



MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

Aggregate Revenue Requirement for FY 2013-14

For

STATE LOAD DESPATCH CENTER

26.03.2013

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BEFORE
THE MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

IN THE MATTER OF:

State Load Despatch Centre

-----Petitioner

Meghalaya Power Transmission Corporation Ltd

Lumjingshai Short Round Road

Shillong-793001

AND

IN THE MATTER OF:

Petitions for approval of Annual Revenue

Requirement (ARR) & determination of SLDC charges

for the FY 2013-14.

Coram

Anand Kumar

Chairman

Date of Order: 26.03.2013

ORDER

Background and brief history:

Background

This order relates to the petition filed by State Load Despatch Centre (hereinafter referred to as SLDC) on 14.12.2012 for determination of aggregate revenue requirement (ARR for FY 2013-14) filed under the Meghalaya State Electricity Regulatory Commission (Levy and

Collection of State Load Despatch Centre Fees and Charges) Regulations, 2009 and the Electricity - Act, 2003. Subsequent to the submission of the petition, the Commission undertook technical validation and raised queries requiring additional information to be submitted by SLDC by 14.01.2013. After preliminary examination, the Commission has admitted the petition on 15.01.2013. MePTCL (Meghalaya Power Transmission Corporation Limited) was directed to issue public notice giving salient features of the ARR of SLDC for FY 2013-14 in leading Newspapers in accordance with the Regulations. The notices were published in the following newspapers seeking public comments on the ARR.

TABLE NO. 1 - DETAILS OF PUBLIC NOTICE		
Name of the Newspapers	Date of Publication	Languages
The Shillong Times	18.01.2013	English
The Shillong Times in Garo	19.01.2013	English
U Mawphor	18.01.2013	Khasi
Salantini Janera	19.01.2013	Garo
Chitylli	18.01.2013	Jaintia

State Load Despatch Centre

The State Load Despatch Centre is the apex body for scheduling the system operation in the State of Meghalaya constituted under Section 31 of Electricity Act, 2003. As per Order No. PER-I/135/92/Part/6 dated 28/06/04, the full fledged SLDC started operation in the year 2004, headed by the engineer in the rank of Superintending Engineer under the control of MeECL. However, as per Notification No.MeECL/GA/302/2009/36 dt.20.06.2012 the SLDC is entrusted to Meghalaya Power Transmission Corporation Limited from 1st April, 2012.

The SLDC has been entrusted with the following functional responsibilities:

- (a) Optimal scheduling and dispatch of electricity within the State, meeting the terms and conditions of the contract between the licensee and generating company and open access consumers.
- (b) Monitoring grid operations.
- (c) Keeping accounts of quantity of electricity transmitted through the State Grid.
- (d) Exercising supervision and control over the intra-state transmission.

- (e) Responsibility for carrying out real time operation for grid control and despatch of - electricity within the state through secure and economic operation of the state grid in accordance with state grid code and central grid code.

As per section 32(3) of Electricity Act, 2003, the SLDC may levy and collect such fee and charges from the generating companies and licensees engaged in intra-state transmission of electricity as may be specified by the State Commission. The Ministry of Power, Govt of India, in exercise of powers conferred under section 183 of the Electricity Act 2003, issued an order for “Removal of Difficulties” on 8th June 2005 (S.O. 795(E)) in respect of levy and collection of fees and charges for using the transmission systems. As per the Order, the State Load Despatch Centre may levy and collect such fees and charges from the licensees using the intra-state transmission system as may be specified by the State Commission.

Statutory Requirements:

The Electricity Act, 2003 requires the State Government to establish a separate SLDC so as to fair operation and control of intra-state grid. Section 31 of the EA provides that SLDC shall be operated by a Govt. Company/Authority/Corporation as notified by the State Government. In the State of Meghalaya SLDC is maintaining the operation and monitoring of intra-state grid under the control of State Transmission Utility that is the MePTCL. However, the Govt. of India, Ministry of Power, has taken initiative to delink Central/State Load Despatch Centre from the Central Transmission Utility/State Transmission Utility.

In light of the Central Govt. initiative, the Meghalaya State Electricity Regulatory Commission has also taken a step towards maintaining efficiency in the grid operations and arranged a technical session on 15.11.2012 on safety of grid operation in the presence of Chairman of the CERC and Board of Directors of MeECL.

The Commission directed the Licensee to file a separate ARR for determination of Tariff for FY 2013-14 for SLDC. MePTCL accordingly filed a Petition for determination of SLDC on 14.12.2012.

Determination of ARR for FY 2013-14:

This section outlines the determination of aggregate revenue requirement for FY 2013-14. The Petitioner has submitted the actual expenses and income from fees and charges for FY 2011-12. The Commission has noted that the segregated financial accounts of SLDC for the past period are not available. Since this is the first filing, the Commission has examined the projections made by the Petitioner for FY 2013-14 on the merit and actual expenditure and has provisionally determined the permissible ARR for FY 2013-14.

Methodology and Regulations for determination of ARR for FY 2013-14:

MSERC Regulation prescribes that the State Load Despatch Centre is responsible for scheduling and system operation in the State of Meghalaya incorporated under Section 31 of Electricity Act 2003. All expenses incurred by the SLDC, shall be accounted for separately. For the discharge of its functions as specified in section 32 of the Act, expenses incurred by the SLDC shall be recovered from the Generating stations monitored and despatched by the SLDC and the Transmission Licensees. The SLDC charges to be so recovered shall be determined taking into account the following expenses:

- a) Employee Cost
- b) Administration and general Charges
- c) Repairs and Maintenance Expenses
- d) Depreciation
- e) Interest and finance charges
- f) Interest on working capital, if any
- g) Return on equity/Investments
- h) Any other expenses incidental to discharging the functions of SLDC.

The Commission has examined the actual expenses made by the Petitioner for FY 2011-12 and estimations for the year 2012-13. For operation and maintenance expenses the Commission has worked out the charges to be recovered in FY 2013-14 on the basis of actual expenditures in FY 2011-12 escalating with the inflationary factor.

Public Hearing

After inviting objections on the petition, the Commission has held a public hearing on 25th March 2013. The hearing was attended by industries, MePTCL, domestic and institutional consumers. On the ARR for SLDC, no objection was received by the Commission. Accordingly the Commission has on the basis of records and reasonableness approved the ARR of the SLDC for FY 2013-14.

Annual Fixed Cost for FY 2013-14:

The Petitioner has submitted the details of fixed cost under the following heads:

- a) Employee Cost
- b) Administration and general Charges
- c) Repairs and Maintenance Expenses
- d) Depreciation
- e) Interest and finance charges
- f) Interest on working capital, if any
- g) Return on equity/Investments
- h) Any other expenses incidental to discharging the functions of SLDC.

Employee Cost

Petitioner's submission:

The employee cost for FY 2013-14 has been projected based on the manpower recruitment plan for strengthening of the SLDC. During FY 2013-14 provisions towards new posting of 1 SE, 1 EE, 4 AEEs and 5 supporting staff has been provided. Based on the manpower recruitment plan, the Employee cost of Rs 1.62 Crores is projected for FY 2013-14. The projected total employee cost for SLDC is attached as Annexure in the tariff petition.

Commission's analysis

The Commission has examined the details of employee cost submitted by the Petitioner for FY 2013-14. In the absence of segregated accounts for SLDC the Commission has examined the actual expenses given by the SLDC for 2011-12 in the ARR petition. At present, the Commission has been provided with the consolidated account of MeECL as a whole entity for FY 2011-12. Pending the availability of separate accounts for each entity, the Commission has

provisionally considered the projections of SLDC for FY 2012-13 as the base figure and escalated it at inflation rate for arriving at the value for 2013-14. In the next ARR the Commission shall again examine the actual expenditures made by SLDC and necessary correction shall be made thereafter. The Commission has also agreed to the SLDC proposal for additional officers at the rank of Superintendent Engineer and Executive Engineer and allowing the cost for the same in the ARR of 2013-14. The Commission is also allowing the sanctioned posts for 2012-13 and additional employees presently working against it in FY 2012-13. The Commission agrees that a post of Superintendent Engineer is required at the SLDC and an additional Executive Engineer for marketing operation in SLDC. However, this is a matter to be decided by the management of the SLDC and the State Government. Accordingly, the Commission leaves it to the judgement of allotment of manpower on the management of MePTCL /the State Government and allows the cost of present manpower with additional posts of one SE and one EE in the ARR for FY 2013-14. In the next ARR the Commission will examine the sanctioned posts and actual utilisation of employee cost and makes the necessary correction thereafter.

Table: 2 - Employees Cost				
Particulars	SLDC proposal (Rs. Crores)			MSERC (Rs. Crores)
	2011-12 (actual)	2012-13 (estimates)	2013-14 (projection)	2013-14 (approved)
Employees cost	0.546	0.698	1.62	0.92

Administration and General Charges

Petitioner's submission:

The Administration and general expenses for SLDC for the FY 2013-14 works out to 0.651 Crores, the detail has been attached as Annexure 5.

Commission's analysis:

The Commission has examined the details of the actual cost made by SLDC in 2011-12 which is only Rs.6 Lakh in one year. The Commission has scrutinised the projections made by the Licensee which is about ten times of the present cost. It would not be reasonable to allow the A & G costs for SLDC as claimed by them. The A & G cost being allowed for utility should not be more than 2 % of the total requirement in one year. On this basis the total A & G cost is coming around Rs.8 Lakh for FY 2013-14 while the demand by SLDC is Rs.65 Lakh. The Commission is considering some of the expenditures like security, v-sat, training, books and periodicals, etc and

allowing additional Rs.7 Lakh for the same in the ARR for FY 2013-14. Next year the Commission shall scrutiny the actual expenditure and make the correction thereafter.

Particulars	SLDC proposal (Rs. Crores)			MSERC (Rs. Crores)
	2011-12 (actual)	2012-13 (estimates)	2013-14 (projection)	2013-14 (approved)
A & G	.0605	.035	0.65	0.15

Repairs and Maintenance Expenses

Petitioner's submission:

The Repairs and Maintenance Expenses of SLDC mainly includes maintenance of SCADA/EMS & Wideband Communication system, AMC charges for ABT Computer System, Maintenance costs of Auxiliary Power Supply system, maintenance of system support services and Maintenance of building. Repairs and Maintenance expenses for the FY 2013-14 are estimated at Rs 1.99 Crores. The detail of Repairs and Maintenance Expenses is attached as Annexure 6.

Commission's analysis:

The Commission has examined the proposal of the SLDC and allowed Rs.0.82 crores as repair and maintenance of the existing assets/machineries keeping in view the escalation rate and actuals of the year 2011-12. The Commission advises SLDC to make a capital investment plant for the SLDC for efficient and smooth operations in future and submit before the Commission for approval. However, this year since it is the first time the Commission is approving provisional amounts which shall be corrected after getting the actual records in the next financial year.

Particulars	SLDC proposal (Rs. Crores)			MSERC (Rs. Crores)
	2011-12 (actual)	2012-13 (estimates)	2013-14 (projection)	2013-14 (approved)
R & M	0.7146	0.1002	1.9920	0.82

Depreciation

Petitioner's submission:

The IT equipment of SLDC has already depreciated. Computation of Depreciation for other assets is shown in table below and attached as Annexure-7.

Table 5 – Depreciation computation			
Fixed Asset	Value (Rs Crores)	% Rate	Depreciation (Rs. Crores)
SLDC Building	0.02	6.33	0.014
Vehicle	0.42	3.34	0.002
Furniture	0.02	6.33	0.001
Depreciation value for FY 2013-14			0.017

Commission's analysis:

The Commission has examined the actual records and allowed the provisional amount as per the proposal of the Licensee which shall be considered for true-up in the next ARR.

Table 6 – Depreciation cost				
Particulars	SLDC proposal (Rs. Crores)			MSERC (Rs. Crores)
	2011-12 (actual)	2012-13 (estimates)	2013-14 (projection)	2013-14 (approved)
Depreciation	NA	NA	0.0169	0.0169

Interest and finance charges

Petitioner's submission:

Interest & finance charges on loan capital shall be computed on the outstanding loans, duly taking into account the schedule of loan repayment, terms and conditions of loan agreements, bond or debenture and the lending rate prevailing therein. SLDC has submitted that there is no Interest and Finance Charge pertaining to SLDC.

Commission's analysis:

The Commission has agreed to the petitioner's submission for not charging anything in the ARR. However, the Commission suggests the SLDC to make proper capital expenditure plan for capacity creation in the SLDC and submit the same to the Commission with funding arrangement in the next ARR.

Interest on working capital

Petitioner's submission:

The Working capital for SLDC has been computed considering the expenses for Employee cost, A&G and R&M Expenses for 1 month. The Interest rate on Working capital is as per SBI PLR rate as on 1st April, 2012. The computation of Interest on working capital is shown in table below and attached as Annexure-9.

Table 7 : Interest on Working Capital Computation	
Particular	Rs Crores
Employee Cost for 1 month	0.14
R & M Expenses for 1 month	0.17
A & G Expenses for 1 month	0.05
Total Working Capital	0.36
Interest on Working Capital @ 14.75%	0.05

Commission' analysis:

The Commission has examined the actual records and allowed the provisional amount as per the proposal of the Licensee which shall be considered for true-up in the next ARR.

Table 8 – Working capital cost				
Particulars	SLDC proposal (Rs. Crores)			MSERC (Rs. Crores)
	2011-12 (actual)	2012-13 (estimates)	2013-14 (projection)	2013-14 (approved)
Interest on working capital	NA	NA	0.0524	0.0524

Return on equity/Investments

Petitioner's submission:

Debt-Equity Ratio

SLDC has submitted that as on 1st April'2012 the total GFA of SLDC was Rs 0.47 crores. The Gross Fixed Assets have been funded by 100% Equity and therefore Normative Debt-Equity ratio of 70:30 is considered. As per the Meghalaya State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2011, the Return of Equity for MePTCL is considered at 14%. As SLDC is part of MePTCL as on date Return on Equity for SLDC is

also considered to be same as MePTCL i.e. 14% of the total Equity. The computation of Return on Equity is shown in table below and attached as Annexure-12.

Table 9: Return on Equity Computation	
Particulars	Rs (in Crores)
Vehicle	0.02
SLDC Building	0.42
Furniture	0.02
Total GFA	0.47
Equity @ 30%	0.14
Return on Equity @ 14%	0.02

Commission's analysis:

The Commission has examined the actual records and allowed the provisional amount as per the proposal of the Licensee which shall be considered for true-up in the next ARR. However, the Commission is considering similar amount of return on equity to be passed through in the tariff as allowed last year to MeECL as a single utility. This amount has to be segregated into three parts equally. After the audit of financial statements on the basis of transfer scheme for separate entities the Commission would consider the actual equity invested in the Corporation subject to state requirement. This amount of ROE shall be adjusted in the transmission licensee's ARR for 2013-14.

Table 10- Return on equity cost				
Particulars	SLDC proposal (Rs. Crores)			MSERC (Rs. Crores)
	2011-12 (actual)	2012-13 (estimates)	2013-14 (projection)	2013-14 (approved)
ROE	NA	NA	0.0195	0.0195

Additional provision for capacity building:

In order to improve the functioning of the SLDC as an apex body and making it more transparent and efficient the Commission would like to provide Rs.1 crores as a special provision in the ARR for capacity building and computerisation of SLDC. The Commission in the next tariff filing would like to validate the use of these provisions. The Commission expects that the working of the SLDC should be comparable to other efficient SLDCs in the country. In the last order on the Open Access the Commission had directed the STU to arrange special

software and also hardware for facilitating open access in the State and to train their manpower to ensure that quality service is delivered by SLDC.

It was also directed in the previous order to improve the work culture of SLDC so that operators feel empowered to take unbiased decision during emergencies. In this order also the Commission directs SLDC to use this fund to improve their functioning and submit a compliance report to the Commission within six months of this order.

Income from other sources

Petitioner's submission:

Income of Rs. 0.36 Cr has been projected as income from Scheduling & Operation Charges, Connection Charges and Application processing fee from Short Term Open Access Customers (STOAC). The amount has been assessed on the basis of actual amount received during first half of current financial year. The detail of Other Income is attached as Annexure-13.

Table 11: Other Income of SLDC	
Particulars	Rs Crores
SLDC Scheduling Charges for OA	0.31
SLDC Application Charges for OA	0.05
Total	0.36

Commission's analysis:

The Commission has agreed to the proposal of SLDC and allowed Rs.0.36 crores as the other income to be deducted from the ARR for FY 2013-14.

Table 12: Other Income of SLDC to be deducted in the ARR				
Particulars	SLDC proposal (Rs. crores)			MSERC (Rs. Crores)
	2011-12 (actual)	2012-13 (estimates)	2013-14 (projection)	2013-14 (approved)
Other Income	0.077	0.2872	0.3552	0.36

Annual Revenue Requirement

Petitioner's submission:

The abstract of Net ARR for FY 2013-14 of SLDC is mentioned in Table below. SLDC submits before the Commission to approve Rs 4.00 Crores as ARR for FY 2013-14. The ARR summary is attached as Annexure-1.

Table 13: Annual Revenue Requirement (proposal)		
Sl. No.	Particulars	Rs. Crores.
1.	Employees Cost	1.62
2.	Administrative and General Cost	0.65
3.	Repairs and Maintenance Expenses	1.99
4.	Depreciation	0.02
5.	Interest & Finance Charges	0
6.	Interest on working capital	0.05
7.	Other expenses	0
8.	Prior period adjustment	0
9.	Return on investments	0.02
10.	Total Revenue Requirement	4.35
11.	Less other income	0.36
12.	Net ARR	4.00

Commission's analysis:

The Commission has scrutinised the proposal of the Licensee for FY 2013-14 and allowed Rs.2.62 crores against their demand of Rs.4 crores as the total fixed charges for SLDC to be recovered from transmission and generating companies.

Table 14: Annual Revenue Requirement (approved) (Rs. Crores)		
Component of ARR	SLDC proposal for 2013-14	MSERC approval for 2013-14
Employees cost	1.62	0.92
A & G cost	0.6510	0.15
R & M expenses	1.992	0.82
Depreciation	0.0169	0.0169
Interest & Finance charges	0	0
Interest on working capital	.0524	.0524
Return on equity	.0195	.0195
Additional provision for creation of infrastructure	0	1.00
Total ARR	4.3519	2.98
Less other income	0.3552	0.3552
Net ARR	3.9967	2.62
ARR to be charged in FY 2013-14	4.00	2.62

Recovery of fixed charges:

Petitioner's submission:

SLDC has proposed that 50% of the amount of Annual Fixed Charges i.e. Rs.1.31 crores to be charged from generating company - MePGCL and 50% charges i.e. Rs.1.31 crores to be charged from MePTCL in FY 2013-14.

Commission's analysis:

The Commission directs SLDC to charge Rs.1.31 crores (Rs.10.92 Lakh per month) each from the transmission licensee MePTCL and generation company MePGCL in 2013-14.

Commission's Directives:

In order to facilitate the compliance of functional responsibilities by SLDC, the Commission has to ensure that SLDC are equipped with State of art communication and data acquisition capability on real time basis. With this, the objective of the National Electricity Policy to provide facilitative framework for non discriminatory open access in the state shall be met. Keeping this in mind the Commission directs the SLDC and transmission licensees to do the following:

(1) Capacity Building at SLDC

SLDC should prepare a staffing requirement, organisational structure and incentives to attract qualified personnel while preparing their annual budget. They will get the approval of their ARR by the Commission. They would also make a requirement for periodical training of personnel in system operation, market operation, logistic, open access and regulatory matters.

(2) Ring Fencing of SLDC for functional independence

For effective ring fencing of SLDC there is an urgent need to delegate functional independence to SLDC with an appropriate reporting system for administrative control and recording of confidential remarks. The SLDC may remain under the administrative control of STUs until a separate government company is established. In this connection, the MSERC advises the State Government under the powers given to it by Electricity Act, 2003 to make SLDC functionally independent. The State Government needs to ensure that SLDC do not report directly or indirectly to distribution and trading licensees in the State.

(3) System of accounting

SLDC shall develop a system of accounting of open access in terms of charges and energy transferred in intra-state operation. A report of compliance including data of open access and metering should be made available to the Commission at the time of next tariff filing.

Conclusion

The main concern of this tariff order is to allow all the efficient and prudent cost in operation, control and monitoring of intra-state grid. The purpose of this order is to determine SLDC charges so as to make them financially and operationally independent. This will improve their capacity to serve the consumers of the State in a reasonable and efficient manner and make the grid stable and disturbance free. The Commission expects the SLDC to complete this task in meeting the requirement of ring fencing in time and within the approved budget.

Finally the Commission would like to appreciate the response from MePTCL and SLDC for submitting the required information to the Commission as and when required.

(ANAND KUMAR)
CHAIRMAN, MSERC