

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No. 435/MP/2019

Coram:

Shri P.K. Pujari, Chairperson

Shri I.S. Jha, Member

Shri Arun Goyal, Member

Date of Order: 24.04.2021

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 Eastern Regional Load Despatch Centre (ERLDC) fees and charges for control period 2014-19.

And in the matter of

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

.... Petitioner

Versus

1. Chairman, Bihar State Holding Co. Limited,
Vidyut Bhavan, Bailey Road,
Patna, Bihar 800021
2. Chairman, Jharkhand Urja Vikash Nigam Limited,
Dhurwa Road, Ranchi,
Jharkhand 834002
3. Chairman, Damodar Valley Corporation,
DVC Tower, VIP Road,
Kolkata, West Bengal 700054



4. Chairman, Grid Corporation of India Ltd,
Janpath, Bhubaneswar,
Odisha 751022
5. Secretary, Power Department,
Government of Sikkim, Kaji Road,
Sikkim Gangtok 731101,
6. Chairman, West Bengal State Electricity Distribution Corporation Limited,
Bidyut Bhavan, Saltlake,
Kolkata, West Bengal 700091
7. Executive Director, ERTS – I Power Grid Corporation Limited,
Board Colony, Shastri Nagar, Patna-800023
8. Addl. General Manager, NTPC Vidyut Vyapar Nigam Limited,
Lodhi Road, New Delhi 110003.
9. The DGM (Commercial), Power Grid Corporation of India Limited,
RHQ, ERTS-II, CF-17, Action Area-1C, New Town, Kolkata,
West Bengal-700156.
10. General Manager, Farakka Super Thermal Power Plant-I&II,
NTPC Limited, Farakka, West Bengal 742236.
11. General Manager, Kahalgaon Super Thermal Power Plant-I,
NTPC Limited, Bhagalpur, Bihar 813214.
12. General Manager, Kahalgaon Super Thermal Power Plant-II,
NTPC Limited, Bhagalpur, Bihar 813214.
13. Executive Director, Talcher Super Thermal Power Station-I,
NTPC Limited, Nayapalli, Odisha 751012.
14. Chief Engineer (Elect), Teesta V HEP,
NHPC, Singtam, East Sikkim 737134
15. Chief Engineer, Rangit Hydro Electric Project,
NHPC, P.O. Rangit Nagar, South Sikkim 737111.
16. Chairman, Damodar Valley Corporation,
DVC Tower, VIP Road
Kolkata, West Bengal 700054.



17. General Manager, Farakka Super Thermal Power Plant-III, NTPC Limited, Farakka, West Bengal 742236.
18. CEO, Maithon Power Limited, MA-5 Gogna Colony, P.O: Maithon, Dhanbad, Jharkhand 828027.
19. Addl. General Manager, National Thermal Power Corporation Limited, BARH Thermal Power Station, Patna, Bihar 803213.
20. President & Director - Projects, GATI Infrastructure Private Limited, 268, Udyog Vihar, Phase-IV, Gurgaon, Haryana 122001.
21. DGM (Electrical), Adhunik Power & Natural Resource Limited, Village: Padampur, PS: Kandra Tata-Seraikela Road, Jharkhand 832105.
22. Addl. General Manager (Commercial), Talcher Solar PV, ER-II Headquarters, NTPC Limited, 3rd Floor, OLIC Building, Plot No.: N-17/2, Nayapalli, Bhubaneswar Odissa 751012.
23. GM (Power Sales & Regulatory), GMR Kamalanga Energy Limited, Plot No.-29, Satyanagar, Bhubaneswar, Odissa-751007.
24. Head Power & Sales, Jindal India Thermal Power Limited, Plot No.12, Local Shopping Complex, Sector-B1, Vasant Kunj, New Delhi- 110070.
25. Head Commercial, Tata Power Trading Co. Limited, C-43, Sec-62, Noida, Uttar Pradesh 201307.
26. Sr. General Manager (PP), Grid Corporation of India Limited, Janpath, Bhubaneswar Orissa 751022.
27. AGM, Dans Energy Private Limited, 5th Floor, DLF Building No. 8, Tower C, DLF Cyber City, Phase – II, Gurgaon Haryana 122002.
28. The General Manager (O&M), Bharatiya Rail Bijlee Company Limited, Nabinagar, Khera Police Station, Dist.-Aurangabad, Bihar-824303.
29. Sr. Vice President (O&M), Teesta Urja Limited, (Teesta -III HEP), Vijaya Building, 2nd Floor, 17 Barakhamba Road New Delhi 110001.



30. VP (Commercial), Sneha Kinetic Power Project Private Limited, 1366, Road no. 45, Jubilee Hills, Telangana Hyderabad 500033.
31. President –Technical, Shiga Energy Private Limited, 5th Floor, DLF Building No.8, Tower C, Phase-II, Gurgaon Haryana 122002.
32. GM (C&RA), OPGC, Zone-A, 7th Floor, Fortuna Towers, Chandrashekharapur, Bhubaneswar Odisha 751023.
33. General Manager (O&M), Darlipali Super Thermal Power Project, NTPC Limited, Darlipali, Sundergarh Odisha 770072,
34. AGM (EEMG), Nabinagar Power Generation Corporation Limited, NPGC Nabinagar, Aurangabad Bihar 831014.
35. Chairman, East North Interconnection Company Limited, C-2, Mathura Road, New Delhi 110065
36. Executive Director, ER-I, Power Grid Corporation of India Limited, Board Colony, Shastri Nagar, Patna- 800023.
37. General Manager, Powerlinks Transmission Limited, Vidyut Nagar, Siliguri West Bengal 734015.
38. Head- Asset Management/ O&M, Purulia & Kharagpur Transmission Company Limited, 634A-Tulip New Minal Residency, J.K Road, Near Ayodhya Bypass Road, Bhopal-462023.
39. Sr.Vice President, Teestavalley Power Transmission Limited, Vijaya Building, 2nd Floor, 17 Barakhamba Road, New Delhi -110001.
40. Project Director, Odisha Generation Phase-II Transmission Limited, F-1, Mira Corporate Suites, 1&2 Ishwar Nagar, Okhla Crossing, Mathura Road, New Delhi-110065.
41. The CEO, Alipurduar Transmission Limited, Flat No S-2, North View Apartment, Sarbapally Road, Ward No-42, SMC 2 ½ Mile Sevak Road, PO-Salugara, Siliguri, West Bengal-734008
42. The General Manager, Darbhanga-Motihari Transmission Company Limited, A-26/03, Mohan Cooperative Industrial Estate, Mathura Road, New Delhi 110044.



Parties present:

For Petitioner: Shri Shiv Kumar Sharma, NLDC
Shri Rakesh Kumar, NLDC
Shri Nishdeep Singh, NLDC
Shri Vivek Upadhyay, ERLDC
Shri Manas Das, ERLDC

For Respondent: Shri S. S. Raju, PGCIL

ORDER

The instant petition has been filed by Eastern Region Load Despatch Centre (ERLDC), 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 ERLDC 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 ERLDC, 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) Allow the petitioner to recover any taxes and duties , service tax including cess etc. imposed by any statutory/ government/ municipal authorities’ in future from the users.

4) 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 of the Electricity Act, 2003 respectively. 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 notified the 2015 RLDC Fees Regulations for determination of fees and charges of NLDC and RLDCs for the control period 2014-19.
- c) The Commission vide order dated 8.3.2011 in Petition no. 95/2010, had approved the fee and charges of ERLDC (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 22.3.2016 in Petition No. 542/TT/2014, approved the trued-up fees and charges of ERLDC (POSOCO portion) for the control period 2009-14.
- d) In compliance to Regulation 6 of the 2015 RLDC Fees Regulations, ERLDC had filed Petition No. 245/TT/2015 for determination of fees and charges for 2014-19 period and the Commission vide order dated 29.12.2016 had accorded its approval to the fees and charges.
- 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 3rd 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.
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344/MP/2018 and the Commission, vide its order dated 10.6.2019 approved additional expenses claimed by POSOCO.

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

4. The summary of approved fees and charges as per order dated 29.12.2016 and 10.6.2019 in Petition no. 245/TT/2015 and Petition No. 344/MP/2018 respectively for the control period 2014-19 are as under:

(₹ in lakh)							
S.N.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Depreciation	6.63	0.00	0.00	0.00	0.00	6.63
2	Interest on Loan	0.00	0.00	0.00	0.00	0.00	0.00
3	Return on Equity	130.02	73.97	17.16	16.09	15.83	253.07
4	Interest on Working Capital	88.78	89.16	87.36	91.77	98.14	455.21
5	O & M Expenses excluding Human Resource Expenses	766.54	743.23	598.36	594.00	637.05	3339.18
	Additional O&M expenses (Order dated 10.6.2019 in Petition No. 344/MP/2018)	0.00	0.00	0.00	0.00	12.95	12.95
	Sub-Total O&M	766.54	743.23	598.36	594.00	650.00	3352.13
6	Human Resource Expenses	1400.10	1509.30	1627.02	1753.92	1890.71	8181.05
	Pay Revision (Order in Petition No. 344/MP/2018 dated 10.6.2019)	0.00	0.00	68.19	322.05	364.37	754.61
	Certification Linked Incentive (Order in Petition No. 344/MP/2018 dated 10.6.2019)	0.00	0.00	0.00	0.00	130.80	130.80
	Sub-Total HR	1400.10	1509.30	1695.21	2075.97	2385.88	9066.46
7	NLDC charges & corporate office expenses	313.49	280.38	293.38	299.23	304.12	1490.60
	Addl. O&M expenses (Order in Petition No. 344/MP/2018 dated 10.6.2019)	0.00	0.00	0.00	0.00	192.83	192.83

S.N.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Depreciation	6.63	0.00	0.00	0.00	0.00	6.63
	Pay Revision (Order in Petition No. 344/MP/2018 dated 10.6.2019)	0.00	0.00	8.26	37.64	71.38	117.28
	Certification Linked Incentive (Order in Petition No. 344/MP/2018 dated 10.06.2019)	0.00	0.00	0.00	0.00	15.25	15.25
	Sub-Total NLDC	313.49	280.38	301.64	336.87	583.57	1815.95
	Total before Order in Petition No. 344/MP/2018	2705.56	2696.04	2623.28	2755.01	2945.85	13725.74
	Total approved after Order in Petition No.344/MP/2018	2705.56	2696.04	2699.73	3114.70	3733.43	14949.46

5. The summary of fees 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	6.63	0.00	0.00	0.00	0.00	6.63
2	Interest on Loan	0.00	0.00	0.00	0.00	0.00	0.00
3	Return on Equity	162.37	96.93	29.81	29.41	26.24	344.76
4	Interest on Working Capital	91.37	88.88	80.36	94.08	107.51	462.20
5	O & M Expenses excluding Human Resources	686.51	693.36	440.35	571.49	656.02	3047.73
6	Human Resource Expenses	1496.32	1517.95	1675.12	1882.84	2102.65	8674.88
7	NLDC charges and Corporate office expenses	350.89	298.28	322.39	449.94	677.19	2098.69
	Total	2794.09	2695.40	2548.03	3027.76	3569.61	14634.89

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 final hearing in this matter was held on 29.5.2020 (earlier hearing on 25.2.2020) 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 29.5.2020 and the same was furnished by the Petitioner *vide* affidavits dated 16.3.2020 and 19.6.2020 and additional reply has been submitted *vide* affidavit dated 23.9.2020, respectively.

9. This order has been issued after considering the main petition dated 31.10.2019 and Petitioner's affidavits dated 16.3.2020, 19.6.2020 and 23.9.2020.

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 ERLDC fees and charges for control period 2014-19. The ERLDC fees and charges for control period 2014-19 have 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 trued 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 ERLDC and its financing, de-capitalisation etc. have been furnished by the Petitioner in applicable forms like 4D, 6A, 6B. Auditor Certificate has been submitted for CAPEX Utilisation.

14. Capital cost of ₹5052.30 lakh as on 31.3.2014 was admitted by the Commission vide order dated 29.12.2016 in Petition No. 245/TT/2015. Accordingly, the capital cost of ₹5052.30 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 truing up of ERLDC 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. CAPEX and REPEX plans were approved (subject to true-up) vide order dated 29.12.2016 in Petition No. 245/TT/2015 for the purpose of capitalisation in accordance with Regulation 5 read with Regulation 10 of the 2015 RLDC Fees Regulations. The same are as follows:
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CAPEX Plan:

(₹ in lakh)

S.N.	Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Land (Freehold)	0.00	0.00	0.00	0.00	0.00	0.00
2	SCADA Hardware	92.94	0.00	0.00	0.00	0.00	92.94
3	SCADA Software	25.12	0.00	0.00	0.00	0.00	25.12
4	IT Hardware	72.69	10.65	8.00	0.00	21.25	112.59
5	IT Software	87.24	155.55	157.00	60.00	0.00	459.79
6	Power Supply	0.00	0.00	0.00	20.00	0.00	20.00
7	Civil Works	7.12	49.44	87.00	0.00	25.00	168.57
8	Air Conditioning System	0.00	0.00	0.00	0.00	0.00	0.00
9	Communication System	0.63	0.00	0.00	0.00	0.00	0.63
10	Other Infrastructure	0.87	0.00	20.00	25.00	0.00	45.87
	Total	286.61	215.64	272.00	105.00	46.25	925.51

REPEX Plan:

(₹ in lakh)

S.N.	Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	SCADA Hardware	0.00	1029.70	0.00	0.00	0.00	1029.70
2	SCADA Software	0.00	275.59	0.00	0.00	0.00	275.59
3	IT Hardware	1.28	22.85	16.63	23.92	8.00	72.67
4	IT Software	0.00	1.50	0.00	0.00	1.65	3.15
5	Power Supply	0.00	0.00	0.00	0.00	0.00	0.00
6	Civil Works	0.00	2.83	0.00	0.00	0.00	2.83
7	Air Conditioning System	0.00	0.00	50.38	0.00	0.00	50.38
8	Communication System	7.04	0.00	0.00	0.00	0.00	7.04
9	Other Infrastructure	0.00	0.00	0.00	0.00	0.00	0.00
	Total	8.32	1332.48	67.01	23.92	9.65	1441.37

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

(₹ in lakh)

S. No	Particulars	As on 31.3.2014	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Opening Gross Block	5052.30	5052.30	5347.23	6793.16	6859.47	7091.70	5052.30
2	CAPEX	-	281.45	171.07	31.04	130.04	115.40	729.00
3	REPEX	-	13.48	1274.86	35.27	102.19	210.29	1636.09
4	Sub Total (2+3)	-	294.93	1445.93	66.31	232.23	325.69	2365.09
	Closing Capital Cost	-	5347.23	6793.16	6859.47	7091.70	7417.39	7417.39

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 and REPEX) for the period 2014-19, is as follows:

(₹ in lakh)

Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Civil Works	7.12	9.58	0.00	40.91	105.04	162.65
Power Supply	0.00	66.49	0.00	0.00	0.00	66.49
Air Conditioning	0.00	2.27	23.30	0.00	42.76	68.33
Scada Systems (Software)	0.00	302.82	6.74	8.81	0.00	318.37
Scada Systems (Hardware)	0.00	882.98	5.22	0.42	0.00	888.62
Other Infrastructure, including equipment	8.54	1.46	0.56	3.54	66.23	80.33
IT Systems (Hardware)	176.07	34.85	4.95	64.50	52.66	333.03
IT Systems (Software)	103.20	145.48	25.54	114.05	59.00	447.27
TOTAL	294.93	1445.93	66.31	232.23	325.69	2365.09

20. Further, the Petitioner vide affidavit dated 23.9.2020 has submitted the cost break-up, as mentioned in the Auditor Certificate dated 18.10.2019, along with the clarification of the aforementioned expenditure under head of "Other Infrastructure including equipment" as follows:

Year-wise breakup of claimed expenditure under head "Other Infrastructure, including equipment"

(₹ in lakh)

S.N.	Particulars of Item	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Furniture like Chair table, Sofa set, cabinet, work station etc.	0.00	1.45	0.27	1.42	62.70	65.84
2	Office equipment like Refrigerator, Telephone sets, mobile sets, Water Dispensers, Paper Shredder machines etc.	8.54	0.29	2.12	0.00	3.54	14.49
	Total	8.54	1.74	2.39	1.42	66.24	80.33

21. The deviation from the approved CAPEX/ REPEX during control period 2014-19 is as follows:

(₹ in lakh)

S. N.	Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Approved CAPEX/REPEX	294.93	1548.12	339.01	128.92	55.90	2366.88
2	Actual/ Claimed CAPEX/REPEX	294.93	1445.93	66.31	232.23	325.69	2365.09
	Variation (Actual-Approved)	(0.00)	(102.19)	(272.70)	103.13	269.79	(1.79)

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

(₹ in lakh)

S.N.	Description	Approved	Actual	Variation: (Actual-Approved)	% variation
1	Land (Freehold)	0.00	0.00	0.00	0.00%
2	SCADA Hardware	92.94	0.00	-92.94	-100.00%
3	SCADA Software	25.12	0.00	-25.12	-100.00%
4	IT Hardware	112.59	301.92	189.33	168.16%
5	IT Software	459.79	327.33	-132.46	-28.81%
6	Power Supply	20.00	0.00	-20.00	-100.00%
7	Civil Works	168.56	22.45	-146.11	-86.68%
8	Air Conditioning System	0.00	2.27	2.27	100.00%
9	Communication System	0.63	0.00	-0.63	-100.00%
10	Other infrastructure	45.87	75.03	29.16	63.57%
	Total	925.50	729.00	-196.50	-21.23%

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

(₹ in lakh)

S.N.	Description	Approved	Actual	Variation: (Actual-Approved)	% variation
1	Land (Freehold)	0.00	0.00	0.00	0.00%
2	SCADA Hardware	1029.70	888.62	-141.08	-13.70%
3	SCADA Software	275.59	318.37	42.78	15.52%
4	IT Hardware	72.68	31.10	-41.58	-57.21%
5	IT Software	3.15	119.94	116.79	3707.62%
6	Power Supply	0.00	66.49	66.49	100.00%
7	Civil Works	2.83	140.19	137.36	4853.71%
8	Air Conditioning System	50.38	66.05	15.67	31.10%
9	Communication System	7.04	0.00	-7.04	-100.00%
10	Other infrastructure	0.00	5.32	5.32	100.00%
	Total	1441.37	1636.09	194.72	13.51%

24. The Petitioner has submitted that there is no major deviation in CAPEX/ REPEX utilization for the total control period of 2014-19 w.r.t CAPEX/ REPEX

allowed by the Commission. However, variation of CAPEX/REPEX expenditure in a specific year has been shifted to next year due to non-utilization in that particular year. Deviation in the CAPEX/ REPEX is attributed to the following reasons:

a) SCADA Hardware and Software

- (i) During 2014-15, initially expenses against implementation of WAMS Pilot project for ₹118 lakh (approximately ₹93 lakh for hardware and ₹25 lakh in software) was booked under the SCADA expenses. However, after detailed deliberation and finalization of Balance Sheet, these expenses being under the head of pilot implementation of PMUs in ER, have been reflected in IT hardware and software head.
- (ii) Though major part of expenses envisaged under SCADA during 2015-16 were spent in the same financial year, approximately 2% of the balance payment was released in phased manner during 2016-17 and 2017-18 due to delay in project execution in some of the sites and some of the modules.
- (iii) Some of the items such as gateway security envisaged as hardware component initially, were included in software components at the time of implementation and booked under SCADA software head. This increased the software expenses by approximately ₹30 lakh and at the same time, reduced SCADA hardware expenses by an equivalent amount.
- (iv) Some of the assets under SCADA hardware envisaged for implementation during up-gradation of ER SCADA project as per the tendered/ awarded specification and BOQ, were deleted from the scope of supply as they were found to be in excess after conducting thorough/ detailed engineering. Therefore, actual expenses towards SCADA Hardware got reduced by approximately 10%.
- (v) Total reduction in expenses of approximately ₹200 lakh is there in SCADA hardware and software in comparison to the approved figure. However, a major portion is due to difference in accounting heads.

b) IT Hardware and Software



- (i) Major expenses approved under IT head in 2016-17 and 2017-18 was on account of following:
- (1) IT Hardware consolidation & implementation of information security measures, and
- (2) Development of Mobile App, information portal and automation towards STOA applications.
- (ii) These projects require extensive study and detailed engineering as well as complex execution. Moreover, development of automation and software applications require co-ordination among various functional departments and external agencies. Time-to-time change in regulatory provisions also somehow affected the progress of such developments. Implementation of these projects got delayed and instead the expenses were incurred mostly during 2017-18 and 2018-19.
- (iii) Expenses for WAMS pilot project whose accounting head got shifted from SCADA to IT hardware and software during finalization of balance sheet, constitutes the majority portion (approx. ₹118 lakhs out of ₹132 lakhs of deviation in total IT) of the excess expenditure in comparison to the approved expenses.
- c) Power Supply, Civil Works, Air conditioning, Communication system and Other Infrastructure
- (i) Initially, civil renovation activity during 2015-16 and 2016-17 was proposed to be taken up through CPWD. Accordingly, various formalities for engagement of CPWD through ERPC were taken up. Afterwards the works were carried out by ERLDC internally. This delayed the project and expenditure was actually made during 2017-18 and 2018-19. This also resulted in delay of the proposed expenses for modernization of AC plant to reduce power requirement and environmental side-effects. Same got shifted to subsequent years.
- (ii) A major expense was incurred towards renovation and modernization of the age-old switchgear implements and panels to enhance safety and security measures, ensure adherence to IMS Standard requirements and have adequate controls.

- (iii) During 2018-19, in line with the civil renovation works taken up on completion of the Mezzanine floor space (additional working space to accommodate new employees and expansion requirements) and modernization of the 1st floor working area, new furniture was procured and booked under other infrastructure head. This led to excess expenses under the said accounting head.
- (iv) Some of the expenses incurred towards mobile handsets which were earlier booked under telephone head, have been shifted to other infrastructure head. Expenses incurred towards procurement of laptops and mobile handsets for official use were not initially included in the CAPEX/ REPEX projection, but have been booked under IT HW and/or Other expenditure heads depending on the nature of purchase. This also created minor excess expenditure over and above the approved figures.
- (v) The total expenditure incurred by ERLDC for the control period 2014-19 is 99.92% of the approved CAPEX/ REPEX. However, due the reasons cited above and as some of the project got initiated after publication of the ERLDC fees and charges order in May, 2015, some expenses got shifted to subsequent financial years.

25. We have considered the submissions of the Petitioner. We observe from the Petitioner's submissions that a major portion of variation in CAPEX and REPEX for SCADA hardware and software is due to shifting of expenses (₹118 lakh) against implementation of WAMS pilot project from SCADA head to IT head. Although the total variation in CAPEX and REPEX is not high, the Commission directs the Petitioner to assess and project its requirement of capital expenditure prudently under various heads while filing petition for determination of fees and charges. Accordingly, we approve the expenses incurred by the Petitioner in SCADA and IT heads.

26. We observe that there is 35.6% increase in expenses under air-conditioning head and 75.16% increase in expenses under Other infrastructure head. The

Petitioner has submitted that during 2018-19, in line with the civil renovations taken up on completion of the Mezzanine floor space (additional working space to accommodate new employees and expansion requirements) and modernization of the 1st floor working area, new furniture was also procured and booked under Other infrastructure head. This led to excess expenses under the said accounting head. We also notice some changes in accounting head as regards purchase of mobile handsets and laptops for employees.

27. We observe that the Petitioner has not incurred any expenditure in telecommunication system head against allowed ₹7.67 lakh as CAPEX/REPEX and has shifted expenses related to communication in Other Infrastructure head. Although there is an increase in expenses by 232% under power Supply head, 75% under Other Infrastructure head and 35.6% under air-conditioning head, due to equivalent decrease in expenses in SCADA and IT Hardware & Software heads, overall variation in the CAPEX and REPEX is only t 0.075%. It would be appropriate that the Petitioner assesses and projects its requirements under CAPEX/ REPEX prudently under various heads while filing petition for determination of fees and charges.

28. Regulations 6(5) and 10(1) of the 2015 RLDC Fees Regulations is reproduced below:

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.”

xxxx

29. Proviso to 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’ amounting to ₹ 65.84 lakh and ‘Office Equipment and electrical appliances’ amounting to ₹ 14.49 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.

30. We observe that expenditure booked under CAPEX/ REPEX is related to strengthening communication system, safety enhancement and providing basic infrastructure facilities. Deviation in allowed/ claimed expenditure in other heads is also due to delay in award of contracts and cost reduction of IT system/ software. Therefore, we allow the CAPEX/ REPEX claimed by the Petitioner.

31. Thus, the trued-up Additional Capitalisation 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, is as follows:

(₹ in lakh)

Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Civil Works	7.12	9.58	0.00	40.91	105.04	162.65

Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Power Supply	0.00	66.49	0.00	0.00	0.00	66.49
Air Conditioning	0.00	2.27	23.30	0.00	42.76	68.33
Scada Systems (Software)	0.00	302.82	6.74	8.81	0.00	318.37
Scada Systems (Hardware)	0.00	882.98	5.22	0.42	0.00	888.62
IT Systems (Hardware)	176.07	34.85	4.95	64.50	52.66	333.03
IT Systems (Software)	103.20	145.48	25.54	114.05	59.00	447.27
TOTAL	286.39	1444.47	65.75	228.69	259.46	2284.76

32. Regulation 12(5) of the RLDC Fees Regulations stipulates as follows:

“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.”

33. Also, the Commission vide order dated 29.12.2016 in Petition No. 245/TT/2015 had 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 ERLDC. 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.”

34. It is clear from the above that the Commission has already taken cognisance of the fact that the additional capital expenditure incurred by the Petitioner on account of CAPEX/ REPEX has been funded through LDC Funds. Therefore, the said 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

35. The details of de-capitalisation allowed vide order dated 29.12.2016 in Petition No. 245/TT/2015 in terms of Regulation 10(2) of the 2015 RLDC Fees Regulations are as follows:

(₹ in lakh)

Description	2014-15	2015-16	2016-17	2017-18	2018-19
Building & Other Civil Works	0.00	0.21	0.00	0.00	0.00
Communication Equipment (including Office fixture and furniture)	6.30	0.00	0.00	0.00	0.00
Others	0.00	0.00	44.09	0.00	0.00
SCADA Hardware with Test Equipment & Spares (IT Equipments)	1.71	995.55	22.37	16.14	2.96
Software (IT Equipments)	0.00	3349.17	0.00	0.00	1.50
Total	8.01	4344.93	66.46	16.14	4.46

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

(₹ in lakh)

Asset Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Civil Works	0.00	5.74	0.00	0.00	0.00	5.74
Power Supply	0.00	8.12	0.00	0.00	0.00	8.12
Air Conditioning Systems-Portable	0.00	0.90	0.00	0.00	0.00	0.90
Scada Systems (Software)	0.00	3082.99	0.00	7.75	0.00	3090.74
Scada Systems (Hardware)	0.00	905.10	0.00	0.00	0.00	905.10
Other Infrastructure, including	6.31	25.62	0.00	0.00	0.00	31.93
IT Systems (Hardware)	1.71	56.20	16.78	0.00	12.16	86.85
IT Systems (Software)	0.00	32.35	0.00	0.00	39.61	71.96
Total Decapitalization Claimed	8.02	4117.02	16.78	7.75	51.77	4201.34

37. We observe that major part of the de-capitalization, approximately ₹3083 lakh, was in 2015-16 as new SCADA system was commissioned during FY 2015-16 and old SCADA system with cumulative cost of around ₹11500 lakh was de-capitalized. The Petitioner has also submitted that the old SCADA system was commissioned in the FY 2004-2005. Therefore, the de-capitalization has been carried out as per Regulation 10(2) of the Fees and Charges Regulations.

38. Regulation 12(5) of the 2015 RLDC Fees Regulations stipulates as follows:

“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.”

39. The Petitioner has submitted that CAPEX claimed has been funded through LDC Fund. In view of Regulation 12(5) of the 2015 RLDC Fees Regulations, additional capital expenditure, as claimed in the petition and discussed in paragraphs 31 and 33 of this Order, is not being allowed for the purpose of fee and charges calculations. However, de-capitalization as indicated in Paragraph 36 above has been carried out as per Regulation 10(2) of the 2015 RLDC Fees Regulations.

Debt-Equity Ratio

40. Regulation 11 of the 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."

41. The Commission, *vide* order dated 29.12.2016 in Petition No. 245/TT/2015, had approved debt-equity ratio of 86.30:13.70 as on 1.4.2014. Accordingly, in the present Petition, the admitted debt-equity ratio as on 1.4.2014 is 86.30:13.70. Also, the Commission *vide* order dated 29.12.2016 in Petition No. 245/TT/2015 had consciously decided to segregate de-capitalized amount into the same debt-equity ratio. Therefore, in the instant petition too, the de-capitalized amount has been segregated into debt-equity ratio of 86.30:13.70 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 ERLDC fees and charges 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	4360.25	86.30%	734.40	86.30%
Equity	692.05	13.70%	116.56	13.70%
Total	5052.30	100.00%	850.96	100.00%

Return on Equity (ROE)

42. 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)."

43. To arrive at the Effective Tax Percentage for the 2014-19 control 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 19.6.2020 has submitted copies of year-wise Income Tax returns from FY 2014-15 to 2018-19. The Petitioner has 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.

44. 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

45. 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
Opening Equity	692.05	690.95	127.01	124.72	123.65
Addition due to Additional Capitalization/ reduction due to de-capitalisation	-1.10	-563.94	-2.30	-1.06	-7.09
Closing Equity	690.95	127.01	124.72	123.65	116.56
Average Equity	691.50	408.98	125.86	124.18	120.11
Return on Equity (Base Rate) %	15.50	15.50	15.50	15.50	15.50
MAT rate for the Financial year %	33.990	34.610	34.610	34.610	29.120
Rate of Return on Equity (Pre-tax) %	23.481	23.703	23.703	23.703	21.868
Return on Equity (Pre-tax)	162.37	96.95	29.83	29.44	26.27

Interest on Loan (IOL)

46. 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 is no positive additional capital expenditure during 2014-19.

Depreciation

47. Regulations 19(2) and 19(4) of 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."

48. The Petitioner has submitted that depreciation has been worked as per Regulation 19 of the 2015 RLDC Fees Regulations. 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.

49. 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 RLDC Fees Regulations. Following is the working of the depreciation:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	5052.30	5044.28	927.26	910.48	902.73
Additional Capital expenditure/	-8.02	-4117.02	-16.78	-7.75	-51.77

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
reduction due to de-capitalisation during 2009-14					
Closing Gross Block	5044.28	927.26	910.48	902.73	850.96
Average Gross Block	5048.29	2985.77	918.87	906.61	876.85
Average Gross Block of Non-IT assets	405.57	382.22	362.03	362.03	362.03
Average Gross Block of IT assets	4642.73	2603.55	556.84	544.58	514.82
Weighted Average Rate of Depreciation (WAROD) (%)	24.58%	23.45%	17.23%	17.19%	16.87%
Depreciable Value (excluding IT equipments and software) 90%	365.01	344.00	325.83	325.83	325.83
Depreciable value of IT equipments and software:100%	4642.73	2603.55	556.84	544.58	514.82
Total Depreciable Value	5007.73	2947.55	882.67	870.40	840.64
Cumulative Depreciation up to 31.3.2014	5001.11				
Remaining Depreciable Value (Total Dep value <i>minus</i> Cum Dep up to previous year)	6.63	0.00	0.00	0.00	0.00
Depreciation (<i>min of</i> Remaining Dep value <i>or</i> Depreciation as per WAROD)	6.63	0.00	0.00	0.00	0.00
Cumulative Depreciation (including dep adjusted due to de-cap)	4999.79	924.49	907.88	900.21	848.96

Operation and Maintenance Expenses (O&M Expenses)

50. Regulation 20 of 2015 RLDC Fee 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."

51. Summary of the O&M Expenses approved by the Commission vide order date 29.12.2016 in Petition No 245/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	766.54	743.23	598.36	594.00	637.05	3339.18
Additional O&M expenses (Order in Petition no. 344/MP/2018 dated 10.6.2019)	0.00	0.00	0.00	0.00	12.95	12.95
Sub-Total O&M	766.54	743.23	598.36	594.00	650.00	3352.13

52. 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	56.17	86.77	75.30	106.81	91.55	416.60
AMC SCADA	316.45	271.64	0.00	77.97	67.08	733.14
Administration and General (A&G) Expenses	313.89	334.95	365.05	386.71	497.39	1897.99
Total O&M Expenses excluding Human Resource Expenses	686.51	693.36	440.35	571.49	656.02	3047.73

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

a) The Commission vide order dated 29.12.2016 in Petition No. 245/TT/2015 considered average of previous 5 years' actual normalized O&M expenses to work out the O&M expenses for the 2014-19 control period. The R&M expenses for the control period have been arrived based on the normalized expenses incurred during Control Period 2009-14 under various components of A&G Expenses, escalated by 7.79% per year. The approved annual charges for control period 2014-19 are lower than those for control period 2009-14. This includes some of the expenses booked in A&G expenses. Accordingly, the actual expenses too under these heads got reduced during the control period than the approved quantum arrived through normalization of the previous 5 year control period.

b) Expenses in watch and ward have increased from mid of 2016-17 due to major revision in Central Minimum Wages of the security workforce. Also, while approving the RLDC fees and charges for control period 2014-19, the Commission had reduced the expenditure proposed under the head "Organizational Development Expenses" by 50% and had agreed to review the balance amount during truing up.

54. Further, the Petitioner has submitted justification and cost break-up of R&M expenses and A&G expenses, which are discussed in following paragraphs. The Petitioner has also submitted Auditor certificate for the same.

R&M Expenses

(₹ in lakh)

Account Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Civil Works repairs and maintenance	0.00	0.00	7.80	7.65	11.49	26.94
Others	56.17	86.77	67.50	99.16	80.06	389.66
Total:	56.17	86.77	75.30	106.81	91.55	416.60
AMC SCADA	316.45	271.64	0.00	77.97	67.08	733.14
Total	372.62	358.41	75.30	184.78	158.63	1149.74

A&G Expenses:

(₹ in lakh)

Account Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
PROPERTY RELATED EXPENSES						
Rates and Taxes	0.00	0.03	0.18	0.02	0.03	0.26
Insurance	0.87	0.95	0.00	0.98	1.00	3.80

Account Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Sub Total.	0.87	0.98	0.18	1.00	1.03	4.06
COMMUNICATION						
Telephone and Trunk Call	11.45	15.99	12.65	13.63	12.80	66.52
Postage and Telegram	0.07	0.01	0.07	0.01	0.00	0.16
Courier Charges	0.84	0.60	0.73	0.55	0.17	2.89
Other (Internet Leased Line Charges)	7.57	9.49	28.01	4.61	19.69	69.37
Sub Total	19.93	26.09	41.46	18.80	32.66	138.94
PROFESSIONAL CHARGES						
Legal Expenses	0.54	0.01	0.00	0.00	0.24	0.79
Consultancy Charges	2.09	3.10	1.78	1.52	4.33	12.82
Technical Fees	0.15	1.52	1.25	3.02	1.24	7.18
Audit Fees	1.23	0.00	0.00	4.51	2.67	8.41
Other Charges	2.09	3.18	1.36	3.30	2.48	12.41
Sub Total	6.10	7.81	4.39	12.35	10.96	41.61
CONVEYANCE AND TRAVELLING						
Conveyance Charges	21.76	21.34	21.42	26.59	37.54	128.65
Travelling Charges	43.69	28.44	36.20	27.79	63.49	199.61
Hire Charges of Vehicle	12.67	13.18	14.55	16.13	14.79	71.32
Sub Total	78.12	62.96	72.17	70.51	115.82	399.58
OTHER EXPENSES						
Electricity Charges	71.46	82.97	81.60	66.30	68.79	371.12
Fees and Subscription	0.00	0.00	0.00	0.00	0.79	0.79
Books and Periodicals	0.80	0.70	1.41	1.04	0.52	4.47
Printing and Stationery	2.32	4.34	0.38	3.74	5.38	16.16
Advertisement	2.29	2.42	3.86	2.97	2.19	13.73
Entertainment	1.93	2.43	2.74	2.58	3.36	13.04
Watch and Ward	44.86	49.99	71.74	129.24	124.23	420.06
Miscellaneous	63.36	69.59	66.28	57.28	77.51	334.02
Organizational Development Expenses	6.67	8.72	2.53	8.68	16.06	42.66
Training	12.74	13.82	10.99	10.34	37.12	85.01
Water Charges	0.72	0.36	0.40	0.00	0.00	1.48
Sub Total.	207.15	235.34	241.93	282.17	335.95	1302.54
ADDITIONAL EXPENSES						
EDP Expenditure	1.72	1.77	4.92	1.88	0.97	11.26
Sub Total..	1.72	1.77	4.92	1.88	0.97	11.26
Total:	313.89	334.95	365.05	386.71	497.39	1897.99

AMC SCADA charges



55. As per Regulation 20(5) of the RLDC Fees Regulations, the Petitioner is required to submit actual expenditure towards AMC of SCADA system. In compliance, the Petitioner vide affidavit dated 7.10.2020 has submitted the details of AMC of SCADA as follows:

(₹ in lakh)

Items	2014-15	2015-16	2016-17	2017-18	2018-19	Total
AMC of SCADA Approved by CERC (245/TT/2015)	359.31	304.24	125.13	83.87	87.13	959.68
AMC of SCADA as per Actuals submitted in the subject petition	316.45	271.64	0.00	77.97	67.08	733.14
Difference (Actual – Approved)	42.86	32.60	125.13	5.90	20.05	226.54

56. The Petitioner has submitted that the SCADA AMC charges approved by Commission were based on the actual expenses envisaged for AMC of the old SCADA installation for 2014-17 and AMC of the new SCADA installation for the balance period post-completion of 1 year warranty. However, based on the actual implementation of the new SCADA system and commencement of warranty period of the new SCADA as well as phasing off of the old SCADA system, the actual expenses under SCADA AMC are lesser compared to the approved quantum.

57. We have considered the submission of the Petitioner and approve the actual expenses incurred by the Petitioner for AMC of SCADA.

58. The Commission vide order dated 29.12.2016 in Petition No. 245/TT/2015 had observed the following:

“38. 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 ERLDC has been considered as part of the O&M Expenses of ERLDC, the same shall be met from the O&M Expenses. Accordingly, the training expenditure related to employees of POSOCO (ERLDC) 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."

59. In view of the above, the Petitioner was directed to clarify the expenses under the head 'Organization Development Expenses'. The Petitioner *vide* affidavit dated 23.9.2020 has submitted that "Organizational Development Expenses" include expenses such as fees paid to PSTI, NPTI, Power Research & Development Consultants Private Limited, IIMs, ESCI and Internal faculties on training such Power System operation, Power system protection, Renewable energy sources & grid Integration, PSSE software, Seminar expenses etc. The Petitioner submitted that these expenses under "Administrative & General Expenses," were incurred on the training of its own employees.

60. We allow the expenditure incurred under Organizational Development Expenses. However, we observe that there is mixing up of expenses under "Training" and "Organizational Development Expenses". We direct the Petitioner to have a transparent philosophy to categories an expense under "training" or "Organisational Development Expenses" to avoid any overlap for subsequent control periods.

61. The Petitioner has stated that "Other Charges" under "Professional Charges" include expenses related to Audit, Watch & Ward etc. Further, the Petitioner has submitted the break-up of expenses in sub-head "Others" under the head 'R&M Expenses' and breakup of expenses in "Miscellaneous" under the head 'A&G Expenses'.

62. Details of head "Miscellaneous" under other expenses is as under:

(₹ in lakh)

DESCRIPTION	2014-15	2015-16	2016-17	2017-18	2018-19	Total
National Day/ Ceremonial Expenses	0.85	0.87	2.12	1.14	14.14	19.13

DESCRIPTION	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Safety/ Hindi/ Vigilance/ Environment day celebrations	3.34	3.49	2.09	1.27	8.70	18.88
Rebate to customers	51.87	55.47	55.20	38.75	40.67	241.96
Cultural Meet Expenses	0.00	4.45	0.00	4.89	7.48	16.82
Expenses on Meetings	0.81	0.16	2.17	4.08	5.25	12.46
Expenses such as Parliamentary Committee Expenses, Brokerage & Commission-Office & Residential accommodation, Horticulture expenses etc.	6.50	5.14	4.70	7.15	1.27	24.77
Total	63.36	69.59	66.28	57.28	77.51	334.02

63. We have perused the submissions made by the Petitioner. We observe that under the head "Miscellaneous" in A&G expenses, the Petitioner has shown expenditure of ₹241.96 lakh on account of Rebate to Customers. Rebate is allowed to the Users by RLDCs on gross bill amount as per the provision in Regulation 34 of the RLDC Fees Regulations. It cannot be treated as an A&G expense. Accordingly, expenses shown under "rebate to customers" is not allowed.

64. The Petitioner has incurred substantial amount on meetings, cultural meet, National Day/ ceremonial expenses, safety/ Hindi/ vigilance/ Environment Day celebrations. We note that expenditure incurred by the Petitioner during 2014-19 under aforesaid heads is approximately ₹ 67 lakh. In our view, expenditure on celebrations and ceremonial expenses should be incurred prudently to avoid any unreasonable expenditure. We are, however, allowing these expenses under 'Miscellaneous head' for the current control period with a direction to the Petitioner to be more prudent while incurring such expenses in future.

65. Accordingly, we approve following O&M Expenses for control period 2014-19:

(₹ in lakh)						
O & M Expenses	2014-15	2015-16	2016-17	2017-18	2018-19	Total

O & M Expenses	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Repair and Maintenance (R&M) Expenses without AMC SCADA	56.17	86.77	75.30	106.81	91.55	416.60
AMC SCADA	316.45	271.64	0.00	77.97	67.08	733.14
Administration and General (A&G) Expenses	262.02	279.48	309.85	347.96	456.72	1656.03
Total O&M Expenses excluding HR Expenses	634.64	637.89	385.15	532.74	615.35	2805.77

Human Resource Expenses (HR Expenses)

66. 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.”

67. Summary of the HR Expenses approved by the Commission vide order dated 29.12.2016 in Petition No. 245/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. 245/TT/2015 dated 29.12.2016)	1400.10	1509.30	1627.02	1753.92	1890.71	8181.05
Pay Revision (Order in Petition no. 344/MP/2018 dated 10.6.2019)	0.00	0.00	68.19	322.05	364.37	754.61
Certification Linked Incentive (Order in Petition no. 344/MP/2018 dated 10.6.2019)	0.00	0.00	0.00	0.00	130.80	130.80
Total HR Expenses	1400.10	1509.30	1695.21	2075.97	2385.88	9066.46

68. 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
SALARY AND ALLOWANCE						
Salaries	374.87	354.67	359.17	354.74	754.47	2197.92
Overtime	0.00	0.00	0.00	0.00	0.00	0.00
Dearness allowance	362.32	381.24	420.96	433.28	145.92	1743.72
Other Allowances	189.54	178.44	180.25	177.96	283.32	1009.51
Productivity link Incentive	0.00	0.00	0.00	0.00	130.80	130.80
Wage Revision Provisional Expenses	0.00	0.00	68.19	322.05	0.00	390.24
Sub Total	926.73	914.35	1028.57	1288.03	1314.51	5472.19
OTHER STAFF COST						
Reimbursement of Medical Expenses	75.57	105.78	103.08	95.38	85.81	465.62
Reimbursement of House Rent/ Lease	142.24	141.21	147.18	130.73	178.68	740.04
Encasement of earned Leaves	113.50	96.56	94.51	115.54	124.18	544.29
Sub Total	331.31	343.55	344.77	341.65	388.67	1749.95
Staff welfare Expenses	36.50	27.65	31.75	47.55	70.05	213.50

Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Terminal Benefits	201.78	232.40	270.03	205.61	329.42	1239.24
Sub Total	238.28	260.05	301.78	253.16	399.47	1452.74
Total	1496.32	1517.95	1675.12	1882.84	2102.65	8674.88

69. The Petitioner has submitted that there is decrease in actual HR expenses w.r.t the expenses approved by the Commission. This is mainly attributable to the fact that manpower has gradually got reduced from the first half of the control period due to superannuation of senior employees, whereas the wages against the new recruitments at trainee level are primarily booked under NLDC/CC head. Further, during 2014-15, the actual expenses are higher than those approved by the Commission based on normalized HR expenses of the previous control period. This increase is predominantly due to high rise in percentage DA rate as well as difference in total manpower compared to initial years of the control period 2009-14.

70. 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 head 'Staff Welfare Expenses'. In response, the Petitioner *vide* affidavit dated 16.3.2020 has submitted that such expenses have been 'Nil'.

71. 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 the details of the Performance Linked Incentive allowed by the Commission, audited actual incentive recovered from the Users and audited figures of incentive 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.

72. In response, the Petitioner *vide* affidavit dated 16.3.2020 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 submitted the detailed note on methodology followed by POSOCO as per DPE for PRP calculation for 2014-19 period for yearly Performance Linked Incentive claimed/ recovered from the Users.

a. We have considered the submissions of the Petitioner. We have also perused order dated 22.3.2016 in Petition No. 542/TT/2014, order dated 29.12.2016 in Petition No. 245/TT/2015 and order dated 10.6.2019 in Petition No. 344/MP/2018. The Commission *vide* order dated 10.6.2019 in Petition No. 344/MP/2018 had allowed the wage revision of POSOCO employees w.e.f. 1.1.2017 along with the recruitment of Additional Manpower, subject to true-up.

73. The Petitioner had submitted details about manpower at ERLDC in Petition No. 344/MP/2018 as under:

Description	2014-15	2015-16	2016-17	2017-18	2018-19
Actual Manpower deployed in ERLDC (Nos.)	88	80	81	78	81

74. Further, variation in salary components as submitted by the Petitioner over the control period 2014-19 are as under:

(₹ in lakh)

S.N.	Description	2014-15	2015-16	2016-17	2017-18	2018-19
1	Salaries	374.87	354.67	359.17	354.74	754.47
	Increase over previous year	-	-5.39%	1.27%	-1.23%	112.68%

2	Salaries plus DA plus wage revision provision	737.19	735.91	848.32	1110.07	900.39
	Increase over previous year	-	-0.17%	15.27%	30.86%	-18.89%

75. It is observed that there is considerable increase in component “salaries” in the year 2018-19 over year 2017-18. However, considering that there was pay revision effective from January 2017 and increase in manpower, the increase in salaries appears justified.

76. *Vide* affidavit dated 16.3.2020, the Petitioner has furnished the cost break-up of “Staff Welfare Expenses” indicated in the Auditor Certificate dated 18.10.2019, as under:

Details of head “Staff Welfare Expenses” in HR Expenses

(₹ in lakh)

DESCRIPTION	2014-15	2015-16	2016-17	2017-18	2018-19	Total (2014-19)
Other Employee Welfare Expenses	26.28	17.68	3.99	7.30	8.61	63.86
Reimbursement of Employees Welfare Exp.	0.00	0.00	0.00	0.00	2.16	2.16
PF and other Funds Administration Charge	1.35	1.33	2.31	6.25	5.64	16.88
Games and Sports Expenses	0.77	0.54	1.28	0.82	1.29	4.70
Awards to Employees	3.15	2.03	17.08	20.01	1.62	43.89
Safety Appliances and Expenses	0.63	0.00	0.00	3.14	0.62	4.39
Family Planning - Cash Incentives	1.05	1.17	1.30	1.07	0.65	5.24
Liveries and Uniforms	3.27	4.90	5.79	8.96	49.46	72.38
Total	36.50	27.65	31.75	47.55	70.05	213.50

77. We observe from the above that the Petitioner has claimed expenditure of ₹43.89 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/ Gol Guidelines, if any, in this regard.

78. The Petitioner, *vide* affidavit dated 23.9.2020, has submitted break-up of the head 'Other Employee Welfare Expenses' under 'Staff Welfare Expenses', as under:

Details of head '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)
a) Visiting doctor fees	0.00	0.26	1.12	1.17	1.26	3.81
b) Other Misc. such as expenses on Preventive Health Check-up of Employees, Republic day, Independence Day expenses, etc.	26.29	17.42	2.87	6.13	7.35	60.06
Total	26.28	17.69	3.99	7.30	8.61	63.87

79. We note that under "Other Employee Welfare expenses", the Petitioner has claimed multiple expenses clubbed together and this includes expenditure related to Republic Day and Independence Day. The expenditure shown under this head ('Miscellaneous expense') has wide variation, year-to-year, and ranges from ₹2.87 lakh to ₹26.29 lakh. In the instant case, the amount is being allowed as claimed. However, the Petitioner should claim such expenditure under appropriate heads in the next control period.

80. The Petitioner has submitted Auditor's Certificate dated 18.10.2019 indicating the expense of ₹130.80 lakh w.r.t. 'Productivity Linked Incentive' for 2018-19. However, the Petitioner *vide* affidavit dated 16.3.2020, has clarified that the said head is 'Certification Linked Incentive' (CLI) instead of 'Productivity Linked Incentive'. Also, the Petitioner has submitted that the said CLI amount has not been disbursed yet and this amount was just provisioned. Since the said CLI amount has not been disbursed by the Petitioner, we are not inclined to allow reimbursement of this from the Users. Moreover, the Performance Linked Incentive (PRP) payments

made by the Petitioner are being dealt by the Commission in separate petitions of PLI filed by the Petitioner.

81. The Petitioner vide affidavit dated 7.10.2020 has submitted that expenses under the head "Other Allowances", Perks and allowances @49 % (before 3rd pay revision) & 35% (after 3rd pay revision) of basic pay as permitted under the concept of "Cafeteria Approach" in accordance with 2nd and 3rd Pay Revision Guidelines of DPE respectively have been booked.

82. 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 and 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.

83. The Petitioner vide affidavit dated 23.9.2020 has submitted that it had inadvertently missed to include in the Petition, the expenses against IND AS w.e.f. 2016-17 in Staff Welfare expenses. However, the Petitioner has now sought the 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
ERLDC	18.01	2.24	58.01	78.26

84. The Petitioner has submitted that the Ministry of Corporate Affairs (MCA), in 2015, had notified the Companies Indian Accounting Standards Rules 2015, which stipulated adoption and applicability of Indian Accounting Standards (IND AS)

beginning from the accounting period 2016-17. IND AS is also applicable on POSOCO from 2016-17.

85. 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.

86. The Petitioner has submitted that both the above conditions are met in case of loans provided by the POSOCO to its employees.

87. 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
Total	79.27	37.21	292.36	408.84

88. 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'.

89. 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.”

90. 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 fees and charges calculations.

91. 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	1496.32	1517.95	1675.12	1882.84	2102.65	8674.88
HR Expenses Allowed	1496.30	1518.00	1675.10	1882.81	1971.90	8544.08

92. 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	2365.09	2284.76
2	O&M Expenses (Excluding Human Resource Expenses)	3047.73	2805.77
3	Human Resource Expenses	8674.88	8544.08

93. As explained in paragraph 33 of this Order, the allowed CAPEX is not being considered for working out the fees and charges.

Apportioned NLDC Charges & Corporate Office expenses

94. 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."

95. Accordingly, the 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 the 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 ERLDC have been worked out as under:

Description	(₹ in lakh)					TOTAL
	2014-15	2015-16	2016-17	2017-18	2018-19	
Apportioned NLDC Charges & Corporate Office expenses to ERLDC	346.87	295.96	316.67	448.54	675.62	2083.66

Interest on Working Capital

96. 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."

97. Accordingly, following expenses have been worked out for determination of Interest on Working Capital:

- a) O&M Expenses excluding human resource expenses have been considered for one month of the recommended O&M expenses.
- b) Human Resource Expenses have been considered for one month of the recommended O&M Expenses.
- c) NLDC charges for 1 month have been included in the computation of interest on working capital.
- d) The receivables have been worked out on the basis of 2 months of Annual charges.
- e) 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%).

98. 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	28.91	24.66	26.39	37.38	56.30
One month O & M Expenses Excluding Human Resource Expenses	52.89	53.16	32.10	44.40	51.28
One month Human Resource Expenses	124.69	126.50	139.59	156.90	164.33
Receivables (2 months of Annual charges)	456.04	439.28	414.92	498.85	567.07
Total	662.53	643.60	613.00	737.52	838.97
Rate of Interest on Working Capital	13.50%	13.50%	13.50%	13.50%	13.50%
Interest	89.44	86.89	82.75	99.57	113.26

Annual Fee and charges

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

(₹ in lakh)					
Annual Fee & Charges	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	6.63	0.00	0.00	0.00	0.00
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	162.37	96.95	29.83	29.44	26.27
Interest on Working Capital	89.44	86.89	82.75	99.57	113.26
O & M Expenses (Excluding Human Resource Expenses)	634.64	637.89	385.15	532.74	615.35
Human Resource Expenses	1496.30	1518.00	1675.10	1882.80	1971.90
NLDC Charges and Corporate Office Expenses	346.87	295.96	316.67	448.54	675.62
Total	2736.25	2635.68	2489.51	2993.08	3402.39

100. 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.

101. Further, in terms of Regulations 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 along with simple interest at the rate equal to the bank rate as on 1st April of the respective year, recovered or refunded by RLDC or Users, as the case may be, in 6 equal monthly instalments starting within 3 months from the date of this order.

102. This order disposes of Petition No. 435/MP/2019. The annexure-1 hereinafter forms part of this order.

**Sd/
(Arun Goyal)
Member**

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

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



**DETAILS OF WEIGHTED AVERAGE RATE OF DEPRECIATION (WAROD)
FOR THE 2014-19 CONTROL PERIOD
ERLDC**

ERLDC (2014-19)	Admitted Capital Cost as on 1.4.2014	Admitted Additional Capitalisation during control 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	
Capital Expenditure										
Freehold Land	0.00	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	0.00
Building & Other Civil Works	128.02	-5.74	122.28	3.34%	4.28	4.18	4.08	4.08	4.08	4.08
Auxiliary Power Supply System	91.99	-8.12	83.87	5.28%	4.86	4.64	4.43	4.43	4.43	4.43
Office Furniture and furnishing (including Communication Equipment)	33.29	-31.93	1.36	6.33%	1.91	0.90	0.09	0.09	0.09	0.09
Others	155.42	-0.90	154.52	5.28%	8.21	8.18	8.16	8.16	8.16	8.16
SCADA Hardware with Test Equipment & Spares (IT Equipments)	1141.31	-991.95	149.36	15.00%	171.07	98.84	25.49	24.23	23.32	23.32
Software (IT Equipments)	3502.27	-3162.70	339.57	30.00%	1050.68	583.38	116.08	114.92	107.81	107.81
Total	5052.30	-4201.34	850.96	Total	1241.00	700.12	158.32	155.90	147.89	147.89
Average Gross Block (₹ in lakh)					5048.29	2985.77	918.87	906.61	876.85	876.85
Weighted Average Rate of Depreciation (WAROD)					24.5825%	23.4487%	17.2302%	17.1962%	16.8657%	16.8657%