



MEGHALAYA STATE ELECTRICITY REGULATORY COMMISSION

Aggregate Revenue Requirement for FY 2014-15

For

STATE LOAD DESPATCH CENTER

10.04.2014

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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 2014-15.

Coram

Anand Kumar

Chairman

Date of Order: 10.04.2014.

ORDER

Background and brief history:

Background

This order relates to the petition filed by State Load Despatch Centre (hereinafter referred to as SLDC) on 16.12.2013 for determination of Annual Revenue Requirement (ARR) for FY 2014-15 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 admission of the petition on 19.12.2013, the Commission undertook technical validation and raised queries with regard to additional information to be submitted by SLDC by 20.01.2014. MePTCL (Meghalaya Power Transmission Corporation Limited) was directed to issue public notice giving salient features of the ARR of SLDC for FY 2014-15 in leading newspapers in accordance with the Regulations. The notices were published in the following newspapers seeking public comments on the ARR. Matter was also taken up in the Advisory Committee meeting and hearing on transmission ARR.

DETAILS OF PUBLIC NOTICE		
Name of the Newspapers	Date of Publication	Languages
The Shillong Times	08.01.2014	English
The Shillong Times in Garo	08.01.2014	English
U Mawphor	08.01.2014	Khasi
Salantini Janera	08.01.2014	Garo
Chitylli	08.01.2014	Jaintia

State Load Despatch Centre

2. The State Load Despatch Centre was established under section 31 of Electricity Act, 2003 (therein after the Act). 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 an officer of the rank of a Superintending Engineer under the control of MeECL. Later, as per Notification No. MeECL/GA/302/2009/36 dt.20.06.2012, the SLDC was entrusted to Meghalaya Power Transmission Corporation Limited from 1st April, 2012. Further as per notification no. Power-79/2009/445 dated 18.06.2013; Government of Meghalaya has notified functional independence of SLDC to enable the ring fencing. The notification mandates that SLDC shall work as a strategic business unit under transmission licensee MePTCL. It is reported that SLDC has started functioning independently and opened a separate account in order to carry out commercial transactions.

3. The SLDC is the apex body to ensure integrated operation of the power system in the State of Meghalaya and to exercise the statutory functions as provided in section 32 of the Act. Under the said section the SLDC may also levy and collect fees and charges from the generating companies and licensees engaged in intra-state transmission of electricity as may be specified by the State Commission.

Statutory Requirements:

4. The Act requires the State Government to establish a separate SLDC for the purpose of a fair operation and control of intra-state grid. Under section 31, SLDC shall be operated by a Govt. Company/Authority/Corporation as maybe 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.

Determination of ARR for FY 2014-15:

5. This section outlines the determination of annual revenue requirement of the SLDC for FY 2014-15. The Petitioner SLDC has submitted the actual expenses and income from fees and charges for FY 2012-13 & 2013-14 (up to the month of November 2013). The Commission observes that segregated financial accounts of SLDC for past period are not available. The Commission has examined the actual expenditures and revenue made so far by SLDC up to the period ending November 2013 of the financial year 2013-14 and after checking the prudence of the expenditures the Commission proceeds to determined the ARR for SLDC and the charges for FY 2014-15.

Methodology and Regulations for determination of ARR for FY 2014-15:

6. 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 the Act. All expenses incurred by the SLDC, shall be accounted for separately. For the discharge of its functions SLDC shall recover the expenses from the Generating Stations monitored and despatched by the SLDC and the Transmission Licensees. The SLDC charges to be recovered from the Generating Stations monitored and despatched by SLDC and Transmission Licensees 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.

7. SLDC also charges from open access consumers the system operation and scheduling charges, application fees, etc.

The Commission has examined the actual expenses incurred by the petitioner for FY 2013-14 and the estimations for the year 2014-15. The revenue from open access consumers has also been considered. For operation and maintenance expenses the Commission has worked out the charges to be recovered in FY 2014-15 on the basis of actual expenditures in FY 2013-14.

Annual Fixed Cost for FY 2014-15:

8. The Petitioner has submitted the details of fixed cost under the following head:
- 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:

9. The employee cost for FY 2014-15 has been projected based on the manpower recruitment plan for strengthening of SLDC. Currently SLDC is divided into three functions i.e. SLDC, Market Operation and System Management. SLDC submitted that they have started a new function under market operation during FY 2013-14. Accordingly, they required additional man power for this function. Based on the man power recruitment plant the proposal for employees cost is projected at Rs.1.76 crores in 2014-15. In their subsequent replies dated 16th January, 2014 SLDC has proposed four additional AEE for SCADA operation and one AE for

SLDC. MePTCL has projected the following manpower requirement during 2014-15 which is given below:

MAN POWER PROJECTION			
Manpower strength	FY 2012-13 (actual)	FY 2013-14 (Estimated)*	FY 2014-15 (Projection)
SE	-	1	1
EE (SLDC)	1	1	1
EE (System Management)	-	1	1
EE (Market operation)	-	1	1
AEE & Equivalent	3	1	5
AE & Equivalent	10	8	10
Others	11	13	24
Total	25	28	43

*As per submission of SLDC dated 20.01.2014 the existing strength.

Commission's analysis

10. SLDC informed the Commission on 16th January 2014 about its present strength of its employee which are given below:

Position	Existing strength	Proposed strength	Additional requirement	Remarks
SE	1	1	0	
EE	3	3	0	For system and market operation
AEE	1	5	4	Grid and SCADA operation
AE	8	9	1	
JE	2	2	0	MIS
DEO	4	5	1	
AAO	1	1	0	
AE (Works)	1	1	0	Shift duty
Steno	0	1	1	
HA	0	1	1	
UDA	1	1	0	
JDA	0	1	1	
LDA	1	3	2	
Peon	1	3	2	
Driver	2	2	0	
Technician	0	1	1	
Cleaner	1	2	1	
Chowkidar	1	1	0	
Total	28	43	15	

The Commission has examined the details of employees cost submitted by the Petitioner for FY 2014-15. In the absence of segregated accounts for SLDC the Commission has examined the actual expenses given by the SLDC for 2013-14 and projections which are given below:

PETITIONER'S SUBMISSION ON EMPLOYEES COST					
Sl. No	Particulars	FY 2013-14 (Estimated)	FY 2014-15 (Projections)	Actual expenditures (April to November 2013)	Pro-rata expenses for 2013- 14
1	Salaries	54.9	87.08	37.13	55.70
2	Overtime	5.62	6.74	5.62	8.43
3	DA	21.31	47.02	13.87	20.81
4	Other allowance	11.76	21.03	7.7	11.55
5	Medical	4.75	5	1.97	2.96
6	Other expenses	5.4	9.36	3.14	4.71
7	Total	103.74	176.23	69.43	104.15

11. After examining the actual expenditures on the actual numbers of employees working in SLDC the estimation projected by SLDC seems to be un-reasonable. However, the projection for 2014-15 is based on additional manpower proposed to be added in FY 2014-15. The Commission had allowed Rs.0.93 crores as employees cost for 2013-14. The Commission expects SLDC to adhere to the amount allowed by the Commission. For 2014-15, the Commission is escalating the employees cost by 10% keeping in view the increase in salary and additional employee having core competence for managing market operation. Accordingly, the Commission is allowing SLDC the employees cost of Rs.1.15 crores. The Commission shall review the employee cost in the next ARR after examining the sanctioned post and actual utilisation and makes the necessary correction thereafter.

COMMISSION'S APPROVAL ON EMPLOYEES COST				
Particulars	SLDC proposal (Rs. Crores)			MSERC (Rs. Crores)
	2012-13 (actual)	2013-14 (estimates)	2014-15 (projection)	2014-15 (approved)
Employees cost	0.79	1.04	1.76	1.15

Administration and General Charges

Petitioner's submission:

12. SLDC has projected that they are under the process of capacity building and ring fencing scheme and allowing their staff to undergo trainings at State and National levels. SLDC has

proposed Rs.0.27 crores as A & G expenses for 2014-15. The details are given in the table below:

PETITIONER'S SUBMISSION ON A & G EXPENSES (Rs. In lakhs)						
Sl. No	Particulars	FY 2012-13 (Actuals)	FY 2013-14 (Estimated)	FY 2014-15 (Projections)	Actual expenditures (April to November 2013)	Pro rata expenses for 2013-14
1	Insurance	0.03	0.06	0.15	0.06	0.09
2	Telephone	0.69	0.86	1.3	0.31	0.47
3	TA	2.31	7	12	5.14	7.71
4	Conveyance	0.85	2.6	4.5	0.71	1.07
5	Other charges	3.78	6.47	8.95	4.25	6.38
	Total	7.66	16.99	26.9	10.47	15.705

Commission's analysis:

13. The Commission had allowed Rs.0.15 crores as A & G expenses in the year 2013-14 which is almost matching with their actual expenditures made so far. Accordingly, the Commission is allowing 6% escalation and provision for capacity building and approving Rs.0.20 crores for FY 2014-15.

COMMISSION'S APPROVAL ON A&G Cost				
Particulars	SLDC proposal (Rs. Crores)			MISERC (Rs. Crores)
	2012-13 (actual)	2013-14 (estimates)	2014-15 (projection)	2014-15 (approved)
A & G	0.077	0.17	0.27	0.20

Repairs and Maintenance Expenses

Petitioner's submission:

14. 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 buildings. Repairs and Maintenance expenses for the FY 2014-15 are projected at Rs.1.06 crores. The detail of Repairs and Maintenance Expenses are given below:

PETITIONER'S SUBMISSION ON R & M COST						
Sl. No	Particulars	FY 2012-13 (Actuals)	FY 2013-14 (Estimated)	FY 2014-15 (Projections)	Actual expenditures (April to November 2013)	Pro rata expenses for 2013-14
1	Plant and M/c	68.4	89.74	97.36	26.63	39.95
2	Building	0	16	2	0	0.00
3	Vehicle	0.2	2	2.5	0.21	0.32
4	Furniture	0	0.5	0.5	13.37	20.06
5	Office equipment	0.29	3.26	3.5	2.26	3.39
6	others	0	0	0	0	0.00
7	Total	68.89	111.5	105.86	42.47	63.71

Commission's analysis:

15. The Commission had allowed Rs.0.82 crores for FY 2013-14 against which the total expenditures made so far is Rs.0.42 crores. Their actual expenditures in the year 2012-13 were around Rs. 70 lakh and in 2013-14 it is approximately Rs. 64 lakh. Since the Commission has allowed Rs. 82 lakh in 2013-14, and actual expenses on prorata basis is less than that, the Commission is maintaining the same R & M expenses as allowed last year and approved Rs.0.82 crores for 2014-15.

COMMISSION'S APPROVAL ON R & M cost				
Particulars	SLDC proposal (Rs. Crores)			MSERC (Rs. Crores)
	2012-13 (actual)	2013-14 (estimates)	2014-15 (projection)	2014-15 (approved)
R & M	0.69	1.115	1.05	0.82

Depreciation

Petitioner's submission:

16. SLDC submits that it will be procuring dedicated server for open access customers, bit rate meters, etc in the beginning of 2014-15 and, therefore, has projected Rs. 0.12 crores as depreciation amount for 2014-15. Computation of depreciation for assets is shown in table below and attached as Annexure-7.

PETITIONER'S SUBMISSION ON DEPRECIATION			
Fixed Asset	Value (Rs Crores)	% Rate	Depreciation (Rs. Crores)
SLDC Building	0.42	3.34	0.01
Vehicle	0.10	6.33	0.01
Furniture	0.18	6.33	0.01
IT equipment	0.64	15	0.09
Depreciation value for FY 2014-15			0.12

Commission's analysis:

17. The Commission has examined the actual records and allows Rs. 0.12 as depreciation charges to be charged in FY 2014-15. However, the Commission shall examine the details of the assets to be used for improvement in the functioning of SLDC at the time of next ARR.

COMMISSION'S APPROVAL ON DEPRECIATION				
Particulars	SLDC proposal (Rs. Crores)			MSERC (Rs. Crores)
	2012-13 (actual)	2013-14 (estimates)	2014-15 (projection)	2014-15 (approved)
Depreciation	NA	2.99	0.12	0.12

Return on equity/Investments

Petitioner's submission:

Debt-Equity Ratio

18. SLDC has submitted that as on 1st April'2012 the total GFA of SLDC was expected to be Rs 1.34 crores. The Gross Fixed Assets have been funded by 100% Equity; therefore, Normative Debt-Equity ratio of 70:30 is considered. As per 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 that for MePTCL, i.e., 14% of the total Equity. The computation of Return on Equity is shown in table below:

PETITIONER'S SUBMISSION ON ROE	
Particulars	Rs (in Crores)

Vehicle	0.10
SLDC Building	0.42
Furniture	0.18
IT equipments	0.64
Total GFA	1.34
Equity @ 30%	0.40
Return on Equity @ 14%	0.06

Commission’s analysis:

19. The Commission has decided that return on equity in general shall not be reviewed until and unless the separated statements of accounts are prepared and audited. Accordingly, the Commission is allowing the same return on equity as allowed in 2013-14 at Rs.0.02 crores for FY 2014-15. This amount of ROE shall be adjusted in the transmission licensee’s ARR for 2014-15.

COMMISSION’S APPROVAL ON ROE				
Particulars	SLDC proposal (Rs. Crs)			MSERC (Rs. Crs)
	2012-13 (actual)	2013-14 (estimates)	2014-15 (projection)	2014-15 (approved)
RoE	NA	NA	0.06	0.02

Interest and finance charges

Petitioner’s submission:

20. SLDC has submitted that there are no outstanding loans on SLDC. However, they claim normative loan for consideration of interest. Accordingly, they have proposed interest on loan at the rate of SBI prime lending rate of 14.45% and charged Rs.0.07 crores for FY 2014-15.

Commission’s analysis:

Last year, the Commission did not allow any interest to be part of ARR. The same principles will apply for 2014-15 also. The Commission is not allowing any interest on normative basis and at the same time it is suggested that SLDC 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 as per SLDC fees and charges regulations 2009.

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, 2013. The computation of Interest on working capital is shown in table below:

Interest on Working Capital Computation	
Particular	Rs Crores
Employee Cost for 1 month	0.15
R & M Expenses for 1 month	0.09
A & G Expenses for 1 month	0.02
Total Working Capital	0.26
Interest on Working Capital @ 14.45%	0.04

Commission’ analysis:

The Commission has examined the actual records and allowing the provisional amount on the basis of cost allowed for employees, A & G and R & M for FY 2014-15.

Working capital cost				
Particulars	SLDC proposal (Rs. Crores)			MSERC (Rs. Crores)
	2012-13 (actual)	2013-14 (estimates)	2014-15 (projection)	2014-15 (approved)
Interest on working capital	NA	0.03	0.04	0.04

Additional provision for capacity building:

SLDC has in its replied dated 16.01.2014 submitted that they have spent Rs.59.46 lacs for capacity building and computerisation in SLDC. The Commission expects that the working of the SLDC should be made similar to other efficient LDCs in the country. This year the Commission has created SLDC fund for making capital investment in strengthening the SLDC functions as per the national standards. This fund shall be utilised by SLDC after getting prior approval of the Commission by submitting specific capital investment plans for FY 2014-15. To fund the SLDC fund, the income from open access consumers shall be used. Accordingly, the Commission is not accounting for this income for the purpose of ARR to be charged from transmission and generating companies.

Income from other sources

Petitioner’s submission:

Income of Rs. 0.49 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.

Other Income of SLDC for FY 2014-15	
Particulars	Rs Cr
SLDC Scheduling Charges for OA	0.43
SLDC Application Charges for OA	0.06
Total	0.49

Commission's analysis:

As per the information dated 16.01.2014 the income from scheduling charges is Rs.23.79 lakh in the period April to November 2013. Similarly, income from application fees from open access consumers is Rs.3.80 lakh in the same period. The total revenue from open access is Rs.27.59 lakh in eight months. On pro-rata basis it will be Rs.41.38 lakh in 2013-14. The Commission therefore, considered the SLDC's proposal of Rs.0.49 crores to be considered as income for FY 2014-15. The Commission directs SLDC to open a separate account under the head "SLDC fund" and deposit income from open access transactions in it. This money should be utilised for strengthening the control system and related hardware/software. This income is therefore not being considered for the purpose of determination of ARR for 2014-15.

Other Income of SLDC to be kept in a separate fund				
Particulars	SLDC proposal (Rs. crores)			MSERC (Rs. Crores)
	2012-13 (actual)	2013-14 (estimates)	2014-15 (projection)	2014-15 (approved)
Other Income	NA	0.49	0.49	0.49

Annual Revenue Requirement

Petitioner's submission:

The abstract of Net ARR for FY 2014-15 of SLDC is mentioned in Table below. SLDC submits before the Commission to approve Rs 2.88 Crores as ARR for FY 2014-15.

Annual Revenue Requirement (Proposal) for FY 2014-15		
Sl. No.	Particulars	Rs. Crores.
1.	Employees Cost	1.76
2.	Administrative and General Cost	0.27
3.	Repairs and Maintenance Expenses	1.06
4.	Depreciation	0.12

5.	Interest & Finance Charges	0.07
6.	Interest on working capital	0.04
7.	Other expenses	0
8.	Prior period adjustment	0
9.	Return on investments	0.06
10.	Total Revenue Requirement	3.37
11.	Less other income	0.49
12.	Net ARR	2.88

Commission's analysis:

After careful consideration of each component of the ARR and Commission's regulations, the Commission is allowing Rs.2.34 crores as the Annual Revenue Requirement for FY 2014-15. However, the Commission is also creating a separate reserve of Rs.0.49 crores to be used for modernisation and technical up gradation of SLDC. The detail of ARR is given in the table below:

Annual Revenue Requirement (Approved)		
Component of ARR	SLDC proposal for 2014-15	MSERC approval for 2014-15
Employees cost	1.76	1.15
A & G cost	0.27	0.20
R & M expenses	1.06	0.82
Depreciation	0.12	0.12
Interest & Finance charges	0.07	0
Interest on working capital	0.04	0.03
Return on equity	0.06	0.02
Total ARR	3.37	2.34
Less other income	0.49	NIL
Net ARR	2.88	2.34
ARR to be charged in FY 2014-15 from generating stations	1.44	1.17
ARR to be charged in FY 2014-15 from transmission licensee	1.44	1.17

Recovery of fixed charges:

Petitioner's submission:

SLDC has proposed that 50% of the amount of Annual Fixed Charges i.e. Rs.1.44 crore to be charged from generating company - MePGCL and 50% charges i.e. Rs.1.44 crore to be charged from MePTCL in FY 2014-15.

Commission's analysis:

The Commission directs SLDC to charge Rs.1.17 crores (Rs.9.75 Lakh per month) each from the transmission licensee - MePTCL and generation company – MePGCL in 2014-15.

Conclusion

With this order, the Commission has allowed Annual Revenue Requirement for FY 2014-15 to SLDC on the basis of its efficient and prudent functions. Over and above the annual revenue requirement, the Commission has also created a Special Reserve for meeting the objectives as set out by the “Girish Pradhan Committee” in making SLDC ring fenced and up gradation/modernization of load despatch centre. However, the expenses out of the Reserve shall only be made with prior approval of the Commission. This fund shall help in technological innovations for managing real time data. With the separate ARR, SLDC shall be financially self reliant and charge fees for system operation, operating charges for scheduling, metering and settlement from open access consumers. The Commission has dealt with the charges for SLDC in the Open Access Order for 2014-15. The Commission expects SLDC to serve the consumers of the State in a fair, reasonable and efficient manner and make the grid stable. The Commission expects the SLDC to complete this task in meeting the requirement of ring fencing in time and within approved budget.

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

**(ANAND KUMAR)
CHAIRMAN, MSERC**