MAHAVITARAN
Maharashtra State Electricity Distribution Co. Ltd.
(A Govt. of Maharashtra Undertaking)
CIN: U40109MH2005SGC153645

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Ref. No. MSEDCL/CERC/Comments/ 13210 Date: 06.05.2024

To,
The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor, Chandralok Building,
36, Janpath, New Delhi- 110 001

Sub: Inviting Suggestion/Comments on Draft Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2024.

Ref.: L.No. L-1/271/2024/CERC dtd 04.04.2024

Respected Sir,

This is in reference to the public notice issued by Hon'ble CERC, inviting comments / suggestions / objections from the stakeholders on Draft Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2024.

In this regard, the comments of MSEDCL on the same are submitted herewith for the consideration of the Hon' Commission.

Regards,

Yours Faithfully,

Chief Engineer (Power Purchase)
MSEDCL

Copy s.w.r.to,
The Director (Commercial), MSEDCL

ANNEXURE A- CLAUSE WISE COMMENTS ON DRAFT CERC (FEES AND CHARGES OF REGIONAL LOAD DESPATCH CENTRE AND OTHER RELATED MATTERS) REGULATIONS, 2024

Clause No.	RLDC Fees and Charges Regulations 2024	MSEDCL Comments
3 (30)	*'Reference Rate of Interest' means the one-year marginal cost of funds based lending rate (MCLR) of the State Bank of India (SBI) issued from time to time plus 325 basis points;*	The reference rate is used for interest on working capital. It is submitted that the SBI MCLR is in itself the reflection of interest rate for short term working capital loans. It is therefore submitted that the working capital interest rate shall either be the MCLR rate issued by the State Bank of India or the actual rate at which working capital loans are availed by the entities, whichever is lower. It is submitted that if the actual working capital loans are availed at lower interest rate, the benefit of the same shall be passed on to the users.
7	*The RLDCs and NLDC shall formulate the plan for capital expenditure (CAPEX plan) for the creation of new assets during the control period duly approved by the Board of Directors of Grid-India.*	It is submitted that proposed capital expenditure plan of NLDC and RLDCs shall be based on the inter-state network upgradation and expansion plan proposed by the Inter-State transmission licensees for the next 5 years. This plan shall be in co-ordination with the growth in demand of each of the states and the corresponding network expansion required to meet this demand. The plan shall be also in sync with the power purchase and transmission agreements that are expected to be signed by the distribution licensees with inter-state generators/licensees to meet the growing demand.
7 (3)	*In case of replacement of existing assets, RLDCs and NLDC, as the case may be, shall furnish to the Commission, the details such as the proposed date of replacement, cumulative depreciation recovered up to the proposed date of replacement, cumulative repayment of loan upto the proposed date of replacement, writing off of the gross value of the original assets from the original fixed assets along with estimated expenditure and estimated completion period of each scheme*	It is submitted that in case of replacement of assets, the concerned RLDC and NLDC must be able to provide the cost benefit analysis of replacement of assets along with other details specified in the Regulation. The Commission needs to analyse whether there is a need to replace the asset or not and in case of replacement what would be the cost implication on the beneficiary of the same. The cost benefit should give a positive result for the Commission to make a decision for the replacement of the asset. It is further submitted that whenever there is a case of replacement of asset by the concerned RLDCs/NLDC the valuation considered in tariff for the remaining / balance period of its useful life shall be reduced from the replacement cost.

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7 (5)	*Any CAPEX required to be incurred during the control period due to force majeure or change in law or directions of the Commission or other statutory bodies, which did not form part of the CAPEX plan shall be considered at the time of true up:*	The Commission shall define the activities that shall be covered under Change in Law and Force Majeure conditions for approval of Capital Expenditure so that there would be no disputes on the same. It is submitted that the scope of Change in Law and Force Majeure for RLDC and NLDC shall be restricted to certain aspects as defined in the Regulatory framework. Other than the defined aspects, none of the aspects shall be considered under Change in Law and Force Majeure conditions and therefore no additional cost may be passed through to the users.
11 (1)	*The principles adopted for prudence check of capital expenditure shall be the 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, cost overrun and time over-run, procurement of equipment and materials through competitive bidding and such other matters as may be considered appropriate by the Commission for determination of fees and charges:*	The Commission including the factors mentioned in the aforesaid clause shall also check whether the procurement of materials is reasonable cost i.e. through competitive bidding process for incurring the capital expenditure. It is necessary the NLDC and RLDCs have taken considerate efforts in executing the capex plan at a competitive rate. The entities shall substantiate the efforts made by them to arrive at a competitive pricing, so that only prudent cost may be allowed. Therefore, at the time to true-up such elements shall also be looked into.
13 (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), cost over-run and time over-run and such other matters as may be considered appropriate by the Commission*	The Commission shall not consider any cost overrun and time overrun in the admitted capital cost which is due to factors, directly attributable to RLDCs and NLDC. It is submitted that the onus of completing the works are on the entities and no escalation in cost may be allowed to passed through to the users. The increase in IDC and costs related to works if any may be met from the LD charges that would be recovered from the contractors. Further, it is also submitted that the decision on having an exposure to foreign exchange rate variation is the risk taken by the entities such as RLDCs and NLDC while doing the capital expenditure and therefore there is no reason to pass on the impact of such variation on the users.
13 (4)	*Interest during construction (IDC) shall be computed considering the actual loan and normative loan after taking into account the prudent phasing of funds up to completion of the project: Provided that IDC on normative loan corresponding to excess equity over 30% of funds deployed shall be allowed only in case the actual infusion of equity on a quarterly basis is more than*	It is submitted that the condition for restricting the infusion of excess equity over 30% shall be made applicable for the entire year and not for a particular quarter. It is submitted that the condition for restricting equity to 30% for a particular year is applicable to all the users and therefore the same shall be made applicable to the RLDCs and NLDC. The clause may accordingly be modified.

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	30% of total funds deployed on a pari-passu basis.	
13 (6)	*If the delay in achieving the completion of the project is not attributable to the RLDC or the NLDC, as the case may be, IDC and IEDC, for the delayed period, may be allowed after prudence check and the liquidated damages, if any, recovered from the contractor or supplier or agency shall be adjusted in the capital cost of the RLDC or the NLDC, as the case may be*	It is submitted that the increase in IDC may be treated as follows 1. In case the delay occurred in completion of project is on account of force majeure conditions or for any other reasons not attributable to RLDC and NLDC nor the users of the system, the increase in IDC shall be shared equally among the users and the RLDCs and NLDC. 2. In case if it is attributable to RLDCs and NLDC the entire increase in IDC shall be borne by them.
14 (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, by the Commission, subject to prudence check.*	The Commission shall also look into the reasons for incurring of capital expenditure and if found prudent then only it may be passed on to the users. The capital expenditure plans submitted to Commission for approval shall be supported with cost benefit analysis and while approving the capital expenditure at the time of true-up Commission shall ensure that such benefit with was envisaged at the time of capital expenditure approval is actually achieved after completion of capex. Only then the entire amount of capex may be allowed in True-up.
17 (3) (a)	*NLDC Charges (including Corporate Centre Expenses) (a) To the extent applicable, NLDC charges shall be computed by following the methodology specified under Regulation 17(2) of these regulations* *Performance Linked Incentive as approved by the Commission shall be recovered over and above Annual RLDC charges calculated under Regulation 17(2) of these regulations.*	It is submitted that the NLDC charges shall be recovered as an expense that is actually incurred by NLDC for rendering the service to users with only a small premium over and above the cost. Therefore, the clause may accordingly be modified. NLDC may not be treated as at par with the users where the users are allowed the same RoE as it is allowed to NLDC. Moreover, there is no need to have performance linked incentive to RLDCs. The RoE allowed to RLDCs is sufficient to meet any kind of additional expenses to allow incentives to RLDC employees.
18 (3)	*The rate of return on equity shall be computed by grossing up the base rate with the effective tax rate of the respective financial year based on the relevant Finance Act.*	It is submitted that the tax rate shall be the lower of the MAT rate and effective tax rate paid by the entities.
21 (1)	*Operation and maintenance (O&M) allowed for the year 2023-2024 shall be escalated by 5.25% every year to arrive at permissible operation and maintenance expenses for each year of the control period 2024-2029.*	It is submitted that there is no basis for consideration of escalation in O&M expenses at 5.25%. It is submitted that the allowable O&M escalation shall be linked to the increase in WPI and CPI index published by Central Govt. rather than a constant number. This increase index rate would give a true picture of the inflation index in the Country and O&M may not be allowed over and above the inflation rate.

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22 (1)	*Human Resource Expenses allowed for year 2023-2024 shall be escalated by 5.25% every year to arrive at a permissible Human Resource expenses for each year of the control period 2024-2029*	As submitted above, there is no basis for considering the escalation of human resource expenses at 5.25%. The increase shall be linked to the CPI and WPI index of the Country. Linking the increase in employee expenses to a constant would lead to allowing higher escalation in human resource expenses even when the actual CPI/WPI index increase is lower.
22 (4)	*Performance related pay computed in accordance with DPE and other applicable guidelines shall be met from the incentive allowed in accordance with Regulation 28 of these Regulations.*	The performance related pay can be funded from the RoE allowed under these Regulations and therefore additional incentive may not be allowed
23 (2)	*Rate of interest on working capital shall be on a normative basis and shall be the Reference Rate of Interest as on 1.4.2024 as per Tariff Regulations.*	As submitted earlier, the interest rate for computation of interest on working capital shall be equivalent to that of the SBI MCLR rate notified from time to time or the actual rate at which working capital loans are availed by the entities, whichever is lower. The clause may be modified accordingly.
24 (6)	*Amount taken out from the LDCD fund for funding an asset shall be treated as 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*	It is submitted that the Regulation shall also specify a ceiling norms in terms of percentage with respect to the funds available in the LDCD fund on the amount that can be withdrawn from the LDCD fund. It is submitted that it is pool funds and the funds collected are corresponding to all the pool participants, therefore it is necessary that sufficient funds are maintained at all times in the LDCD fund and over drawing of funds beyond a limit can be avoided.
25 (1)	*The distribution licensees, Bulk Consumers, and inter State transmission licensees shall pay non-refundable one-time registration fees of Rs.15 Lakh along with application for commencement of grid access:* *All other users as defined in Regulation 3(39) of these regulations shall be liable to pay one-time registration fees of Rs. 15,000 (Rupees Fifteen Thousand only) along with the application (Appendix-III) for commencement of grid access*	The Regulations shall provide a basis of charging a non-refundable fee of Rs. 15 lakhs as registration charges. Similarly, for other users the fees are determined as Rs. 15000. Any fees proposed shall be the true reflection of the cost incurred to provide a particular service. The Commission shall ensure that the registration fees proposed in these Regulation are really required to meet end to end cost of registration of the users. The fees may therefore be scrutinized then accordingly may be proposed in the Regulations.
27 (4)	*8 (vi) i Distribution licensee selling electricity r through GNA and using transmission system shall be considered as a user under the category "Seller" for the purpose of these regulations* *The rates of LDC charges for generating companies, sellers, and SNA shall be computed on an annual basis and recovered on a*	As per the given definition in clause 8(vi) of this Regulation, Distribution Licensee shall be termed as sellers in case it uses the GNA network to sell power to other users or to power exchanges. As per the clause 27 (4) of this Regulation, the monthly LDC charges are also to be loaded on the sellers for recovery of charges to the corresponding quantum of their GNA.

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	monthly basis in accordance with following formula: Monthly LDC Charge rate (for Generating station or seller or SNA) = (1/3) (ALC/ (Capacity)) / 12 in Rs. / MW Where, ALC = Approved Annual LDC Charges in accordance with Chapters 5 & 6; Capacity=Aggregate Installed capacity (in MW) of generating stations, GNA quantum (in MW) of the sellers (rounded off to the nearest two decimals), SNA (for the purpose of injection into Indian Grid), whose scheduling and energy accounting is covered under the concerned RLDC as on last day of the month prior to the month of billing;	Due to this arrangement, Distribution Licensee which is using the same GNA quantum for the purpose of buying and selling of electricity shall be imposed with the monthly LDC charges twice i.e. at the time when Distribution Licensee are considered as buyers and at the time when distribution licensee are considered as sellers. Therefore it is requested to add a proviso to clause 27 (4) stating that those sellers which are already paying the monthly LDC charges as buyers for their GNA quantum shall be excluded from the above computation.
27 (9)	*The respective State Load Despatch Centre (SLDC) shall be the nodal agency for collection of monthly LDC charges payable to the concerned Regional Load Despatch Centre (RLDC) from the distribution licensees and other RLDC users in the State. After collecting the monthly LDC charges, the concerned SLDC shall deposit the same into the account of the concerned RLDC. The RLDC users in the state shall have option to make direct payment of monthly RLDC Charges into the account of the concerned RLDC or they may choose to pay the same through the respective SLDC* *30. Billing and Payment of charges* *(1) Bills shall be raised for the LDC charges on a monthly basis by the RLDCs in accordance with these regulations, and payments shall be made by the users directly to the respective RLDCs.*	The RLDC Fees and charges is the part of Maharashtra State Load Despatch Centre's annual budget i.e. ARR as per MERC MYT Regulations, 2019. At present, Grid Controller of India Ltd raises monthly RLDC fees and charges bill and supplementary bills, if any, to MSEDCL for GNA quantum as granted to Maharashtra by CTU. In Maharashtra, there are four GNA grantees viz. MSEDCL, TPC-D, AEML-D and Central Railways with GNA quantum of 8363 MW, 375 MW, 728.26 MW and 179.52 MW respectively and as granted by CTU for the period of March 2024. Therefore, as per Regulation 8 of draft CERC RLDC fees and charges Regulations, 2024 above; there are four users in Maharashtra. MSEDCL then seeks reimbursement from MSLDC for monthly RLDC fees and charges and any other supplementary bills paid by them. However, there is always delay in the disbursement by MSLDC to MSEDCL which affects cash flow of MSEDCL. MSEDCL humbly submits that as there are other users / Discoms viz. TPC-D, AEML-D and Central Railways other than MSEDCL in Maharashtra who has been granted GNA by CTU and "RLDC fees and charges" is the part of MSLDC's annual budget i.e. ARR as approved by MERC, Grid Controller of India Ltd will raise the monthly RLDC fees and charges bill and supplementary bills, if any, to nodal agency i.e. MSLDC only instead of raising to MSEDCL.
27 (10)	*For facilitating direct billing and collection from individual distribution Licensee or buyer or seller in a State, the GNA quantum granted to STU/State for the previous month*	It is submitted that the quantum of GNA to be considered for allocation of annual LDC charge may not be the quantum availed by the licensee on the last day of the month. The quantum may be determined based

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	segregated for each intra-State entity shall be shared by CTUIL with respective RLDC by 10th day of every month for the quantum as on last day of the previous month. The same quantum shall be considered for billing monthly LDC charges for the respective RLDC	on the daily average of the GNA quantum held by the licensee. Daily average quantum reflects the true picture of the utilisation of grid during the month rather than the quantum availed on the last day of the month.
28 (4)	*The key performance indicators and their weightages specified in Appendix-IV shall be applicable for period 2024-2025. For year 2025-26 onwards, NLDC shall submit revised key performance indicators and their weightages, as required, with revised procedure by end of December in each year starting from December 2024, for the proposed KPIs for next financial year, which shall be reviewed and approved by the Commission. Unless revised by the Commission, key performance indicators and their weightages approved for last Financial Year shall be applicable for next Financial year till 2028-2029*	The performance related pay can be funded from the RoE allowed under these Regulations and therefore additional incentive may not be allowed. Therefore, there is no requirement to propose any KPIs for determination of incentives to the entities.
28 (5)	*Each RLDC and NLDC shall be allowed to recover incentive of 12% of its Annual LDC Charges for performance level of 90% against the KPIs. The performance of previous year ending on 31st March shall be considered for calculation and recovery of incentive in the year.* *Provided that the incentive shall increase by 1% of Annual LDC Charges for every 5% increase of performance above 90% on a pro-rata basis.* *Provided further that incentive shall be reduced by 1% on a pro-rata basis for every 3% decrease in performance level below 90%.*	It is submitted that there shall not be any incentives allowed for meeting the key performance parameters as the same can be funded through RoE itself. This would be a double impact to all users where along with 15.5% RoE there is an additional 12% of incentives which needs to be paid by all the users. This 12% of incentives may go up to 14% if the entities achieve 100% of their KPIs. KPIs may be developed internally by RLDCs and NLDC and may be funded from the additional amount that are already allowed in the ARR.
28 (7)	*Performance Related Pay computed in accordance with DPE Guidelines shall be met from the incentive allowed in accordance with this Regulation. Provided further that any surplus on account of incentive collected at the end of control period after disbursement of Performance-related pay as per DPE guidelines shall be returned to the users along with true-up of fees and charges.*	The performance related pay can be funded from the RoE allowed under these Regulations and therefore additional incentive may not be allowed.
33 (4)	*On payment of outstanding dues, the regulation of access shall cease to operate and access shall be restored at the earliest, but*	It is submitted that on payment of outstanding dues by the users the restoration of supply shall be immediately after the acknowledgment

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	not later than two days.	has been made by the respective entities of the receipt of the payment. There is no need to provide a buffer of 2 days for restoration of supply. The clause may be modified accordingly and the outer limit of restoration of supply may not be more than one day.
34 (1)	*Recovery of the cost of hedging or foreign exchange rate variation shall be made directly by the RLDCs from the users without making any application before the Commission:*	It is submitted that taking an exposure to foreign exchange rate variation is the decision of respective RLDCs and NLDC and therefore any risk involved shall be borne by the respective RLDCs and NLDC through their business earnings. Similarly, any cost involved in hedging the risk of foreign exchange rate variation shall be at the cost of the RLDCs and NLDC. The cost of hedging therefore may not be allowed by the Commission. However, if at all the Commission decides to allow the cost of hedging, the benefit of the hedging actually incurred may also be passed on to the users.
	Other Information/ Documents *b) CAPEX plan along with Board approval, estimated capital cost and justification*	The additional documents shall also include the cost benefit analysis of each of the capex scheme proposed along with the Petition for the benefit of the users. The documents shall also include variation in phasing of capital expenditure at the time of proposal and at the time of true-up to understand the deviations and the reasons for deviation. Deviations shall be provided with detailed justification for scrutiny of the Commission.