

**Analysis of ARR & Fees and
Charges For SLDC
(FY 2022-23)**

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Computation of Annual Charges for SLDC

Regulations followed : OERC (Fees & charges of SLDC and other related matters) Regulations, 2010 and CERC (Fees & Charges of RLDC & other related matters) Regulations, 2009

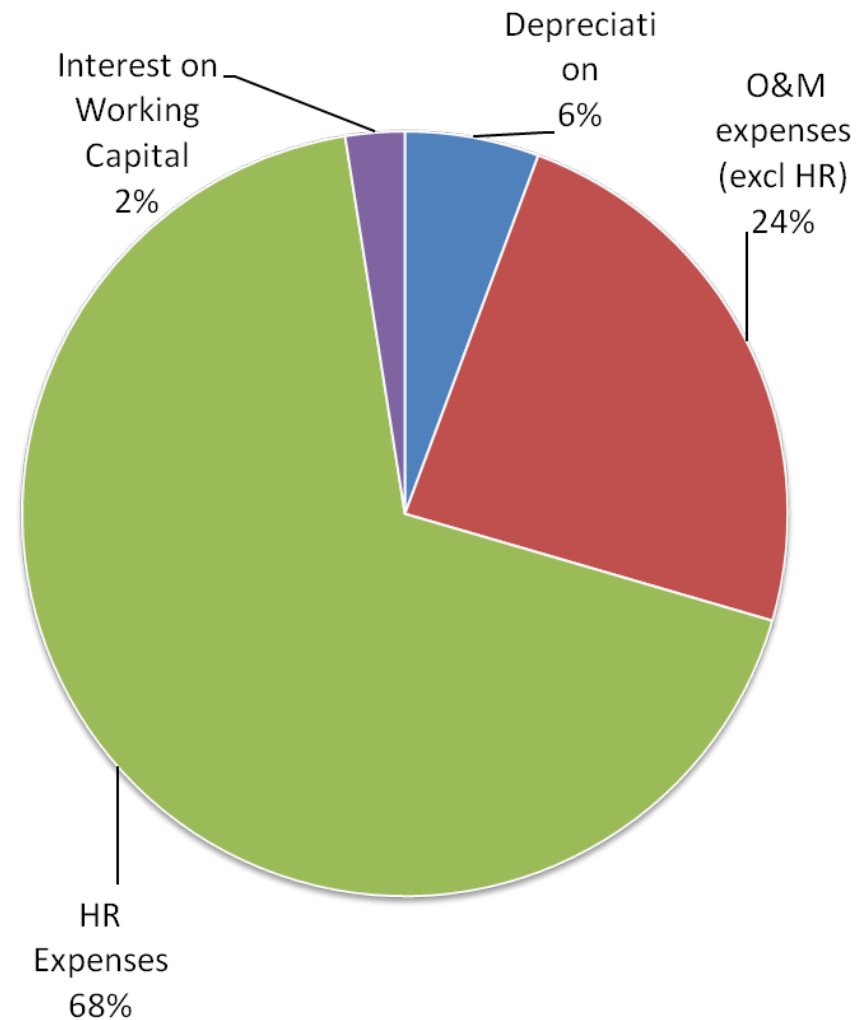
Annual Charges consist of

- ROE
- Interest on loan
- Depreciation
- O&M excluding HR expenses
- HR expenses
- Interest on working capital

SLDC is allowed to collect the approved annual charges in the form of SOC & MOC for services rendered to users.

Proposed ARR for FY 2022-23

SL No	Annual Charge Components	Cost (in Rs. lakh)
1	Return on Equity	0.000
2	Interest on Loan	0.000
3	Depreciation	81.183
4	O&M expenses (excl HR)	341.650
5	HR Expenses	974.107
6	Interest on Working Capital	35.890
	Total	1432.830



Comparison of ARR

		(in Rs. lakh)				
SL No	Particulars	Approved (2018-19)	Approved (2019-20)	Approved (2020-21)	Approved (2021-22)	Proposed (2022-23)
1	Employee cost including compensation	645.40	725.33	724.387	793.630	974.107
2	O&M Expenses	181.16	167.49	168.114	181.236	341.650
3	Depreciation	58.528	44.65	38.388	71.298	81.183
4	Interest on loan	0	0	0	0	0
5	Interest on WC	0	0	0	0	35.890
6	ROE	0	0	0	0	0
Total ARR (Rs Lakh)		885.09	937.47	930.889	1046.164	1432.830

Comparison of Annual SLDC charges (in Rs. lakh)

Sr No	Particulars	Proposed (2021-22) Per annum	Approved (2021-22) Per annum	Proposed (2022-23) Per annum
1	ARR of SLDC	1318.073	1046.164	1432.830
2	System Operation Charge (80%)	1054.459	836.931	1146.264
3	Market Operating Charge (20%)	263.615	209.233	286.566
4	SOC for Intra-state transmission licensee (10% of SOC)	105.446	83.693	114.626
5	SOC & MOC for Generating Stations and sellers (45% of SOC+50% MOC)	606.313(474.506+131.807)	481.236(376.619+104.616)	659.102(515.819+143.283)
6	SOC & MOC for DISCOM & Buyers (45% of SOC + 50% MOC)	606.313(474.506+131.807)	481.236(376.619+104.616)	659.102(515.819+143.283)
	TPCODL (Formerly CESU)	204.388	160.412	219.678
	NESCO	141.817	101.531	139.071
	WESCO	172.678	148.498	203.399
	SOUTHCO	87.431	70.795	96.954

Analysis of ARR and Suggestions

Depreciation

Observations

SLDC has claimed Rs. 81.183 lakh as depreciation for assets in ULDC and offices in SLDC as per CERC Regulation. Out of total depreciation claimed, major amount claimed is for computers & peripherals for SLDC data centres amounting 44.24 lakh. Other amount includes Rs. 24.979 lakh claimed on account of Video Projection Screen (**VPS**).

Submission

- As per Gross Block, capitalization of Rs 77.69 lakh has been claimed for FY 2020-21. The same should be allowed if it is incurred for approved projects only.
- Depreciation on VPS and IT equipment for data centre may be allowed on the basis of approved project cost.

	Gross Block as On 31.03.20	Gross Block as On 31.03.21
Video Projection Screen	166.53	166.53
Computers & peripherals for data centre	244.57	258.13

camera etc. should be scrutinized.

- The depreciation should be allowed based on Commission's approved project cost and depreciation rate with consideration of depreciation already claimed.

O&M Expenses excluding HR

Observations

The O&M expenses of Rs. **341.65** lakhs are projected considering the expenditure to be incurred in FY 2022-23 & not as per OERC Regulation (88.51% escalation on FY 2021-22 approved expenses)

Submission

- The proposed O&M expenses of Rs **341.65** lakh seems to be on higher side and should not be approved.
- Under A&G, projected electricity charges and watch & ward charges are significant (around 68% of projected A&G charges). These need to be reviewed.
- SLDC has spent on **O&M expenses for FY 2021-22 (actual up to September is 59.127 lakh, i.e. 32.62% of the approved for FY 2021-22, Rs. 181.236 lakhs)**. SLDC projecting high O&M related expenses during Oct – March 2022 amounting 114.396 lakh, which is on higher side.
- The O&M, therefore, should be computed as per OERC Regulation: 5.72% escalation over actual prorated O&M expenditure of FY 2021-2022.

HR and O&M Expenses (in lakh)

Particular	FY 2020-2021		FY 2021-22		Proposed for FY 2022-23
	Approved	Actual	Approved	Actual (1 st 6 months) / Projection for next six months.	
Employee cost including compensation	724.387	715.33	793.630	336.286/424.505	974.107
R & M expenses	45.221	83.490	56.996	13.450/45.610	153.450
A & G expenses	122.893	99.964	124.240	45.677/68.768	188.200

- **Observations :** The projected expenses for second half of FY is far more than actual expenditure incurred in first six months of FY 2021-22 . The entire year project expenditure differs significantly from approved expenditure.
- Projected expenses to be incurred on R&M expenses in the second half of FY 2021-22 is more than three times of actual R&M expenses incurred in the first half. Actual R&M expenses increase significantly in FY 20-21 compare to FY 19-20.
- Commission may arrive at the figures for FY 2021-22 on pro-rata basis and escalate it for FY 2022-23 at the 5.72%

Human Resources Expenses

Observation

SLDC has claimed HR expenses of **Rs 974.107** lakh on account of salary and other cost of proposed 63 no of executives and non executives and 50% arrear due to implementation of 7th pay commission report for FY 22-23.

Submission

- SLDC has computed salary on the basis of total 63 staff; however, present staff strength is 58. Considering the actual salary paid in current year, salary should be fixed for ensuring year.
- DA should be allowed as per government approved norm.
- HRA is proposed as Rs 75.41 lakh, actual paid in FY 20-21 is Rs 28.94 lakh. Such abnormal increase should be reviewed.
- 7th pay commission arrear for FY 2022-23 is proposed as Rs 47.54 lakh.
- Hon Commission has not approved any arrear payment for FY 2021-22: *“.....since the same has not yet been allowed by the State Government”*.
- For FY 2020-21, an amount of Rs 34.45 lakh is shown as “Provisions – Arrear Salary (RPP)”. It seems only provisions are made. Similarly, for FY 2021-22 (six month) , arrear salary of only Rs 3.007 lakh has been paid.
- Considering actual arrear payment made, the same should be approved.

Working capital

Observation

- SLDC has claimed Working capital requirement of **Rs 348.451** lakh [**O&M excluding HR** for **one** month at Rs.28.471 lakh, **HR** expenses for **one** month at Rs. 81.176 lakh & Receivables (**two** months of SOC & MOC) at Rs. 238.805 lakh]
- SLDC in their ARR application has admitted that they have not taken loans to meet working expenses; however, the same is kept for non-receipt of SLDC charges from the users for a period of 2 months from the commencement of FY.

Submission

- The Commission did not approve any amount under working capital and the observed that: “..... since SLDC has substantial amounts of funds in the SLDC Development Fund and parts of which is being used as deemed loan for working capital purpose, no interest on working capital for FY 2021-22 is allowed”.
- Proposed working capital of **Rs. 348.451 lakh** may not be approved separately and the same may be allowed to be incurred from SLDC Development Fund.
- SLDC should collect its due from the users in timely manner as prescribed by Hon’ble Commission in last year order under “Payment Mechanism of Annual Charges to SLDC”. The provision of LC, Rebate and late payment surcharge are already mentioned.

Some more observations

<p>Transfer of assets of SLDC along with Sub –SLDC by 31.08.2007</p>	<p>The assets of SLDC along with sub-SLDC have been identified and presently being exclusively used by SLDC personnel awaiting for transfer. No definite time frame is suggested.</p>
<p>Certification of LDC personnel</p>	<p>The expenditure for Training & Certification of LDC personnel has been projected as Rs 20.0 lacs for FY 2022-23 considering the easing of pandemic condition and return of normalcy.</p> <p>SLDC may submit the details regarding the staff trained and benefits from training attended earlier.</p>
<p>Utilization of money from the “SLDC development fund”</p>	<p>The proper utilization of the “SLDC Development Fund” may be produced by SLDC. The accumulated cash balance in SLDC Development Fund was Rs.53.602 Crore as on 31.03.2020.</p>

In Conclusion

- The SLDC is considered as 'Brain' of power system operation.
- SLDC is responsible for optimum scheduling and dispatch of electricity, carrying out real time operations for grid control and dispatch of electricity in cost effective manner. SLDC has proposed to levy and collect charges from RE projects.
- Non functioning of SLDC at its full strength will adversely affect the power system operations.
- The SLDC should provide details of utilization of SLDC Development Fund.
- The Commission may consider above facts before approving the ARR for FY 2022-23.

Thank You