ODISHA ELECTRICITY REGULATORY COMMISSION
PLOT NO. 4, CHUNUKOLI, SAILESHREE VIHAR,
CHANDRASEKHARPUR,
BHUBANESWAR-751021
****

Present: **Shri U. N. Behera, Chairperson**
Shri S. K. Parhi, Member

Case No. 11/2019

OPTCL	………	Petitioner
-Vrs. -		
Sri G.N. Agrawal & others	….......	Respondents

In the matter of: **Truing up application for FY 2017-18 in compliance with Regulation 7 of the OERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2014.**

For Petitioner : Shri R. C. Mishra, CGM(Finance), OPTCL

For Respondents **:** Shri K. C. Nanda, DGM (Finance), WESCO
Shri Nabin Mumar Mishra, Manager (Elect.) CESU
Smt. Niharika Pattnaik, Asst. Law Officer, GoO, DoE.
Nobody is present on behalf of Sambalpur District Consumers Federation, M/s Swain & Sons Power Tech Pvt. Ltd., M/s. Ferro Alloys Corporation Limited, M/s. Adhunik Metaliks Limited, Sri Ananda Kumar Mohapatra, National Institute of Indian Labour, BBSR, North Odisha Chamber of Commerce and Industry (NOCCI), M/s Visa Steel Limited, M/s. Facor Power Limited, /s. Grasim Industries Limited (Chemical Division Ganjam), GRIDCO Limited, NESCO Utility and SOUTHCO Utility.

ORDER

Date of hearing: 23.07.2019 **Date of order: 05.11.2019**

This petition has been filed by the Odisha Power Transmission Corporation Limited (OPTCL) for truing up of ARR Accounts for the FY 2017-18. Regulation 7.1 (Truing up of Capital Expenditure and Tariff) of OERC (Terms and Conditions for Determination of Transmission Tariff) Regulations, 2014 (in short 'Transmission Tariff Regulations, 2014'), provides that OPTCL may file an application each year for truing up along with the tariff petition for the next tariff period and the Commission shall carry out truing up exercise along with the disposal of tariff application for the next tariff period. The petitioner OPTCL has accordingly submitted its truing up proposal for the FY 2017-18 as per the Audited Accounts for the FY 2017-18.

2. The distribution company CESU filed an objection to the said petition of OPTCL on the following grounds:

- As per Regulation 7.1 of the OERC Transmission Regulation the present petition is not maintainable.
- The SERC is a civil court within the meaning of section 94 of EA, 2003, the limitation Act 1963 stands applicable to all the proceedings under the Act as per section 75 of the Act. Since the limitation period is beyond one year for truing up application for FY 2017-18 this cannot be stretched even by limitation Act, 1963.
- As per regulation 7.3 of the OERC Transmission Regulation if in the true up there is a large variation and it is not feasible to recover the same in one year alone, the Commission may take a view to create a regulatory asset as per regulation 7.4. Since the claim is belated the Commission may not consider such application which will have direct/indirect impact in increase in BSP and safeguarding consumers interest as per section 61(d) of the Act.

3. The petitioner in its rejoinder to the CESU reply submitted that he does not agree with the contention of the objector that the present application is not maintainable due to the doctrine of delay. OPTCL submitted that the audit of the accounts is done by the statutory auditors and CAG auditors which is beyond the control of OPTCL. By going through such procedure, filing of true up application along with ARR application in time is not possible at times. Truing up is the part and parcel of determination of tariff and the same cannot be set aside.

4. After hearing the petitioner, the respondents and going through their written submissions, the component-wise truing up is discussed as follows:

Employee Cost and Terminal Benefits

5. The Commission in the ARR for the FY 2017 -18 had allowed Rs.304.50 Cr. under the head Employee Cost including Terminal Benefits. As per the audited accounts for FY 2017-18, the expenditure on the Employee Cost is Rs.385.44 Cr. The details of approved amount vis-à-vis actual expenditure are mentioned below:

Table – 1
Details of Employee Cost Approved Vrs. Actual

Particulars	Approved	Actual
Salaries (Basic + Grade pay)	59.35	90.68
Dearness Allowance	83.52	86.49
House Rent Allowance	8.7	9.08

Other Allowance	0.63	4.7
Bonus	0.01	0.12
Stipend for MT	5	4.07
Out Source Engagement	3.76	2.7
Ex-Gratia	2.5	4.71
Staff welfare Expenses	3.52	2.58
Others (Medical, Honorarium, LTC, others etc.)	3.74	2.23
Sub total employee cost	**170.73**	**207.36**
Pension including NPS contribution	143.64	200.75
Sub total	314.37	408.11
Less :- Employee Cost Capitalised	9.87	22.67
TOTAL	**304.50**	**385.44**

6. The OPTCL has submitted that the Salaries (Basic + Grade Pay) amounting to Rs.90.68 Cr. in the audited accounts includes Rs.28.17 Cr. towards provision for payment of arrear salary on account of the Pay & Wage Board revision in terms of 7th pay Commission recommendations adopted by the OPTCL. The Commission had not allowed any amount towards arrear salary for the Pay & Wage Board revision in the ARR order for FY 2017-18. Therefore, the above amount Rs.28.17 Cr. may be considered in true-up.

7. The Commission is aware that the OPTCL has implemented the pay and wage revision as per the 7th Pay Commission recommendations implemented by Govt. of Odisha. **The OPTCL has therefore incurred higher expenses on that account against our approval in ARR which is shown in table-1. The employee cost thus excluding terminal liability is allowed to the tune of Rs.179.19 cr.** Therefore, we allow the arrear pay and other consequential expenses under such revision of pay as shown in the following table:

Table – 2
Employee Cost (excluding Pension)Approved for truing up

Particulars	**In cr.**
Salaries (Basic + Grade pay)	90.68
Dearness Allowance	86.49
House Rent Allowance	9.08
Other Allowance	4.7
Bonus	0.12
Stipend for MT	4.07
Out Source Engagement	2.7
Ex-Gratia	4.71
Staff welfare Expenses	2.58
Others (Medical, Honorarium, LTC, others etc.)	2.23
Sub total	**207.36**

less provision for payment of arrear salary	28.17
Sub total employee cost excluding pension	**179.19**

8. OPTCL had claimed an amount of Rs.148.00 Cr. towards terminal benefit and Rs. 4.06 Cr. towards contribution to NPS for the FY 2017-18. OPTCL has transferred the entire amount on monthly basis to the Terminal Benefit Trusts. The Commission in the ARR had allowed an amount of Rs.139.58 Cr. towards terminal benefit and Rs.4.06 Cr. towards NPS during 2017- 18.

9. OPTCL submitted that as per IND AS-19 issued by MCA, employee benefit liabilities shall be assessed through actuarial valuation. Accordingly, OPTCL had engaged independent Actuary and based on the report of Independent Actuary M/s Charan Gupta Consultants Pvt. Ltd, OPTCL has made provision towards terminal liabilities in the statement of P&L a/c in each of the accounting period. As per the Actuarial Valuation, the corpus of the Terminal Liability as on 31.03.2018 ought to be Rs.2358.53 Cr. In the FY 2017-18, OPTCL has made provision of Rs.196.03 Cr. towards terminal liabilities and Rs.4.72 cr as employer's contribution in case of NPS and NP category as under:-

Table – 3
Terminal Liabilities

Pension Fund, Gratuity Fund and Leave Fund	139.58	196.03
Provident Fund(NP & NPS Contribution)	4.06	4.72
Total pension including NPS	**143.64**	**200.75**

10. The actual expenditure toward employer's contribution in case of NPS and NP category is Rs.4.72 Cr. against approved amount of Rs.4.06 Cr. Hence, Rs.4.72 Cr. may be considered for true-up towards employer's contribution to NPS and NP. In view of the above, the petitioner submitted that Rs.200.75 Cr. (196.03+4.72) be considered as Terminal Benefit for truing up for FY 2017-18.

11. Regarding terminal liability, the Regulation 8.9 of OERC Tariff Regulations, 2014 states as under:

"Terminal liabilities would be provided based on a periodic actuarial valuation to be made by the Commission in line with the prevailing Indian accounting standards."

The Commission accordingly allows the terminal benefit provisionally on the basis of actuarial valuation which is done through authorised actuary. Therefore, in view of the report of the actuary the present requirement of Rs.200.75 Cr. (196.03+4.72) crore as proposed by the OPTCL is provisionally allowed in the true up for FY 2017-18.

12. OPTCL submits that the Commission in its ARR order for FY 2015-16 conducted the truing up exercise for FY 2015-16. In the para 196 of the said order the Commission observed the following:

"It is seen from the above table that OPTCL posted a cumulative surplus of Rs.480.53 crore at the end of 2015-16. As stated above, the Commission had approved an amount of Rs.427.81 crore towards differential terminal liability of the past period. After adjustment of the amount from surplus as mentioned above the net surplus works out Rs.52.72 crore (480.53-427.81). Hence, we conclude that OPTCL does not require any regulatory asset to be amortized."

13. The Commission during the last truing up order for 2016-17 in case No.05/2018 dt.30.07.2018 had not allowed this approved amount of Rs.427.81 crore and in its review order in Case No.64/2018 dtd.01.01.2019 observed that the matter should have been raised in the ARR hearing for FY 2019-20. The OPTCL has contended that since the ARR application for FY 2019-20 was filed much before the order of the Commission, there was little scope to raise this matter in the ARR.

14. The Commission in consideration of such a prayer of OPTCL is inclined to allow the amount of Rs.427.81 crore to be adjusted against the truing up for 2017-18 which was previously allowed in the Truing up order for 2015-16 by the Commission.

Repair & Maintenance (R&M) Expenses:

15. The OPTCL submitted that the Commission has allowed Rs.124.97 Cr. towards R&M Expenses in the Transmission Tariff Order for FY 2017-18. The extract of the observation of the Commission is as under:-

"xxx In line with the tariff orders of previous year an escalation of 5% is assumed annually over the audited figures to arrive at an amount of rs.124.97 Cr. for FY 2017-18 xxx"

16. Further the Commission in Para 229 of Transmission Tariff Order for FY 2014-15 observed that:

"If the licensee spends more during FY 2014-15 than the approved amount the excess amount so spent will be considered in the ARR for the next financial year".

17. The OERC (Terms and Conditions for Determination of Transmission Tariff) Regulations at Regulations 8.15 and 8.16 provides the following with regard to determination of Repairs and Maintenance (R&M):

'Repair and Maintenance Expenses would be allowed at the rate of 2.5% of Gross Fixed Assets (GFA) only on assets owned by the transmission company, for each year of the control period.' 'In case of STU(OPTCL) the Commission shall allow Repair and

maintenance expenses basing on the past trend and requirement of the licensee in this regard after prudence check.'

18. OPTCL stated that in the last five years they have added 31 nos. of Grid S/Ss, 436 nos. of Bays and 1737.43 ckt. Km. of lines. The addition of assets have increased the requirement of expenditure in R&M. They have made R&M expenditure to the tune of Rs.137.83 Cr. in FY 2017-18 as per audited accounts.

19. The Commission observed that during the FY 2017-18, 8 nos. of new substations, 375 ckt.km. of lines and 121 nos. of bays have been added. Therefore, considering the increased asset base, we allow Rs.137.83 Cr. as R&M expenses on the basis of audited accounts as a part of the truing up exercise.

Administration & General (A&G) Expenses:

20. OPTCL submitted that the Commission has allowed Rs. 25.60 Cr. towards A&G Expenses in the Transmission Tariff Order for FY 2017-18. In addition to that, Rs.99 lakhs was also allowed in the tariff order towards GCC expenses and SLDC charges (Rs.34 lakhs GCC expense + Rs.65 lakhs SLDC charges). As per the audited accounts for FY 2017-18, the A&G Expenses is Rs.45.51 crore and this should be allowed to OPTCL.

The Regulation 8.14 of Transmission Tariff Regulations, 2014 states as follows:

In case of S.T.U. (OPTCL), the Commission shall allow A & G expenses by giving an escalation factor equal to WPI over the amount approved by the Commission in the previous year.

Therefore, the Commission shall allow A&G expenses by giving an escalation factor equal to WPI over the amount approved by the Commission in the previous year. Hence, we are not inclined to accept the expense of Rs.45.51 crore as proposed in the true-up petition which is double the amount approved by the Commission in the ARR for FY 2017-18 and is a controllable cost. Accordingly, the Commission approves an amount of Rs.26.59 crore towards A&G expenses **including GCC expenses and SLDC charges** for the FY 2017-18 as true up.

Depreciation:

21. OPTCL submitted that the Commission allowed an amount of Rs.130.76 Cr. towards depreciation in the Transmission Tariff Order for FY 2017-18. But as per the audited accounts for FY 2017-18, the depreciation and amortization expenses is Rs. 201.21 Cr. which is calculated on straight line method as per the rates as well as methodology notified under the Electricity Act, 2003. This amount includes Rs. 44.55 Cr. towards the depreciation

made on account of assets created by the beneficiary and Govt. on deposit work basis. The net depreciation against OPTCL's own assets is Rs. 156.66 Cr. (201.21-44.55). Further, the above amount includes Rs.1.30 Cr. towards lease rent paid against the land acquired for substation on lease from the State Govt. The OERC Transmission Tariff Regulations, 2014 stipulates the following with regard to the Depreciation:

"For STU (OPTCL), Depreciation shall be calculated for each year of the Control Period, on the original book value of the assets considering applicable depreciation rate as determined by the Commission from time to time."

Further, as per the Regulation 8.34 of the said Regulations, "Depreciation shall be calculated annually based on Straight Line Method and at rates as specified in Appendix-A to these regulations."

22. OPTCL submitted that the Commission has computed the depreciation @ Pre-92 on the original book value of the assets (i.e. after rolling back the effect of revaluation of 1996 from the value of the assets) as per the directions and order of the High Court of Orissa. Based on the above principle, depreciation of Rs.130.76 Cr. was allowed for the FY 2017-18. However, depreciation calculated by OPTCL is Rs. 156.66 Cr. as per the rates specified in Appendix-A to Transmission Tariff Regulations, 2014. The shortfall under this head is Rs. 25.90 Cr. (156.66-130.76).

23. On analysis of the Audited accounts for FY 2017-18 it is found that OPTCL has adopted IND AS system of accounting. As reported in the said audited accounts the deemed cost of Assets as on 31.03.2017 is 2725.12 crore. The Commission in successive tariff order has been allowing depreciation on the historical costs of the assets without considering the effect of up valuation. The Govt. of Odisha in successive years has also intimated to the Commission to keep in abeyance the effect of up-valuation of assets from the ARR calculation. Therefore, following the same principle, the Commission has considered the calculation of depreciation on the pre up-valued assets. The Commission has accordingly factored in the effect of up-valuation on the assets declared in the audited accounts of 2017-18 (value of declared asset minus up-valuation amount), which is shown in the following table:

Table – 4
Fixed Asset (Approved)

Transmission Assets	OERC Depreciation Rate as per Regulations, 2014	Deemed Cost as on 01.04.2017 (As per Audited Accounts)	Difference (Up valuation effect)	Pre-upvalued value of assets as on 01.04.2016	Depreciation

Transmission Assets	OERC Depreciation Rate as per Regulations, 2014	Deemed Cost as on 01.04.2017 (As per Audited Accounts)	Difference (Up valuation effect)	Pre-upvalued value of assets as on 01.04.2016	Depreciation
Free Hold Land		38.96		38.96	-
Lease Hold Land		31.86	5.64	26.22	
Buildings	3.34%	55.17	1.35	53.82	1.80
Electrical Installations	3.34%	1.6		1.6	0.05
Plant and Machinery (other civil works)	3.34%	14.79	1.58	13.21	0.44
Plant and Machinery	5.28%	1441.03	70.87	1370.16	72.34
Plant and Machinery (By Beneficiary)		183.03	193.28	-10.25	
Plant and Machinery: (Lines , Cables and Network)	5.28%	939.57	451.29	488.28	25.78
Vehicles	9.50%	0.73	0.44	0.29	0.03
Furniture, Fixture	6.33%	3.33	1.20	2.13	0.13
Office Equipment& Others	**6.33%**	13.96	2.21	11.75	0.74
Capital stores and spares		1.09		1.09	
Grand Total		**2725.12**	**727.86**	**1997.26**	**101.32**
Less: Assets contributed by beneficiary		183.03			
Total Assets Approved		**2542.09**			

24. Accordingly, we consider Rs. 101.32 crore towards Depreciation for truing up purpose which we had already decided in the Tariff order for FY 2017-18.

Finance Cost:

25. The petitioner has submitted that the Commission had allowed Rs.46.56 Cr. towards interest in the Transmission Tariff Order for FY 2017-18. As per the audited accounts for FY 2017-18, the gross interest is Rs. 66.27 Cr. after capitalisation of Rs. 0.06 Cr. The Commission may consider Rs. 66.27 Cr. toward Finance Cost in the truing up for FY 2017-18 against approved amount Rs. 46.56 Cr. The Shortfall under this head is Rs.19.71 Cr. (66.27-46.56)

26. As per Reg.8.22 of the Regulations, 2014 the normative loan is to be allowed in the following manner:

For normative loans outstanding at the beginning of the year on the revenue account, the licensee shall indicate in its filing the expected interest outgo for each year. This will be considered towards revenue requirement of the licensee for such years.

27. The Commission in the ARR order for FY 2017-18 had disallowed the claim of OPTCL towards servicing of State Government loan and bond. In line with that order the Commission now disallows Rs. 26 Crore towards servicing of Government Bonds shown in the audited accounts for FY 2017-18 for truing up. Therefore, we now allow an amount of

Rs.40.27 crore (66.27 crore – Rs.26 crore (Disallowed Interest on Govt. Bond) – Rs.0.06 crore (Deducted towards Interest Capitalised)) as truing up amount for FY 2017-18 towards finance cost.

Rebate

28. The Commission had allowed Rs.12.80 Cr. towards rebate in the Transmission Tariff Order for FY 2017-18 (Para 251, page 72 of the order). As per the audited accounts for FY 2017 - 18, the rebate is Rs. 11.84 Cr. This is accepted by the Commission.

Incentive for System Availability:

29. The Commission in the Transmission Tariff Order for FY 2017-18 had allowed Rs.5.00 Cr. towards incentive for System Availability above 99%. The said amount was to be considered in truing up for the FY 2017-18. The Commission approves this amount since the system has recorded 99.96% availability.

Return on Equity (RoE)

30. The OPTCL has submitted that the Commission approved RoE of Rs.62.00 Cr. @ 15.5% on equity value of Rs.400 Cr. infused by the State Govt. up to FY 2016-17 in the Transmission Tariff order for FY 2017-18. OPTCL further submitted that the State Govt. has infused Rs 50.00 Cr. as Equity Share Capital vide sanction order dated 26.02.2018 towards implementation of non-remunerative transmission projects in backward district.

31. OPTCL submitted that the "Smart Grid" Project was initiated by the State Government with an objective to bring in different components of Smart Initiatives into the State Transmission Network viz-(i) Advanced Metering Infrastructure (AMI), (ii) Geographical Information System (GIS), (iii) Supervisory Control & Data Acquisition System (SCADA) and (iv) Optical Ground Wire (OPGW). Accordingly, the State Govt. has approved the total project cost amounting to Rs. 249.70 Cr. under the Smart Grid Scheme and made budget provisions based on the project finance outlay from the FY 2015-16 onwards. Out of this, the State Govt. had transferred Rs. 30 Cr. during the FY 2015-16, Rs.80 Cr. during FY 2016-17 and Rs.70 Cr. during FY 2017-18 respectively. It is intimated by the State Govt. that the fund allotted under the Smart Grid Scheme has been sanctioned under Share Capital investment in OPTCL. Accordingly OPTCL has issued Share Capital against the amount received under the Scheme “Smart Grid”.

32. OPTCL submitted that the total equity infused by the State Government up to FY 2017-18 excluding equity of Rs.60.07 Cr. inherited by OPTCL at the time of demerger of GRIDCO into GRIDCO and OPTCL are as under:-

Table – 5
State Govt. Equity

Sl No.	Sanction Order No. and Date	Amount (Rs. Cr.)
1.	R&R-I-01/2009-3560 dt.25.03.09	23.04
2.	R&R-I-01/2009-2003 dt.24.02.09	0.01
3.	R&R-I-01/2009-9464 dt.ll.09.09	5.00
4.	R&R-I-01/2009-4826 dt.01.06.10	20.00
5.	R&R-I/73/2010-2438 dt.23.03.2011	51.95
6.	R&R-6/12-685 dt.31.0l.2012	1.00
7.	R&R-6/12-690 dt.3l.01.2012	39.00
8.	R&R-6/12-695 dt.31.01.2012	3.00
9.	R&R-6/12-629 dt.22.0l.2013	25.76
10.	R&R-6/12-634 dt.22.01.2013	16.60
11.	R&R-6/12-624 dt.22.01.2013	7.64
12.	R&R-6/12-5693 dt.l8.07.2013	29.19
13.	R&R-6/12-5698 dt.l8.07.2013	11.97
14.	R&R-6/12-5703 dt.l8.07.2013	8.84
15.	R&R-69/14-10445 dt.29.12.2014	10.50
16.	R&R-69/14-10450 dt.29.12.2014	27.50
17.	R&R-69/14-10455 dt.29.12.2014	12.00
18.	R&R-69/14-6823 dt.06.08.2015	19.68
19.	R&R-69/14-6818dt.06.08.2015	17.22
20.	R&R-69/14-6813 dt.06.08.2015	20.03
21.	BT(P)-15/15-10291 dt.21.12.2015	0.07
22.	R&R-69/14-5364 dt.l8.7.2016	10.00
23.	R&R-69/14-5369 dt.l8.7.2016	20.00
24.	R&R-69/14-5374 dt.l8.7.2016	20.00
25.	BT(P)-04/2018/En-1786 dt. 26.02.18	15.00
26.	BT(P)-04/2018/En-1791 dt. 26.02.18	20.00
27.	BT(P)-04/2018/En-1796 dt. 26.02.18	15.00
28.	R&R -54/2015/En-5458 dt. 23.06.15	20.00
29.	R&R -54/2015/En-737 dt. 28.01.16	10.00
30.	R&R -54/2015/En-4348 dt. 07.06.16	20.00
31.	R&R -54/20 15/En-466 dt. 17.01.17	60.00
32.	R&R-17/2017/En-2895dt.22.04.17	20.00
33.	R&R -17/2017/En-1 0216 dt. 27.12.17	50.00
Total		**630.00**

33. The Return on Equity accordingly as computed on the equity base of Rs.630 Cr. at the rate of 15.5% is Rs.97.65 Cr. As per the Regulation 8.28 of the Transmission Tariff Regulations, 2014, the Return on Equity is allowed on the Equity infused in the OPTCL by the Government. Considering the above submission, the Commission allows additional return on equity of Rs.35.65 crore over and above Rs.62.00 Cr. allowed in the ARR for FY 2017-18 as a part of truing up exercise.

Income Tax

34. OPTCL has not proposed truing up on Income Tax. The Commission however allows Income Tax of Rs.4.92 crore as shown in the audited account of OPTCL for FY 2017-18 to be passed on in the current truing up as per Regulation 8.43 of OERC Regulations, 2014.

Other Income

35. Basing on OPTCL's proposal, the Commission had approved Rs. 81.91 Cr. towards Misc. Receipts comprising Interstate Wheeling, STOA, STU charges from Energy exchange, Supervision charges for FY 2017-18.

36. As per the audited accounts for FY 2017-18 following income have been recognized as Misc. income via-a-vis that approved by the Commission.

Table - 6

(i) Revenue from Operation

Sl No.	Narration	Rs. Cr.
1.	Revenue from Transmission charges - interstate	19.39
2.	Transmission charges due to trading in power exchange (IEX/PXIL)	12.59
3.	Revenue from Wheeling / Short term open access Charges -inter-state	21.11
4.	Other Operation Revenue	2.58
	Total	**55.67**

Table - 7

(ii) Other Income

Sl No.	Narration	Rs. Cr.
1.	Interest on term deposits/ fixed deposits	34.58
2.	Interest on Staff Loans and Advances	1. 90
3.	Interest on Advances to Suppliers/Contractors	0.01
4.	Interest received on refund of income tax	0.58
5.	Sale of Scrap (Sale proceeds since no cost is assigned to scrap)	6.77
6.	Other Miscellaneous Income	17.60
7.	Income from ODSSP works	10.33
	TOTAL	**71.76**

Total Misc. Income: (i) + (ii) = Rs. 127.43 Cr.

37. OPTCL further submitted that while disposing the true up application for the FY 2016-17 the Commission had directed to submit the allocation statement, duly audited and certified by the statutory auditors to the Commission along with the application for determination of tariff. This could not be submitted earlier. Now OPTCL submitted the allocation statement,

duly audited and certified by the statutory auditors for consideration of the Commission which is as follows:

Table – 8
Allocation Statement (Other Business)

Sl No.	Name of the Scheme	Amount in Rs.
1.	Odisha Distribution System Strengthening Project (ODSSP)	25,80,52,318.00
2.	Odisha Dedicated Agriculture and Fishery Feeder (ODAFF)	(-)79,12,030.00
3.	Puri Nabakalebara Project(PNP)	1,17,34,256.00
4.	Deen Dayal Upadhaya Gram Jyoti Yojana (DDUGJY)	2,15,00,000.00
5.	Integrated Power Development Scheme (lPDS)	97,00,000.00
	Total	**29,30,74,544.00**

38. Regulation 8.42 (Income from Other Business) of the OERC (Terms and Conditions for Determination of Transmission Tariff) Regulation-2014 **is relevant which is stated** as under:

"Where the Transmission licensee has engaged in any Other Business, an amount equal to one third of the revenues from such Other Business after deduction of direct and indirect cost attributed to such Other Business shall be deducted from the Aggregate Revenue Requirement in calculating the tariff of the Transmission Licensee.

Provided that the Transmission Licensee shall follow a reasonable basis for allocation of all joint and common cost between the Transmission Business and the Other Business and shall submit the allocation statement, duly audited and certified by the statutory auditors, to the commission long with his application for determination of tariff;

Provided further that where the sum total of the direct and indirect costs of such Other Business exceeds the revenues from such Other Business, no amount shall he allowed to be added to the Aggregate Revenue Requirement of the Transmission Licensee on account of such Other Business."

39. Therefore, OPTCL submitted that the PMC charge recognized from ODSSP, ODAFF, PNP, DDUGJY, IPDS scheme and interest earned from the investment of funds received for the State Govt. funded scheme are in the nature of Other Business Income and shall be adjusted in Aggregate Revenue Requirement as per the provision of Regulation 8.42. Accordingly Rs.9.77 Cr. (1/3rd of Rs.29.31 Cr.) may be considered Other Business Income for true up under Misc. Income as per the Regulations.

40. Besides, there are other non-tariff income such as Provision Written Back (Rs. 12.86 Cr.), withdrawal of Employees Trust Provision (Rs. 7.95 Cr.) which are not to be considered for true-up. Similarly, SLDC operating charges booked under the head Other Operating Income amount to Rs.ll.49 Cr. which is not to be considered for truing up. The Commission may

consider Rs. 127.43 Cr. as Misc. Receipts against the approved amount of Rs.81.94 Cr. in truing up for the FY 2017-18. The surplus under this head is Rs.45.49 Cr. (127.43-81.94).

41. The commission has gone into the submissions of the OPTCL. The following table shows other income as shown in the audited accounts:

Table – 9
Miscellaneous Receipt (Audited)

(a)	Interest Income from	
	- Bank deposits	34.58
	- Loans to employees and suppliers	1.9
	- Advance to suppliers	0.01
	- Interest on Income tax return	0.58
(b)	Deferred income for Government Grant	
(c)	Deferred income for asset received from customer	66.49
(d)	Net gain(loss) on disposal of property, plant and equipment	6.77
(e)	Provision written back	12.86
(f)	Employee Trust Provision Withdrawn	7.95
(g)	Writing Back of provision/Liabilities	
(h)	Supervision charges of ODSSP Work	29.87
(i)	Other miscellaneous income	17.6
	Total other Income	178.61

42. The Commission after scrutiny of the other income as shown in the audited accounts allows deducting following amounts from the other income:

- Provision written back (Rs. 12.86)
- Employee trust Provision withdrawn (Rs.7.95)

As regards the income from supervision charges and interest on implementing various Government schemes, these incomes are other Income nature and are not allowed to be deducted from the total income. The commission recognizes that the Project Management Consultancy (PMC) charge received from ODSSP, ODAFF, PNP, DDUGJY, IPDS scheme and interest earned from the investment of funds received from the State Government funded scheme are in the nature of Other Business Income and shall be adjusted in Aggregate Revenue Requirement as per the provision of Regulation 8.42. Accordingly Rs.9.77 Cr. (1/3rd of Rs.29.31 Cr.) is considered Other Business Income for truing up under Misc. Income as per the Regulations.

Table – 10
Miscellaneous Receipt (Approved)

Interest Income from	
- Bank deposits	34.58
- Loans to employees and suppliers	1.90
- Advance to suppliers	0.01
- Interest on Income tax return	0.58
Deferred income for Government Grant	
Deferred income for asset received from customer	66.49
Net gain(loss) on disposal of property, plant and equipment	6.77
Provision written back	
Employee Trust Provision Withdrawn	
Writing Back of provision/Liabilities	
Supervision charges of ODSSP Work (1/3rd of Rs. 29.31Cr.)	9.77
Other miscellaneous income	17.60
Total other Income	137.70

Transmission Charges

43. The OPTCL has submitted that the Commission approved total ARR of Rs.639.40 Cr. in the Transmission Tariff Order for FY 2017-18 to be recovered from LTOA customers. As per the audited accounts for FY 2017-18, the revenue from transmission charges recovered from the LTOA are as under:

Table – 11
Revenue from Transmission Charges

Sl No.	Narration	Rs. Cr.
1.	Transmission Charges from four DISCOMs	612.33
2.	Wheeling Charges from CGP/industries	12.82
	Total	**625.15**

44. OPTCL therefore submitted that the Commission may consider Rs.625.15 Cr. in truing up for the FY 2017-18. The shortfall amount under this head is Rs.14.25 Cr. (639.40-625.15). The Commission in view of such submission allows Rs.14.25 Cr. in the present truing up for FY 2017-18 towards the shortfall in transmission charges.

SLDC Development Fund

45. OPTCL has submitted that the Commission while approving of Annual Revenue Requirement and Fees and Charges for State Load Despatch Centre (SLDC) for FY 2018-19 in Case No. 78/2017 dated 22.03.2018 has observed in Para 138 to Para-141 as under:

Para-138

"Based on the provisions in CERC Regulation, 2009 & Regulation-8 of OERC Regulation, 2010, the Commission vide Para-213 of the Order dated 20.03.2010 had approved to create

a separate fund namely "SLDC Development Fund" under a separate head of account under SLDC. SLDC Development Fund has already been established under SLDC with effect from 01.04.2010".

Further, Para 214 of the above referred Order dated 20.03.2010 stipulates that the entire balance amount approved in SLDC ARR for FY 2009-10 and remained unspent as on 31.03.2010 shall be transferred and deposited in the aforesaid "SLDC Development Fund".

Para-139

The accumulated cash balance in SLDC Development Fund has been shown by SLDC at Rs.35.09 Crore as at the end of 2016-17.

Para-140

The miscellaneous income of SLDC such as Registration Fee, Application Fee, Short Term Open Access Charges, etc. during FY 2018-19 shall be deposited in the SLDC Development Fund as per Regulation 8 of OERC (Fees & Charges of SLDC and other related matters) Regulation, 2010.

Para-141

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.

46. As per the above order dated 22.03.2018 in the Case No.78/2017, any surplus derived from the SLDC operation are to be transferred to SLDC Development Fund. The accumulated cash balance in SLDC Development Fund at the end of the FY 2017-18 is Rs.47.02 Cr. including Rs.12.59 Cr. towards interest earned from the investments of this fund (Note-20 of Audited Accounts). The year wise breakups as per the audited accounts are as under:-

Table – 12
SLDC Development Fund

YEAR	Opening Balance	Transfer from Retain Earning	Interest Received from Investment	Closing Balance
2011-12		10.30		10.30
2012-13	10.30	3.74	1.08	15.12
2013-14	15.12	3.26	1.57	19.95
2014-15	19.95	1.87	2.05	23.87
2015-16	23.87	3.32	2.31	29.50
2016-17	29.50	2.72	2.87	35.09
2017-18	35.09	9.22	2.71	47.02
Total		**34.43**	**12.59**	

47. OPTCL submitted that while conducting the truing up exercise Transmission Charges approved vis-a-vis Audited Accounts, the Commission has always grossed up both revenue

generated and expenditure made from the SLDC transactions. As a result the SLDC Development Fund created from the SLDC operation amounting to Rs. 34.43 Cr. has been trued up against the transmission charges and added in the net surplus as calculated by the Commission.

48. Since the funds are created from the SLDC operation and utilized for asset creation and margin money for raising loan from FIs for asset creation & funding of R&D Projects, if any, relating to Odisha Power System with the necessary approval of the Commission, it is not prudent to adjust the same with transmission charges.

OPTCL submits that the Commission may not consider the amount of Rs.34.43 Cr. transferred to SLDC Development Fund up to FY 2017-18 against the Transmission Charges and reduce the net surplus accordingly.

49. The Commission on such submission by the OPTCL, observes that since SLDC has not been ring fenced from the OPTCL, it is not maintaining separate books of accounts required for a corporatized entity. All the expenditure and revenue of the SLDC is being still booked under the books of OPTCL. It is not possible under the Regulation to consider any separate treatment for SLDC expenses in the truing up. This prayer of OPTCL is therefore cannot be accommodated now.

50. In view of the foregone paragraphs Commission approves the truing up component wise in the following manner :

Table - 13
Component wise Truing Up (Approved)

(Rs. In crore)

Particulars	OERC approval in ARR OF 2017-18	Actual as per audited accounts	True up proposed by OPTCL	True up approved by the Commission	Surplus/ Deficit
A. Employee Cost (Net)					
Employee Cost	170.73	207.36	179.19	179.19	-8.46
Terminal Liabilities	143.64	200.75	200.75	200.75	-57.11
Total Employee Cost	314.37	408.11	379.94	379.94	-65.57
Less: Capitalization	9.87	22.67	22.67	22.67	12.80
Employee Cost	**304.50**	**385.44**	**357.27**	**357.27**	**-78.37**
B. R&M cost	124.97	137.83	137.83	137.83	-12.86
C. A&G cost (including SLDC & GCC)	26.59	45.51	45.51	26.59	0.00
Sub-total (A+B+C)	**456.06**	**568.78**	**540.61**	**521.69**	**-65.63**

D. Depreciation	130.76	201.21	156.66	101.32	29.44
E. Interest on long-term liability	46.56	66.27	66.27	40.27	6.29
F. Rebate	12.80	11.84	11.84	11.84	0.96
G. Incentive for system availability	5.00		5.00	5.00	0.00
Sub-total (A to G)	**651.18**	**848.10**	**780.38**	**680.12**	**-28.94**
H. Income Tax	8.15		4.92	4.92	3.23
I. Return on Equity	62.00		97.65	97.65	-35.65
Grand Total (A to I)	**721.33**	**848.10**	**882.95**	**782.69**	**-61.36**
Less: Interstate Wheeling & Misc. Revenue	81.91	245.76	127.43	137.70	55.79
Net Transmission Cost	**639.42**	**602.34**	**755.52**	**644.99**	-5.57
Revenue from Transmission charges	639.40	625.15	625.15	**625.15**	14.25

51. The OPTCL has further made a prayer that an amount of Rs. 427.81 core was allowed towards differential terminal liability of the past period in the truing up order for 2015-16 carried out in the ARR for FY 2017-18. The Commission in para 196 (page 50) of the ARR order for FY 2017-18 had observed as under:-

"It is seen from the above table that OPTCL posted a cumulative surplus of Rs.480.53 crore at the end of 2015-16. As stated above, the Commission had approved an amount of Rs.427.81 crore towards differential terminal liability of the past period. After adjustment of the amount from surplus as mentioned above the net surplus works out to Rs.52.72 crore. (480.53-427.81) xxx"

52. The OPTCL further submitted that after the rectification order dated 18.1.2018 passed in Case No.33/2017, the above surplus amount as on 31.3.2016 was reduced to Rs.41.97 Cr. The Commission vide order dated 01.01.2019 passed in Case No.64/2018 (in the matter of review of Commission's order dated 03.7.2018 passed in the Case No.5/2018) has observed that the matter should have been raised in the ARR hearing for the FY 2019-20. Since the ARR application for FY 2019-20 was filed much before the order of the Commission, there was little scope to raise this matter. Therefore, the Commission may consider OPTCL's submission made in the present truing up application for the FY 2017-18.

53. The Commission has considered such prayer of the OPTCL and accordingly allows an amount of Rs. 427.81 core towards differential terminal liability of the past period in the truing up order for 2015-16 which was not allowed during the truing up for FY 2016-17. Considering the above summary of truing up exercise of OPTCL for different years including truing up for FY 2017-18 as allowed now is given in the following table:

Table – 14

Summary of Truing Up

FY	Cost of Trans. Charges approved in the ARR	Cost of Transmission Charges (audited) considered for true up	Revenue from LTOA charges approved in ARR	Revenue from LTOA Charges (audited)	0	Difference in Transmission Charges (Col 2-3)	Difference in Revenue from LTOA charges (Col 6-4)	Total Difference Considered for True up	Cumulative True up
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
2006-07	333.27	323.01	333.27	355.34	355.34	10.26	22.07	32.33	32.33
2007-08	373.73	334.7	373.73	399.76	399.76	39.03	26.03	65.06	97.39
2008-09	376.57	308.07	376.57	678.93	413.15	68.5	36.58	105.08	202.47
2009-10	394.15	375.68	394.15	305.16	438.06	18.47	43.91	62.38	264.85
2010-11	480.93	431.9	480.93	405.19	538.08	49.03	57.15	106.18	371.03
2011-12	572.5	541.02	572.5	570.54	570.54	31.48	-1.96	29.52	400.55
2012-13	587.02	506.1	587.02	549.73	549.73	80.92	-37.29	43.63	444.18
2013-14	585.87	568.21	585.87	598.89	598.89	17.66	13.02	30.68	474.86
2014-15	624.5	639.73	624.5	634.34	634.34	-15.23	9.84	-5.39	469.47
2015-16	630.93	613.17	630.93	613.48	613.48	17.76	-17.45	0.31	469.78
2016-17	623.25	551.19	623.25	665.31	665.31	72.06	42.06	114.12	583.90
2017-18	639.4	644.99	639.4	625.15	625.15	-5.59	-14.25	-19.84	564.06
Adjusted amount as per ARR of FY 2015-16									427.81
Total Truing up as on 2017-18									136.25

54. It is seen from the above table that the OPTCL has posted a cumulative surplus of Rs. 136.25 crore at the end of FY 2017-18. Therefore no regulatory asset is allowed in this truing up order.

55. Accordingly the case is disposed of.

Sd/-

(S .K. Parhi)
Member

Sd/-

(U. N. Behera)
Chairperson