2003 have been decapitalised.

36. We have considered the submissions of the Petitioner. We observe that majority of de-capitalization of value ₹421.58 lakh was completed in 2016-17 after commissioning of new SCADA system. The Petitioner has also submitted that the old SCADA system was commissioned in the 2003-2004. Therefore, the de-capitalization has been carried out as per Regulation 10(2) of the Fees and Charges Regulations.

37. The Petitioner has submitted that CAPEX claimed by the Petitioner has been funded through LDC Fund. Keeping in view the provisions of Regulation 12(5) of the 2015 RLDC Fees Regulations, additional capital expenditure, as claimed in the petition and as discussed in paragraphs 29 and 31 of this Order, is not being allowed for the purpose of fee and charges calculations. However, de-capitalization as indicated in paragraph 34 has been carried out as per Regulation 10(2) of the 2015 RLDC Fees Regulations and is, therefore allowed for the purpose of fees and charges calculations.

### **Debt-Equity Ratio**

38. Regulation 11 of 2015 RLDC Fees Regulations provides as under:-

*"11. Debt-Equity Ratio:*

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

*(2) The capital expenditure incurred prior to 1.4.2014, where debt: equity ratio has not been determined by the Commission for determination of annual charges of RLDC for the period ending 31.3.2014, the Commission shall determine the debt-equity ratio in accordance with Regulation 9(2) of the Central Electricity Regulatory*



*Commission (Fees and Charges for Regional Load Despatch Centres and other related matters) Regulations, 2009.*

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

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

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

39. The Commission, vide order dated 26.12.2016 in Petition No. 240/TT/2015, has approved debt-equity ratio of 70.32:29.68 as on 1.4.2014. Also, the Commission vide paragraph 26 of order dated 26.12.2016 in petition no. 240/TT/2015 had decided to segregate the de-capitalized amount into the same debt-equity ratio as that considered on 1.4.2014. Therefore, in the instant petition too, the de-capitalisation amount has been segregated into debt-equity ratio of 70.32:29.68 as on 1.4.2014. The details of the debt-equity as on 1.4.2014 and 31.3.2019 considered for the purpose of true up of NERLDC fee for the 2014-19 period is as follows:

Particular	Capital cost as on 1.4.2014		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	514.33	70.32%	180.28	70.32%
Equity	217.09	29.68%	76.09	29.68%
<b>Total</b>	<b>731.42</b>	<b>100.00%</b>	<b>256.38</b>	<b>100.00%</b>

### **Return on Equity (ROE)**

40. Regulation 17 of the 2015 RLDC Fees Regulations provides as under:

*"17. Return on equity:*

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



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

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

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

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

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

Where "t" is the effective tax rate in accordance with sub-clause (3)."

41. To arrive at the Effective Tax Percentage for the 2014-19 period, the Petitioner was directed, vide ROP of hearing dated 29.5.2020, to submit the details of year-wise income tax returns filed and assessment order thereof. In response, the Petitioner vide affidavit dated 23.6.2020 has submitted copies of year-wise Income Tax returns from FY 2014-15 to 2018-19. The Petitioner also submitted the assessment orders in respect of POSOCO for FY 2014-15 and 2015-16, for which assessment by the Income Tax Department has been completed.

42. On the basis of submissions of the Petitioner, following effective tax rates based on actual Income Tax paid by the Petitioner are considered for the purpose of grossing up of rate of return on equity: -

Year	Effective tax (in %)	Grossed up ROE (Base Rate/1-t) (in %)
2014-15	33.990	23.481
2015-16	34.610	23.704
2016-17	34.610	23.704
2017-18	34.610	23.704
2018-19	29.120	21.868

43. Accordingly, ROE as trued up in accordance with the 2015 RLDC Fees Regulations is shown in the table below: -

Particulars	(₹ in lakh)				
	2014-15	2015-16	2016-17	2017-18	2018-19



<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Opening Equity	217.09	216.31	209.88	84.75	82.32
Addition due to Additional Capitalization/ reduction due to de-capitalisation	-0.78	-6.43	-125.12	-2.43	-6.23
Closing Equity	216.31	209.88	84.75	82.32	76.09
Average Equity	216.70	213.09	147.32	83.54	79.21
Return on Equity (Base Rate) %	15.50	15.50	15.50	15.50	15.50
MAT rate for the Financial year %	33.990	34.608	34.608	34.608	29.120
Rate of Return on Equity (Pre-tax) %	23.481	23.703	23.703	23.703	21.868
<b>Return on Equity (Pre-tax)</b>	<b>50.88</b>	<b>50.51</b>	<b>34.92</b>	<b>19.80</b>	<b>17.32</b>

### **Interest on Loan (IOL)**

44. The Petitioner has not claimed Interest on Loan component for 2014-19 period as the principal portion of the loan has been repaid fully and there being no positive additional capital expenditure during 2014-19, ensuing debt is NIL.

### **Depreciation**

45. Regulations 19(2) and 19(4) of the 2015 RLDC Fees Regulations provide as under:-

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

*(3) Xxxxx*

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

46. The Petitioner has submitted that depreciation has been worked as per Regulation 19 of the 2015 RLDC Fees Regulations and the salvage value of assets, excluding IT equipment and software, have been considered as 10% and there is no salvage value for IT equipment and software. The Petitioner has further submitted that depreciation has been worked out as per the rates given in Appendix III of the 2015 RLDC Fees Regulations.



47. Depreciation has been calculated annually based on Straight Line Method and at rates specified in the 2015 RLDC Fees Regulations. Year-wise Weighted Average Rates of Depreciation (WAROD) has been worked out (refer Annexure-1) after taking into account the depreciation rates as prescribed in Appendix-III of the 2015 Fees Regulations. Following is the working of the depreciation for the instant assets/ items:

(₹ in lakh)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	731.42	728.79	707.12	285.56	277.37
Additional Capital expenditure/ reduction due to de- capitalisation during 2009-14	-2.63	-21.67	-421.57	-8.19	-20.99
Closing Gross Block	728.79	707.12	285.56	277.37	256.38
Average Gross Block	730.11	717.96	496.34	281.46	266.87
Average Gross Block of non-IT assets	46.17	46.17	38.65	31.12	31.12
Average Gross Block of IT assets	683.94	671.79	457.69	250.34	235.75
Weighted Average Rate of Depreciation (WAROD) (%)	24.137	22.292	24.101	23.397	23.856
Depreciable Value (excluding IT equipments and software): 90%	41.55	41.55	34.78	28.01	28.01
Depreciable value of IT equipments and software:100%	683.94	671.79	457.69	250.34	235.75
<b>Total Depreciable Value</b>	<b>725.49</b>	<b>713.34</b>	<b>492.47</b>	<b>278.35</b>	<b>263.76</b>
Cumulative Depreciation up to 31.3.2014	711.02				
Remaining Depreciable Value (Total Dep value <i>minus</i> Cum Dep up to previous year)	14.47	0.00	0.00	0.00	0.00
<b>Depreciation</b> ( <i>min</i> of Remaining Dep value or Depreciation as per WAROD)	<b>14.47</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Cumulative Depreciation (including dep adjusted due to de- cap)	722.93	701.87	292.06	284.10	263.69

### **Operation and Maintenance Expenses (O&M Expenses)**

48. Regulation 20 of the 2015 RLDC Fees Regulations provides as under: -

"20. Operation and Maintenance Expenses: -





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

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

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

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

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

49. Summary of the O&M Expenses approved by the Commission vide order dated 26.12.2016 in Petition No. 240/TT/2015 and additional O&M expenses approved vide order dated 10.6.2019 in Petition No. 344/MP/2018, is as follows:

(₹ in lakh)						
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL
O&M Expenses excluding Human Resource Expenses	483.73	355.38	325.64	387.63	413.50	<b>1965.88</b>
Additional O&M expenses (Order in Petition no. 344/MP/2018 dated 10.6.2019)	0.00	0.00	0.00	0.00	61.50	<b>61.50</b>
<b>Total O&amp;M excluding HR expenses (Approved)</b>	<b>483.73</b>	<b>355.38</b>	<b>325.64</b>	<b>387.63</b>	<b>475.00</b>	<b>2027.38</b>

50. The actual O&M Expenses incurred and claimed by the Petitioner for period 2014-19 are as follows:

(₹ in lakh)						
Description	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL





Repair and Maintenance (R&M) Expenses without AMC SCADA	44.37	52.00	44.93	91.72	130.11	<b>363.13</b>
AMC SCADA	219.01	45.87	0.00	0.00	66.01	<b>330.89</b>
Administration and General (A&G) Expenses	219.72	251.96	321.38	360.30	472.48	<b>1625.84</b>
<b>Total O&amp;M Expenses excluding HR Expenses (Actual/ claimed)</b>	<b>483.10</b>	<b>349.83</b>	<b>366.31</b>	<b>452.02</b>	<b>668.6</b>	<b>2319.86</b>

51. The Petitioner has submitted that the actual expenditure incurred under O&M expenses is higher than the O&M expenses approved by the Commission for following reasons:

a) POSOCO has got separated from PGCIL w.e.f. 3.1.2017 and has become an independent company, wholly owned by the Government of India. Its Board of Directors have joined the company and other staff, along with the fresh recruits in different streams, are also being inducted on regular basis. The associated office expenses like civil works, repair and maintenance, internet leased line, conveyance & travelling, watch and ward, electricity, hiring of services, general maintenance etc. have contributed mainly towards the increase in O&M expenses of the company.

b) The temporary Back-up NERLDC Office at Guwahati had been operationalized in 2016-17. This also has contributed towards the increase in the associated office expenses.

c) Further, human resource is the key asset for functioning of LDCs and capacity building is a major thrust area. POSOCO has been actively involved in capacity building of its employees and that has also significantly contributed in training and organizational development expenses.

52. The Petitioner has submitted the details of actual Repair & Maintenance (R&M) expenses and Administrative & General (A&G) expenses along with Auditor certificate dated 18.10.2019, as under:

### R&M Expenses

(₹ in lakh)

Account Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
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Account Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Consumption of Stores and Spares	0.00	0.00	0.04	0.84	2.39	3.27
Plant and Machinery Repairs and Maintenance	0.00	0.00	0.00	0.41	0.01	0.42
Civil Works repairs and maintenance	16.00	30.66	24.35	66.22	71.84	209.07
Others (Specify)	28.37	21.34	20.54	24.25	55.87	150.37
<b>Sub-Total:</b>	<b>44.37</b>	<b>52.00</b>	<b>44.93</b>	<b>91.72</b>	<b>130.11</b>	<b>363.13</b>
AMC SCADA	219.01	45.87	0.00	0.00	66.01	330.89
<b>Total</b>	<b>263.38</b>	<b>97.87</b>	<b>44.93</b>	<b>91.72</b>	<b>196.12</b>	<b>694.02</b>

### A&G Expenses:

(₹ in lakh)

Account Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Property Related Expenses	2.58	6.06	4.12	4.94	4.51	22.21
Communication	9.71	27.54	50.03	25.31	26.73	139.32
Professional Charges	3.22	5.04	4.75	7.89	12.45	33.35
Conveyance and Travelling	65.14	55.28	61.96	70.78	109.73	362.89
Other Expenses	136.21	145.10	196.95	232.36	311.18	1021.80
Additional Expenses (EDP)	2.86	12.94	3.57	19.02	7.88	46.27
<b>Total</b>	<b>219.72</b>	<b>251.96</b>	<b>321.38</b>	<b>360.30</b>	<b>472.48</b>	<b>1625.84</b>

53. The Petitioner *vide* affidavit dated 8.10.2020 has submitted the justification and cost break-up of R&M expenses and A&G expenses, which are discussed in the succeeding paragraphs. We have also perused orders dated 31.3.2016 in Petition No. 541/TT/2014, order dated 26.12.2016 in Petition No. 240/TT/2015 and order dated 10.6.2019 in Petition No. 344/MP/2018.

### Repair and Maintenance Expenses (R&M Expenses)

54. We observe that the allowed O&M expenses for 2014-19 period vs actual O&M expenses for 2014-19 period is as under:

(₹ in lakh)

Items	2014-15	2015-16	2016-17	2017-18	2018-19	Total
O&M Allowed	483.73	355.38	325.64	387.63	413.50	1965.88
Allowed in 344/MP/2018	0.00	0.00	0.00	0.00	61.50	61.50



Total	483.73	355.38	325.64	387.63	475.00	2027.38
O&M claimed/ actual Auditor Certified	483.10	349.83	366.31	452.02	668.60	2319.86
<b>Difference (Actual – Approved)</b>	<b>0.82</b>	<b>5.55</b>	<b>(40.67)</b>	<b>(64.39)</b>	<b>(193.60)</b>	<b>(292.48)</b>

55. It is evident from the above table that for 2014-19 period, the actual O&M expenses on overall basis are approximately 14.4% higher than the approved O&M expenses. While the actual O&M expenses for 2014-15 and 2015-16 are observed to be within that allowed *vide* the Order dated 26.12.2016 in Petition No. 240/TT/2015, the same for 2016-17, 2017-18 and 2018-19 are higher by 12%-40% as compared to the allowed expenses. This is stated to be due to increased expenses like civil works repair and maintenance, internet leased line, conveyance & travelling, watch and ward, electricity, hiring of services, general maintenance etc.

56. Regulation 20(5) of the 2015 RLDC Fees Regulations provides as under: -

*"20. Operation and Maintenance Expenses: -*

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

57. As per the above-mentioned Regulation, the Petitioner is required to submit actual expenditure towards AMC of SCADA system. In compliance, the Petitioner *vide* affidavit dated 8.10.2020 has submitted following details of AMC of SCADA:

**(₹ in lakh)**

Items	2014-15	2015-16	2016-17	2017-18	2018-19	Total
AMC of SCADA Approved by CERC (240/TT/2015)	219.00	70.00	18.00	56.00	56.00	419.00
AMC of SCADA as per Actuals submitted in the subject petition	219.01	45.87	0.00	0.00	66.01	330.89
<b>Difference (Actual – Approved)</b>	<b>0.01</b>	<b>(24.13)</b>	<b>(18.00)</b>	<b>(56.00)</b>	<b>10.01</b>	<b>(88.11)</b>

58. The Petitioner has submitted reasons for variations in the approved vis-à-vis actual expenses related to AMC of SCADA as under:

- a) Reduction of expenditure of ₹24.13 lakh in 2015-16 was due to amount adjusted against the liquidated damages recovered from the vendor



due to non-completion of new SCADA-EMS project within scheduled time. Vendor of old and new SCADA/EMS system was the same.

b) Taking over of new SCADA/EMS system was done on 6.1.2017. However, the defect-liability period (DLP) was over on 31.1.2018. Hence, no payment was made to the vendor in 2016-17. The payments on account of one year DLP charges and AMC charges for February and March, 2018 were made in 2017-18. Although an expenditure of ₹25.43 lakh was incurred on this account, but the same was inadvertently booked under the head "Others" in Form 7C in place of 'AMC of SCADA'.

c) The increase of expenditure of ₹10.01 lakh in 2018-19 was on account of price variation due to higher labour index as per price variation clause in the contract, which is based on labour index published by Government of India from time to time.

59. The details of "Others" in Form-7C under R&M expenses as submitted by Petitioner vide its affidavit dated 8.10.2020 are as under:

(₹ in lakh)						
Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
AMC for IT Systems	8.57	2.87	3.54	6.54	13.89	35.41
AMC of SCADA *	0	0	0	0	25.43	25.43
AMC for software system	10.47	10.03	9.56	13.48	5.29	48.82
AMC of AC system	9.34	8.43	7.44	4.23	11.26	40.70
Total (In Rs.)	28.37	21.34	20.54	24.25	55.87	150.37

*\*Inadvertently shown under above head instead of "AMC of SCADA" head of petition form 7C*

60. We observe that the Petitioner has booked AMC of software systems and AMC and repair of infrastructure items/ equipment under head 'Others' along with its cost break-up. We allow the claimed/ incurred expenses against the said head as these expenses are essential expenses required for the effective operations. We also observe that the Petitioner has inadvertently claimed SCADA AMC of ₹25.43 lakh in 2018-19 under the head "Others" of R&M expenses. Accordingly, the same



shall be adjusted in SCADA AMC head of R&M expenses. We allow the claimed/ incurred expenses against AMC of SCADA under O&M expenses, as under:

(₹ in lakh)

Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
AMC of SCADA Actual submitted in 437/MP/2019 (Truing up petition)	219.00	45.87	0.00	0.00	66.01	330.89
AMC of SCADA under 'Others' as submitted vide affidavit dated 8.10.2020	-	-	-	-	25.43	25.43
Approved expenses for AMC of SCADA	219.00	45.87	0.00	0.00	<b>91.44</b>	<b>356.32</b>

61. Accordingly, the approved Repair & Maintenance Expenses for the Control period 2014-19 are as under:

(₹ in lakh)

Account Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Consumption of Stores and Spares	0.00	0.00	0.04	0.84	2.39	3.27
Plant and Machinery Repairs and Maintenance	0.00	0.00	0.00	0.41	0.01	0.42
Civil Works repairs and maintenance	16.00	30.66	24.35	66.22	71.84	209.07
Others (Specify)	28.37	21.34	20.54	24.25	30.44*	124.94
<b>Sub-Total:</b>	<b>44.37</b>	<b>52</b>	<b>44.93</b>	<b>91.72</b>	<b>104.68</b>	<b>337.70</b>
AMC SCADA	219.01	45.87	0.00	0.00	91.44	356.32
<b>Total</b>	<b>263.38</b>	<b>97.87</b>	<b>44.93</b>	<b>91.72</b>	<b>196.12</b>	<b>694.02</b>

\*AMC SCADA inadvertently considered by petitioner under "Others" has been taken in AMC SCADA item.

### **Administration & General Expenses (A&G Expenses)**

62. Breakup of A&G expenses claimed by the Petitioner for the control period 2014-19 is as follows:

(₹ in lakh)

Account Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
PROPERTY RELATED EXPENSES						
Rent	0.00	3.47	3.78	3.78	4.13	15.16
Rates and Taxes	0.00	0.09	0.09	0.09	0.09	0.36
Insurance	2.58	2.50	0.25	1.07	0.29	6.69



<b>Account Head</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>Total</b>
<b>Sub Total</b>	<b>2.58</b>	<b>6.06</b>	<b>4.12</b>	<b>4.94</b>	<b>4.51</b>	<b>22.21</b>
<b>COMMUNICATION</b>						
Telephone and Trunk Call	6.00	10.49	9.66	3.99	7.44	37.58
Postage and Telegram	0.51	0.60	0.61	0.38	0.68	2.78
Courier Charges	0.10	0.05	0.04	0.02	0.06	0.27
Other (Internet Leased Line Charges)	3.10	16.40	39.72	20.92	18.55	98.69
<b>Sub Total</b>	<b>9.71</b>	<b>27.54</b>	<b>50.03</b>	<b>25.31</b>	<b>26.73</b>	<b>139.32</b>
<b>PROFESSIONAL CHARGES</b>						
Legal Expenses	0.00	0.00	0.00	0.00	0.00	0.00
Consultancy Charges	1.04	3.07	0.92	0.69	3.27	8.99
Technical Fees	0.16	0.00	2.16	2.47	5.85	10.64
Audit Fees	1.36	0.65	0.00	2.62	2.25	6.88
Other Charges	0.66	1.32	1.67	2.11	1.08	6.84
<b>Sub Total</b>	<b>3.22</b>	<b>5.04</b>	<b>4.75</b>	<b>7.89</b>	<b>12.45</b>	<b>33.35</b>
<b>CONVEYANCE AND TRAVELLING</b>						
Conveyance Charges	19.53	19.57	20.19	17.58	25.87	102.74
Travelling Charges	40.33	28.79	34.23	44.51	75.16	223.02
Hire Charges of Vehicle	5.28	6.92	7.54	8.69	8.70	37.13
<b>Sub Total</b>	<b>65.14</b>	<b>55.28</b>	<b>61.96</b>	<b>70.78</b>	<b>109.73</b>	<b>362.89</b>
<b>OTHER EXPENSES</b>						
Electricity Charges	29.26	33.88	40.49	40.20	54.61	198.44
Fees and Subscription	0.00	0.00	0.65	0.65	0.20	1.50
Books and Periodicals	1.42	1.21	0.39	0.40	0.70	4.12
Printing and Stationery	1.44	1.69	1.59	1.48	5.51	11.71
Advertisement	0.00	0.07	0.46	3.10	3.25	6.88
Entertainment	1.13	1.34	1.34	1.77	1.81	7.39
Watch and Ward	34.21	45.78	34.23	85.36	93.44	293.02
Miscellaneous	50.56	46.69	76.94	54.96	70.71	299.86
Organisational Development Expenses	1.05	6.60	1.21	7.81	17.94	34.61
Donation	0.00	0.00	0.00	0.00	0.00	0.00
Training	17.10	7.84	39.65	36.63	63.01	164.23
Water Charges	0.04	0.00	0.00	0.00	0.00	0.04
Meeting Expenses	0.00	0.00	0.00	0.00	0.00	0.00
<b>Sub Total</b>	<b>136.21</b>	<b>145.10</b>	<b>196.95</b>	<b>232.36</b>	<b>311.18</b>	<b>1021.80</b>
<b>ADDITIONAL EXPENSES</b>						
EDP Expenditure	2.86	12.94	3.57	19.02	7.88	46.27
<b>Sub Total</b>	<b>2.86</b>	<b>12.94</b>	<b>3.57</b>	<b>19.02</b>	<b>7.88</b>	<b>46.27</b>
<b>Total:</b>	<b>219.72</b>	<b>251.96</b>	<b>321.38</b>	<b>360.30</b>	<b>472.48</b>	<b>1625.84</b>



63. Further, the Petitioner vide affidavit dated 8.10.2020 has submitted the cost break-up along with clarification of certain expenses, which are as under:

**Details of “Miscellaneous” head under “Other Expenses”**

(₹ in lakh)

DESCRIPTION	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Transit Hostel Expenses	10.47	8.15	12.03	6.71	0.47	37.83
Expenses on Meetings	1.31	0.97	4.11	3.74	9.03	19.16
Cultural Meet Expenses	0.00	0.00	0.00	5.51	8.31	13.82
National Day/ Ceremonial Expenses	0.74	0.72	1.12	0.38	10.17	13.13
Rebate to customers	33.66	34.27	30.12	27.07	30.10	155.22
Safety/ Hindi/ Vigilance/ Environment day celebrations	2.26	0.94	1.35	1.18	4.97	10.71
Expenses such as Exhibition stall expenses, Horticulture expenses , etc.	2.12	1.64	28.21	10.37	7.66	50.00
<b>Total</b>	<b>50.56</b>	<b>46.69</b>	<b>76.94</b>	<b>54.96</b>	<b>70.71</b>	<b>299.86</b>

64. The Petitioner has incurred an amount of ₹19.16 lakh on meetings and ₹37.66 lakh on cultural meet, National Day/ ceremonial expenses, Safety/ Hindi/ Vigilance/ Environment day celebrations during 2014-19. In our view, expenditure on celebrations and ceremonial expenses need to be minimised keeping in view the economy measures and DPE Guidelines, if any, in this regard. Alternatively, the Board approved guidelines should be followed so as to avoid unreasonable expenditures. We are, however, allowing these expenses for the current control period with a direction to the Petitioner to be more prudent while incurring such expenses in future.

65. We further observe that under the head “Miscellaneous” in A&G expenses, the Petitioner has incurred ₹155.22 lakh on account of rebate to customers. Rebate is allowed to the Users by the RLDCs or NLDC on gross billed amount as per the





provision in Regulation 34 of the RLDC Fees Regulations 2015. These expenses cannot be allowed to be realized back from the Users under fees and charges.

**"Organisational Development Expenses" head under "Other Expenses"**

The Commission at paragraph 37 of order dated 26.12.2016 in Petition No. 240/TT/2015 has observed the following:

*"37. We have considered the submissions of the petitioner. The donations and other charges which do not form part of O&M Expenses are disallowed. As regards the training expenditure, it has been decided in order dated 30.8.2015 in Petition No. 222/MP/2015 that the expenditure incurred for training the personnel from SLDC would be met from the LDC Fund. Since the expenditure on training of the personnel of NERLDC has been considered as part of the O&M Expenses of NERLDC, the same shall be met from the O&M Expenses. Accordingly, the training expenditure related to employees of POSOCO (NERLDC) is allowed as part of O&M Expenses. It is observed that the petitioner has booked certain expenses under the head 'Organization Developmental Expenses'. However, the petitioner has not clarified whether this expenditure is related to employee welfare development or other expenses. Thus, only 50% of the expenses claimed under the head 'Organization Developmental Expenses' is allowed. The same will be reviewed at the time of truing up of 2014-19 charges on submission of clarification by the petitioner."*

66. The Petitioner vide affidavit dated 8.10.2020 has submitted the information regarding 'Organization Development Expenses' which includes expenses such as fee paid to PSTI, NPTI, and internal faculty for training on topics such as power system operation, regulatory framework, power system logistics, auto-cad and on seminars and conferences. The Petitioner has also submitted that the expenses under head 'Training' in A&G expenses, are against the training expenses on NERLDC's own employees. We allow these expenses as these have been incurred on development of the organization.

67. In view of above, the allowed expenditure under head "Miscellaneous Expenses" in Administrative and General Expenses (A&G Expenses), are as follows:

(₹ in lakh)						
DESCRIPTION	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Transit Hostel Expenses	10.47	8.15	12.03	6.71	0.47	37.83
Expenses on Meetings	1.31	0.97	4.11	3.74	9.03	19.16
Cultural Meet Expenses	0.00	0.00	0.00	5.51	8.31	13.82





<b>DESCRIPTION</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>Total</b>
National Day/ Ceremonial Expenses	0.74	0.72	1.12	0.38	10.17	13.13
Rebate to customers	0.00	0.00	0.00	0.00	0.00	0.00
Safety/ Hindi/ Vigilance/ Environment day celebrations	2.26	0.94	1.35	1.18	4.97	10.71
Expenses such as Exhibition stall expenses, Horticulture expenses, etc.	2.12	1.64	28.21	10.37	7.66	50.00
<b>Total</b>	<b>16.90</b>	<b>12.42</b>	<b>46.82</b>	<b>27.89</b>	<b>40.61</b>	<b>144.64</b>

68. In addition to above expenses, the Petitioner has also incurred expenditure towards legal expenses, consultancy charges, audit fees, water charges, conveyance & traveling expenses, donations, training, miscellaneous and other expenses under "Professional Charges", "Conveyance and Travelling" and "Other Expenses" heads of A&G expenses. Further, the Petitioner vide affidavit dated 8.10.2020 has submitted detailed break-up of expenditure incurred under Miscellaneous head and submitted Auditor Certificate dated 18.10.2019 in support of the expenses.

69. Accordingly, the allowable Administrative & General Expenses for the Control period 2014-19 are as under:

**(₹ in lakh)**

<b>Account Head</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>Total</b>
A&G Expenses Claimed	219.72	251.96	321.38	360.30	472.48	1625.84
A&G Expenses Allowed	186.06	217.69	291.26	333.23	442.38	1470.62

70. Thus, the allowable trued-up O&M Expenses for NRLDC as per the 2015 RLDC Fees Regulations for the control period 2014-19 are as follows:

**(₹ in lakh)**

<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>Total</b>
Repair and Maintenance	263.38	97.87	44.93	91.72	196.12	<b>694.02</b>
Administrative and General Expenses	186.06	217.69	291.26	333.23	442.38	<b>1470.62</b>



<b>Total O&amp;M Expenses</b>	<b>449.44</b>	<b>315.56</b>	<b>336.19</b>	<b>424.95</b>	<b>638.5</b>	<b>2164.64</b>
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### **Human Resource Expenses (HR Expenses)**

71. Regulation 21 of the 2015 RLDC Fees Regulations provides as under:-

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

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

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

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

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

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

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

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

72. Summary of the HR Expenses approved by the Commission vide order dated 26.12.2016 in Petition No. 240/TT/2015 and additional HR Expenses approved vide order dated 10.6.2019 in Petition No. 344/MP/2018, are as follows:

**(₹ in lakh)**



Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Human Resource Expenses (Order in Petition no. 240/TT/2015 dated 26.12.2016)	1011.3	1090.17	1175.19	1266.85	1365.65	<b>5909.16</b>
Pay Revision (Order in Petition no. 344/MP/2018 dated 10.6.2019)	0.00	0.00	43.59	211.63	311.54	<b>566.76</b>
Certification Linked Incentive (Order in Petition no. 344/MP/2018 dated 10.6.2019)	0.00	0.00	0.00	0.00	96.30	96.30
<b>Total HR Expenses</b>	<b>1011.30</b>	<b>1090.17</b>	<b>1218.78</b>	<b>1478.48</b>	<b>1773.49</b>	<b>6572.22</b>

73. The actual HR Expenses incurred and claimed by the Petitioner for period 2014-19 are as follows:

(₹ in lakh)						
Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Salaries	253.14	256.07	263.06	232.51	582.98	<b>1587.76</b>
Overtime	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
Dearness allowance	243.04	277.60	305.89	286.05	68.72	<b>1181.30</b>
Other Allowances	160.54	164.71	174.90	154.85	271.77	<b>926.77</b>
Productivity link Incentive	0.00	0.00	0.00	0.00	96.30	<b>96.30</b>
Wage Revision Provisional Expenses	0.00	0.00	43.58	211.64	0.00	<b>255.22</b>
Reimbursement of Medical Expenses	16.84	14.92	18.20	11.37	10.00	<b>71.33</b>
Reimbursement of House Rent/ Lease	57.83	65.51	61.38	41.24	88.42	<b>314.38</b>
Encasement of earned Leaves	77.34	73.60	56.67	82.26	88.30	<b>378.17</b>
Staff welfare Expenses	28.23	18.29	20.07	32.64	62.03	<b>161.26</b>
Terminal Benefits	136.42	177.65	187.30	135.98	238.11	<b>875.46</b>
<b>Total</b>	<b>973.38</b>	<b>1048.35</b>	<b>1131.05</b>	<b>1188.54</b>	<b>1506.63</b>	<b>5847.95</b>

74. The Petitioner has submitted the reasons for decrease in the actual HR expenses w.r.t the expenses approved by the Commission, as below:

- a) There has been gradual addition of the manpower (mainly executive/ diploma trainees) every year. However, there has been only slight increase in manpower due to retirements at regular intervals and migration of employees to PGCIL during 2016-17.



75. During 2017-18 and 2018-19, actual HR expenses are lower than the approved HR expenses due to the fact that increase in manpower was primarily at the induction level and there is substantial gap in the remuneration of employees getting retired and those being recruited at the trainee level.

76. The Commission *vide* ROP of hearing dated 25.2.2020 directed the Petitioner to furnish Form 7B with complete details of expenses in different heads, like bonus, ex-gratia, expenditure on VRS and revenue recovered, if any, and breakup under the of head 'Staff Welfare Expenses'. In response, the Petitioner *vide* affidavit dated 13.3.2020 has submitted that expenses in heads like bonus, ex-gratia, expenditure on VRS and revenue recovered etc. have been 'Nil'.

77. The Commission directed the Petitioner to clarify if the Productivity Linked Incentive in Form 7B refers to Performance Linked Incentive or Certification Linked Incentive or any other amount. The Petitioner was also directed to submit details of the Performance Linked Incentive allowed by the Commission, audited actual incentive recovered from the Users and audited disbursed/ paid to employees for the period 2014-19. The Commission also directed the Petitioner to submit detailed note on methodology followed by POSOCO as per DPE Guidelines for PRP calculation for 2014-19 period for yearly Performance Linked Incentive claimed/ recovered from the Users.

78. In response, the Petitioner *vide* affidavit dated 13.3.2020 has submitted that the amount shown under the head 'Productivity Linked Incentive' refers to the amount provisioned towards payment of 'Certificate Linked Incentive'. The Petitioner has enclosed the Auditor Certificate and details of actual revenue collected from the Users for the control period 2014-19. Further, the Petitioner has submitted that the 'PLI' allowed by the Commission is same as recovered from the Users as mentioned



in the attached Certificate. The Petitioner has also enclosed the detailed note on methodology followed by POSOCO as per DPE guidelines for PRP calculation.

79. We have considered the submissions of the Petitioner. We have also perused order dated 31.3.2016 in Petition No. 541/TT/2014, order dated 26.12.2016 in Petition No. 240/TT/2015 and order dated 10.6.2019 in Petition No. 344/MP/2018, wherein the following has been allowed:

- a) The Commission vide order dated 10.6.2019 in Petition No. 344/MP/2018 allowed the wage revision of POSOCO's employees w.e.f. 1.1.2017 along with the recruitment of additional manpower, subject to true-up.
- b) Also, the Commission in the said order dated 10.6.2019, allowed the expenses on account of Certification Linked Incentives (CLI) for payment to Certified System Operators of NLDC/RLDCs.

80. The Petitioner has submitted details about actual manpower at NERLDC in Petition No. 344/MP/2018, as under:

Description	2014-15	2015-16	2016-17	2017-18	2018-19
Actual Manpower deployed in NERLDC (Nos.)	52	54	57	60	70

81. The salary including DA has varied over the control period 2014-19 as under:

Description	2014-15	2015-16	2016-17	2017-18	2018-19
Salaries plus DA plus wage revision provision ( <b>₹ in lakh</b> )	496.18	533.67	612.53	730.20	651.70
Increase over previous year	-	7.55%	14.78%	19.21%	-10.75%

82. We observe from above table that there is a substantial increase in component "salaries" in year 2018-19 over year 2017-18. Also, while the manpower of NERLDC has increased from 2014-15 to 2018-19 by 18 (about 35%), the salaries have increased by about 7.5% to 19%. Expenses under "Salaries" have increased on an overall basis from ₹496.18 lakh in 2014-15 to ₹651.70 lakh in 2018-19 which is about 31% increase in the control period 2014-19. Further, due to pay revision,

Basic salary further increased by 25-30% after merging of Dearness Allowance. Considering “Salaries” plus “Dearness Allowance” plus “Wage Revision Provisions”, there is an increase by 15% in FY 2016-17 from 2015-16, as wage revision was effective from 1.1.2017. Also, the increase in 2017-18 is about 19% from 2016-17 due to maximum (annual) impact of the wage revision. Therefore, considering the pay revision, the increase in Salaries appears justified.

83. The Petitioner *vide* Auditor Certificate dated 18.10.2019 has mentioned a head ‘Staff Welfare Expenses’, whose breakup has been submitted by the Petitioner *vide* affidavit dated and 13.3.2020, as under:

**“Staff Welfare Expenses”**

DESCRIPTION	(₹ in lakh)					Total (2014-19)
	2014-15	2015-16	2016-17	2017-18	2018-19	
Other Employee Welfare Expenses	21.95	11.83	17.17	5.86	28.16	<b>84.97</b>
PF and other Funds Administration Charge	0.81	0.99	1.49	3.06	4.00	<b>10.35</b>
Games and Sports Expenses	0.00	0.58	0.26	4.00	5.56	<b>10.40</b>
Awards to Employees	3.47	0.68	0.04	14.78	0.00	<b>18.97</b>
Safety Appliances and Expenses	0.00	1.97	0.00	0.00	5.37	<b>7.34</b>
Reimbursement of children education expense to Employees	0.07	0.00	0.00	0.00	0.00	<b>0.07</b>
Family Planning - Cash Incentives	0.48	0.40	0.47	0.51	0.40	<b>2.26</b>
Liveries and Uniforms	1.45	1.84	0.64	4.43	18.54	<b>26.90</b>
<b>Total</b>	<b>28.23</b>	<b>18.29</b>	<b>20.07</b>	<b>32.64</b>	<b>62.03</b>	<b>161.26</b>

84. We observe from the above table that the Petitioner has claimed expenditure of ₹18.97 lakh against “Award to Employees” under ‘Staff Welfare Expenses’ which is varying over the years of control period. We expect that due fiscal prudence will be exercised in future and expenditure shall be in line with DPE/ GoI Guidelines, if any, in this regard.



85. The Petitioner, *vide* affidavit dated 8.10.2020, has submitted cost break-up of the head 'Other Employee Welfare Expenses' under 'Staff Welfare Expenses' in the above table, as under:

**“Other Employee Welfare Expenses” under “Staff Welfare Expenses” in HR Expenses**

(₹ in lakh)

DESCRIPTION	2014-15	2015-16	2016-17	2017-18	2018-19	Total (2014-19)
Purchase of Khadi Clothes and Electronic Gadgets	0.00	0.00	12.57	0.00	20.52	<b>33.09</b>
Visiting doctor fees	0.32	1.89	0.98	0.73	0.47	<b>4.39</b>
Other Misc. such as expenses on Preventive Health Check-up of Employees, Republic day, Independence Day expenses, etc.	21.62	9.94	3.62	5.13	7.17	<b>47.48</b>
<b>Total</b>	<b>21.94</b>	<b>11.83</b>	<b>17.17</b>	<b>5.86</b>	<b>28.16</b>	<b>84.96</b>

The above claimed expenses are being allowed.

86. The Petitioner has submitted Auditor's Certificate dated 18.10.2019 indicating the expense of ₹96.30 lakh w.r.t. 'Productivity Linked Incentive' for 2018-19. However, the Petitioner *vide* affidavit dated 13.3.2020, has clarified that the said head is 'Certification Linked Incentive' (CLI) instead of 'Productivity Linked Incentive'. The Petitioner has also submitted that the said CLI amount has not been disbursed yet and this amount was just provisioned against CLI. Since the said CLI amount has not been disbursed, we are not inclined to allow this as reimbursement from the Users. Moreover, the Performance Linked Incentive (PRP) payments made by the Petitioner are being dealt by the Commission in separate petitions filed by the Petitioner.

87. The Petitioner has claimed expenses under various heads such as Salaries, Dearness Allowance, Other Allowances, Wage Revision Provisional Expenses, Reimbursement of Medical Expenses, Leave Travel Concession, Reimbursement of House Rent / Lease, Encashment of Earned leave, Terminal Benefits. We note that



these expenditures are part of individual employee's salary and other defined benefits as per company policy/ DPE guidelines. Therefore, we allow the expenditure claimed under above said heads.

88. The Petitioner *vide* affidavit dated 8.10.2020 has submitted that the Petitioner had inadvertently missed to include, in the Petition, the expenses against IND AS w.e.f. FY 2016-17 in Staff Welfare expenses. However, the Petitioner has, now, sought reimbursement of the said expenses. under the head "Human Resources Expenses" as under:

				(₹ in lakh)
RLDCs	FY 2016-17	FY 2017-18	FY 2018-19	Total
NERLDC	3.65	2.46	7.17	13.28

89. The Petitioner has submitted that the Ministry of Corporate Affairs (MCA), in 2015, had notified the Companies (Indian Accounting Standard (IND AS)) Rules 2015, which stipulated adoption and applicability of IND AS beginning from the accounting period 2016-17. IND AS is also applicable on POSOCO from FY 2016-17.

90. As per Paragraph 4.1.2 of IND AS 109, all financial assets shall be measured at amortized cost if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flow; and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

91. The Petitioner has submitted that both the above conditions are met in case of loans provided by POSOCO to its employees. Hence, said asset is required to be valued as per IND AS.





92. In line with the above provisions of IND AS, the expenditure accounted for under “Human Resources expenses” in the Annual Accounts of POSOCO from FY 2016-17 to FY 2018-19 are as under:

(₹ in lakh)				
RLDCs	FY 2016-17	FY 2017-18	FY 2018-19	Total
NLDC	18.17	6.04	53.73	77.94
NRLDC	13.30	6.78	96.20	116.28
WRLDC	17.98	18.03	28.09	64.10
SRLDC	8.16	1.66	49.16	58.98
ERLDC	18.01	2.24	58.01	78.26
NERLDC	3.65	2.46	7.17	13.28
<b>Total</b>	<b>79.27</b>	<b>37.21</b>	<b>292.36</b>	<b>408.84</b>

93. The Petitioner has submitted that such expenses were inadvertently excluded in the truing up petitions of NLDC and RLDCs for 2014-19. The Petitioner has requested to consider allowing these expenses under the head ‘Staff Welfare Expenses’.

94. We have considered the submissions of the Petitioner. Paragraph 4.1.2 of IND AS 109 stipulates as below:

*“4.1.2 A financial asset shall be measured at amortized cost if both of the following conditions are met:*

*(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and*

*(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.*

*Paragraphs B4.1.1–B4.1.26 provide guidance on how to apply these conditions.”*

95. It is observed that loans have been provided by POSOCO to its employees, which, under the patronage of Employees’ Benefits, could be interest free or low-interest bearing loans. The Petitioner has requested that the said financial asset be valued as per IND AS. Under IND AS, all financial assets and liabilities are required to be recorded at fair value at initial recognition instead of the actual cost. Difference between the same is required to be accounted in the P&L Account in most cases.



The interest-free loans or low-interest bearing loans given or taken are required to be apportioned indicating principal and notional interest. Such notional interest is recognized as income/ expense in the P&L account over the period of loan. In the instant case, the expenses being notional and not actual, we are not inclined to include the additional Human Resources expenses claimed as above for consideration in the Fee and Charges calculations.

96. Accordingly, the claimed vis-s-vis approved Human Resources (HR) Expenses for the control period 2014-19 is summarised as under:

						(₹ in lakh)
Description	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL
HR Expenses Claimed	973.38	1048.35	1131.05	1188.54	1506.63	5847.95
HR Expenses Allowed	973.38	1048.35	1131.05	1188.54	1410.33	5751.65

97. Therefore, the claimed vis-à-vis allowed expenses for the control period 2014-19 are summarised as under:

				(₹ in lakh)
S.N.	Parameter	Claimed	Allowed	
1	CAPEX & REPEX	2492.18	2435.58	
2	O&M Expenses (Excluding Human Resource Expenses)	2319.86	2164.64	
3	Human Resource Expenses	5847.95	5751.65	

98. As explained in paragraph 32 of this Order, the allowed CAPEX is not being considered for working out the Fee and Charges.

### **Apportioned NLDC Charges & Corporate Office expenses**

99. Regulation 23(3) of the 2015 RLDC Fees Regulations provides as under:

*"(3) All expenses of NLDC and Corporate Office expenses approved by the Commission shall be apportioned to the Regional Load Despatch Centre on the basis of the peak demand served (in MW) in the respective region as indicated in CEA's website for the preceding year."*

100. Accordingly, NLDC charges and Corporate Office expenses are to be apportioned to the Regional Load Despatch Centre on the basis of the demand served in the respective Region. The Petitioner has submitted Region-wise peak



demand met during 2014-19 period. *Vide* Order dated 25.2.2021 in Petition No 430/MP/2019, the Commission has allowed NLDC Charges and Corporate Office expenses. Therefore, on the basis of the peak demand served, the year-wise NLDC Charges & Corporate Office expenses apportioned to the NERLDC have been worked out as under:

Description						(₹ in lakh)
	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL
Apportioned NLDC Charges & Corporate Office expenses to NERLDC	45.11	38.80	41.72	55.18	84.70	<b>265.50</b>

### **Interest on Working Capital**

101. Regulation 22 of the 2015 RLDC Fees Regulations provides as under:-

*"22. 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 for one month;*

*(iii) NLDC charges for one month; and*

*(iv) Receivables equivalent to two months 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 1.4.2014.*

*(3) Interest on working capital shall be payable on normative basis notwithstanding that the Power System Operation Company has not taken any loan for working capital from any outside agency."*

102. Accordingly, following expenses have been worked out for determination of

Interest on Working Capital:

(i) O&M Expenses excluding human resource expenses have been considered for one month of the recommended O&M expenses.

(ii) Human Resource Expenses have been considered for one month of the recommended O&M Expenses.

(iii) NLDC charges for 1 month have been included in the computation of interest on working capital.

(iv) The receivables have been worked out on the basis 2 months of Annual Charges as worked out above.



- (v) Rate of interest on working capital has been arrived at as SBI Base Rate Plus 350 bps as on 1.4.2014 (i.e.13.50%).

103. Interest on working capital worked out for the 2014-19 period is as follows :

(₹ in lakh)					
Description	2014-15	2015-16	2016-17	2017-18	2018-19
One month NLDC Charges	3.76	3.23	3.48	4.60	7.06
One month O & M Expenses (Excluding Human Resource Expenses)	37.45	26.30	28.02	35.41	53.21
One month Human Resource Expenses	81.12	87.36	94.25	99.05	117.53
Receivables (2 months of Annual charges)	264.24	250.47	266.13	291.09	370.82
Total Working Capital	386.57	367.36	391.88	430.15	548.61
Rate of Interest on Working Capital	13.50%	13.50%	13.50%	13.50%	13.50%
<b>Interest</b>	<b>52.19</b>	<b>49.59</b>	<b>52.90</b>	<b>58.07</b>	<b>74.06</b>

### Annual Fee and charges

104. The details of the trued-up annual fee and charges allowed for NERLDC as per the 2015 RLDC Fees Regulations for control period 2014-19 period is summarized below:

(₹ in lakh)					
Annual Fee & Charges	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	14.47	0.00	0.00	0.00	0.00
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	50.88	50.51	34.92	19.80	17.32
Interest on Working Capital	52.19	49.59	52.90	58.07	74.06
O & M Expenses (Excluding Human Resource Expenses)	449.44	315.56	336.19	424.95	638.50
Human Resource Expenses	973.38	1048.35	1131.05	1188.54	1410.33
NLDC Charges and Corporate Office Expenses	45.11	38.80	41.72	55.18	84.70
<b>Total</b>	<b>1585.47</b>	<b>1502.81</b>	<b>1596.78</b>	<b>1746.54</b>	<b>2224.92</b>

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

106. Further, in terms of Regulation 8(3) and 8(4) of the 2015 RLDC Fees Regulations, the amount under-recovered or over-recovered by the Regional Load Despatch Centres shall be recovered or refunded by the Users along with simple



interest at the rate equal to the bank rate as on 1<sup>st</sup> April of the respective year, as the case may be, in 6 equal monthly instalments starting within 3 months from the date of this order.

107. This order disposes of Petition No. 433/MP/2019.

Sd/-  
**(Arun Goyal)**  
**Member**

Sd/-  
**(I. S. Jha)**  
**Member**

Sd/-  
**(P. K. Pujari)**  
**Chairperson**



**ANNEXURE-1****DETAILS OF WEIGHTED AVERAGE RATE OF DEPRECIATION (WAROD)  
FOR THE 2014-19 PERIOD****NERLDC**

NERLDC (2014-19) Capital Expenditure	Admitted Capital Cost as on 1.4.2014	Admitted Additional Capitalisation during period 2014-19	Admitted Capital Cost as on 31.3.2019	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations				
					2014-15	2015-16	2016-17	2017-18	2018-19
Freehold Land	0.00	0.00	0.00	0.00%	0.00	0.00	0.00	0.00	0.00
Leasehold Land	0.00	0.00	0.00	3.34%	0.00	0.00	0.00	0.00	0.00
Building & Other Civil Works	3.78	0.00	3.78	3.34%	0.13	0.13	0.13	0.13	0.13
Auxiliary Power Supply System	35.42	-11.78	23.64	5.28%	1.87	1.87	1.56	1.25	1.25
Office Furniture and furnishing (including Communication Equipment)	5.85	-3.27	2.58	6.33%	0.37	0.37	0.27	0.16	0.16
Others	1.12	0.00	1.12	5.28%	0.06	0.06	0.06	0.06	0.06
SCADA Hardware with Test Equipment & Spares (IT Equipments)	210.51	-163.30	47.21	15.00%	31.38	29.56	19.70	10.84	8.66
Software (IT Equipments)	474.74	-296.70	178.04	30.00%	142.42	142.42	97.92	53.41	53.41
<b>Total</b>	<b>731.42</b>	<b>-475.05</b>	<b>256.38</b>	<b>Total</b>	<b>176.23</b>	<b>174.40</b>	<b>119.62</b>	<b>65.85</b>	<b>63.67</b>
<b>Average Gross Block (₹ in lakh)</b>					730.11	717.96	496.34	281.46	266.87
<b>Weighted Average Rate of Depreciation (WAROD)</b>					<b>24.1372%</b>	<b>24.2918%</b>	<b>24.1012%</b>	<b>23.3971%</b>	<b>23.8562%</b>

