

# Central Electricity Regulatory Commission New Delhi

## Draft Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2024

### Explanatory Memorandum

#### 1.0 Background

1.1 The Central Electricity Regulatory Commission (CERC) (hereinafter referred to as “the Commission”) was constituted under the erstwhile Electricity Regulatory Commissions Act (ERC), 1998, and has been deemed to be constituted under the Electricity Act, 2003 (hereinafter referred to as “the Act”), after enactment of the Act. The Commission has been vested with the power to make regulations in terms of clause (h) of sub-section 2 of section 178, read with sub-clause (4) of section 28 of the Act, to specify the levy and collection of fees and charges by the Regional Load Despatch Centre (RLDC) from the generating companies or licensees.

1.2 The Commission, in exercise of the powers under Section 178 of the Act, had notified the Regulations for fixation of RLDC Fees and Charges called CERC (RLDC Fees and Charges Regulations and other related matters) Regulations, 2019 (hereinafter referred to as “the 2019 RLDC Regulations”) on 05.04.2019 for the control period 1.4.2019 to 31.03.2024. The said control period has come to an end on 31.03.2024. Therefore, the Commission has now, proposed to specify the Central Electricity Regulatory Commission (RLDC Fees and Charges and other related matters) Regulations, 2024 (hereinafter referred to as the “Draft Regulations”) for the next control period applicable from 01.04.2024 to 31.03.2029.

#### 2.0 Salient Features

The Commission had issued the 2019 RLDC Regulations, considering the past experiences and various recommendations made under the report, namely – “Capacity Building of Indian Load Despatch Centres” (CABIL) of the sub-group, constituted under the aegis of the Standing Technical Committee of the Forum of Regulators (FOR).

The Commission has reviewed the various provisions of existing 2019 RLDC Regulations, keeping in view the notification of Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022 (hereinafter referred to as “GNA Regulations”), Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2023 (hereinafter referred to as “Grid Code”), developments in the power system, challenges faced by the system operators and experience of determining fees and charges of RLDCs and NLDC during 2019-24 period.

## 2.1 Definitions

The following key additions/modifications have been proposed in the definition section of the existing RLDC Regulations 2019:

- a. Considering the notification of the GNA Regulations, the terms “Long term Access” and “Medium Term Open Access” have been replaced with the term “General Network Access (GNA)”. Similarly considering the change in the name of the ‘Power System Operation Corporation Limited (POSOCO), the term ‘POSOCO’ has been replaced with the term ‘Grid Controller of India Limited (Grid-India)’.
- b. ‘Base rate of Late Payment Surcharge’ has been linked to Electricity (Late Payment Surcharge and Related Matters) Rules, 2022. Other terms such as ‘**Defaulting Entity**’, ‘**Default trigger date**’, and ‘**Due date**’ have been included to address the issue of non-payment of the RLDC charges by the users.
- c. The definition of ‘**Reference Rate of Interest**’ has been added as the one year marginal cost of lending rate (MCLR) of the State Bank of India (SBI) issued from time to time plus 325 basis points in line with CERC (Terms and Conditions of Tariff) Regulations 2024 ( “the 2024 Tariff Regulations”).
- d. It has been proposed under the definition of ‘Seller’ that any entity, other than the Regional generating Company, which has been granted GNA or T-GNA for injection into ISTS and whose scheduling, metering, and energy accounting is coordinated by RLDCs or NLDC, shall be considered as Seller. Illustrative examples are given below:

Illustration:

(1) If any intra-State Generator or any Captive Power Plant is connected with intra-State network or distribution network and has been granted GNA or T-GNA for injection in ISTS, then such entity shall be the user of the concerned RLDC.

(2) There may be a case where any standalone energy storage system connected with an intra-State network (including a distribution network) has been granted GNA for drawal/injection of ISTS power, and the same entity is selling its stored power into the ISTS by utilising the same GNA. In such a scenario, the entity shall be considered only once to avoid the double billing of LDC charges for the same GNA on the same entity.

- e. Definition of **‘Users’** has been modified to cover existing and envisaged users of RLDCs/NLDC.
- f. Considering the various changes proposed in the Draft Regulations, the definition of **‘Contingency Reserve’, ‘Contracted Capacity’, ‘Ergonomics’, ‘Logistics Function’, ‘Operational Expenditure or OPEX’, ‘POSOCO’, and ‘Replacement Expenditure or REPEX’** present in the 2019 RLDC Regulations have been proposed to be removed under the proposed Draft Regulations.

## **2.3 Registration**

**2.3.1** Provisions of registration under the 2019 RLDC Regulations have been retained and some additional provisions have also been proposed under the Draft Regulations.

**2.3.2** The 2019 RLDC regulations have provision for de-registration of the user in case of persistent default in payment of Charges for more than 90 days or termination of connectivity. GNA Regulations have been effective from 1.10.2023. Accordingly, it has been proposed that the entity whose GNA has been terminated shall be de-registered. Further, considering the provisions of the payment security mechanism and regulation of access of the defaulting entity, the number of days after which a user shall be deregistered, in case of default of payment, has been increased to 120 days in the proposed regulations in place of 90 days in the 2019 RLDC Regulations.

## **2.4 Function of RLDC and NLDC**

**2.4.1** The functions of the RLDC and NLDC shall be in accordance with the functions assigned under the Electricity Act, 2003 and the Rules and Regulations issued therein. For the purpose of levying charges under these Regulations, considering the services offered by the RLDC and NLDC to users, the functions of the RLDC and NLDC have been segregated under the following three categories:

- i. Market Operation function – It includes the functions related to the facilitation, transactions, monitoring and control of the power in the market.
- ii. Registry Function – It includes the function of Registry of Renewable Energy Certificate (REC), Perform, Achieve and Trade (PAT) and similar other schemes as directed by the Commission.
- iii. System operation function – It includes the function of Operational Planning, Scheduling and Despatch on day-ahead and real time basis, Post-despatch Analysis, Information dissemination and any other function(s) assigned to the RLDCs or NLDC, as the case may be, under the Act or Regulations and orders issued by the Commission from time to time.

## **2.5 Capital Expenditure (CAPEX)**

**2.5.1** Capital Expenditure (CAPEX) and Replacement Expenditure (REPEX) under separate heads in the 2019 RLDC Regulations have been proposed to be merged under CAPEX, as the expenditure made under the REPEX is similar to the expenditure under the CAPEX

**2.5.2** For ease of apportionment of the capital expenditures among the NLDC and RLDC, it has been proposed that if the CAPEX involves NLDC and all RLDCs then such CAPEX shall form part of the CAPEX plan of the NLDC and if the CAPEX involves one or more RLDCs then such CAPEX chargeable to each RLDC shall be segregated and shall form part of the CAPEX plan of the concerned RLDC.

**2.5.3** There may be instances where NLDC or RLDC is required to make certain expenditures due to force majeure or change in law or to comply with the directions of the Commission or other Statutory bodies. It has been proposed under the Draft Regulations that NLDC or RLDC shall carry out such expenditure and the same shall be considered by the Commission at the time of true-up. However, if such expenditure is more than 20% of the approved capital expenditure for the control period, the concerned RLDC or NLDC may

file a separate petition to the Commission during the control period seeking approval of such expenditure.

## **2.6 Users**

**2.6.1** The provisions as per the 2019 RLDC Regulations have been retained under the draft Regulations.

## **2.7 Application for Determination of Fees & Charges**

**2.7.1** The provisions under the 2019 RLDC Regulations have been retained under the proposed Draft Regulations with some modifications. As per the 2019 RLDC Regulations, each RLDC and NLDC is required to file a separate petition seeking approval of fees & charges. To streamline the processing of fees & charges petitions, it has been proposed that in place of filing of separate petitions by NLDC and each RLDC, NLDC on behalf of all RLDCs and NLDC [including Corporate Centre (CC)] shall file a single petition for determination of fees & charges for the control period 2024-29, based on the capital expenditure incurred and duly certified by the auditor as on 31.03.2024 and projected to be incurred during the control period along with detailed plan for proposed CAPEX, operation & maintenance (O&M) expenses, interest on working capital (IOWC) etc.

## **2.8 Reconciliation, Truing-up & Mid Term Review**

**2.8.1** The provision of the 2019 RLDC Regulations regarding annual reconciliation, provisional true-up followed by the final truing up, and mid-term review of its expenses once within the control period on a requirement basis have been retained in the Draft Regulations.

## **2.9 Capital Cost, Additional Capitalization and De-Capitalization**

**2.9.1** The provisions of the 2019 RLDC Regulations for admitting Capital Cost, Additional Capitalization and De-Capitalization have been retained in the Draft Regulations.

**2.9.3** Further, as per the 2024 Tariff Regulations 2024, the following new provisions have been proposed under the Draft Regulations to allow IDC on normative loans:

- IDC will be allowed corresponding to excess equity over 30% of funds deployed, only in case the actual infusion of equity on a quarterly basis is more than 30% of total funds deployed on a pari-passu basis.
- Prior to the infusion of the actual loan, IDC on normative loan will be allowed for which the rate of interest shall be equal to 1-year SBI MCLR as prevailing on 1st April of the respective year.
- IDC on normative loan, post-infusion of actual loan shall be computed based on Weighted Average Rate of Interest (WAROI) for that respective quarter.

## **2.10 Debt-Equity Ratio**

**2.10.1** The provisions under the 2019 RLDC Regulations for debt-equity ratio have been retained under the proposed Draft Regulations.

## **2.11 Fees & Charges Structure**

**2.11.1** The RLDC Fees and Charges shall comprise of Load Despatch Centre (LDC) Fees to be recovered by RLDCs or NLDC, as the case may be, towards registration for commencement of grid access or for other services and Annual LDC Charges (ALC) from the users towards scheduling of power.

**2.11.2** There shall be the following six components of Annual LDC Charges:

- a. Return on equity;
- b. Interest on loan capital;
- c. Depreciation;
- d. Operation & maintenance (O&M) expenses:
- e. Human Resources (HR) expenses:
- f. Interest on working capital (IOWC);

**2.11.3** All expenses of NLDC including Corporate Office as approved by the Commission for the control period 2024-29 shall be apportioned among Regional Load Despatch Centres

on the basis of the GNA of the drawee DICs located in the respective region as on 31.03.2024.

## **2.12 Computation of Annual LDC Charges (ALC)**

**2.12.1** The provisions under the 2019 RLDC Regulations for calculation of the charges under the components; Return on Equity, Interest on Loan Capital and Depreciation have been retained under the Draft Regulations.

2.12.2 Following changes under the provisions for computation of Interest on Working Capital, Operation and maintenance (O&M) expenses, and Human Resource (HR) expenses (excluding the performance related pay) have been proposed under the Draft Regulations:

**(a)** Interest on Working Capital (IWC) - IWC shall comprise the following three components:

- (i) O&M expenses (excluding human resource expenses) for one month for the RLDC and apportioned Operation and maintenance expenses for one month for the NLDC
- (ii) HR expenses, including Human Resource Development Expenses for one month for the RLDC and apportioned Human resource expenses for one month for the NLDC
- (iii) Receivables equivalent to 45 days of annual charges as approved by the Commission

**(b)** Under the 2019 RLDC Regulations, O&M expenses and HR expenses were calculated based on the average normalized O&M expenses at the 2018-19 price level, which was arrived at through averaging of the escalated normalized O&M expenses for the years 2014-15 to 2018-19. However, the O&M expenses in the case of RLDC and NLDC are allowed on actuals at the end of the control period after the prudence check. Hence, calculation of norms on a similar principle as in Tariff Regulations based on 5 year data is not found to be necessary. To simplify the process, it has been proposed to take the O&M expenses for 2023-24 as a reference O&M expenses, on which escalation is proposed to be applied to work out O&M expenses for the years 2024 to 2029. The escalation rate has been proposed as 5.25% similar to that worked out in the 2024 Tariff Regulations. Further, any significant O&M expense envisaged during the control period 2024-29 due to new hardware or

software, additional manpower, wage revision shall be allowed separately by the Commission.

**2.12.4** Further, other provisions of O&M Expenses and HR Expenses under the 2019 RLDC Regulations have been retained under the Draft Regulations.

## **2.13 LDC Development Fund**

**2.13.1** Under the 2019 RLDC Regulations, there are provisions for the LDC Development (LDCD) Fund and a separate Contingency Fund. Under the Draft Regulations, the provisions relating to the Contingency Fund have been removed. The items that were deposited in the Contingency reserve earlier are proposed to be deposited in the LDCD fund under the Draft Regulations.

**2.13.2** LDC Development Fund is continued under the Draft Regulations since the LDCD fund provides ample financial autonomy & comfort to the RLDCs/NLDC in handling funds requirements for the creation of new assets, loan repayment, servicing of the interest, capital expenditure, any shortfall in meeting the revenue expenditure including O&M Expenses, shortfall in annual charges and meeting other unforeseen contingent expenses. The changes under the Draft Regulations are as follows:

(a) Charges for scheduling under T-GNA, REC Charges, and PAT Charges shall be deposited in the LDCD fund.

(b) LDCD Fund may be utilised for requirement of margin money for raising loan from the financial institutions and payment toward purchase consideration for acquisition of ventures subject to the approval of the Commission.

(c) Amount taken out from the LDCD fund for funding an asset shall be treated as a notional loan and shall carry the normative rate of interest as a 1-year MCLR of the State Bank of India, as applicable, as on April 01 of the relevant financial year, which shall be deposited back to the LDCD fund. This shall ensure that the Fund is not depleted.

(d) The expenditure on a few items covered under the LDCD fund under the 2019 RLDC Regulations have been taken to HR expenses under the Draft Regulations. The items are expenditure on manpower, funding for participation in national or international conferences and publication of technical papers there-in, facilitating higher education, availing institutional membership with national bodies and international bodies, funding of analytics



tools development, funding of pilot projects and hiring consultancy services for learning & implementation of new technologies and market products. In addition to the capacity building of the employees of NLDC or RLDCs, capacity building workshops, and training programs organized for other stakeholders have been included as part of the HRD expenses, which were covered under the LDCD Fund in the 2019 RLDC Regulations.

## **2.14 Computation and Recovery of Fees and Charges**

**2.14.1 Registration Fee** – The following increased registration fees have been proposed under the Draft Regulations:

- For Distribution licensees, Bulk Consumers, and inter State transmission licensees - Rs. 15 Lakh
- For Generating Station (based on the installed Capacity)
  - Up to 10 MW – Rs. 0.75 Lakh
  - More than 10 MW and up to 100 MW – Rs. 1.5 Lakh
  - More than 100 MW and up to 500 MW – Rs. 7.5 Lakh
  - More than 100 MW and up to 500 MW – Rs. 10 Lakh
  - More than 2000 MW – Rs. 15 Lakh
- For Inter-State trading licensees, Renewable Power Park Developer, Qualified Coordinating Agency (QCA), SNA, Demand Response Consumer, sellers, and buyers – Rs. 15 Thousand.
- For Power exchanges – Rs. 30 Lakh
- All other users - Rs. 15 Thousand

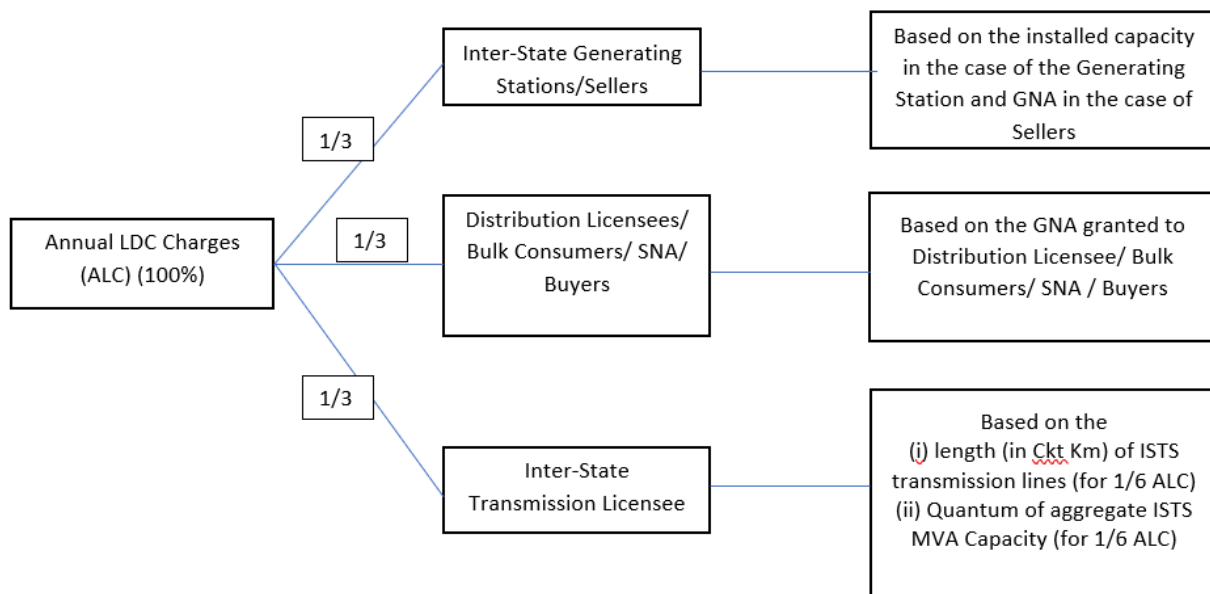
**2.14.2 Monthly LDC Charges-** In the 2019 RLDC Regulations, the Annual LDC charges are being levied equitably among the 3 categories of users, viz. Generating Stations/Sellers, Distribution Licensees/Buyers, and Transmission Licensees in the ratio 1/3 :1/3: 1/3 based on Installed capacity/LTA/MTOA. With the issuance of GNA Regulations effective from 1.11.2023, there is a need to align the payment of RLDC charges based on GNA. Accordingly, under the Draft Regulations following has been proposed:

a) The LDC Charges for inter-State transmission licensees shall be worked out on the basis of the circuit kilometres (ckt-km) of the lines and MVA capacity of sub-station owned by inter-State transmission licensees;

(b) The LDC Charges for the inter-State Generating station and sellers shall be worked out on the basis of installed capacity in the case of the generating station and GNA in the case of sellers;

(c) The LDC Charges for the distribution licensees, bulk consumers, SNAs and buyers shall be worked out on the basis of GNA to such entities.

It has been proposed to bill the RLDC charges on sub-stations separately since there might be some transmission licensees who owns only sub-stations with either no transmission line or less number of transmission lines. Since services of RLDC are used by substations also, RLDC charges are proposed to be levied for substations also in ratio of MVA capacity. Accordingly, the 1/3 charges to be recovered from transmission licensees shall be further divided into 2 parts, out of which one part (1/6<sup>th</sup> of ALC) shall be recovered under ckt kms of transmission line, and the second part (1/6<sup>th</sup> of ALC) shall be recovered from transmission licensees with substations in proportion to MVA capacity. The proposed model for Revenue Recovery shall be as below:



**2.14.3** It is proposed that Power exchanges and Qualified Coordinating Agency (QCA) shall not be liable for payment of Annual LDC charges.

## 2.15 Performance linked incentive to RLDCs and NLDC

**2.15.1** Under the 2019 RLDC Regulations, there is a provision for Performance linked incentives (PLI) at 15% of Annual LDC Charges for an aggregate performance level of 90%. which increases by 1% on a pro-rata basis for every 5% increase in performance level above 90% and is reduced by 1% on a pro-rata basis for every 3% decrease in performance level below 90%. The provision of PLI was introduced in the RLDC fees and Charges Regulations to cater to the PRP requirements of Grid-India under DPE Guidelines. Accordingly, it has been provided under the 2019 RLDC Regulations that the incentive shall be capped as per DPE Office Memorandum No. W-02/0028/2017-DPE(WC)-GL-XIII/ 17 dated 3.8.2017.

2.15.2 We have perused DPE Office Memorandum No. W-02/0028/2017-DPE(WC)-GL-XIII/ 17 dated 3.8.2017 which provides as follows:

*“Annexure II (Para S)*

*Affordability to certain types of CPSEs:*

*....*

- c) There are also certain CPSES which been formed as independent Government companies under a statute to perform a specific agenda / regulatory functions. The revenue stream of such CPSEs are not linked to profits from the open market in a competitive scenario but are governed through the fees & charges, as prescribed and amended from time to time by the Government. There is no budgetary support provided by the Government to such CPSEs. In consideration that the impact of the revised compensation structure (including Performance Related Pay) would supposedly form the part of revenue stream for such CPSEs, the affordability condition shall not be applicable to these CPSEs; however, the implementation of same shall be subject to the approval of Administrative Ministry upon agreeing and ensuring to incorporate the impact of the revised compensation structure into the revenue stream.*

As per the above, it has been acknowledged by DPE that there are certain CPSEs that have been formed as independent Government companies under a statute to perform a specific agenda / regulatory functions; the affordability condition shall not be applicable to these CPSEs. It is observed that POSOCO/ Grid-India has been formed as an independent company under the Electricity Act to perform functions assigned under the Act. The above Office Memorandum also provides that implementation of affordability conditions shall be subject to approval of the administrative ministry. We have perused

the OM issued by MOP dated 25.03.2015 for setting up POSOCO as an independent Government Company, which provides as follows:

No.18/2/2015-PG  
Government of India  
Ministry of Power

Shram Shakti Bhawan, Rafi Marg  
New Delhi, the dated 25<sup>th</sup> March,2015

**OFFICE MEMORANDUM**

**Subject: Setting up of Power System Operation Corporation (POSOCO) as an Independent Government Company**  
\*\*\*\*\*

Sanction of the President is hereby conveyed for setting up of Power System Operation Corporation (POSOCO) as a wholly owned Government Company to ensure independent system operation and for providing level playing field to all stakeholders in the implementation of transmission projects.

2. POSOCO will have a special dispensation, thereby its employees will get parity of Pay Scales and Allowances, Performance Related Pay, Medial benefits, etc with a Schedule 'A' government Company as per DPE guidelines, even though it may not qualify as a Schedule 'A' Company in terms of quantitative parameters.


3. A transfer scheme will be formulated by the Ministry of Power in consultation with Ministry of Finance and Department of Public Enterprises for transition of the existing employees of PGCIL to the new Government Company, as well as for the transfer of PGCIL's equity in POSOCO to the Government for a consideration of Rs.81.21 crore to be met from out of the Ministry's Plan Budget.

4. The newly created POSOCO will have five (5) functional Directors on its Board including one Chairman & Managing Director (CMD). The other four Directors would be for System Operation, Market Operation, Human Resources and Finance. The Directors will be appointed as per the laid down procedures for Board level appointment for CPSUs of a Schedule 'A' Company. There would be three (3) Government Nominee Directors, one each from Ministry of Power, Ministry of New & Renewable Energy and Department of Atomic Energy and the requisite number of Independent Directors.

5. POSOCO will function under the Regulatory oversight of CERC thereby ensuring adequate checks and balances. The performance parameters for POSOCO will be as per DPE guidelines in accordance with the relevant CERC Regulations.

6. POSOCO's revenue stream will be governed through fees and charges specified by the CERC as per Section 28(4) of the Electricity Act 2003. The strength of manpower required for effective functioning of RLDCs/NLDC will be as approved by the CERC while specifying the fees and charges. The expenses of POSOCO fees and charges so collected will be adequate to cover for the functioning of the Company and there would be no dependence on Government funds.

7. This issues with the concurrence of IFD of Ministry of Power by their Diary No.44/Fin/15 dated 25.03.2015.

  
(Ghanshyam Prasad)  
Director  
Tel: 011-23716674

As per the above, POSOCO was set up as a government Company with parity on pay scales and allowances including PRP as applicable to a Schedule 'A' government company. It is also noted in the abovesaid letter that performance parameters of POSOCO will be as per DPE guidelines in accordance with the relevant CERC Regulations.

2.15.3 Further, the said DPE OM also provides a calculation for PRP as follows:

“ .....

**Annexure-IV  
(para 11)**

**Performance Related Pay**

**(I) Allocable profits:**

a. *The overall profits for distribution of PRP shall be limited to 5% of the year's profit accruing only from core business activities (without consideration of interest on idle cash / bank balance), which will be exclusively for executives and for non-unionized supervisors of the CPSE. The ratio of break-up of profit accruing from core business activities for payment of PRP between relevant year's profit to Incremental profit shall be 65:35 to arrive at the Allocable profits and the Kitty factor.*

.....

**(III) Kitty factor:** *After considering the relevant year's profit, incremental profit and the full PRP payout requirement (computed for all executives based on Grade-wise ceilings, CPSE's MOU rating, Team rating & Individual performance rating), there will be two cut-off factors worked out based on the PRP distribution of 65:35. The first cut-off shall be in respect of PRP amount required out of year's profit and the second cut-off shall be in respect of PRP amount required out of incremental profit, which shall be computable based on the break-up of allocable profit (i.e. year's 5% of profit bifurcated into the ratio of 65:35 towards year's profit and incremental profit).*

*The sum of first cut-off factor applied on 65% of Grade PRP ceiling and the second cut-off factor applied on 35% of Grade PRP ceiling will result in Kitty factor. The Kitty factor shall not exceed 100%.*

**(IV) Based on the PRP components specified above, the PRP pay-out to the executives should be computed upon addition of the following three elements:-**

**(a) Factor-X (% of BP):**

*Weightage of 50% Multiplied with Part-1 (CPSE's MOU rating) Multiplied with Kitty factor*

**(b) Factor-Y (% of BP)**

*Weightage of 30% Multiplied with Part-2 (Team's performance) Multiplied with Kitty factor*

**(c) Factor-Z (% of BP)**

*Weightage of 20% Multiplied with Part-3 (Individual's performance) Multiplied with Kitty factor*

**(d) Net PRP= Factor X + Factor Y + Factor Z = Net %age of Annual BP**

.....”

As per the above, the kitty factor is derived based on the profits of the CPSE. Further, the kitty factor determines how much amount can be distributed as PRP. Further, PRP depends on the following three components:

- i. CPSE's Performance component: It has the 50% weightage of PRP pay-out and shall be based on the CPSE's MOU rating.
- ii. Team's performance component: It has the 30% weightage of PRP pay out and shall be based on the Team rating.
- iii. Individual's performance component: It has a 20% weightage of PRP pay-out and shall be based on the individual performance rating.

2.15.4 It may be appreciated that POSOCO/Grid-India has not been created for the purpose of earning profit. It discharges statutory functions under the Electricity Act. However, as quoted vide the above-mentioned MOP's letter dated 25.03.2015, Grid-India has been designated to have parity as per Scheduled 'A' CPSE with entitlement of PRP. MOP vide letter dated 17.03.2016 stated as follows;

No. 18/2/2015-PG  
Government of India  
Ministry of Power

Shram Shakti Bhawan, Rafi Marg  
New Delh 17<sup>th</sup> March, 2016

To

Secretary  
Central Electricity Regulatory Commission  
3<sup>rd</sup>/4<sup>th</sup> Floor, Chanderlok Building, 36, Janpath,  
New Delhi, Delhi

**Subject:** Incentive and Performance Related Pay for POSOCO – regarding

Sir/Madam,

POSOCO's revenue stream is governed through the Fees and Charges Regulations specified by the CERC as per Section 28(4) of the Electricity Act 2003. Regulation 29 of the RLDC Fees and Charges Regulations 2015 by CERC provides the key performance indicators for RLDCs/NLDC and a provision of incentive @ 7% - 9% of the annual RLDC fees and charges has been made. Further, the Regulation 21 of the RLDC Fees and Charges Regulations mentions the following:

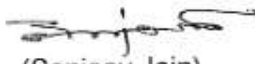
*"Provided that performance related pay computed in accordance with DPE guidelines shall be met from the incentive allowed in accordance with sub-clause (5) of Regulation 29 of these Regulations"*

2. Since PRP payments under DPE guidelines in linked to PBT/incremental profit/(Guidelines enclosed) and POSOCO is being converted into a non-profit Government Company suitable amendment/ modifications in the above mentioned Regulations will be desirable in order to quantify the kitty available to POSOCO for payment of PRP benefits to its employees as per the formula prescribed vide DPE guidelines.

3. Accordingly, CERC is advised to take necessary action in the matter.

4. This issues with the approval of Secretary (Power).

Yours faithfully,



(Sanjeev Jain)

Under Secretary to the Govt. of India  
Telefax: 011-23730264

Copy for information to:

As per the above, MOP specifically indicated that PRP under DPE guidelines is linked to PBT/incremental profits. POSOCO, being a non-profit Government Company, suitable modifications may be made in the RLDC fees and charges regulations to quantify the kitty available to POSOCO for payments of PRP.

2.15.5 Since profit is not the affordability criteria for Grid-India under the DPE for PRP, affordability criteria need to be established to decide the kitty factor for PRP. The performance of Grid-India is measured on Key Performance Indicators that have been included in the Regulations on the basis of statutory functions of Grid-India assigned under the Act and Regulations therein.

2.15.6 As in the 2019 RLDC Regulations, the amount of PLI that may be required at 100% performance level under PRP has been worked out considering the approved Annual LDC charges for the last five years. Accordingly, it has been worked out that incentive @12% of Annual LDC charges at 90% shall cater to the requirement of PRP, with an increase of 1% for every 5% increase of performance above 90% and a reduction of 1% on pro-rata basis for every 3% decrease in performance level below 90%.

2.15.7 The PRP calculation has three items, out of which Company performance is as per MOU with MoP, Team performance is determined by Grid-India on the basis of its own assessment, and Individual Performance is determined based on parameters decided by Grid-India. The Commission has been of the view that KPIs as approved by the Commission need to be linked to the entitlement of PRP payment, and KPIs as approved by the Commission reflect the Team performance of each RLDC/NLDC. Accordingly, it is proposed in the draft regulations that the performance approved by the Commission for respective RLDC or NLDC against the KPI targets achieved, shall be considered for the Team's performance component of the PRP pay out.

**2.15.8** The NLDC, on behalf of all RLDCs and NLDC (including Corporate Centre), shall file a single application/petition before the Commission after the end of each financial year for approval of performance-linked incentives (PLI) based on KPI scores.

## **2.16 Key Performance Indicators**

**2.16.1** The KPIs under RLDC Regulations 2019 have been modified with a few deletions and a few additions based on additional works assigned to Grid India and the importance of the requirement to measure the performance of certain KPIs.

2.16.2 Considering the new works assigned under the Grid Code and in other Regulations of the Commission, 'Monitoring of Grid Operation and Ensuring Grid Reliability' and 'Regulatory Compliance' have been added as KPIs.



2.16.3 'Financial Prudence' has been deleted under the Draft Regulations.

2.16.4 Accordingly, the following five KPI parameters are proposed under the draft Regulations for the evaluation of the performance of the LDCs for the year 2024-25: -

- i. Monitoring of Grid Operation and Ensuring Grid Reliability
- ii. Regulatory Compliance
- iii. Internal processes
- iv. Stakeholder satisfaction
- v. Learning & growth

Under each category, list of KPIs have been proposed. It has been proposed that NLDC shall submit a detailed procedure for approval of the Commission for evaluation and scoring of such KPIs within three months of publication of these regulations.

**2.16.5** Further, with growth in the power sector, where Grid-India plays an important role, additional regulatory functions may be assigned to RLDCs and NLDC under various Regulations of the Commission. Such additional requirements need to be evaluated, and hence, the KPI parameters may need some modifications during the evaluation year. Accordingly, it is proposed that for 2024-25, the KPI mentioned under the Draft Regulations shall be applicable; however, from 2025-26 onwards, NLDC shall submit revised key performance indicators (as required), their weightages, and the revised procedure by the end of December in each calendar year starting from December 2024, for the proposed KPIs for the next financial year, for the approval of the Commission. However, until the revision of the KPI and procedure by the Commission, KPIs approved for the last Financial Year shall be applicable for the next Financial year till 2028-2029.

## **2.17 Incentive for acquiring the Certification to the employees of RLDCs and NLDC**

**2.17.1** Provision for certification linked incentive in the form of the grant of monthly certificate retainership amount was there in the 2019 RLDC Regulations for Basic, Specialist and Management levels in line with recommendations of the Satnam Singh Task force, Ministry of Power, Govt. of India.

**2.17.2** The Commission, under the Draft Amendment, has proposed changes in provisions to provide incentives to RLDCs and NLDC Personnel for acquiring the Certification. In place

of a monthly incentive, it is proposed to provide one-time incentive which shall be over and above the salary and PRP.

2.17.3 An incentive of Rs. 20000/- for basic level, Rs. 30000/- for Specialist level and Rs. 40000/- for Management level certification has been proposed for acquiring as well as on renewing of such certification. Further, for the cases where an employee acquires more than one certification, the incentive for the higher certification only will be allowed.

## **2.18 Billing and payment of charges**

**2.18.1** The existing provisions under the 2019 RLDC Regulations have been retained.

## **2.19 Late payment surcharge**

**2.19.1** The rate of late payment surcharge, which was 1.5% per month under the 2019 RLDC Regulations, has been changed and modified in line with the LPS Rules notified by the MoP.

## **2.20 Operationalizing the Payment Security Mechanism (PSM)**

**2.20.1** There is a need to have a payment security mechanism in case of default of payment of RLDC charges by users. Under the CERC Open Access Regulations, 2008 there was a provision of regulation of STOA in case of non-payment of RLDC charges. However, the said Open Access Regulations have been repealed from 1.11.2023. Accordingly, a new provision has been added under the Draft Regulations to ensure the payment of LDC Charges by the Users.

2.20.2 All users of RLDCs and NLDC shall maintain an unconditional, irrevocable, and adequate PSM in the form of a Letter of Credit, which will be equivalent to 110% of the last year's maximum monthly Fees and Charges for the existing users and 110% of the first month's monthly Fees and Charges for the new users.

**2.20.3** Further, to ensure payment discipline and to penalise the defaulting users, regulation of access of such users has been proposed. For regulation of access, T-GNA shall be regulated first, followed by the regulation of 10% of GNA after one month of regulation of T-GNA which will be increased progressively by ten percent (10%) for each month of default. Further, in case of default in payment of RLDC charges by a transmission licensee, the

defaulted amount shall be recovered from the monthly payable amount to the ISTS licensee. On payment of outstanding dues by the User, the regulation of access will be stopped.

## **2.21 Rebate**

**2.21.1** The existing provisions of the 2019 RLDC Regulations in respect of rebate in payment of bills have been retained under the Draft Regulations.

## **2.22 Depreciation Schedule**

**2.22.1** The Depreciation rate of Assets under the Depreciation Schedule has been proposed in line with the 2024 tariff Regulations.

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