

Analysis of ARR & Fees and Charges For SLDC (FY 2024-25)

WISE , Pune ,Consumer Counsel

Computation of Annual Charges for SLDC

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

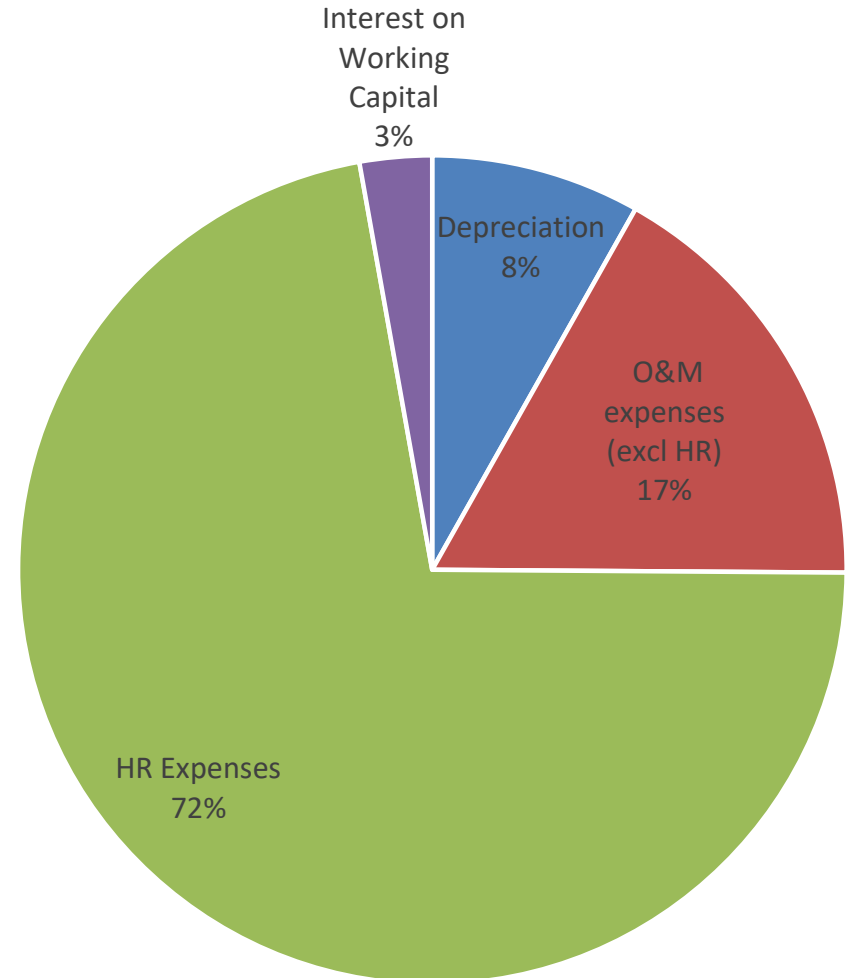
Annual Charges consist of

- 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 2024-25

SL No	Annual Charge Components	Cost (in Rs. lakh)
1	Return on Equity	0.000
2	Interest on Loan	0.000
3	Depreciation	120.564
4	O&M expenses (excl HR)	250.412
5	HR Expenses	1064.447
6	Interest on Working Capital	41.622
	Total	1477.045



Comparison of ARR

		(in Rs. lakh)				
SL No	Particulars	Approved (2020-21)	Approved (2021-22)	Approved (2022-23)	Approved (2023-24)	Proposed (2024-25)
1	Employee cost including compensation	724.387	793.630	874.473	954.611	1064.447
2	O&M Expenses	168.114	181.236	193.948	208.700	250.412
3	Depreciation	38.388	71.298	81.183	80.689	120.564
4	Interest on loan	0	0	0	0	0
5	Interest on WC	0	0	0	0	41.622
6	ROE	0	0	0	0	0
Total ARR (Rs Lakh)		930.889	1046.164	1149.604	1244.000	1477.045

Comparison of Annual SLDC charges (in Rs. lakh)

Sr No	Particulars	Proposed (2023-24) Per annum	Approved (2023-24) Per annum	Proposed (2024-25) Per annum
1	ARR of SLDC	1453.000	1,244.000	1477.045
2	System Operation Charge (80%)	1162.400	995.200	1181.636
3	Market Operating Charge (20%)	290.600	248.800	295.409
4	SOC for Intra-state transmission licensee (10% of SOC)	116.240	99.520	118.164
5	SOC & MOC for Generating Stations and sellers (45% of SOC+50% MOC)	668.38 (523.080+ 145.300)	572.24 (447.840+124 .400)	679.44 (531.736+ 147.704)
6	SOC & MOC for DISCOM & Buyers (45% of SOC + 50% MOC)	668.38 (523.080+ 145.300)	572.24 (447.840+124 .400)	679.44 (531.736+ 147.704)

Analysis of ARR and Suggestions

Status of Capex

Approval details	Approved amount (Rs lakh)	Actually incurred (Rs lakh)
Approved vide OERC Order dated 23.03.2017 in Case No. 47 of 2016 and order dated 22.03.2018 in Case No. 78 of 2017	717.99 (Rs 450 lakh of new building, which is revised now)	30.36
Approved vide letter No. DIR(T)-351/08/112 dated 19.01.2021.	3456.04 (Rs 3435.16 lakh for new building)	20.00
Approved vide letter DIR (T)-351/08/1520 dated 27.10.2017	309.105	429.39 *
Approved vide letter No. DIR(T)-351/08/1288 dated 10.09.2019.	27.72	24.22
Approved vide letter No. DIR(T)-351/08/1298 dated 16.11.2020	21.00	18.32
Approved vide letter No. OERC/Engg.-11/2022/540 dated 20.05.2022 .	53.00 (automatic demand management scheme)	24.55
Approved vide letter No. OERC/Engg.-1/2019/880 dated 24.08.2022 .	2266.00 (Implementation of SAMAST)	0.00 (tendering for consultancy is in progress)
Total	6850.855	546.84

*Procurement of computers & peripherals for data centre: actual expenditure Rs 244.57 lakh against approval of Rs 22.57 lakh. Please review.

Depreciation

Observations

SLDC has claimed Rs. 120.564 lakh as depreciation for assets in ULDC and offices in SLDC as per CERC Regulation. Out of total depreciation major amount claimed is for computers & peripherals for SLDC control room, office and data centres amounting 44.239 lakh. Other amount includes Rs. 24.979 lakh claimed on account of Video Projection Screen (VPS).

Submission

- Depreciation on VPS and IT equipments may be allowed on the basis of approved project cost.

Particulars	Gross Block as On 31.03.22	Gross Block as On 31.03.23
Total	609.29	867.07
LED Sign board 1 No.		1.00
Exhaust Fans 14 No.(230-8,300-3,200-3)		00.29
1 No. of ACER Laptop TMP 214-53		00.66
1 No. of ACER PC veriton M200-H510		00.54
ADMS Project (88 Substations)		250.31
FORTI GATE FG 81F (75 Sqft)		05.00

- Depreciation on new assets, as mentioned above should be scrutinized. Whether the above assets are approved by the commission. Approved cost of ADMS project was 53 lakh.
- The depreciation should be allowed based on Commission's approved project cost, depreciation already claimed etc.

O&M Expenses excluding HR

Observations

The O&M expenses of Rs. **250.412** lakhs are projected considering actual expenditure to be incurred in FY 2024-25 & not as per OERC Regulation (20% increase from FY 2023-24 approved expenses)

Submission

- The proposed O&M expenses of Rs **250.412** 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 40% of projected A&G charges). Hire charges for vehicle are also proposed to be increased. These need to be reviewed.
- SLDC has spent very low amount on **O&M expenses for FY 2023-24 (actual up to September 23 is 75.786 lakh, i.e. 36.31% of the approved for FY 2023-24, of Rs. 208.70 lakhs)**. SLDC is projecting high O&M related expenses during Oct 23–March 2024 amounting 151.861 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 2023-24.

HR and O&M Expenses (in Rs lakh)

Particular	FY 2022-23		FY 2023-24		Proposed for FY 2024-25
	Approved	Actual	Approved	Actual (1 st 6 months) / Projection for next six months/ Projection for full year.	
Employee cost including compensation	874.473	947.553	954.611	479.5/494.37/973.87	1064.447
R & M expenses	89.311	52.544	77.158	16.87/62.347/79.219	87.141
A & G expenses	104.637	138.555	131.543	58.91/89.515/148.428	163.271

- **Observations :** The projected expenses for second half of FY 23-24 is far more than actual expenditure incurred in first six months of FY 2023-24 .
- Projected expenses to be incurred on R&M expenses in the second half of FY 2023-24 is almost four times higher than what actually incurred in the first half.
- The Commission may arrive at the figures for FY 2024-25 on pro-rata basis of FY 2023-24 and escalate it at the rate of 5.72%

Human Resources Expenses

Observation

SLDC has claimed HR expenses of **Rs 1064.447** lakh on account of salary and considering the existing employees including 4 numbers of Telecommunication personnel working at SLDC control centre. In addition, salary for 13 contractual/outsourcing staffs to be engaged at SLDC for FY 24-25 has been considered.

Submission

- SLDC has computed salary of 63 staff including contractual staff (current staff is also the same).
- Basic Pay & GP for 2024-25 may be calculated on the basis of actual expenses of last 10 months (up to Jan-24) which can be prorated for the whole of FY 2023-24 and the same may be escalated with appropriate rate.
- Applicable DA rate can be considered. Proposed Contractual Staff Payment is higher than the approved amount for FY 2023-24. The same may be reviewed.
- SLDC proposed terminal benefits of Rs 51.163 lakh for FY 2024-25. The same may be allowed based on actual payment made by SLDC in this regard.

Working capital

Observation

- SLDC has claimed Working capital requirement of **Rs 355.746** lakh [**O&M excluding HR** for **one** month at Rs. 20.868 lakh, **HR** expenses for **one** month at Rs. 88.704 lakh & Receivables (**two** months of SOC & MOC) at Rs. 246.174 lakh]
- SLDC in their ARR application has admitted that they have not taken loans to meet working expenses.
- Hon'ble Commission' observation in FY 23-24 order: *“50.....The Commission observes that since SLDC has adequate fund in the SLDC Development Fund and this fund is being used for the purpose of working capital considering the amount spent as deemed loan, therefore no interest on working capital for FY 2023-24 is allowed”.*

Submission

Proposed working capital of **Rs. 355.746 lakh** may not be approved separately and the same may be allowed to be incurred from SLDC Development Fund.

Some more observations

Transfer of assets of SLDC along with Sub –SLDC by 31.08.2007

As per the recommendation in the report of the task force committee on “Capital Expenditure and Issues related to Emoluments for Personnel in Load Despatch Centres”, the assets pertaining to the Control Centre (SLDC) has to be handed over to the State Load Despatch Centres.

The assets of SLDC along with sub-SLDC have been identified and presently being exclusively used by SLDC personnel awaiting for transfer as per the direction of Hon’ble Commission.

Certification of LDC personnel

The recommendation No. (4) in Clause 6.4 of Report of the Committee on “Manpower, Certification and Incentives for System Operation and Ring fencing Load Despatch Centres” has envisaged that the highly specialized and technical nature of LDC function necessitates a suitable compensation structure to attract and retain talent. The expenditure for Training & Certification of LDC personnel has been projected as Rs 12.052 lacs for FY 2024-25. **Actual FY 22-23: Rs 7.844 lakh; projected FY 2023-24: Rs 10.956 lakh.**

SLDC may submit the details regarding the staff trained and benefits from the training.

Some more observations – SLDC Development fund

Utilization of “SLDC development fund”

- Capex addition: FY 2019-20: Rs 208 lakh, FY 2020-21: Rs 14.5 Lakh, FY 2021-22: Rs 22.91 lakh, FY 2022-23: Rs. 257.78 Lakh .
- Surplus (income - expenditure from operation) transfer to SLDC fund: FY 2019-20: Rs 450 lakh, FY 2020-21: Rs 407 lakh; FY 2021-22: Rs 381 Lakh.
- The accumulated cash balance in SLDC Development Fund, as submitted by SLDC, is Rs.69.08 Crore as on 31.03.2022.

Hon’ble Commission’s direction:

- The miscellaneous income of SLDC such as Registration Fee, Application Fee, Short Term Open Access Charges, etc. during FY 2022-23 shall be deposited in the SLDC Development Fund as per Regulation 8 of OERC (Fees & Charges of SLDC and other related matters) Regulation, 2010.
- SLDC shall be entitled to utilize the money from SLDC Development Fund as usual in assets creation and margin money for raising loan from FIs for assets creation & funding of R&D Projects, if any, relating to Odisha Power System with the necessary approval of the Commission.
- Any asset created by SLDC out of money available in SLDC Development Fund shall not be considered for computation of Return on Equity & Interest on Loan.

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.
- Non functioning of SLDC at its full strength will adversely affect the power system operations.
- The SLDC has committed delay in implementing the orders of Hon'ble Commission.
- SLDC Development fund to be monitored closely.
- Implementation of CABIL report recommendations may be submitted.
- The Commission may consider above facts before approving the ARR for FY 2024-25.

Thank You