

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Petition No.431/MP/2019

Coram:

Shri P.K. Pujari, Chairperson

Shri I.S. Jha, Member

Shri Arun Goyal, Member

Date of Order: 3.3.2021

In the matter of

Truing up application under sub-section (4) of section 28 of Electricity Act 2003 read with Regulation 8 of Central Electricity Regulatory Commission (Fees & charges of Regional Load Despatch Centre and other related matters) Regulations, 2015 for truing up of Northern Regional Load Despatch Centre (NRLDC) fees and charges for control period 2014-19.

And in the matter of

Northern Regional Load Despatch Centre (NRLDC),
Power System Operation Corporation of India Limited (POSOCO),
Registered Office: B-9, Qutub Institutional Area,
Katwaria Sarai, New Delhi- 110016**Petitioner**

Versus

1. Chairman, Uttar Pradesh Power Corporation Limited (UPPCL),
Shakti Bhawan, 14-Ashok Marg,
Lucknow-226001
2. Principal Secretary, Power Development Department,
Government of J&K, Civil secretariat,
Jammu, J&K.
3. CMD, Rajasthan Rajya Vidyut Prasaran Nigam Limited,
Vidyut Bhawan, Vidyut Marg,
Jaipur-302005
4. Chairman, RUVNL,
Vidyut Bhawan, Janpath,
Jyoti Nagar, Jaipur- 302005, Rajasthan



5. CMD, Punjab State Transmission Corporation Limited,
PSEB Head Office, The Mall,
Patiala-147 001
6. Managing Director, Haryana Vidyut Prasaran Nigam Limited,
Shakti Bhawan, Sector-6,
Panchkula-134109
7. Chief Engineer, Haryana Power Purchase Center,
Room No-308, Shakti Bhawan, Sector-6,
Panchkula-134109, Haryana
8. CMD, Delhi Transco Limited,
Shakti Sadan, Kotla Road,
New Delhi-110 002
9. Chairman, Himachal Pradesh State Electricity Board Limited,
Kumar House, Vidyut Bhawan,
Shimla-171004
10. SE SLDC, Himachal Pradesh Load Society,
Totu, Shimla-171 011,
Himachal Pradesh
11. Managing Director, Power Transmission Co. of Uttarakhand Limited,
7-B, Lane No-1, Vasant Vihar Enclave,
Dehradun - 248 001.
12. Managing Director, Uttarakhand Power Corporation Limited,
Kanwli Road, Urja Bhawan,
Dehradun-248001, Uttarakhand
13. Chief Engineer, Electricity Department,
UT Chandigarh, Sector 9-D,
UT of Chandigarh-160019
14. Chief Electrical Engineer, North Central Railway
General Manager Office, Subedarganj
Uttar Madhya Railway, Allahabad, UP- 211011.
15. The DGM, Electrical, National Fertilizers Limited,
District-Ropar, Naya Nangal 140124,
Punjab
16. Chief General Manager, PGCIL Kurukshetra
(±800 KV HVDC Inter Connector Project) V.P.O. Bhadson,
Opp Piccadily Sugar Mill, Tehsil INDRI,
District Karnal-132117 (Haryana)
17. Senior DGM, PGCIL Bhiwadi HVDC (±500 KV),
4th Km Mile Stone, Bhiwadi- Alwar Bye-Pass Road,
P.O. Khijuriwas, Distt. Alwar, (Rajashtan)-301018.



18. General Manage, PGCIL, Dadri HVDC (± 500 KV),
PO-Vidyut Nagar, Distt: Gautam Buddh Nagar,
(U.P.)-201008.
19. Senior GM, PGCIL, Agra HVDC Terminal 765/400/220 KV,
Sub-Station, 6 KM, Mile Stone, Shamshabad Road,
P.O. Shyamo, Agra-283125 (U.P.)
20. Senior DGM, PGCIL, Ballia HVDC (± 500 KV) Sub-Station,
Village & Post: Ibrahimhatti, (via Krihirapur), Tehsil: Belthra Road,
Distt: - Ballia (U.P.) Pin-221716.
21. General Manager, PGCIL Rihand HVDC Station,
Inside NTPC Rihand Plant Premises, P.O-Bijpur
Distt: Sonbhadra, (U.P.) Pin-231223.
22. General Manager, Singrauli Super Thermal Power Station,
NTPC, Shakti Nagar, UP-231222
23. General Manager, Singrauli Solar PV Power Project,
NTPC, Shakti Nagar, UP-231222
24. General Manager, Singrauli Small Hydro Power Project,
NTPC, Shakti Nagar, UP-231222
25. General Manager, Rihand Super Thermal Power Station-I,
NTPC, Rihand Nagar, UP-231223
26. General Manager, Rihand Super Thermal Power Station-II,
NTPC, Rihand Nagar, UP-231223
27. General Manager, Rihand Super Thermal Power Station-III,
NTPC, Rihand Nagar, Distt- Sonbhadra, UP – 231223
28. General Manager, Dadri, National Capital Power Project,
Dadri Dhaulana Road, Distt. Gautam Buddh Nagar,
UP-201008
29. General Manager, Dadri – Stage - II, National Capital Power Project,
NTPC, Dadri-Dhaulana Road, Distt. Gautam Buddh Nagar,
UP-201008
30. General Manager, Firoz Gandhi Unchahar Thermal Power Project-I,
NTPC, P.O. Unchahar, Distt. Raibareilly,
UP-229406
31. General Manager, Firoz Gandhi Unchahar Thermal Power Project-II,
NTPC, P.O. Unchahar, Distt. Raibareilly,
UP-229406
32. General Manager, Firoz Gandhi Unchahar Thermal Power Project-III,
NTPC, P.O. Unchahar, Distt. Raibareilly,
UP-229406



33. General Manager, Firoz Gandhi Unchahar Thermal Power Project-IV, NTPC, P.O. Unchahar, Dist.: Raibareilly, UP-229406
34. General Manager, Firoz Gandhi Unchahar Solar PV Power Project, NTPC, Unchahar, Distt. Raibareilly, UP
35. General Manager, Dadri Gas Power Project, NTPC, Dhaulana Road, Distt. Gautam Buddha Nagar, UP-201008
36. General Manager, Dadri Solar PV Power Project, NTPC, Dhaulana Road, Distt. Gautam Buddha Nagar, UP-201008
37. General Manager, Auraiya Gas Power Project (Gas Fired, RLNG Fired, Liquid Fired), NTPC, Dibiyapur, Distt- Etawah, UP-206244
38. General Manager, Anta Gas Power Project (Gas Fired, RLNG Fired, Liquid Fired), NTPC, Distt. Baran, Rajasthan-325209
39. General Manager, Koldam HPP, NTPC, Post- Barman, Dist- Bilaspur, Himachal Pradesh 174013
40. Station Director, Narora Atomic Power Station, NPCIL, Narora, Distt. Bulandshahar, UP-202389
41. Station Director, Rajasthan Atomic Power Station-B, NPCIL, Rawatbhata, PO- Anu Shakti Vihar, Kota, Rajasthan-323303
42. Station Director, Rajasthan Atomic Power Station-C, NPCIL, (RAPS-5&6) NPCIL Rawatbhata, PO-Anushakti Vihar, Kota, Rajasthan-323303
43. General Manager, Bairasiul Hydro Electric Project, NHPC Limited, Surangini, Distt. Chamba, HP-176317
44. General Manager, Salal Hydro Electric Project, NHPC Limited, Jyotipuram, Distt. Udhampur, J&K-182312
45. General Manager, Tanakpur Hydro Electric Project, NHPC Limited, Banbassa, Distt. Champawa, Uttrakhand-262310
46. General Manager, Chamera-I Hydro Electric Project, NHPC Limited, Khairi, Distt. Chamba, HP-176310



47. General Manager, Uri Hydro Electric Project,
NHPC Limited, Mohra, Distt. Baramulla,
J&K-193122
48. General Manager, Chamera-II Hydro Electric Project,
NHPC Limited, Karian, Distt. Chamba,
HP-176310
49. General Manager, Chamera-III Hydro Electric Project,
NHPC Limited, Dharwala, Distt.- Chamba,
HP-176311
50. General Manager, Dhauliganga Hydro Electric Project,
NHPC Limited, Tapovan, Dharchula, Pithoragarh,
Uttrakhand-262545
51. General Manager, Dulhasti Hydro Electric Project,
NHPC Limited, Chenab Nagar, Distt. Kishtwar,
J&K-182206
52. General Manager, Uri-II Hydro Electric Project,
NHPC Limited, Nowpura, Distt. Baramulla,
J&K-193123
53. General Manager, Parbati HE Project Stage-III,
NHPC Limited, Behali, P.O- Larji, Kullu 175122
Himachal Pradesh
54. Chief Engineer, Sewa-II Power Station,
NHPC Limited, Mashke, post Bag no-2, P.O-Khari,
Dist: Kathua, Jammu and Kashmir -176325
55. The Chief Engineer (Electrical), Kishanganga HEP,
NHPC Limited, Office cum Residential colony, Kralpora,
Distt: Bandipora, Jammu and Kashmir-193502
56. The General Managar, Parbati-II, HEP,
NHPC Limited, E&M Complex, Sainj,
Distt. Kullu 175134, Himachal Pradesh
57. General Manager, Naptha Jhakhri HEP,
Satluj Jal Vidyut Nigam Limited, Power Project,
Jhakri, Rampur, Distt. Shimla, HP-172201
58. General Manager, Rampur HEP, Satluj Jal Vidyut Nigam Limited,
Power Project, Jhakri, Rampur, District. Shimla, HP-172201
59. General Manager, Tehri Hydro Development Corporation Ltd.,
Bhagirath Puram, Tehri, Uttrakhand-249001
60. General Manager, Koteswar HEP, THDCIL,
Koteswarpuram, Post Office- Pokhari Tehri Garhwal,
Uttarakhand -249146



61. General Manager, ADHPL,
Village- Prini, PO -Jagat Sukh, Tehsil - Manali,
District- Kullu (H.P) India.
62. General Manager, Indra Gandhi Super Thermal Power Project,
APCPL, PO -Jharli, Tahsil Matanhail, Dist – Jhajjar,
(Haryana)-124125
63. General Manager, Karcham Wangtoo HEP,
Himachal Baspa Power Company Limited,
Sholtu Colony, PO- Tapti, Dist- Kinnaur, -172104 (HP).
64. Director, Malana – II, Everest Power Pvt. Limited,
Hall-A/ First Floor Plot No-143-144, Udyog Vihar, Phase -4,
Gurgaon, Haryana 122015
65. Company Secretary, Shree Cement Thermal Power Project,
Bangurnagar, Beawar, District -Ajmer,
Rajasthan -305901
66. Company Secretary, Greenco Budhil HPS Limited,
Plot No. 1367 Road No- 45, Jubilee Hills,
Hyderabad- 500033
67. Project General Manager, Himachal Sorang Power Limited,
D-7, Lane-I, Sector-I, New Shimla, Shimla,
H.P.-171009.
68. Director (Power Regulation), Bhakra Power House,
BBMB, SLDC Complex, 66 KV Substation,
Industrial Area Phase-I, Madhya Marg, BBMB Chandigarh
69. Superintending Engineer, Dehar HEP,
BBMB, PW, Solapper, Tehsil Sundernagar,
District: Mandi Himachal Pradesh-175017
70. Superintending Engineer, Pong Power House Circle,
Power wing BBMB Talwara, District: Hoshiarpur,
Punjab 144216
71. General Manager, Sainj HEP, HPPCL,
Larji, District - Kullu,
Himachal Pradesh-175122
72. Executive Director, PGCIL, NRTS-I,
Power Grid Corporation of India Ltd.,
B-9, Qutab Institutional Area, New Delhi-110016.
73. Director, Operations, Powerlinks Transmission Limited,
10th Floor, DLF Tower-A, District Centre,
Jasola, New Delhi-110044



74. Executive Director & CEO, Jaypee POWERGRID Limited,
F-Block, Sector -128 Noida- U.P
75. Director, Adani Transmission India Ltd, Business Development,
Adani Corporate House, 3rd Floor-South Wing,
Adani Shantigram, S G Highway, Ahmedabad 382 421, Gujarat.
76. Managing Director, Parbati Koldam Transmission Company Limited,
5thFloor,1A, JMD Galleria, Sec-48, Sohna Road,
Gurgaon, Haryana 122018.
77. General Manager, Indira Gandhi Super Thermal Power Project,
Aravali Power company Private Limited,
P.O.: Jharli, District-Jhajjar, Haryana
78. The Vice President, NRSS XXIX Transmission Limited,
F-1, Mira Corporate Suite, Ishwar Nagar, Mathura Road,
New Delhi – 110065.
79. The DIRECTOR, Patran Transmission Company Limited,
400/220 kV GIS Substation, Village-Banwala, Tehsil-Patran,
District: Patiala 147105 Punjab.
80. The Vice President, RAPP Transmission Company Limited,
F-1, Mira Corporate Suite, Ishwar Nagar, Mathura Road,
New Delhi – 110065
81. The Vice President, NRSS XXXI (B) Transmission Limited,
503, Windsor off CST Road, Kalina, Santacruz (E), Mumbai 400098
82. The Vice President, NRSS XXXVI Transmission Limited,
Essel Infra Projects Limited, 06th Floor, Plot No. 19, Film City,
Sec-16 A, Gautam Buddha Nagar, Noida, U.P. – 201301
83. CEO, POWERGRID Unchahar Transmission Limited,
765/400/220kV Substation, Village Chauferava,
Post &Dist Fatehpur, Uttar Pradesh, 212601
84. The CEO, POWERGRID KALA AMB Transmission Limited,
400/220 KV GIS Sub Station, Vill. Meerpur Kotla,
P.O. Trilokpur Tehsil. Nahan, District Sirmour 173030, Himachal Pradesh
85. The Vice President, Gurgaon Palwal Transmission Limited,
F-1, Mira Corporate Suite, Ishwar Nagar, Mathura Road,
New Delhi – 110065

...Respondent

Parties present:

For Petitioner: Shri Aditya Das, WRLDC
Shri Rakesh Kumar, NRLDC
Shri Ankur, NRLDC



Shri Shiv Sharma, NRLDC
Shri B.K. Saxena, UPPCL

For Respondent: None

ORDER

The instant petition has been filed by Northern Regional Load Despatch Centre (NRLDC), under Regulation 8 of the Central Electricity Regulatory Commission (Fees & Charges of Regional Load Despatch Centre and other related matters) Regulations, 2015 (hereinafter to as “the 2015 RLDC Fees Regulations”) for truing up of fees and charges of NRLDC for the control period from 1.4.2014 to 31.3.2019.

2. The Petitioner has made the following prayers:

“1) Approve the charges for NRLDC, as per para- 8 above, for control period 2014 to 2019.

2) Approve the recovery/refund of the under-recovered/over-recovered amount, if any, along with simple interest at the rate equal to the bank rate as on 1st April of the respective year in six equal monthly instalments starting within three months from the date of the order issued by the Commission after the truing up exercise.

3) Pass such other relief as Hon’ble Commission deems fit and appropriate under the circumstances of the case and in the interest of justice.”

3. The brief facts of the case are as follows:

(i) National Load Despatch Centre (NLDC) and the Regional Load Despatch Centres (RLDCs) are statutory bodies set up under Section 26 and Section 27 respectively of the Electricity Act, 2003. With effect from 1.10.2010, NLDC and the RLDCs are being operated by Power System Operation Corporation Limited (POSOCO), a Government of India undertaking, in accordance with the Gazette Notification dated 27.9.2010 and 19.12.2016 of Ministry of Power, Government of India.

(ii) In exercise of powers conferred under Section 178 of the Electricity Act, 2003, the Central Electricity Regulatory Commission, vide notification dated 18th May 2015, issued the 2015 RLDC Fees Regulations for



determination of fees and charges of NLDC and RLDCs for the control period 2014-19.

(iii) The Commission vide order dated 11.3.2011 in Petition no. 91/2010, had approved the fee and charges of NRLDC (POSOCO portion) based on the capital expenditure as on 1.4.2009 and projected Additional Capital Expenditure during 2009-14 period. Subsequently, the Commission, vide order dated 18.3.2016 in Petition No. 525/TT/2014, had approved the trued-up fees and charges of NRLDC (POSOCO portion) for the control period 2009-14.

(iv) In compliance to Regulation 6 of the 2015 RLDC Fees Regulations, NRLDC had filed Petition No. 243/TT/2015 for determination of fees and charges for 2014-19 period and the Commission vide order dated 26.12.2016 had accorded its approval to the fees and charges of NRLDC.

(v) While approving the fees and charges for the control period 2014-19 in different petitions filed by NLDC and RLDCs, the Commission had not allowed the impact of 3rd wage revision. However, liberty was granted to NLDC and RLDCs to approach the Commission after implementation of the wage revision.

(vi) As POSOCO started functioning as an independent company from 3.1.2017, increased functions, recruitment of additional manpower and additional space requirements etc. resulted inconsiderable increase in the O&M expenses. POSOCO approached the Commission for, inter-alia, approval of the additional expenses on account of wage revision and additional O&M expenses for the control period 2014-19 through Petition No. 344/MP/2018. The Commission, in its order dated 10.06.2019 in Petition No. 344/MP/2018 approved the additional expenses claimed by POSOCO.

(vii) In accordance with the Regulation 8(1) of the 2015 RLDC Fees Regulations, NRLDC has filed the instant petition for truing up of fees and charges for the control period 2014-19.

4. The summary of approved fee and charges as per order dated 26.12.2016 and 10.06.2019 in Petition no. 243/TT/2015 and Petition No. 344/MP/2018 respectively for the control period 2014-19 are as under:

(₹ in lakh)

S.N.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Depreciation	7.38	0.00	0.00	0.00	0.00	7.38
2	Interest on Loan	0.00	0.00	0.00	0.00	0.00	0.00
3	Return on Equity	319.88	166.83	13.23	12.31	11.37	523.62
4	Interest on Working Capital	108.22	106.70	110.23	117.03	124.23	566.41
5	O & M Expenses excluding Human Resource Expenses	556.30	596.98	640.82	688.08	739.04	3221.22
	Additional O&M expenses (Order dated 10.6.2019 in Petition No. 344/MP/2018)					10.96	10.96
	Sub-Total O&M	556.30	596.98	640.82	688.08	750.00	3232.18
6	Human Resource Expenses	1477.85	1593.11	1717.35	1851.29	1995.67	8635.27
	Pay Revision (Order in Petition No. 344/MP/2018 dated 10.06.2019)	0	0	66.75	254.93	308.99	630.67
	Certification Linked Incentive (Order in Petition No. 344/MP/2018 dated 10.06.2019)					90.30	90.30
	Sub-Total HR	1477.85	1593.11	1784.10	2106.22	2394.96	9356.24
7	NLDC charges & corporate office expenses	882.08	788.91	825.50	841.95	855.71	4194.15
	Addl. O&M expenses (Order in Petition No. 344/MP/2018 dated 10.06.2019)					542.57	542.57
	Pay Revision (Order in Petition No. 344/MP/2018 dated 10.06.2019)			23.24	105.92	200.84	330.00
	Certification Linked Incentive (Order in Petition No. 344/MP/2018 dated 10.06.2019)					42.89	42.89
	Sub-Total NLDC	882.08	788.91	848.74	947.87	1642.01	5109.61
	Total before Order in Petition No. 344/MP/2018	3351.71	3252.53	3307.13	3510.66	3726.02	17148.04
	Total approved after Order in Petition No 344/MP/2018	3351.71	3252.53	3397.12	3871.51	4922.57	18795.44



5. The summary of fee and charges claimed by the Petitioner in the instant petition for the control period 2014-19 is given below:

							(₹ in lakh)
S.N.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Depreciation	8.41	0.00	0.00	0.00	0.00	8.41
2	Interest on Loan	0.00	0.00	0.00	0.00	0.00	0.00
3	Return on Equity	399.49	221.63	39.96	39.51	36.01	736.60
4	Interest on Working Capital	123.30	107.71	103.39	123.30	144.87	602.57
5	O & M Expenses excluding Human Resources	852.26	560.01	616.26	744.03	785.41	3557.97
6	Human Resource Expenses	1459.74	1575.47	1616.29	1778.11	2005.21	8434.82
7	NLDC charges and Corporate office expenses	987.31	836.26	902.79	1283.76	1838.75	5848.87
	Total	3830.51	3301.08	3278.69	3968.71	4810.25	19189.24

6. The Respondents are the generating companies, distribution companies, electricity departments and transmission licensees, which are availing services from the Petitioner.

7. The Petitioner has served the copy of the petition upon the respondents. The Respondent, UPPCL, has submitted reply to this petition vide affidavit dated 27.5.2020. The Petitioner has filed rejoinder vide affidavit dated 5.6.2020 in the matter. The issues raised by the Respondent UPPCL and replies submitted by the Petitioner have been discussed in the relevant paragraphs of this order.

8. The hearing in this matter was held on 20.5.2020 through video conferencing and the order was reserved. The Petitioner was directed to submit certain information during the hearing held on 20.5.2020 and the same was furnished by the Petitioner vide affidavit dated 5.6.2020.

9. This order has been issued after considering the main petition dated 30.10.2019, Petitioner's affidavits dated 3.3.2020, 16.3.2020, 5.6.2020 and 7.10.2020, reply of UPPCL vide affidavit dated 27.5.2020 and Petitioner's rejoinder vide affidavit dated 5.6.2020.

10. Having heard the representatives of the Petitioner present at the hearing and perused the materials on record, we proceed to dispose of the petition.

TRUING-UP OF ANNUAL TRANSMISSION CHARGES OF 2014-19 TARIFF PERIOD

11. The Petitioner has submitted the information as required under the 2015 RLDC Fees Regulations for truing up of NRLDC fees and charges for control period 2014-19. The NRLDC fees and charges tariff for control period 2014-19 have been trued up in the subsequent paragraphs.

Capital Cost

12. Regulation 9 of the 2015 RLDC Fees Regulations provides as under:

"9. Computation of Capital Cost:

(1) The capital cost as admitted by the Commission after prudence check, for each of the Regional Load Despatch Centre or NLDC, as the case may be, shall form the basis for determination of annual charges.

(2) The capital cost shall be computed by considering the following:

(a) The Capital cost as admitted by the Commission as on 1.4.2014 duly trued up by excluding liability, if any;

(b) Expenditure on account of additional capitalization and de-capitalization determined in accordance with the Regulation 10;

(c) The original capital cost of the fixed assets which has been replaced during control period shall be de-capitalized from the admitted capital cost from the respective date duly adjusting cumulative depreciation and cumulative repayment, if any;

(d) Interest during construction and incidental expenditure during construction;

(e) Any grant received from the Central or State Government or any statutory body or authority for execution of the project which does not carry any liability of



repayment shall be excluded from the Capital Cost for the purpose of computation of interest on loan, return on equity and depreciation;

(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), use of efficient technology, cost over-run and time over-run, and such other matters as may be considered appropriate by the Commission:

Provided further that interest during construction shall be computed corresponding to the loan from the date of infusion of debt fund, and after taking into account the prudent phasing of funds duly adjusting IDC on account of time over run if any ;

Provided further that incidental expenditure during construction shall be computed after prudence check duly adjusting the IEDC on account of time over run if any, interest on deposits or advances, or any other receipts and liquidated damages recovered or recoverable corresponding to the delay.”

13. The Commission *vide* ROP in hearing dated 25.2.2020 directed the Petitioner to furnish Form-4B (element-wise break-up of capital cost), Form-4E (statement of additional capitalization) and Form-4H (financing of additional capitalization). In response, the Petitioner *vide* affidavit dated 16.3.2020 has submitted that the desired Forms relating to the tariff computation of transmission elements/generating stations and have been derived from the Tariff Regulations. Details related to the CAPEX/ REPEX of NRLDC and its financing, decapitalisation etc. have been furnished in the other applicable forms like 4D, 6A, 6B and Auditor Certificate for CAPEX Utilisation.

14. The capital cost of ₹12898.00 lakh as on 31.3.2014 was allowed *vide* order dated 18.3.2016 in true up Petition No. 525/TT/2014 for the period 2009-14. Same capital cost of ₹12898.00 lakh was admitted by the Commission, *vide* order dated 26.12.2016 in Petition No.243/TT/2015, as on 31.3.2014. Accordingly, the capital cost of ₹12898.00 lakh has been considered as opening capital cost as on 1.4.2014 for determination of fee and charges in accordance with Regulation 9 of the 2015 RLDC Fees Regulations for trueing up of NRLDC fees and charges for 2014-19 control period.



Additional Capitalisation/ De-Capitalisation

15. Regulation 10 of the 2015 RLDC Fees Regulations provides as under:

“10. Additional Capitalisation and De-Capitalization:

(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, in its discretion, by the Commission, subject to prudence check:

Provided that any expenditure for acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, heat convectors, mattresses, carpets etc. purchased during 2009-14 tariff period shall not be considered for additional capitalization for determination of fees and charges.

(2) In case of de-capitalisation of assets under the REPEX or otherwise, the original cost of such asset as on the date of de-capitalisation shall be deducted from the value of gross fixed asset along with corresponding adjustment in equity, outstanding loan, cumulative repayment of loan and depreciation in the year such de- capitalisation takes place.”

Capital Expenditure (CAPEX) and Replacement Expenditure (REPEX)

16. Regulation 5 of the 2015 RLDC Fees Regulations provides as under:

“5. Capital Expenditure (CAPEX) and Replacement Expenditure (REPEX) Plan:

(1) The Regional Load Despatch Centres and National Load Despatch Centre shall formulate the scheme for Capital Expenditure (CAPEX) and Replacement Expenditure (REPEX) for the control period duly approved by the Board of Power System Operation Company. The CAPEX and REPEX plan shall also include future costs to be incurred for the up-gradation, modernization, automation and expansion of infrastructure in addition to existing capital assets.

(2) The concerned Regional Load Despatch Centre and National Load Despatch Centre shall submit the following along with the petition for determination of fees and charges:

(a) the CAPEX for the control period of 2014-19 along with details of estimated expenses, 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 and estimated completion period of each scheme;

(b) the REPEX plan for capital expenditure of existing asset, completion of life of existing asset, cumulative depreciation recovered, date of replacement, cumulative repayment of loan upto date of replacement, writing off of the gross value of the original assets from the original fixed assets along with estimated expenses, 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 and estimated completion period of each scheme.

(3) In relation to any consolidated schemes of CAPEX and REPEX involving one or more RLDCs and/or NLDC, the capital expenditure chargeable to each RLDC and



NLDC shall be segregated and considered as a part of capital expenditure of RLDC concerned and NLDC, as the case may be.”

17. CAPEX and REPEX plans were approved (subject to true-up) vide order dated 26.12.2016 in Petition No.243/TT/2015 for the purpose of capitalisation in accordance with Regulation 5 read with Regulation 10 of the 2015 RLDC Fees and Charges Regulations. The same are given below:

CAPEX Plan:

(₹ in lakh)

S.N.	Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Land	0.00	0.00	0.00	0.00	0.00	0.00
2	SCADA/EMS System	0.00	0.00	0.00	0.00	0.00	0.00
3	IT System	0.00	160.50	137.00	60.00	100.00	457.50
4	Power Supply	0.00	0.00	50.00	0.00	0.00	50.00
5	Civil Works	0.00	5.00	10.00	0.00	0.00	15.00
6	Air Conditioning System	0.00	0.00	25.00	25.00	0.00	50.00
	Total	0.00	165.50	222.00	85.00	100.00	572.50

REPEX Plan:

(₹ in lakh)

S.N.	Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	SCADA/EMS System	123.00	1039.97	0.00	0.00	0.00	162.97
2	IT System	73.02	0.00	35.00	25.00	10.00	143.02
3	Power Supply	0.00	30.00	125.00	0.00	0.00	155.00
4	Civil Works	337.67	25.00	10.00	25.00	0.00	393.67
5	Air Conditioning System	1.50	0.00	0.00	0.00	0.00	1.50
6	Communication	0.00	0.00	0.00	0.00	0.00	0.00
7	Other office equipment	5.26	0.00	0.00	0.00	0.00	5.26
	Total	536.45	1094.97	170.00	50.00	10.00	1861.42

18. The Petitioner has submitted the segregation of additional capital expenditure into capital expenditure (CAPEX) and replacement expenditure (REPEX). The details of the capital expenditure as on 1.4.2014 and the actual expenditure claimed during 2014-19 are as follows:

(₹ in lakh)

Particulars	As on 31.3.2014	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Opening Gross Block	12898.00	12898.00	13545.88	14765.74	14984.67	15063.71	12898.00
CAPEX	-	0.00	91.33	191.29	72.40	22.13	377.15
REPEX	-	647.88	1128.53	27.64	6.64	107.90	1918.59
Sub Total (2+3)	-	647.88	1219.86	218.93	79.04	130.03	2295.74
Closing Capital Cost	-	13545.88	14765.74	14984.67	15063.71	15193.74	15193.74

19. The Petitioner has claimed actual Additional Capital Expenditure for 2014-19 control period and has submitted the Auditor's certificate dated 18.10.2019 in support of the same (separate REPEX has not been indicated). The details of actual capital expenditure (CAPEX and REPEX) for the period 2014-19, is as follows:

(₹ in lakh)

Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Civil Works	333.17	13.40	13.17	7.16	0.00	366.90
Power Supply	0.00	0.00	25.07	4.49	0.00	29.56
Air Conditioning	0.00	1.97	0.45	12.70	0.75	15.87
Scada Systems (Software)	5.56	374.65	9.76	1.44	0.00	391.41
Scada Systems (Hardware)	228.30	740.48	17.88	5.20	0.00	991.86
Other Infrastructure, including equipment	7.83	40.50	10.81	9.24	31.44	99.82
IT Systems (Hardware)	6.77	0.98	89.30	32.46	51.71	181.22
IT Systems (Software)	66.25	47.88	52.49	6.35	46.13	219.10
Total	647.88	1219.86	218.93	79.04	130.03	2295.74

20. Further, the Petitioner vide affidavit dated 5.10.2020 has submitted the cost break-up, as mentioned in the Auditor Certificate dated 18.10.2019, along with the clarification of the aforementioned expenditure under the head "Other Infrastructure including equipment", which is described as follows:

Year-wise breakup of claimed expenditure under head "Other Infrastructure, including equipment"

(₹ in lakh)

Particulars of Item	2014-15	2015-16	2016-17	2017-18	2018-19
Purchase of Furniture	0.50	39.87	0.00	0.94	30.59
CCTV Surveillance System	5.26	0.00	0.00	1.75	0.00
Purchase of Electrical Appliances	1.50	0.64	1.23	0.30	0.85



Purchase of Audio Conference System	0.00	0.00	9.58	6.25	0.00
Total	7.83	40.50	10.81	9.24	31.44

21. Deviation in CAPEX/ REPEX during control period 2014-19 is as follows:

(₹ in lakh)

Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Approved CAPEX/REPEX	536.45	1260.47	392.00	135.00	110.00	2433.92
Actual/ Claimed CAPEX/REPEX	647.88	1219.86	218.93	79.04	130.03	2295.74
Variation	(111.43)	40.61	173.07	55.96	(20.03)	138.18

22. The break-up of variation in CAPEX is as follows:

(₹ in lakh)

CAPEX VARIATION	Approved	Actual	Variation: (Actual-Approved)
IT Systems	457	322.51	134.49
Power Supply	50	25.07	24.93
Air Conditioning System	50	15.87	34.13
Civil works	15	3.17	11.83
Other infrastructure	0.0	99.82	(99.82)

23. The break-up of variation in REPEX is as follows:

(₹ in lakh)

CAPEX VARIATION	Approved	Actual	Variation: (Actual-Approved)
SCADA/System	1162.97	1383.27	(220.3)
IT Systems	143.02	77.81	65.21
Power Supply	155	4.49	150.51
Civil works	393.67	363.73	29.94

24. The Petitioner has submitted that there is no major deviation in CAPEX/REPEX utilization for the control period of 2014-19 w.r.t CAPEX/ REPEX allowed by the Commission. However, variation of CAPEX/REPEX expenditure in the year has been shifted to next year due to non-utilization in that particular year.

Deviation in the CAPEX/REPEX utilization is attributed to the following reasons:

- (i) Major part of deviation in CAPEX/REPEX utilization is due to reduced cost of IT products/software cost which were procured in 2014-19 control period.

(ii) The replacement of LT panel was earlier planned in FY 2016-17, and the award for the same has been issued in 2018. However, the project was commissioned after the 2014-19 control period.

(iii) Replacement of air conditioning chiller plant was planned in FY 2017-18 and award for the same has been issued in 2018. However, the project was commissioned after the 2014-19 control period.

25. Regulations 6(5) and 10(1) of the 2015 RLDC Fees Regulations are reproduced below:

6. Application for determination of fees and charges:

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“(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 1.4.2014 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:

Provided that the application shall contain details of underlying assumptions and justification for the capital expenditure incurred and the expenditure proposed to be incurred in accordance with the CAPEX and REPEX.”

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10. Additional Capitalisation and De-Capitalization:

“(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, in its discretion, by the Commission, subject to prudence check:

Provided that any expenditure for acquiring the minor items or the assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, heat convectors, mattresses, carpets etc. purchased during 2009-14 tariff period shall not be considered for additional capitalization for determination of fees and charges.”

Xxxxx

26. Proviso to the Regulation 10(1) of the 2015 RLDC Fees Regulations provides that minor items or assets like tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, fans, heat convectors, mattresses, carpets etc. shall not be considered for capitalisation. We observe that the Petitioner has claimed expenses against the head ‘furniture’ amounting to Rs 71.90 lakh; ‘electrical appliances’ amounting to Rs 4.52 lakh; ‘mobiles’ worth Rs 0.57 lakh and air-conditioners with a value of Rs. 15.87 lakh for capitalisation. These being minor

items or assets, we are not inclined to allow the capitalization of these assets in line with proviso to Regulation 10(1) of the 2015 RLDC Fees Regulations.

27. The Petitioner, *vide* affidavit dated 5.10.2020, has submitted the details under the head 'Other Infrastructure, including equipments', along with the Auditor's Certificate. Accordingly, the expenditure under the head 'Other Infrastructure, including equipments', except for the minor items and assets, are allowed.

28. We observe that expenditure booked under CAPEX/ REPEX is related to strengthening communication system, safety enhancement and providing basic infrastructure facilities. Deviation in allowed/ claimed expenditure in other heads is also due to delay in award and cost reduction of IT system/ software. Accordingly, we find that the above claimed capital expenditures incurred by the Petitioner is justified. Therefore, we allow the CAPEX/ REPEX claimed by the Petitioner.

29. Thus, the following trued-up Additional Capital Expenditure is approved in accordance with Regulation 5 read with Regulation 6(5) and Regulation 10(1) of the 2015 RLDC Fees Regulations for control period 2014-19:

(₹ in lakh)						
Expenditure Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Civil Works	333.17	13.40	13.17	7.16	0.00	366.90
Power Supply	0.00	0.00	25.07	4.49	0.00	29.56
SCADA Systems (Software)	5.56	374.65	9.76	1.44	0.00	391.41
SCADA Systems (Hardware)	228.30	740.48	17.88	5.20	0.00	991.86
Other Infrastructure, including equipment	5.26	0.00	9.58	8.00	0.00	22.84
IT Systems (Hardware)	6.77	0.98	89.30	32.46	51.71	181.22
IT Systems (Software)	66.25	47.88	52.49	6.35	46.13	219.10
Total	645.31	1177.39	217.25	65.10	97.84	2202.89

30. The Commission vide order dated 26.12.2016 in Petition No. 243/TT/2015 had observed the following:

“22. The petitioner has submitted that the REPEX and CAPEX claimed shall be funded through LDC Fund. As per Form 4D, submitted by the petitioner along with the petition, the loan portion (i.e. 70 %) of add-cap during 2014-19 period has been funded through LDC fund and equity portion (i.e. 30%) is notional equity, thus, there is no actual equity.

23. The expenditure on CAPEX and REPEX is allowed to be met from the LDC funds. The expenditure shall be reflected in the Books of NRLDC. However, in terms of Regulation 12 (5) of the 2015 RLDC Fees Regulations the expenditure shall not earn any return on equity, interest on loan and depreciation. Regulation 12(5) of the 2015 RLDC Fees Regulations provides as under:

"Any asset created by the Power System Operation Company out of the money deposited into the LDCD Fund shall not be considered for computation of return on equity, interest on loan and depreciation on same principles as in case of grant. Power System Operation Company shall submit details of such assets in the CAPEX plan."

31. It is clear from the above that the Commission has already taken cognizance of the fact that the additional capitalization incurred by the Petitioner on account of CAPEX has been funded through LDC Funds. Accordingly, the above allowed Additional Capital Expenditure i.e. CAPEX/REPEX is allowed to be met from LDC Funds. However, the said expenditure towards additional capital expenditure shall not be considered for the purpose of computation of fees and charges as per Regulation 12(5) of the 2015 RLDC Fees Regulations.

De-capitalisation

32. The details of de-capitalisation approved vide order dated 26.12.2016 in Petition No. 243/TT/2015 as provided under Regulation 10(2) of the 2015 RLDC Fees Regulations are as under:

	(₹ in lakh)					
Description	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL
Auxiliary Power Supply	0.00	0.00	0.00	0.00	0.94	0.94
SCADA Hardware with test equipment & Spares (IT equipment)	3.32	989.68	47.66	0.00	23.14	1063.8
Software (IT Equipment)	0.00	11347.97	0.00	26.19	25.11	11399.27
Total	3.32	12337.65	47.66	26.19	49.19	12464.01

33. The details of the de-capitalization as per Form-4D and as derived from Form-6B submitted by the Petitioner, is indicated below:

(₹ in lakh)

Asset Description	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL
Air Conditioning Systems- Portable	0.00	2.14	1.07	0.45	0.45	4.11
Scada Systems (Software)	0.00	10660.59	0.00	0.00	0.00	10660.59
Scada Systems (Hardware)	0.00	940.73	0.00	0.00	0.00	940.73
Other Infrastructure, including equipments	0.05	10.64	1.50	0.75	1.45	14.39
IT Systems (Hardware)	1.28	4.39	0.02	25.50	1.67	32.86
Total Decapitalization Claimed	1.33	11618.49	2.59	26.70	3.57	11652.68

34. We observe that major part of the de-capitalization of ₹11618.48 lakh was completed in the FY 2015-16 as new SCADA system was commissioned on 31.12.2015 and old SCADA system with cumulative cost of around Rs. 11500 lakh, was de-capitalized. The Petitioner has also submitted that the old SCADA system was commissioned in the FY 2004-2005. Therefore, the de-capitalization is carried out as per Regulation 10(2) of the 2015 Fees and Charges Regulations.

35. The Petitioner has submitted that CAPEX claimed by the Petitioner, has been funded through LDC Fund. This is also clear from the Form-4D submitted with the petition that the loan portion (i.e. 70%) of additional capital expenditure during 2014-19 period has been funded through LDC Fund and equity portion (i.e. 30%) is notional equity, thereby meaning 'NIL' actual equity.

36. Regulation 12(5) of Fees & Regulations, stipulates as below:

“Any asset created by the Power System Operation Company out of the money deposited into the LDCD Fund shall not be considered for computation of return on equity, interest on loan and depreciation on same principles as in case of grant. Power System Operation Company shall submit details of such assets in the CAPEX plan.”

37. Keeping in view the above, additional capital expenditure, as claimed in the petition and discussed in paragraphs 29 and 31 of this Order, is not being allowed for the purpose of fee and charges calculations. However, de-capitalization as indicated in paragraph 34 has been carried out as per Regulation 10(2) of the 2015 RLDC Fee Regulations.

Debt-Equity Ratio

38. Regulation 11 of the 2015 RLDC Fee Regulations provide as under:-

"11. Debt-Equity Ratio:

(1) The actual debt-equity ratio as admitted by the Commission for the period ending 31.3.2014 shall be considered for the opening capital cost of each of the Regional Load Despatch Centres and National Load Despatch Centre, as the case may be.

(2) The capital expenditure incurred prior to 1.4.2014, where debt: equity ratio has not been determined by the Commission for determination of annual charges of RLDC for the period ending 31.3.2014, the Commission shall determine the debt-equity ratio in accordance with Regulation 9(2) of the Central Electricity Regulatory Commission (Fees and Charges for Regional Load Despatch Centres and other related matters) Regulations, 2009.

(3) For the capital expenditure incurred or projected to be incurred on or after 1.4.2014, the debt-equity ratio shall be considered as 70:30. If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan: Provided that:

- i. where equity actually deployed is less than 30% of the capital cost, actual equity shall be considered for determination of tariff;*
- ii. the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment;*
- iii. any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt : equity ratio.*

Explanation.-The premium, if any, raised by the power system operation company while issuing share capital and investment of internal resources created out of its free reserve, for the funding of the project, shall be reckoned as paid up capital for the purpose of computing return on equity, only if such premium amount and internal resources are actually utilised for meeting the capital expenditure of the RLDC."

39. The Commission, vide order dated 26.12.2016 in Petition No. 243/TT/2015, had approved debt-equity ratio of 86.81:13.19 as on 1.4.2014. Further, the Commission vide paragraph 27 of order dated 26.12.2016 in Petition No. 243/TT/2015 segregated de-capitalisation amount in debt-equity ratio of

86.81:13.19 as on 1.4.2014. Therefore, in the instant petition too, the de-capitalisation amount has been segregated into debt-equity ratio of 86.81:13.19 as on 1.4.2014. The admitted debt-equity ratio of 86.81:13.19 has been considered as on 1.4.2014. As no additional capital expenditure is being allowed during 2014-19 period, the debt-equity ratio as on 31.3.2019 remains the same (i.e. 86.81:13.19). The de-capitalisation has been carried out in the debt-equity ratio of 86.81:13.19. The details of the debt-equity as on 1.4.2014 and 31.3.2014 considered for the purpose of true up of NRLDC fee for the 2014-19 period is as follows:

(₹ in lakh)

Particular	Capital cost as on 1.4.2014		Capital cost as on 31.3.2019	
	Amount	%	Amount	%
Debt	11196.57	86.81%	1081.05	86.81%
Equity	1701.43	13.19%	164.28	13.19%
Total	12898.00	100.00%	1245.32	100.00%

Return on Equity (ROE)

40. Regulation 17 of the 2015RLDC Fee Regulations provides as under:

"17. Return on equity:

(1) Return on equity shall be computed in Rupee terms on the equity base determined in accordance with Regulation 11 of these regulations.

(2) Return on equity shall be computed on pre-tax base rate of 15.50% to be grossed up as per the sub-clause (3) of this regulation.

(3) The rate of return on equity shall be computed by grossing up the base rate with the effective tax rate of the financial year 2014-15 applicable to the Power System Operation Company :

Provided that the return on equity with respect to the actual tax rate applicable to the Power System Operation Company in line with the provisions of the relevant Finance Acts of the respective year during control period shall be true up at the end of the control period.

(4) Rate of return on equity shall be rounded off to three decimal points and be computed as per the following formula :

Rate of pre-tax return on equity = Base rate/(1-t)

Where "t" is the effective tax rate in accordance with sub-clause (3)."

41. To arrive at the Effective Tax Percentage for the 2014-19 tariff period, the Petitioner was directed vide ROP of hearing dated 20.5.2020, to submit the details of year-wise income tax returns filed and assessment order thereof. In response, the



Petitioner vide affidavit dated 5.6.2020 has submitted copies of year-wise Income Tax returns from FY 2014-15 to 2018-19. The Petitioner also submitted the assessment orders in respect of POSOCO for FY 2014-15 and 2015-16, for which assessment by the Income Tax Department has been completed.

42. On the basis of submissions of the Petitioner, following effective tax rates based on actual Income Tax paid by the Petitioner are considered for the purpose of grossing up of rate of return on equity: -

Year	Effective tax (in %)	Grossed up ROE (Base Rate/1-t) (in %)
2014-15	33.990	23.481
2015-16	34.610	23.704
2016-17	34.610	23.704
2017-18	34.610	23.704
2018-19	29.120	21.868

43. Accordingly, ROE as trued up in accordance with the 2015 RLDC Fees Regulations is shown in the table below: -

Particulars	₹ in lakh				
	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Equity	1701.43	1701.25	168.61	168.27	164.75
Addition due to Additional Capitalization/ reduction due to de-capitalisation	-0.18	-1532.64	-0.34	-3.52	-0.47
Closing Equity	1701.25	168.61	168.27	164.75	164.28
Average Equity	1701.34	934.93	168.44	166.51	164.51
Return on Equity (Base Rate) %	15.50	15.50	15.50	15.50	15.50
Effective tax rate %	33.990	34.610	34.610	34.610	29.120
Rate of Return on Equity (Pre-tax) %	23.481	23.704	23.704	23.704	21.868
Return on Equity (Pre-tax)	399.49	221.62	39.93	39.47	35.98

Interest on Loan (IOL)

44. The Petitioner has not claimed Interest on Loan component for 2014-19 period as the principal portion of the loan has been repaid fully and there being no positive additional capital expenditure during 2014-19, ensuing debt is NIL.

Depreciation



45. Regulations 19(2) and 19(4) of 2015 RLDC Fee Regulations provide as under:-

"(2) The salvage value of the asset (excluding IT equipments and Software's) shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset. The salvage value for IT equipments and Softwares shall be considered as NIL and 100% value of the assets shall be considered as depreciable.

(3) Xxxxx

(4) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-III to these regulations for the assets of the Regional Load Despatch Centre."

46. The Petitioner has submitted that depreciation has been worked as per Regulation 19 of the 2015 RLDC Fee Regulations and the salvage value of assets, excluding IT equipment and software, have been considered as 10% and there is no salvage value for IT equipment and software. The Petitioner has further submitted that depreciation has been worked out as per the rates given in Appendix III of the 2015 RLDC Fees Regulations.

47. Depreciation has been calculated annually based on Straight Line Method and at rates specified in the 2015 RLDC Fee Regulations. Year-wise Weighted Average Rates of Depreciation (WAROD) have been calculated by applying specified rates of depreciation to individual items and these weighted average rates of depreciation have been applied to the 90% depreciable assets and 100% depreciable assets. WAROD has been worked out (refer Annexure-1) after taking into account the depreciation rates for IT equipment and software and also for the assets excluding IT equipment and Software as prescribed in Appendix-III of the 2015 Fee Regulations. Following is the working of the depreciation for the instant assets/items:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
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Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	12898.00	12896.67	1278.18	1275.59	1248.89
Additional Capital expenditure/ reduction due to de- capitalisation during 2009-14	-1.33	-11618.49	-2.59	-26.70	-3.57
Closing Gross Block	12896.67	1278.18	1275.59	1248.89	1245.32
Average Gross Block	12897.33	7087.42	1276.88	1262.24	1247.10
Average Gross Block of Non- IT assets	313.99	307.57	299.90	298.01	296.46
Average Gross Block of IT assets	12583.35	6779.85	976.99	964.23	950.64
Weighted Average Rate of Depreciation (WAROD) (%)	27.99	27.37	21.12	21.21	21.29
Depreciable Value (excluding IT equipment and software) 90%	282.59	276.81	269.91	268.21	266.82
Depreciable value of IT equipment and software: 100%	12583.35	6779.85	976.99	964.23	950.64
Total Depreciable Value	12865.94	7056.67	1246.89	1232.44	1217.46
Cumulative Depreciation up to 31.3.2014	12857.55				
Remaining Depreciable Value (Total Dep value <i>minus</i> Cum Dep up to previous year)	8.38	0.00	0.00	0.00	0.00
Depreciation (min of Remaining Dep value or Depreciation as per WAROD)	8.38	0.00	0.00	0.00	0.00
Cumulative Depreciation (including dep adjusted due to de- cap)	12864.61	1282.55	1279.97	1253.35	1249.80

Operation and Maintenance Expenses (O&M Expenses)

48. Regulation 20 of the 2015 RLDC Fee Regulations provide as under: -

"20. Operation and Maintenance Expenses: -

(1) Operation and maintenance (O&M) expenses (excluding human resource expenses) shall be derived on the basis of actual operation and maintenance expenses for the years 2009-10 to 2013-14, based on the audited balance sheets. The O&M expenses shall be normalized by excluding abnormal operation and maintenance expenses, donation, loss-in-inventory, prior-period adjustments, claims and advances written-off, provisions, etc, if any, after prudence check by the Commission.

(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. The average normalized operation and maintenance expenses of 2013-14 price level shall be escalated at the escalation rate as worked out in accordance with clause (4) of this Regulation to arrive the operation and maintenance expenses for the year 2014-15.



(3) The operation and maintenance expenses for the year 2014-15 shall be escalated further at the annual escalation rate as worked out in accordance with clause (4) this Regulation to arrive at permissible operation and maintenance expenses for the subsequent years of the control period.

(4) The escalation rate shall be worked out by considering the compounded annual growth rate, inflation rate, rationalization of O&M expenses and other factors, if any.

(5) The actual expenditure towards Annual Maintenance Contract (AMC) of SCADA system, after prudence check, shall be considered for arriving at the Operation and Maintenance Expenses during 2014-15 to 2018-19."

49. Summary of the O&M Expenses approved by the Commission vide order date 26.12.2016 in Petition No 243/TT/2015 and additional O&M expenses approved vide order dated 10.6.2019 in Petition No. 344/MP/2018, are as follows:

(₹ in lakh)						
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL
O & M Expenses excluding Human Resource Expenses	556.30	596.98	640.82	688.08	739.04	3221.22
Additional O&M expenses (Order in Petition no. 344/MP/2018 dated 10.06.2019)					10.96	10.96
Sub-Total O&M	556.30	596.98	640.82	688.08	750.00	3232.18

50. The actual O&M Expenses incurred and claimed by the Petitioner for period 2014-19 are as follows:

(₹ in lakh)						
Description	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL
Repair and Maintenance (R&M) Expenses	398.42	93.29	75.95	181.76	125.88	875.30
Administration and General (A&G) Expenses	453.84	466.72	540.31	562.27	659.53	2682.67
O&M Expenses excluding Human Resource Expenses	852.26	560.01	616.26	744.03	785.41	3557.97

51. The Petitioner has submitted that the actual expenditure incurred under O&M expenses is higher than the O&M expenses approved by the Commission. The Petitioner has submitted the reasons for increase in the actual expenses w.r.t those approved by the Commission, as below:

- a) The Commission vide order dated 26.12.2016 in Petition No. 243/TT/2015 considered average of previous 5 years actual normalized O&M

expenses to work out the O&M expenses for the 2014-19 control period. Based on this methodology, O&M expenses worked out for FY 2014-15 were even less than the actual expenses incurred during FY 2013-14.

b) Further, human resource is the key asset for functioning of LDCs. Capacity building is a major thrust area for sustainability & growth of LDCs as an institution. POSOCO, being knowledge-based organization, has been actively involved in the capacity building of its employees. This has also significantly contributed in the training and organizational development expenses.

c) SCADA/ AMC charges have been more than those estimated at the time of filing petition for approval of fees and charges for the period 2014-19.

d) Expenses on travelling, vehicle hiring charges and upward revision of TA/DA rates has also contributed to the increase in expenses.

e) There has been rise in the watch and ward expenses due to increased security expenses.

52. The Respondent, UPPCL *vide* affidavit dated 1.6.2020 has submitted that O&M Expenses claimed in the instant Petition have increased by ₹325.79 lakh during the control period 2014-19 in comparison to O&M expenses allowed by the Commission *vide* its order dated 26.12.2016 in Petition no. 243/TT/2015. The rise in O&M expenses has been attributed by the Petitioner to the methodology employed to work out these expenses, increase in SCADA/ AMC charges, upward revision in TA/DA rates, and expenditure on capacity building. Further, DA is an expense covered under Human Resource Expenses and the same may be deleted under the head of O&M Expenses and should be added under Human Resource Expenses.

53. In response, the Petitioner *vide* affidavit dated 5.6.2020 has reiterated that the reasons for increase in O&M expenses w.r.t. orders dated 26.12.2016 and 10.6.2019 in Petition No 243/TT/2015 and Petition No. 344/MP/2018, respectively,

have already been indicated in the Petition. The Petitioner has also submitted that DA is not considered as a part of O&M expenses rather it is considered under HR expenses only. Further, the Petitioner *vide* affidavit dated 5.10.2020 has submitted the head-wise details of the O&M expenses.

54. We have considered the submissions of the Petitioner and the Respondent UPPCL. We have also perused orders dated 18.3.2016 in Petition No. 525/TT/2014, order dated 26.12.2016 in Petition No. 243/TT/2015 and order dated 10.6.2019 in Petition No. 344/MP/2018. We note the following:

- a. Vide order dated 26.12.2016 in Petition No. 243/TT/2015, average of previous 5 years' actual normalized O&M expenses were considered to work out the O&M expenses for the 2014-19 control period. Based on this methodology, O&M expenses worked out for FY 2014-15 were less than the actual expenses incurred during FY 2013-14.
- b. SCADA/AMC Charges have been more than those estimated at the time of filing petition for approval of Fees and Charges for the period 2014-19.
- c. Expenses on travelling and vehicle hiring charges of the Petitioner Company and upward revision of TA/DA rates have also contributed in the increase in expenses.
- d. There has been rise in watch and ward expenses due to increased security expenses.

Repair and Maintenance Expenses (R&M Expenses)

55. We observe that the allowed O&M expenses for year 2014-19 vs actual O&M expenses for year 2014-19 is as under:

(₹ in lakh)						
	NRLDC					
	2014-15	2015-16	2016-17	2017-18	2018-19	Total
O&M Allowed	556.30	596.98	640.82	688.08	739.04	3221.22
Allowed in 344/MP/2018					10.96	10.96



Total	556.30	596.98	640.82	688.08	750.00	3232.18
O&M claimed/actual Auditor Certified	852.26	560.01	616.26	744.03	785.41	3557.97

56. It is evident from the above table that for FY 2014-15, the actual O&M expenses are approximately 53% higher than the approved O&M expenses. This increase is due to higher SCADA AMC charges (Rs 352.27 lakh) paid by the Petitioner as the replacement of old SCADA system was delayed. Actual O&M expenditure due to SCADA AMC charges was Rs 352.27 lakh instead of the estimated Rs 34.83 lakh. Except for SCADA replacement, the actual O&M expenses are observed to be well within the expenses allowed vide the Order dated 26.12.2016 in Petition No. 243/TT/2015, except for FY 2017-18 and FY 2018-19 wherein actual O&M expenses are higher by 4-8% as compared to the allowed expenses.

57. Break-up of R&M expenses claimed by the Petitioner for the control period 2014-19 is as follows:

(₹ in lakh)						
Description (Account Head)	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Consumption of stores and spares	0.00	0.00	0.00	0.00	0.00	0.00
Plant and machinery repair and maintenance	9.73	2.16	3.16	2.46	0.0	17.81
Civil works repair and maintenance	34.77	82.23	62.04	116.13	94.71	389.88
Others (Specify)	1.65	8.60	10.75	36.75	6.11	63.86
Sub-Total	46.15	93.29	75.95	155.34	100.82	471.55
AMC of SCADA	352.27	0.0	0.0	26.42	25.06	403.75
Total	398.42	93.29	75.95	181.76	125.88	875.30

58. The Petitioner has submitted the Auditor Certificate dated 18.10.2019 for O&M Expenses containing Repair & Maintenance expenses (R&M) and Administration & General expenses (A&G). Further, the Petitioner *vide* affidavit

dated 5.10.2020 has submitted the justification and cost break-up along with the clarification of certain expenses, which are described as under:

"Others (specify)" in Form 7C

(₹ in lakh)						
Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
AMC of SCADA *	0.00	0.00	0.00	24.35	0.00	24.35
AMC for software system	0.00	7.43	7.49	7.49	0.00	22.41
AMC & repairs for infrastructure items	1.65	1.17	3.25	4.91	6.11	17.09
Total	1.65	8.60	10.75	36.75	6.11	63.86

**Inadvertently booked under R&M Expense during 2017-18, instead of SCADA AMC of ₹24.34 lakh*

59. We observe that for FY 2014-15, the actual expenditure under civil works (repair and maintenance) is approximately 10 times higher than that claimed and allowed vide Order dated 26.12.2016 in Petition No. 243/TT/2015. Such variation continues in further years during the control period 2014-19 since escalation rate is applied on 2014-15 expenses. However, we are allowing the claimed expenditure under civil works (repair and maintenance head) with direction to the Petitioner to work out the estimates with utmost care to avoid such large variations in future.

60. We also observe that the Petitioner has booked AMC of software systems and AMC and repair of infrastructure items/ equipment under head 'Others (Specify)' along with its cost break-up. We allow the claimed/ incurred expenses against the said head as these expenses are essential expenses required for the effective operations of the Petitioner. We also observe that the Petitioner has inadvertently claimed SCADA AMC of ₹24.34 lakh in FY 2017-18 under head "Others(specify)" of R&M expenses. Accordingly, the same shall be removed from R&M expenses and shall be adjusted in SCADA AMC head of R&M expenses.

AMC SCADA charges

61. The Petitioner, vide the affidavit dated 5.10.2020, has also submitted the year-wise expenses approved and incurred/ claimed against SCADA AMC along with its justification. Details of the deviation in AMC of SCADA approved and incurred is as follows:

(₹ in lakh)						
Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Approved AMC of SCADA	34.83	34.83	34.83	34.83	34.83	174.15
Actual AMC of SCADA	352.27	0.00	0.00	26.42	25.06	403.75

62. The Petitioner has submitted justification for deviation of AMC SCADA charges, as under:

a) SCADA AMC charges of ₹34.83 lakh which were approved by Commission for the FY 2014-15 were based on the anticipated AMC charges for new SCADA/ EMS system, whereas actual AMC charges of ₹352.27 lakhs were incurred during FY 2014-15 as per old SCADA/EMS AMC rate since AMC of previous SCADA system was extended due to delay in commissioning of the new SCADA. The deviation in SCADA AMC charges as against approved figures for FY 2014-15 is ₹317.44 lakh (₹352.27 lakh– ₹34.83 lakh).

b) SCADA AMC of ₹24.34 lakh for FY 2016-17 has been inadvertently booked under R&M expense during 2017-18. For FY 2017-18 and 2018-19, AMC charges approved by the Commission were as per anticipated AMC charges for new SCADA/EMS system whereas actual AMC charges were less. Hence, there has been slight difference in AMC charges.

63. We have considered the submissions of the Petitioner regarding AMC of SCADA and . allow the claimed/ incurred expenses against AMC of SCADA under O&M expenses.

64. Accordingly, the allowable Repair & Maintenance Expenses for the Control period 2014-19 are as under:

(₹ in lakh)

Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Consumption of stores and spares	0.00	0.00	0.00	0.00	0.00	0.00
Plant and machinery repair and maintenance	9.73	2.16	3.16	2.46	0.0	17.81
Civil works repair and maintenance	34.77	82.23	62.04	116.13	94.71	389.88
Others (Specify)	1.65	8.60	10.75	36.75	6.11	63.86
Sub-Total	46.15	93.29	75.95	155.34	100.82	471.55
AMC of SCADA	352.27	0.0	0.0	26.42	25.06	403.75
Total	398.42	93.29	75.95	181.76	125.88	875.30

65. The Petitioner has submitted the Auditor Certificate dated 18.10.2019 for A&G Expenses. Detailed breakup of A&G expenses claimed by the Petitioner for the control period 2014-19 is as follows:

(₹ in lakh)

Description (Account Head)	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Property Related Expenses	0.00	4.27	2.06	3.17	3.72	13.22
Communication	16.35	19.09	21.77	23.99	30.93	112.13
Professional Charges	4.24	7.58	2.11	4.85	9.57	28.35
Conveyance and Travelling	62.07	69.20	84.44	64.20	91.85	371.76
Other Expenses	366.84	359.48	418.60	446.16	510.31	2101.39
Additional Expenses (EDP)	4.34	7.10	11.33	19.90	13.15	55.82
Total	453.84	466.72	540.31	562.27	659.53	2682.67

66. Further, the Petitioner vide affidavit dated 5.10.2020 has submitted the cost break-up along with clarification of certain expenses and submitted Auditor Certificate dated 18.10.2019 in support of the same, which are as under:

Details of "Miscellaneous" head under "Other Expenses" Form- 7D

(₹ in lakh)

DESCRIPTION	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Cultural Meet Expenses	7.25	32.96	2.44	0.00	8.32	50.98
Safety/Hindi/Vigilance/Environment day celebrations	5.20	7.18	3.35	1.53	5.45	22.70
Expenses on Meetings	2.92	2.51	4.75	3.08	8.96	22.22
National Day/Ceremonial Expenses	0.00	0.00	0.00	2.59	14.66	17.25
Rebate to customers	47.55	45.22	37.45	35.14	36.81	202.17

DESCRIPTION	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Expenses such as Brokerage & Commission-Office & Residential accommodation, Horticulture expenses , etc.	1.83	2.43	3.01	3.07	3.51	13.85
Total	64.75	90.29	51.00	45.41	77.72	329.17

67. The Petitioner has incurred an amount of ₹22.22 lakh on meetings and ₹90.93 lakh on cultural meet, National Day/ ceremonial expenses, Safety/ Hindi/ Vigilance/ Environment day celebrations during 2014-19. In our view, expenditure on celebrations and ceremonial expenses need to be minimised keeping in view the economy measures and DPE Guidelines, if any, in this regard. Alternatively, the Board approved guidelines should be followed so as to avoid unreasonable expenditures. We are, however, allowing these expenses for the current control period with a direction to the Petitioner to be more prudent while incurring such expenses.

68. We further observe that under the head "Miscellaneous" in A&G expenses, the Petitioner has incurred ₹202.17 lakh on account of rebate to customers. Rebate is allowed to the Users by the RLDCs or NLDC on gross billed amount as per the provision in Regulation 34 of the RLDC Fees Regulations 2015. These expenses cannot be allowed to be realized back from the Users under fees and charges.

"Organisational Development Expenses" head under "Other Expenses" Form-7D

69. The Commission at paragraph 38 of order dated 26.12.2016 in Petition No. 243/TT/2015 had observed as under:

"38. We have considered the submissions of the petitioner. The donations and other charges which do not form part of O&M Expenses are disallowed. As regards the training expenditure, it has been decided in order dated 30.8.2016 in Petition No. 222/MP/2015 that the expenditure incurred for training the personnel from SLDC would be met from the LDC Fund. Since in case of expenditure on training of the personnel of NLDC has been considered as part of the O&M Expenses of NLDC, the same shall be met from the O&M Expenses. Accordingly, the training expenditure related to employees of POSOCO (NLDC) is allowed as part of O&M Expenses. It is observed that the petitioner has booked certain expenses under the head



'Organization Developmental Expenses'. However, the petitioner has not clarified whether this expenditure is related to employee welfare development or other expenses. Thus, only 50% of the expenses claimed under the head 'Organization Developmental Expenses' is allowed. The same will be reviewed at the time of truing up of 2014-19 charges on submission of clarification by the petitioner."

70. The Petitioner vide affidavit dated 5.10.2020, has submitted the information regarding 'Organization Development Expenses' which includes expenses such as fee paid to PSTI, NPTI, and internal faculty for training on topics such as power system operation, regulatory framework, power system logistics, auto-cad and on seminars and conferences. The Petitioner has also submitted that the expenses under head 'Training' in A&G expenses, are against the training expenses on NRLDC's own employees. We allow these expenses as these have been incurred on development of the organization.

71. In view of above, the allowed expenditure under head "Miscellaneous expenses" in Administrative and General Expenses (A&G Expenses), are as follows:

(₹ in lakh)

DESCRIPTION	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Cultural Meet Expenses	7.25	32.96	2.44	0.00	8.32	50.98
Safety/Hindi/Vigilance/Environment day celebrations	5.20	7.18	3.35	1.53	5.45	22.70
Expenses on Meetings	2.92	2.51	4.75	3.08	8.96	22.22
National Day/Ceremonial Expenses	0.00	0.00	0.00	2.59	14.66	17.25
Rebate to customers	0	0	0	0	0	0
Expenses such as Brokerage & Commission-Office & Residential accommodation, Horticulture expenses , etc.	1.83	2.43	3.01	3.07	3.51	13.85
Total	17.20	45.07	13.55	10.27	40.91	127.0

72. In addition to above expenses, the Petitioner has also incurred expenditure towards legal expenses, consultancy charges, audit fees, water charges, conveyance & traveling expenses, donations, training, miscellaneous and other expenses under "Professional Charges", "Conveyance and Travelling" and "Other

Expenses” heads of A&G expenses. Further, the Petitioner vide affidavit dated 5.10.2020 has submitted detailed break-up of expenditure incurred under Miscellaneous head and submitted Auditor Certificate dated 18.10.2019 in support of the expenses.

73. Accordingly, the allowable Administrative & General Expenses for the Control period 2014-19 are as under:

						(₹ in lakh)
Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
A&G Expenses Claimed	453.84	466.72	540.31	562.27	659.53	2682.67
A&G Expenses Allowed	406.29	421.50	502.86	527.13	622.72	2480.50

74. Thus, the allowable trued-up O&M Expenses for NRLDC as per the 2015 RLDC Fees Regulations for the control period 2014-19 are as follows:

						(₹in lakh)
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL
Repairs and Maintenance	398.42	93.29	75.95	181.76	125.88	875.30
Administrative and General expenses, etc	406.29	421.50	502.86	527.13	622.72	2480.50
Total O&M Expenses	804.71	514.79	578.81	708.89	748.60	3355.80

Human Resource Expenses (HR Expenses)

75. Regulation 21 of 2015 RLDC Fee Regulations provide as under:

“(1) Human resource expenses shall be derived on the basis of actual human resource expenses for the years 2009-10 to 2013-14 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: Provided that performance related pay computed in accordance with DPE guidelines shall be met from the incentive allowed in accordance with sub-clause (5) of Regulation 29 of these Regulations.

(2) The normalized human resource expenses, after prudence check, for the year 2009-10 to 2013-14, shall be escalated at the rate of 5.72% to arrive at the normalized human resource expenses at the 2013-14 price level respectively and then averaged to arrive at normalized average human resource expenses for the 2009-10 to 2013-14 at 2013-14 price level.

(3) The manpower approved during the year 2013-14 shall be the basis for computation of the HR expenses for 2014-15. Thereafter, for the subsequent years, the HR expenses shall be escalated at the annual escalation rate.

(4) The average normalized human resource expenses of 2013-14 price level shall be escalated at the escalation rate as worked out in accordance with clause (6) this Regulation to arrive the operation and maintenance expenses for the year 2014-15.

(5) The human resource expenses for the year 2014-15 shall be escalated further at the annual escalation rate as worked out in accordance with clause (6) this Regulation to arrive at permissible human resource expenses for the subsequent years of the control period:

Provided that the human resource expenses from 1.1.2017 onwards shall be further rationalized after considering 50% increase in employee cost on account of pay revision of the employees of the Public Sector Undertakings to arrive at the permissible human resource expenses for the year 2017-18 and 2018-19.

(6) The escalation rate shall be worked out by considering the compound annual growth rate, inflation rate, rationalization of human resource and other factors, if any.

(7) The cost of anticipated increase in the manpower of each year of the control period shall also be considered after prudence check.”

76. Summary of the HR Expenses approved by the Commission vide order dated 26.12.2016 in Petition No. 243/TT/2015 and additional HR Expenses approved vide order dated 10.6.2019 in Petition No. 344/MP/2018, are as follows:

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Human Resource Expenses (Order in Petition no. 243/TT/2015 dated 26.12.2016)	1477.85	1593.11	1717.35	1851.29	1995.67	8635.27
Pay Revision (Order in Petition no. 344/MP/2018 dated 10.6.2019)	0.00	0.00	66.75	254.93	308.99	630.67
Certification Linked Incentive (Order in Petition no. 344/MP/2018 dated 10.6.2019)					90.30	90.30
Total HR Expenses	1477.85	1593.11	1784.10	2106.22	2394.96	9356.24

77. The actual HR Expenses incurred and claimed by the Petitioner for period 2014-19 are as follows:

(₹ in lakh)

Description	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Salaries	365.13	357.60	354.91	357.54	751.78	2186.96



Overtime	0.00	0.00	0.00	0.00	0.00	0.00
Dearness allowance	341.50	376.88	414.99	434.53	109.32	1677.22
Other Allowances	172.15	175.83	176.87	176.93	278.53	980.31
Productivity link Incentive	0.00	0.00	0.00	0.00	90.30	90.30
Wage Revision Provisional Expenses	0.00	0.00	66.75	254.94	52.81	374.50
Reimbursement of Medical Expenses	74.08	81.54	61.64	48.28	55.87	321.41
Leave Travel Concession	0	0.21	0	0	0.0	0.21
Reimbursement of House Rent/ Lease	141.6	138.15	136.29	137.67	170.36	724.07
Encasement of earned Leaves	111.75	142.06	90.68	114.81	118.05	577.35
Staff welfare Expenses	39.76	29.78	31.33	47.88	71.59	220.34
Terminal Benefits	213.77	273.42	282.83	205.53	306.60	1282.15
Provisions	0	0	0	0	0	0
Total	1459.74	1575.47	1616.29	1778.11	2005.21	8434.82

78. The Petitioner has submitted reasons for decrease in the actual HR expenses vis-a-vis the expenses approved by the Commission as below:

a) Up to FY 2016-17, manpower had almost remained unchanged. Although there has been gradual addition to the manpower every year, there has been only slight increase in manpower due to retirements at regular intervals and migration of employees to erstwhile holding company, PGCIL.

b) During FY 2017-18, though manpower has increased, but the actual amount of HR expenses were as per the approved expenses. This is due to the fact that increase in manpower was primarily at the induction level and there was substantial gap in the remuneration of employees getting retired and those being recruited at the trainee Level.

79. The Respondent, UPPCL, vide affidavit dated 27.5.2020 has submitted that there is an overall reduction in Human Resource Expenses amounting to ₹921.42lakh as compared to HR expenses allowed by the Commission vide its order dated 26.12.2016 in Petition No 243/TT/2015. Therefore, over-recovery of the expenses must be reimbursed to the Respondents with interest in accordance with Regulation 8(4) of the 2015 RLDC Fees Regulations. UPPCL has further submitted



that Performance Linked Incentive (PLI) cannot be considered as a regular ingredient of the Human Resource Expenses under the head of 'Salary & Allowances' because performance linked incentive is a creation of the 2015 RLDC Fees Regulation. Hence, these expenses should not be considered as a part of Human Resource Expenses for the purpose of true-up exercise and it may be deleted from this head of expenditure.

80. In response, the Petitioner, vide affidavit dated 5.6.2020 has submitted that for computation of HR expenses for the control period 2019-24, expenditure on Performance Linked Incentive (PRP/PLI) incurred during the control period 2014-19 have not been considered. PLI shown in the HR expenses during FY 2018-19 is actually provision made towards Certificate Linked Incentive. Same has also been submitted in the additional information furnished vide affidavit dated 16.3.2020 to the Commission in compliance of the ROP of hearing dated 25.2.2020. Regarding refund of the excess recovery, the Petitioner has submitted that as per proviso (4) to Regulation 8 of the 2015 RLDC Fees Regulations, the amount over-recovered, if any, by Northern Region Load Despatch Centre, along with simple interest at the rate equal to the bank rate as on 1st April of the respective year, shall be refunded in six equal monthly instalments starting within three months from the date of the order issued by the Commission after the truing-up exercise.

81. The Commission vide ROP of hearing dated 25.2.2020 directed the Petitioner to furnish Form-7B with complete details of expenses in different heads, like bonus, ex-gratia, VRS and revenue recovered(if any) and breakup of head 'Staff Welfare Expenses' in the said form. In response, the Petitioner vide affidavit dated 16.3.2020 has submitted that such expenses have been 'Nil'. Further, the Petitioner has enclosed the breakup of head 'Staff Welfare Expenses' along with other information.



82. The Commission directed the Petitioner to clarify if the Productivity Linked Incentive in Form 7B referred to Performance Linked Incentive or Certification Linked Incentive or any other amount. The Petitioner was also directed to submit the details of the Performance Linked Incentive allowed by the Commission, audited actual incentive recovered from the users and the audited figures of incentive disbursed/paid to employees for the period 2014-18. The Petitioner was further asked to submit the details of the Certificate Linked Incentive allowed by the Commission in Petition No. 344/MP/2018 for the period 2014-19 vs Audited actual disbursed to the employees. The Commission also directed the Petitioner to submit detailed note on methodology followed by POSOCO as per DPE for PRP calculation for 2014-19 period for yearly Performance Linked Incentive claimed/recovered from the Users.

83. In response, the Petitioner *vide* affidavit dated 16.3.2020 has submitted that the amount shown under the head 'Productivity Linked Incentive' refers to the amount provisioned towards payment of 'Certificate Linked Incentive'. The Petitioner has enclosed the Auditor Certificate and details of actual revenue collected from the Users for the control period 2014-19. Further, the Petitioner has submitted that the 'PLI' allowed by the Commission is same as recovered from the Users as mentioned in the attached Certificate. The Petitioner has also submitted detailed note on methodology followed by POSOCO as per DPE for PRP calculation for 2014-19 period for yearly Performance Linked Incentive claimed/recovered from the Users.

84. We have considered the submissions of the Petitioner and Respondent UPPCL. We have also perused order dated 18.3.2016 in Petition No. 525/TT/2014, order dated 26.12.2016 in Petition No. 243/TT/2015 and order dated 10.6.2019 in Petition No. 344/MP/2018, wherein the following has been allowed:

a. The Commission vide order dated 10.6.2019 in Petition No. 344/MP/2018 allowed the wage revision of POSOCO's employees w.e.f. 1.1.2017 along with the recruitment of additional manpower, subject to true-up.

b. Also, the Commission in the said order dated 10.6.2019, allowed the expenses on account of Certification Linked Incentives (CLI) for payment to Certified System Operators of NLDC/RLDCs.

85. The Petitioner has submitted details about actual manpower at NRLDC in petition no. 344/MP/2018, as under:

Description	2014-15	2015-16	2016-17	2017-18	2018-19
Actual Manpower deployed in NRLDC	89	82	78	79	79

86. The salary including DA has varied over the control period 2014-19 as under:

Description	2014-15	2015-16	2016-17	2017-18	2018-19
Salaries plus DA plus wage revision provision(₹ in lakh)	706.63	734.48	836.65	1047.01	913.91
Increase over previous year	-	3.94%	13.91%	25.14%	-12.71%

87. We observe from the above table that there is a substantial increase in component "salaries" in year 2018-19 over year 2017-18. Also, while the manpower of NRLDC has reduced from 2014-15 to 2018-19 by 10 (about 11%), the salaries have increased by about 4% to 25 %. We note that expenses under "Salaries" have increased on an overall basis from ₹706.63 lakh in 2014-15 to ₹913.91 lakh in 2018-19 which is about 29% increase in the control period 2014-19. The expenses under "Salaries" have increased to ₹836.65 lakh in 2016-17 against ₹734.48 lakh in FY 2015-16, which is about 14%. Further, due to pay revision, Basic salary further increased by 25-30% after merging Dearness Allowance. Considering "Salaries" plus "Dearness Allowance" plus "Wage Revision Provisions" there is an increase by 14% in FY 2016-17 from FY 2015-16, as wage revision was effective from 1.1.2017.

Also, the increase in FY 2017-18 is about 25% from FY 2016-17 due to maximum (annual) impact of the wage revision. Therefore, considering pay revision, the increase in Salaries appears justified.

88. The Petitioner, *vide* Auditor Certificate dated 18.10.2019 has mentioned a head naming 'Staff Welfare Expenses', whose breakup has been submitted by the Petitioner *vide* affidavit dated 5.10.2020, as under:

“Staff Welfare Expenses”

(₹ in lakh)						
DESCRIPTION	2014-15	2015-16	2016-17	2017-18	2018-19	Total (2014-19)
Other Employee Welfare Expenses	32.84	8.69	25.42	32.06	9.99	109.00
Reimbursement of Employees Welfare Exp.	0.00	0.00	0.00	0.00	3.66	3.66
PF and other Funds Administration Charge	1.28	1.32	2.74	5.90	5.71	16.95
Employees Family Economic Rehabilitation Expenses	0.00	0.00	0.00	0.00	2.94	2.94
Games and Sports Expenses	0.43	0.55	0.12	0.61	1.25	2.96
Awards to Employees	1.07	14.49	1.03	0.08	0.55	17.22
Safety Appliances and Expenses	0.00	0.00	0.00	2.35	6.47	8.82
Family Planning - Cash Incentives	1.46	0.96	0.8	0.89	0.36	4.47
Liveries and Uniforms	2.68	3.77	1.22	5.99	40.66	54.32
Total	39.76	29.78	31.33	47.88	71.59	220.34

89. We observe from the above table that the Petitioner has claimed expenditure of ₹17.22 lakh against “Award to Employees” under ‘Staff Welfare Expenses’ which is varying over the years of control period. We expect that due fiscal prudence will be exercised in future and expenditure shall be in line with DPE/GOI Guidelines, if any, in this regard.

90. The Petitioner, *vide* affidavit dated 5.10.2020, has submitted cost break-up of the head ‘Other Employee Welfare Expenses’ under ‘Staff Welfare Expenses’ in the above table, as under:



‘Other Employee Welfare Expenses’ under “Staff Welfare Expenses” in HR Expenses Form 7B

(₹ in lakh)

DESCRIPTION	2014-15	2015-16	2016-17	2017-18	2018-19	Total (2014-19)
a. Tea/Coffee Vending machine charges	5.07	4.43	0.58	1.84	3.89	15.81
b. Visiting Doctor Fees	0.00	0.00	0.00	2.29	2.25	4.55
c. Miscellaneous such as expenses on Preventive Health Check-up of Employees, Republic day, Independence day etc.	27.77	4.27	24.84	27.93	3.84	88.64
Total	32.84	8.69	25.42	32.06	9.98	108.99

91. We observe that in the head ‘Other Employee Welfare Expenses’, the Petitioner has incurred expenditure on tea/ coffee vending machine, visiting doctor fees and miscellaneous expenses such Preventive health check-up etc. The claimed expenses are being allowed.

92. The Petitioner has submitted Auditor’s Certificate dated 18.10.2019 indicating the expense of ₹90.30 lakh w.r.t. ‘Productivity Linked Incentive’ for FY 2018-19. However, the Petitioner *vide* affidavit dated 16.3.2020, has clarified that the said head is ‘Certification Linked Incentive’ (CLI) instead of ‘Productivity Linked Incentive’. Also, the Petitioner has submitted that the said CLI amount has not been disbursed yet and this amount was just provisioned against CLI. Since, the said CLI amount has not been disbursed by the Petitioner, we are not inclined to allow any reimbursement under this head. Moreover, the Performance Linked Incentive (PLI) payments made by the Petitioner are being dealt by the Commission in separate petitions filed by the Petitioner.

93. The Petitioner has claimed expenses under various heads such as Salaries, Dearness Allowance, Other Allowances, Wage Revision Provisional Expenses, Reimbursement of Medical Expenses, Leave Travel Concession, Reimbursement of House Rent / Lease, Encashment of Earned leave, Terminal Benefits. We note that



these expenditures are part of individual employee's salary and other defined benefits as per company policy/ DPE guidelines. Therefore, we allow the expenditure claimed under above said heads to be recovered.

94. The Petitioner, *vide* affidavit dated 7.10.2020, has submitted that the Petitioner had inadvertently missed to include, in the Petition, the expenses against IND AS w.e.f. FY 2016-17 in Staff Welfare expenses. However, the Petitioner has, now, sought reimbursement of the said expenses under the head "Human Resources Expenses" as under:

(₹ in lakh)				
RLDCs	FY 2016-17	FY 2017-18	FY 2018-19	Total
NRLDC	13.30	6.78	96.20	116.28

95. The Petitioner has submitted that the Ministry of Corporate Affairs had notified the Companies (Indian Accounting Standard (IND AS)) Rules 2015, which stipulated adoption and applicability of IND AS beginning from the accounting period 2016-17. IND AS is also applicable on POSOCO from FY 2016-17.

96. As per paragraph 4.1.2 of IND AS 109, all financial assets shall be measured at amortized cost if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flow; and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

97. The Petitioner has submitted that both the above conditions are met in case of loans provided by the Petitioner company to its employees. Hence, said asset is required to be valued as per IND AS.

98. In line with the above provisions of IND AS, the expenditure accounted for under “Human Resources expenses” in the Annual Accounts of POSOCO from FY 2016-17 to FY 2018-19 are as under:

(₹ in lakh)				
RLDCs	FY 2016-17	FY 2017-18	FY 2018-19	Total
NLDC	18.17	6.04	53.73	77.94
NRLDC	13.30	6.78	96.20	116.28
WRLDC	17.98	18.03	28.09	64.10
SRLDC	8.16	1.66	49.16	58.98
ERLDC	18.01	2.24	58.01	78.26
NERLDC	3.65	2.46	7.17	13.28
Total	79.27	37.21	292.36	408.84

99. The Petitioner has submitted that such expenses were inadvertently excluded in the truing up petitions of NLDC and RLDCs for 2014-19. The Petitioner has requested to consider allowing these expenses under the head ‘Staff Welfare Expenses’.

100. We have considered the submissions of the Petitioner. Paragraph 4.1.2 of IND AS 109 stipulates as below:

“4.1.2 A financial asset shall be measured at amortized cost if both of the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Paragraphs B4.1.1–B4.1.26 provide guidance on how to apply these conditions.”

101. It is observed that loans have been provided by the company to its employees, which, under the patronage of Employees’ Benefits, could be interest free or low-interest bearing loans. The Petitioner has requested that the said financial asset be valued as per IND AS. Under IND AS, all financial assets and liabilities are required to be recorded at fair value at initial recognition instead of the actual cost. Difference between the same is required to be accounted in the P&L

Account in most cases. The interest-free loans or low-interest bearing loans given or taken are required to be apportioned indicating principal and notional interest. Such notional interest is recognized as income/expense in the P&L account over the period of loan. In the instant case, the expenses being notional and not actual, we are not inclined to include the additional Human Resources expenses claimed as above for consideration in the Fee and Charges calculations.

102. Accordingly, the claimed vis-s-vis approved Human Resources (HR) Expenses for the control period 2014-19 is summarised as under:

						(₹ in lakh)
Description	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL
HR Expenses Claimed	1459.74	1575.47	1616.29	1778.11	2005.21	8434.82
HR Expenses Allowed	1459.74	1575.47	1616.29	1778.11	2005.21	8434.82

103. Therefore, the claimed vis-à-vis allowed expenses for the control period 2014-19 are summarised as under:

				(₹ in lakh)
S.N.	Parameter	Claimed	Allowed	
1	CAPEX & REPEX	2295.74	2202.89	
2	O&M Expenses(Excluding Human Resource Expenses)	3557.97	3355.80	
3	Human Resource Expenses	8434.82	8434.82	

104. As explained in paragraph 31 of this Order, the allowed CAPEX is not being considered for working out the Fee and Charges.

Apportioned NLDC Charges & Corporate Office expenses

105. Regulation 23(3) of the 2015 RLDC Fees Regulations provide as under:

"(3) All expenses of NLDC and Corporate Office expenses approved by the Commission shall be apportioned to the Regional Load Despatch Centre on the basis of the peak demand served (in MW) in the respective region as indicated in CEA's website for the preceding year."

106. Accordingly, the NLDC charges and Corporate Office expenses are to be apportioned to the Regional Load Despatch Centre on the basis of the demand

served in the respective Region. The Petitioner has submitted Region-wise Peak Demand met during 2014-19 period. Vide Order dated 25.2.2021 in Petition No 430/MP/2019, Commission has allowed the NLDC Charges and Corporate Office expenses. Therefore, on the basis of the peak demand served, the year-wise NLDC Charges & Corporate Office expenses apportioned to the NRLDC have been worked out as under:

Description						(₹ in lakh)
	2014-15	2015-16	2016-17	2017-18	2018-19	TOTAL
Apportioned NLDC Charges & Corporate Office expenses to NRLDC	975.99	829.76	886.77	1279.77	1834.48	5806.78

Interest on Working Capital

107. Regulation 22 of the 2015 RLDC Fees Regulations provide as under:

"22. Interest on Working Capital:

(1) The working capital shall cover:

(i) Operation and maintenance expenses (excluding human resource expenses) for one month;

(ii) Human resource expenses for one month;

(iii) NLDC charges for one month; and

(iv) Receivables equivalent to two months of annual charges as approved by the Commission.

(2) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2014.

(3) Interest on working capital shall be payable on normative basis notwithstanding that the Power System Operation Company has not taken any loan for working capital from any outside agency."

108. Accordingly, following expenses have been worked out for determination of Interest on Working Capital:

(i) O&M Expenses excluding human resource expenses have been considered for one month of the recommended O&M expenses.

(ii) Human Resource Expenses have been considered for one month of the recommended O&M Expenses.

(iii) NLDC charges for 1 month have been included in the computation of interest on working capital.

(iv) The receivables have been worked out on the basis 2 months of Annual charges as worked out above.

(v) Rate of interest on working capital has been arrived at as SBI Base Rate Plus 350 bps as on 1.04.2014 (i.e.13.50%).

109. Interest on working capital worked out for the 2014-19 period is as follows:

(₹ in lakh)					
Description	2014-15	2015-16	2016-17	2017-18	2018-19
One month NLDC Charges	81.33	69.15	73.90	106.65	152.87
One month O & M Expenses Excluding Human Resource Expenses	67.06	42.90	48.23	59.07	62.38
One month Human Resource Expenses	121.65	131.29	134.69	148.18	167.10
Receivables (2 months of Annual charges)	628.26	541.26	538.19	656.20	797.25
Total	898.30	784.59	795.01	970.10	1179.61
Rate of Interest on Working Capital	13.50%	13.50%	13.50%	13.50%	13.50%
Interest	121.27	105.92	107.33	130.96	159.25

Annual Fee and charges

110. The details of the trued-up annual fee and charges allowed for NRLDC as per the 2015 RLDC Fees Regulations for control period 2014-19 tariff period is summarized below:

(₹ in lakh)					
Annual Fee & Charges	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	8.38	0.00	0.00	0.00	0.00
Interest on Loan	0.00	0.00	0.00	0.00	0.00
Return on Equity	399.49	221.62	39.93	39.47	35.98
Interest on Working Capital	121.27	105.92	107.33	130.96	159.25
O & M Expenses (Excluding Human Resource Expenses)	804.71	514.79	578.81	708.89	748.60
Human Resource Expenses	1459.74	1575.47	1616.29	1778.11	2005.21
NLDC Charges and Corporate Office Expenses	975.99	829.76	886.77	1279.77	1834.48
Total	3769.58	3247.56	3229.12	3937.20	47830.51

111. Billing and payment of charges allowed shall be governed by Regulation 31 of the 2015 RLDC Fees Regulations. Accordingly, POSOCO will raise bills for these charges on monthly basis directly from the users as per the said Regulation.

112. Further, in terms of Regulations 8(3) and 8(4) of the 2015 RLDC Fees Regulations, the amount under-recovered or over-recovered by the Regional Load Despatch Centres shall be, along with simple interest at the rate equal to the bank rate as on 1stApril of the respective year, recovered or refunded, by the RLDC or Users, as the case may be, in 6 equal monthly instalments starting within 3 months from the date of this order.

113. This order disposes of Petition No. 431/MP/2019.

Sd/-
(Arun Goyal)
Member

Sd/-
(I. S. Jha)
Member

Sd/-
(P. K. Pujari)
Chairperson



**DETAILS OF WEIGHTED AVERAGE RATE OF DEPRECIATION (WAROD)
FOR THE 2014-19 TARIFF PERIOD****NRLDC**

NRLDC (2014-19) Capital Expenditure	Admitted Capital Cost as on 1.4.2014	Admitted Additional Capitalisation during tariff period 2014-19	Admitted Capital Cost as on 31.3.2019	Rate of Depreciation as per Regulations	Annual Depreciation as per Regulations				
					2014-15	2015-16	2016-17	2017-18	2018-19
Freehold Land	0.00	0.00	0.00	0.00%	0.00	0.00	0.00	0.00	0.00
Leasehold Land	0.00	0.00	0.00	3.34%	0.00	0.00	0.00	0.00	0.00
Building & Other Civil Works	201.41	0.00	201.41	3.34%	6.73	6.73	6.73	6.73	6.73
Auxiliary Power Supply System	52.95	0.00	52.95	5.28%	2.80	2.80	2.80	2.80	2.80
Office Furniture and furnishing (including Communication Equipment)	53.34	-14.39	38.95	6.33%	3.37	3.04	2.65	2.58	2.51
Others	6.31	-4.11	2.20	5.28%	0.33	0.28	0.19	0.15	0.13
SCADA Hardware with Test Equipment & Spares (IT Equipments)	1184.73	-973.59	211.14	15.00%	177.61	106.63	35.75	33.83	31.80
Software (IT Equipments)	11399.26	-10660.59	738.67	30.00%	3419.78	1820.69	221.60	221.60	221.60
Total	12898.00	-11652.68	1245.32	Total	3610.62	1940.16	269.72	267.69	265.56
Average Gross Block (₹ in lakh)					12897.33	7087.42	1276.88	1262.24	1247.10
Weighted Average Rate of Depreciation (WAROD)					27.9951%	27.3747%	21.1229%	21.2076%	21.2941%