पावर सिस्टम ऑपरेशन कॉर्पोरेशन लिमिटेड
(भारत सरकार का उद्यम)
POWER SYSTEM OPERATION CORPORATION LIMITED
(A Govt. of India Enterprise)

केन्द्रीय कार्यालय : 61, आई एफ सी आई टावर, 8 एवं 9वीं मंजिल, नेहरु प्लेस, नई दिल्ली -110019
Corporate Office : 61, IFCI Tower, 8 & 9th Floor, Nehru Place, New Delhi - 110019
CIN : U40105DL2009GOI188682, Website : www.posoco.in, E-mail : posococc@posoco.in, Tel.: 011- 40234672

Ref. No. POSOCO/RLDC F &C 2019-24/2018-19/ 1615 **Dated: 14th March, 2019**

To
Secretary
Central Electricity Regulatory Commission
3rd & 4th Floor, Chandralok Building, 36, Janpath,
New Delhi-110001

Subject: Draft Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2019 for the tariff period from 1.4.2019 to 31.3.2024.

Ref: CERC's Public Notice No. L-1/153/2019/CERC dated 26th February 2019

Sir,

This has reference to the above referred Public Notice on the subject. In this regard, views/suggestions from POSOCO on the draft CERC (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2019 are attached.

Thanking you,

Yours faithfully

Minaxi Garg

(Minaxi Garg)
Chief General Manager, Corporate Planning

Encl.: Three hard copies and one soft copy

Views/ Suggestions on the Draft Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2019 issued vide notification No.L-1/153/2019/CERC dated 26.02.2019

General:

These Regulations are in the spirit of the model Regulations prescribed in the CABIL Report and effectively address the requirements/concerns of RLDCs/NLDC arising out of continuously evolving power sector. Some of the forward looking provisions such as recognition of new functions of Load Despatch Centres (LDCs), inclusion of OPEX and Certificate Retainer-ship Amount for System Operators etc. are going to play a major role in the empowerment of stakeholders at various LDCs of the country. POSOCO is grateful to the Hon'ble Commission for bringing out these reformistic Regulations which will help in shaping up not only RLDCs/NLDC but also the electricity sector as a whole.

Specific Suggestions:

1. **Regulation 4 (a):** *"All generating stations, distribution licensees and inter-State transmission licensees or any other user defined under clause 3(38) of these regulations intending to avail the Grid Access shall register themselves with concerned Regional Load Despatch Centre responsible for scheduling, metering, energy accounting and switching operations, not less than 30 days prior to intended date of commencement of Grid access, by filing an application in the format prescribed at Appendix-IV of these regulations:*

   Provided that when a unit is added to a generating station or an element is added to a transmission system, the generating company or transmission licensee, as the case may be, shall send an intimation to the concerned RLDC(s) within two days of such addition for updating its records;"

   POSOCO's suggestions/observations: The information sought in the prescribed application format in the Appendix-IV for registration is indicative in nature. In view of the new category of Users such as 'Battery Energy Storage system', QCA / Aggregators etc. envisaged in the draft Regulations, additional information specific to the type/category of Users may be required by RLDCs/NLDC before registration. Therefore, Appendix-IV may be slightly modified. Modified Appendix-IV is attached with suggested changes.

2. **Regulation 5 (4) xiii:** *"Activation of backup control centre"*

   POSOCO's suggestions/observations: Word "Activation" may be replaced with "operation".

3. **Regulation 7 (1):** *"A generating station or unit whose scheduling, metering and energy accounting is carried out separately for each stage or unit, such generating station or stage or unit shall be considered as a user for the purpose of sharing of Annual LDC Charges (ALC) in accordance with Regulation 25 of these Regulations and for payment of registration fees in accordance with Regulation 23 of these Regulations;"*

   POSOCO's suggestions/observations : "Regulation 25" may be replaced with "Regulation 31" and "Regulation 23" may be replaced by "Regulation 29"

4. **Regulation 10 (5):** *"The concerned RLDC or NLDC, as the case may be, shall be allowed the fees and charges by the Commission based on the capital expenditure incurred as on 1.4.2019 and projected to be incurred during control period on the basis of CAPEX and REPEX* ***duly certified by the auditor*** *in accordance with these Regulations:"*

   POSOCO's suggestions/observations : Intent of the above provision is to get the actual capital expenditure incurred during previous control period certified by the auditor. Therefore, above para may be slightly restructured as below:

   " The concerned RLDC or NLDC, as the case may be, shall be allowed the fees and charges by the Commission based on the CAPEX/REPEX incurred as on 1.4.2019 (duly certified by the auditor) and projected to be incurred (as approved by POSOCO Board) during control period in accordance with these Regulations:"

5. **Regulation 10 (9):** *"After expiry of the control period, the applicant shall continue to bill the users provisionally on the basis of fees and charges approved by the Commission and applicable as on 31.3.2024 for the period starting from 1.4.2024 till approval of fees and charges under the applicable regulations."*

   POSOCO's suggestions/observations :

   Intent of the above provision is to ensure certainty in the revenue pending notification in the Regulations for the next control period and also accounting for the time taken in filing petitions and getting subsequent orders.

   It may be appreciated that revenue expenditure (O&M and HR expenses) in first year of the new control period is generally higher than the previous year (last year of previous control period) due to the general factors like increase in manpower, inflation and new assignment, if any, from CERC/Govt. etc., However, revenue recognition in the Accounts of the company is done based on the approval of previous year. Therefore, a shortfall remains in the meeting the operating expenses of the company.

POSOCO being a Central Public Sector Enterprise is required to sign a Memorandum of Understanding (MoU) with the Administrative Ministry, every year, in accordance with the Department of Public Enterprises (DPE) Guidelines issued in this regard from time to time. Targets are fixed in the MoU at the beginning of the financial year and the performance of the CPSE is evaluated at the end of the financial year vis-à-vis the targets fixed. This exercise of the target setting and evaluation is guided by Department of Public Enterprises' (DPE) Guidelines. Targets for CPSEs consist of financial and non-financial parameters carrying weight of 50:50 respectively. Financial parameters emphasize on increasing the profitability of the companies. Non-financial parameters relate to the functional area of the companies.

Therefore, due to the shortfall in meeting the operating expenses, POSOCO may not be able to meet the financial targets as additional HR and O&M expenses can only be considered in the revenue side after the approval of CERC and in turn may get downgraded by the DPE in the MoU rating. Thus, during FY 2019-20, POSOCO may face downgrading in the MoU rating. A petition in this regard is already under consideration of Hon'ble Commission (26/IA/2019).

Assuming notification of the Regulations by the March of the last year of old control period, 6 months filing time of petitions and another 6 months in the approval process at Commission, final orders are received by March of next year i.e. end of the first year of next control period. Therefore, performance of the first year's financial targets get affected. Further, as the negotiation by DPE for fixing the targets is generally between February to March, next year's targets also get finalised before the issuance of orders. As an example, the RLDC fees & charges regulation 2019-20 is expected to be notified by 31.03.2019. RLDCs would be filing the petition within next six months' time. Final order of the Commission approving fees & charges may be issued by 31st March 2020. However DPE target is set before end of the financial year. Thus, POSOCO is likely to be impacted adversely for two financial years

During FY 2019-20 also, POSOCO may face downgrading in the MoU rating for the aforementioned factors. A petition in this regard is already under consideration of the Hon'ble Commission (26/IA/2019).

In view of the above, it is requested that RLDCs/NLDC may be allowed 10% higher provisional billing than the preceding year till the fees and charges for the next control period are approved by the Commission.

6. **Regulation 22(2):** *"The normalized operation and maintenance expenses, after prudence check, for the years 2014-15 to 2018-19, shall be escalated at the rate of 3.2% to arrive at the normalized operation and maintenance expenses at the 2018-19 price level respectively and then averaged to arrive at normalized average operation and maintenance expenses for the 2014-15 to 2018-19 at 2018-19 price level."*

   POSOCO's suggestions/observations :

   POSOCO has recently got separated from its erstwhile holding company and has been made an independent Govt. of India company from 3rd January 2017.

After separation, its manpower has increased significantly when compared to previous years due to factors like requirements of a new organisation, expanding functions, increasing responsibilities to tackle the challenges of the rapidly growing Indian power system etc. Therefore, O&M expenses have also increased significantly in the last two years. Separate space has also been hired for functioning of the Corporate Office of POSOCO. Space requirements may also grow in future with further expansion of RLDCs/NLDC too.

In view of the above, considering O&M expenses of all five years of the control period 2014-19 to arrive at O&M expenses may result into inadequate funds. Instead of O&M expenses of last two years of the control period 2014-19 i.e. FY 2017-18 and FY 2018-19 only may be considered for the purpose of projected O&M expenses admissible for 2019-24 control period. Further, all units (RLDCs, NLDC and CC) of POSOCO are located in metro cities. Thus, it would be prudent to consider consumer price index (CPI) instead of whole sale price index (WPI) for factoring inflation while determining the escalation rate.

Provision in the previous Regulations applicable for the control period 2014-19 regarding the escalation rate is as below:

*"(2) The normalized operation and maintenance expenses, after prudence check, for the years 2009-10 to 2013-14, shall be escalated at the rate of **5.72%** to arrive at the normalized operation and maintenance expenses at the 2013-14 price level respectively and then averaged to arrive at normalized average operation and maintenance expenses for the 2009-10 to 2013-14 at 2013-14 price level"*

In view of the above, it is requested that escalation rate of 3.2% may be changed to rate of 5.72% as specified in the earlier Regulations so that projected O&M expenses for the next control period are more close to realistic expenditure.

A petition for allowing the additional O&M expenses in the FY 2018-19 and FY 2019-20 is already under consideration with the Hon'ble Commission (344/MP/2018 alongwith IA 26/IA/2019)

7. **Regulation 24 (1):** "*Human resource expenses shall be derived on the basis of actual human resource expenses for the years 2017-18 to 2018-19 based on the audited balance sheets. The human resource expenses shall be normalized by excluding abnormal Human resource expenses, ex-gratia, VRS expenses, prior-period adjustments, claims and advances written-off, provisions, etc., if any, after prudence check by the Commission:"*

POSOCO's suggestions/observations :

"Human resource expenses ex-gratia, VRS ...... " may be replaced by " Human resource expenses **viz.** Ex-gratia, VRS.....".

8. **Regulation 25 (1) (iii):** "(iii) NLDC charges for one month ;and"

   POSOCO's suggestions/observations :

   As NLDC Charges also include Corporate Office Expenses, it should be mentioned "NLDC charges **and Corporate Office expenses.**"

9. **Regulation 29 (2):** *"The generating companies shall pay registration fees as under:*
   a) For generating station upto 10 MW installed capacity: Rs .0.50 Lakh;
   b) Generating stations having installed capacity of not less than 10 MW and upto 100 MW: Rs. 1.0 Lakh;
   c) Generating stations having installed capacity of not less than 100 MW and upto 2000 MW : Rs. 5.0 Lakh;
   d) Generating stations having capacity of 2000 MW and above: Rs.10.0 Lakh, and;"

   POSOCO's suggestions/observations :

   This provision is similar to present Regulations applicable for control period 2014-19. However there is an ambiguity at each boundary point of 10MW, 100MW, 2000MW. For example, charges for 100MW installed capacity the registration fee can be either Rs. 1 lakh or 5 lakh (as the same can be covered under point b and c both).

   Therefore, to avoid the ambiguity, the following amended version may be considered:

   "The generating companies shall pay registration fees as under:
   a) For generating station upto 10 MW installed capacity: Rs .0.50 Lakh;
   b) Generating stations having installed capacity of more than 10 MW and upto 100 MW: Rs. 1.0 Lakh;
   c) Generating stations having installed capacity of more than 100 MW and upto 2000 MW : Rs. 5.0 Lakh;
   d) Generating stations having capacity of more than 2000 MW: Rs.10.0 Lakh, and;"

10. **Regulation 32 (4):** *" ....The Commission, if required, may seek advice of the Central Electricity Authority for evaluation of the performance of RLDCs or NLDC."*

    POSOCO's suggestions/observations : RLDCs/NLDC are statutory bodies discharging a public service function as per the Electricity Act 2003 and under the overall supervision of the Central Commission. RLDCs/NLDC are already filing petitions for evaluation of performance wherein all stakeholders paying the fees and charges are made respondents thereby giving them an opportunity to participate in the process. Appropriate Govt. has the powers to issue directions to RLDCs/NLDC under the Electricity Act 2003. POSOCO, as a CPSE is also subject to various audits like Statutory Audit, CAG Audit etc. and monitoring by DPE & MOP with repsect to targets / performances (as part of MoU signed with Govt. of India every year). Its annual report is also placed in the Parliament. POSOCO is also under the scrutiny of Parliamentary Committees. With all these checks and balances, the above provision need not be explicitly mentioned in the Regulations. As per section 73(n) of the Electricity Act 2003, one of the functions of CEA is to advise the Appropriate Government and the Appropriate Commission on all technical matters relating to generation, transmission and distribution of electricity. Hence the Central Commission in any case has the prerogative to seek technical advice from CEA. Specific mention in the Regulations undermines the statutory position of RLDCs/NLDC & may be dropped.

11. **Regulation 32 (6):** *"The RLDCs or NLDC, as the case may be, shall compute the Key Performance Indicators on annual basis for the previous year ending on 31st March and submit to the Commission along with petitions for approval of the Commission as per* ***Appendix-V and Appendix- VI*** *of these Regulations:"*

POSOCO's suggestions/observations:

Appendix- VI deals with manpower and is not related to the Key Performance Indicators. Therefore, 'Appendix-VI' may be removed from the aforesaid Regulation. Amended Regulation is as below:

"The RLDCs or NLDC, as the case may be, shall compute the Key Performance Indicators on annual basis for the previous year ending on 31st March and submit to the Commission along with petitions for approval of the Commission as per ***Appendix-V*** *of these Regulations:"*

12. **Regulation 33**

" (1) The employees of Regional Load Despatch Centres and National Load Despatch Centre ***and State Load dispatch Centres*** *who acquire the certificate of basic level, specialist level and management level in their respective areas of specialization shall be allowed a fixed retainer-ship amount during the validity of such certificate period as per the following parameters:"*

POSOCO's suggestions/observations:

Inclusion of State Load Despatch Centres (SLDCs) for payment of Certificate Retainer-ship Amount is a welcome step as it would encourage more system operators to get certified. However, the methodology of working out the process of ascertaining certification and payment thereof needs to be developed, in consultation with CERC & SLDCs. In view of the same, following additional para may be appended to Regulation 33(3):

"POSOCO shall submit a detailed procedure regarding the methodology of payment for approval of the Central Commission."

13. Appendix III

<u>Depreciation schedule at C (A) (iii)</u>

S.No.	Asset Particulars	Depreciation Rate
C(A)(iii)	IT (Hardware Equipment and Software)	[100%]

POSOCO's suggestions/observations :

Depreciation Schedule for IT (Hardware Equipment and Software) already given at S.No. M and N of the Depreciation Schedule. Accordingly, C(A) (iii) may please be removed.

<u>Depreciation schedule at M &N</u>

S.No.	Asset Particulars	Depreciation Rate
M	IT Equipment	15.00%
N	Software	15.00%

POSOCO's suggestions/observations:

Present Regulations applicable for control period 2014-19 provide for depreciation rate of 30% on the capital expenditure of Software. This rate has been kept higher than that provided for in the tariff Regulations as most of the assets of RLDCs including softwares are having shorter period of useful life and have nil salvage value. This is particularly so in the case of Information Technology and communication equipments and the softwares.

Further, software used in the RLDCs and NLDC are customised softwares which are not available off the shelf and keep changing in line with frequent regulatory changes and the continuous feedback from the stakeholders. The upgradation, augmentation and modernisation of the assets including software is a continuous process.

Depreciation schedule at Appendix III of the Capacity Building of Indian Load Despatch Centres (CABIL) Report also provides for a Depreciation Rate of 30% on the Software.

Therefore, depreciation rate of the software may please be kept higher i.e. 30% in the Appendix III.

14. **Appendix VI:**

POSOCO's suggestions/observations :

It has been taken from CABIL report and is a general one considering different SLDC(s) and sub-LDC (s). Therefore require some modification as suggested below:

a) Levels shown at S.No.I are prior to the 3rd Pay Revision Implementation. Table needs to be aligned with the levels adopted after implementation of pay revision.
b) There is no sub-LDC at RLDCs (Table at S.No. V to be removed)
c) Further, monitoring of certified employees is part of the KPIs and to be monitored by Hon'ble Commission and therefore not required here. (Table at S.No. III to be removed)
d) Title of retained three tables have also been renamed to bring more clarity

Modified Appendix VI, incorporating the above mentioned changes, is attached.

15. **Form 6 B:**

POSOCO's suggestions/observations :

POSOCO is performing functions of specialised nature and mostly requires manpower with higher qualification and in comparatively lesser numbers than the other conventional organisation/companies operating in power sector. Therefore, Non-executives working on the Regular roles of the company are comparatively less in numbers than the other companies in the power sector. Further, highly specialised nature of operation of the company and due to intermingling of the various domains, demarcation between technical and non-technical appears bit difficult. Therefore, in the Form 6 B, used for calculation of the HR expenses, differentiating between Technical and Non- Technical Expenses may not serve any purpose. In the previous control periods also, this data has not been used.

In view of the above, Form 6 B has been modified and is attached for consideration of the Commission.

Appendix-IV

(In Compliance of Regulation 4)

1. **Name of the entity** (in bold letters):

2. Registered office address:

3. **Region in which registration is sought**:
   i. North-eastern
   ii. North
   iii. East
   iv. West
   v. South

4. User category:
   i. Generating Station
   ii. Seller
   iii. Buyer
   iv. Transmission Licensee
   v. Distribution Licensee
   vi. Trading Licensee
   vii. Power Exchange
   viii. Battery Energy Storage system
   ix. QCA / Aggregators
   x. Others

5. **User details** (as on 31st March of last financial year):
   i. Category – generating Station
      i. Total Installed Capacity
      ii. Maximum Contracted Capacity (MW) using ISTS
      iii. Points of connection to the ISTS:

Sl. No.	**Point of connection**	**Voltage level (kV)**	**Number of Special Energy Meters (Main) installed at this location**

   ii. Category - Seller/Buyer/Distribution Licensee
      i. Maximum Contracted Capacity (MW) using ISTS
      ii. Points of connection to the ISTS:

Sl. No.	Point of connection	Voltage level (kV)	Number of Special Energy Meters (Main) installed at this location

iii. Category – Transmission Licensee (inter-State)

i. Sub-stations:

Sl. No.	Sub-station Name	Number of transformer	Total Transformation Capacity or Design MVA handling capacity if switching Station

ii. Transmission lines: (line wise details to be given)

Sl. No.	Voltage level (kV)	Number of transmission lines	Total Circuit-Kilometers

iv. Category (Others): Please specify details.

6. Contact person(s) details for billing related to [...] LDC:
   i. Name:
   ii. Designation:
   iii. Telephone No.:
   iv. E-mail address:
   v. Postal address:
7. Other Details:
   i. PAN No.:
   ii. GST No.:
   iii. Bank Account No.:
   iv. Bank Name and Address:
   v. MICR No:

Note: Aforesaid information is indicative in nature. Applicant is required to provide information as per the advice of RLDCs.

The above information is true to the best of my knowledge and belief.

Signature of Authorized Representative

Place: Name:

Date: Designation:

Contact number:

Appendix-VI

Human Resource Requirement - Projection for Control Period: __________

I. Level Wise Projected Manpower

Grade	Description	Year-1	Year -2	Year-3	Year-4	Year-5
Board	Director					
E9	Executive Director					
E8	General Manager/ Sr. General Manager/ Chief General Manager					
E7	Dy. General Manager/ Sr. Dy. General Manager					
E5-E6	Manager/ Chief Manager					
E3-E4	Executive Trainee/ Asstt. Manager/ Dy. Manager					
E2	Engineer/ Officer					
NE	Supervisor/ Junior Engineer/ Workmen					
TOT-E	Total Executives					
E/NE	Ratio of Executives to Non-Executive = (TOT-E)/ (NE)					

II. Department Wise Projected Manpower

	Description	Year-1	Year -2	Year-3	Year-4	Year-5
E-RS	Executives working in rotating shifts					
E-SO	Executives in System Operation functions (Off-line)					
E-MO	Executives in Market Operation functions (Off-line)					
E-SL	Executives in System Logistics functions (off-line)					
E-OTH	Executives in Other Support functions (Off-line) (Law, HR, F&A, etc.)					
E-GS	Executives working in general shifts (E-SO+MO+SL+OTH)					
RS/GS	Ratio of Executives in Rotating Shift / General Shift					
SO/TOT	Ratio of Executives (SO/Total)					
MO/TOT	Ratio of Executives (MO/Total)					
SL/TOT	Ratio of Executives (SL/Total)					
OTH/TOT	Ratio of Executives (Oth/Total)					

III. Discipline wise projected Manpower

S No.	Discipline (at graduation level)	Year-1	Year-2	Year-3	Year-4	Year-5
1	Power System					
2	Electrical					
3	Renewable					
4	Communication					
5	Computer Science					
6	Public Policy					
7	Economics					
8	Commerce					
9	Statistics					
10	Law					
11	Human Resource					
12	Finance					
13	Management					
14	Others-(Specify)					

FORM-6B

Name of LDC:

Details of Human Resource Expenses

Period-	1	ACTUALS FOR PREVIOUS FIVE YEARS
	2	ACTUALS FOR IST SIX MONTHS OF THE CURRENT YEAR
	3	EXPECTED FOR LAST SIX MONTHS OF THE CURRENT YEAR
	4	EXPECTED FOR ENSUING YEAR

Sr. No.	Account Code	Particulars	Executive	Non-Executive	Total
1	Number of Employees				
2	Salaries				
3	Over-time				
4	Dearness Allowance				
5	Other Allowance				
6	Bonus				
7	Productivity Linked Incentive				
8	**Sub Total (1 to 6)**				
	OTHER STAFF COST				
8	Reimbursement of Medical Expenses				
9	Leave Travel Concession				
10	Reimbursement of House Rent				
11	Interim Relief to Staff				
12	Encashment of Earned Leave				
13	Honorarium				

14	Payment under Workmen compensation Act				
15	Ex-gratia				
16	Expenditure on VRS				
17	**Sub Total (8 to 16)**				
18	Staff Welfare Expenses				
19	Terminal Benefits				
20	Provisions				
21	Others (Specify)				
22	Human Resource Development				
23	**Total (7+17+18+19+20+21+22)**				
	Revenue recovered, if any				
24	Revenue recovered, if any				
25	**Net Total (23-24)**				
1	No. of Employees as on :				
	i) Executives				
	ii) Non-Executives				
	iii) Skilled				
	iv) Non-Skilled				
	Total				
2	No. of Employees per				
	i) MW handled				
	ii) MKWh handled				

I)	An annual increase in HR expenses under a given head in excess of 20 percent should be explained with proper justification.
II)	The data should be based on audited balance sheets.
III)	Details of arrears, if any pertaining to prior period should be mentioned separately.
IV)	No. of employees opting for VRS during each year should be indicated.
V)	Details of abnormal expenses, if any shall be furnished separately.

Petitioner