

## **Delhi Electricity Regulatory Commission**

**Viniyamak Bhawan, 'C' Block, Shivalik, Malviya Nagar, New Delhi – 17**

**Ref.:** F.11(810)/DERC/2012-13/CF3740/

### **Petition No.38/2012**

**In the matter of:** Annual revenue requirement (ARR) of SLDC for  
2012-13 and truing up of expenses for 2008-09,  
2009-10, 2010-11 and 2011-12

**AND**

**In the matter of:**

SLDC, Delhi,  
SLDC Building, 33KV Grid Sub-Station,  
Minto Road, New Delhi – 110092

**...Petitioner**

CMD, Delhi Transco Limited,  
Shakti Sadan,  
Kotla Road,  
New Delhi – 110002

CEO, BSES Rajdhani Power Ltd.  
BSES Bhawan, Nehru Place,  
New Delhi – 110019

CEO, BSES Yamuna Power Ltd.  
Shakti Kiran Building, Karkardooma,  
New Delhi – 110019

The Managing Director  
North Delhi Power Ltd.,  
33 KV Sub-Station Building  
Hudson Lane, Delhi-110009

The Secretary  
New Delhi Municipal Council  
Palika Kendra  
New Delhi-110001

Chief Engineer(Uilities)  
CWE, MES, Kotwali Road  
Delhi Cantt.  
New Delhi-110010

Managing Director  
Indraprastha Power Generation Company Ltd.  
Himadari Building  
Rajghat Power House  
New Delhi-110002

Managing Director  
Pragati Power Corporation Ltd.  
Himadari Building  
Rajghat Power House  
New Delhi-110002

General Manager(Commercial)  
National Thermal Power Corporation  
NTPC, NCR Headquarter  
Sector-24, Noida  
UP-201301

Chief Executive Officer  
TOWMCL, Jindal ITF Centre  
28, Shivaji Marg  
New Delhi-110015

**....Respondents**

**Coram:**

**Sh. P.D. Sudhakar, Chairman & Sh. J.P. Singh, Member**

**Appearances:**

1. Megha Bajpeyi, BRPL
2. Sanjay Srivastav
3. Anuj Kumar, SLDC
4. Ved Prakash, SLDC
5. Roop Kumar, SLDC
6. Anurag Bansal, TPDDL
7. Neelesh Gupta
8. Madan Pal, SLDC

(Date of Hearing: 04.12.2012)

(Date of Order: 05.12.2013)

1. The Petitioner, SLDC filed this Petition No. 38/2012 for True up of ARR for FY 2008-09 to FY 2011-12 and approval of Annual Revenue Requirement for FY 2012-13. SLDC in its petition has prayed the following:-
  - i) Allow the ARR as claimed.
  - ii) Pass any suitable order as deemed fit by the Commission.

2. The SLDC under Section 32 of the Electricity Act, 2003 has to discharge the following functions:-
  - (1) *The State Load Despatch Centre shall be the apex body to ensure integrated operation of the power system in a State.*
  - (2) *The State Load Despatch Centre shall –*
    - (a) *be responsible for optimum scheduling and despatch of electricity within a State, in accordance with the contracts entered into with the licensees or the generating companies operating in that State;*
    - (b) *monitor grid operations;*
    - (c) *keep accounts of the quantity of electricity transmitted through the State grid;*
    - (d) *exercise supervision and control over the intra-state transmission system; and*
    - (e) *be responsible for carrying out real time operations for grid control and despatch of electricity within the State through secure and economic operation of the State grid in accordance with the Grid Standards and the State Grid Code.*
  - (3) *The State Load Despatch Centre may levy and collect such fee and charges from the generating companies and licensees engaged in intra-State transmission of electricity as may be specified by the State Commission.*
3. Further the Commission has notified the Delhi Electricity Regulatory Commission (Levy and Collection of Fee and Charges by State Load Despatch Centre) Regulations, 2007 on 18.10.2007. Clause 43 of the said Regulations provides that the annual charges to be recovered by SLDC shall include the component of Return on Equity/Investment and also the following expenses:
  - (i) Employee cost;
  - (ii) Administrative and General Expenses;
  - (iii) Repairs and Maintenance Expenses;
  - (iv) Depreciation;
  - (v) Advance against Depreciation;
  - (vi) Interest and Finance Charges;
  - (vii) Interest on working capital, if any;
  - (viii) Any other expenses incidental to discharging the functions of SLDC as deemed appropriate by the Commission.
- 4.1 The Commission has considered the True Up for the years FY 2008-09 to FY 2011-12 in this Order and Petitioner is directed to file a separate petition for True Up for FY 2012-13 and ARR for FY 2014-15.
- 4.2 The SLDC placed on record additional information sought by the Commission in reference to various aspects for truing up of the revenue requirements for FY 2008-09 to FY 2011-12.

## **Response from Stakeholders**

### **Other Income**

#### **Stakeholder's Submission**

- 5.1 The stakeholder would like to submit that SLDC should include the application fees, charges etc. as other income in the ARR and Hon'ble Commission is requested to deduct this income from the Total Revenue Requirement-in order to arrive at the Net Annual revenue Requirement which may be charged from the beneficiaries.

#### **Petitioner's Submission**

- 5.2 SLDC has been receiving 'Scheduling Charges' and Application Charges from Open Access Customers involved in Interstate Open Access transactions. Apart from the above, SLDC is entitled to get Registration Charges @ Rs. 10,000/-(one ' time) from the users. At present, there as 13 users of SLDC

- a) Delhi Transco Ltd.
- b) BSES Rajdhani Power Ltd.
- c) BSES Yamuna Power Ltd.
- d) Tata Power Delhi Distribution Ltd.
- e) New Delhi Municipal Council
- f) Military Engineering Service
- g) Indraprastha Power Station
- h) Rajghat Power House
- i) Gas Turbine Power Station
- j) Pragati Power Corporation Ltd.
- k) Bawana CCGT
- l) Badarpur Thermal Power Station
- m) Timarpur Okhla Waste Management Ltd.

SLDC intends to bring to the notice of the Commission that at Regional Load Despatch Centres, the Open Access Charges and registration charges are received and are not deducted from ARR of RLDCs. The Central Commission has kept a provision in the regulation to keep the amount for Load Despatch Development Fund'.

#### **Commission's View**

- 5.3 The Commission is of the view that SLDC may create its State Load Despatch Centre Development Fund in line with the CERC (Fees and Charges of Regional Load Dispatch Centres and other related matters) Regulations, 2009 notified on 18.09.2009, on the following conditions:
- a) SLDC shall create and maintain a separate fund called 'LDC Development Fund'.
  - b) The charges on account of return on equity, interest on loan, depreciation and other income of SLDC such as registration fee, application fee, short term open access charges etc. shall be deposited to the LDC development fund.
  - c) SLDC shall be entitled to utilize the money deposited in the LDC Development fund for repayment of debt, servicing the capital raised in the form of interest payment,

meeting stipulated equity portion in asset creation and margin money for raising loan from the financial institutions and funding R&D projects.

- d) The LDC development fund may be utilized for any other purpose with the approval of the Commission.
- e) Any asset created by SLDC out of the LDC Development fund shall not be considered for computation of the return on equity and interest on loan.

The Commission shall review the utilization of LDC Development fund every year and may direct the utilization of the same for any other purpose.

## **New SLDC building and implementation of ULDC Scheme – II**

### **Stakeholder's Submission**

- 5.4 The stakeholder would like to highlight the DERC (Levy and Collection of Fee and Charges by SLDC) regulations, 2007, as per section 5.5 of Chapter IV of the above said Regulations; SLDC shall have to take approval of Hon'ble Commission of any capital investment scheme costing above Rs. One Crore before the commencement of works.

### **Petitioner's Submission**

- 5.5 The establishment of ULDC phase II has been approved by NRPC as the existing scheme has been outdated and its useful life expires in September 2012. It was further decided that PGCIL would be implementing agency throughout the Northern region as a Unified Scheme. DTL board has already accorded approval for investment scheme of Rs. 26.22 Crs. For the implementation of ULDC scheme Phase II, as per the NRPC decision, CERC has been approached by PGCIL for establishment of ULDC Scheme II and recover the amount through tariff as in case of ULDC scheme phase I and the scheme is approved by CERC.
- 5.6 New SLDC building is also proposed to be set up at Hudco Place, New Delhi along with the implementation of ULDC phase II scheme. The total cost of the building is estimated at Rs. 15.22 crores. The details of the expenditure incurred/likely to be incurred would be placed before the Commission once the contract is awarded to PGCIL for establishment of the building. To avoid tariff shock to the consumers, it is proposed to meet the expenditure towards the building of SLDC from the surplus amount accumulated due to UI capping of generators, cap rate of under withdrawal of distribution companies and additional UI for over drawl below 49.5Hz frequency.

### **Commission's View**

- 5.7 SLDC is directed to submit the details of capital investment plans which may cost above Rupees One Crore for approval of the Commission prior to Commencement of works.

True up of FY 2008-09 to FY 2011-12

EMPLOYEE COST

Petitioner’s Submission

6.1 SLDC submitted that of the sanctioned strength of 118 employees, the current working strength is 100 employees. The Employee cost claimed by the Petitioner for FY 2008-09 to FY 2011-12 is as under:-

Table 1: Employee Cost claimed in the Petition by the Petitioner for FY 2008-09 to FY 2011-12 (in Rs. Lacs)

Sr. No	Particulars	Previous Years			2011-12 (- Provisional)
		2008-09 (Actual)	2009-10 (Actual)	2010-11 (Actual)	
1	Salaries	175.56	327.51	526.32	276.17
2	Over Time/Additional pay	38.96	4.59	6.39	21.72
3	Dearness Allowance	98.29	43.65	51.89	159.54
4	Other allowances & Relief	111.87	77.28	82.62	212.90
5	Bonus/Ex-gratia	5.41	2.47	15.06	10.43
6	Interim Relief / Wage Revision	0.00	298.75	0.00	0.00
	<b>Sub-Total ( 1 to 6)</b>	<b>430.09</b>	<b>754.25</b>	<b>682.28</b>	<b>680.75</b>
7	Medical Expenses	20.30	21.25	18.79	21.48
8	Leave Travel Allowance	0.02	0.00	1.04	2.46
9	Earned Leave Encashment	0.00	0.00	0.83	3.25
10	Other expenses – towards Employees Cost (Incentive etc.)	0.03	0.00	0.00	0.00

Sr. No	Particulars	Previous Years			2011-12 (- Provisional)
		2008-09 (Actual)	2009-10 (Actual)	2010-11 (Actual)	
	Sub-Total ( 7 to 10)	20.35	21.25	20.66	27.18
11	Staff Welfare Expenses	0.00	0.15	0.10	0.00
12	Terminal Benefits/Provisions	46.61	58.36	70.92	36.59
13	Payments under Workmans compensation, Gratuity etc.	0.00	0.00	0.00	0.00
	Sub-Total ( 11 to 13)	46.61	58.51	71.02	36.59
	<b>Grand Total.</b>	497.05	834.01	773.96	744.53
14	<b>Less :</b> Employee Expenses capitalized	0.00	0.00	0.00	0.00
	<b>Net Employee Cost</b>	<b>497.05</b>	<b>834.01</b>	<b>773.96</b>	<b>744.53</b>

6.2 The Petitioner has further submitted that the hike in the employee expenditure during the FY 2009-10 over the previous year was due to the implementation of sixth pay revision in October 2009 where the arrears have been paid with effect from 01.01.2006

6.3 With regards to non executive staff at SLDC, Gireesh Pradhan Committee has identified a total of 67 executives as earmarked for core activities of LDC. Accordingly, other services such as medical staff, group D employees, security staff, building maintenance staff including civil activities etc would be on outsourcing basis. The R&P rules and staff related policies and schemes shall be made by the new company in due course of time and pending the same the existing DTL rules and policies would be applicable.

**Commission’s Analysis**

6.4 For FY 2009-10, SLDC clarified that the increase of employee expenditure of 67.79% from the FY 2008-09 to FY 2009-10 was mainly due to implementation

of sixth pay revision in October 2009 and arrears amounting to Rs. 329 lacs were paid.

- 6.5 The Petitioner has submitted that total employee expenditure as per Annexure 4 is Rs.733.96 lacs for FY 2010-11 whereas the audited accounts has shown Rs.773.96 lacs. The Commission has asked the clarification from the Petitioner regarding the employee cost variation in Annexure 4 and audited accounts for FY 2010-11. The Petitioner has not clarified the reason for variance in employee cost without increase in its employee strength; therefore Commission has considered the employee cost for FY 2010-11 at Rs.733.96 lacs as per Annexure 4.
- 6.6 The Commission has analysed the Petitioner’s submission and verified the same with the audited financials submitted. The audited cost for employee cost for FY 2011-12 was Rs. 732.69 lacs. However Petitioner has indicated, the cost of employee was higher vis-à-vis the actual expenses incurred for the FY 2011-12.
- 6.7 The Commission has considered the medical expenditure of Rs. 12.55 lacs under the employee expenditure as it is part of the employee expenditure for FY 2011-12. Accordingly, based on audited statement of SLDC and Annexure 4 submitted by the Petitioner, the Commission has allowed the employee expenses for the FY 2008-09, 2009-10, 2011-12. For FY 2010-11, the employee expenditure has been considered based on Annexure 3. The Petitioner may establish the reason for variance in its employee cost as per Annexure 3 and Annexure 4 in its petition. Thus, Commission allows the employee expenses as given in the table below for the FY 2008-09 to FY 2011-12 for the purpose of true up of these financial years.

**Table 2: Approved Employee expenses for FY 2008-09 to FY 2011-12 (in Rs. Lacs)**

Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Employee expenses	497.05	834.00	733.96	745.24

**A & G EXPENSES**

**Petitioner’s Submission**

- 6.8 The A & G expenses submitted by the Petitioner for the FY 2008-09, FY 2009-10, FY 2010-11 and FY 2011-12 are as follows:



**Table 3: A&G expenses as submitted by the Petitioner summarised below (in Rs. Lacs)**

<b>Particulars</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11*</b>	<b>2011-12 (Provisional)</b>
A & G Expenses	120.74	114.74	107.58	90.45

*\*Includes registration fees at Rs. 10.66 lacs*

### **Commission's Analysis**

- 6.9 The Commission has analyzed the A&G expenditure submitted with the petition in Annexure 5 as well as audited books of accounts. There is a decreasing trend in the A&G expenditure of SLDC from FY 2008-09 to FY 2011-12. The Commission has directed SLDC to submit the reasons of variation in the A&G expenditure during the FY 2008-09 to FY 2011-12.
- 6.10 The Petitioner has submitted the reasons of variation in expenditure vide letter dated 12/09/2013. The Commission has analyzed the submission and found that there is substantial increase in the communication expenditure booked under A&G expenditure during the period FY 2008-09 to FY 2011-12. Communication expenditure in FY 2008-09 is Rs.13.28 lac which has increased to Rs. 30.85 lacs in FY 2011-12.
- 6.11 The Petitioner has submitted the revised A&G costs for FY 2011-12 as per the audited statements as Rs. 134.90 Cr. which are Rs. 44.55 lacs higher than the provisional costs as submitted under petition. Actual electricity cost is Rs.11.5 lacs higher than provisional cost. Also, the security charges/communication has substantially increased to Rs. 30.85 lacs vs Rs. 12.98 lacs last financial year. This growth has been attributed by the Petitioner to be on account of up gradation of the SCADA and PLCC systems at Delhi SLDC.
- 6.12 The Petitioner has grouped the medical expenditure under A&G expenditure of Rs. 12.55 lacs for FY 2011-12 which should have been clubbed under the employee expenditure. This has resulted in decrease in the employee expenditure of FY 2011-12 and increase in the A&G expenditure. Therefore medical expenditure is being allowed under the head employee expenditure and deducted from the A&G expenditure for FY 2011-12. Accordingly, an amount of Rs. 12.55 lacs and has been deducted from the audited A&G expenses amounting to Rs. 134.90 Cr.
- 6.13 Bank charges amounting to Rs. 0.24 lacs in FY 2009-10 paid by SLDC are considered as part of A&G expenses. There is a decrease in the overall A&G expenses from FY 2008-09 to FY 2010-11 due to decrease in the legal and

professional charges and travelling and conveyance charges. The A&G expenses approved by the Commission are as below:

**Table 4: Approved A&G expenses for FY 2008-09 to FY 2011-12 (in Rs. Lacs)**

Sr. No	Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Grand Total	120.74	114.73	107.56	122.35

**REPAIR & MAINTENANCE EXPENSES**

**Petitioner’s Submission**

6.14 The Petitioner has submitted R&M expenses as below.

**Table 5: R&M expenses as proposed by the Petitioner (in Rs. Lacs)**

Sr. No	Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
1	Plants and Machinery	70.41	59.55	50.78	98.00
2	Buildings	3.58	13.55	11.67	3.18
3	Other civil works	0.00	0.00	0.00	
4	Cable and Network	56.99	36.68	34.37	
5	Vehicles	0.49	0.56	0.01	
6	Furniture and Fixture	0.19	0.00	0.00	
7	Office Equipments	25.87	14.91	8.14	0.38
8	Others	0.00	1.40	0.00	1.73
	Total	157.53	126.65	104.97	103.29

6.15 The Petitioner has further submitted that from 2011-12 onwards, following the implementation of ERP in DTL, the budget head Plant and Machinery, Cable and Networks have been clubbed together. Therefore, the expenditure on both the heads has been clubbed and mentioned against Plant and Machinery. Plant and Machinery expenditure corresponds to amount in respect of Annual Maintenance Contract awarded to Power Grid Corporation of India Ltd for SCADA system, Auxiliary Power Supply, RTUs etc. The AMC Charges are required to be paid for maintaining data acquisition system for effective monitoring of the power system. The AMC Charges for SCADA EMS is Rs.50 Lacs, Rs. 10 Lacs is for RTU, Rs. 12 Lacs for Auxiliary supply. These charges are being paid to PGCIL.

6.16 In addition to these, maintenance and operation of AC Plant of 60 Tonnes X 3 Units at Minto Road Building is also payable from FY 2011-12. The AMC could not be awarded for the year 2009-10 due to administrative problem. However, from 2011-12, the AMC has been awarded to OEM for ensuring trouble free operation of AC Plant. Rs. 4 Lacs is earmarked for operation of AC Plant and Rs. 6 Lacs is for repair of the same.

**Commission’s Analysis**

6.17 The Commission has analyzed the R&M expenditure submitted by the Petitioner as per Annexure 6 of the petition and audited financial statement submitted. The Petitioner’s books of accounts have been separated from the DTL from FY 2007-08 and there is issue of proper grouping of the expenditure under different heads and consistency is not being maintained. In the initial years due to separation of assets and books of accounts there is variation in the R&M expenditure. The Petitioner is hereby directed to book the expenditure in proper head from FY 2012-13 onwards and to maintain the consistency for the class of expenditure.

6.18 The Commission has observed the variance in the R&M expenditure as per Annexure 6 of the petition and the audited financial statement for FY 2011-12. The Petitioner has clarified that the Annexure 6 has been prepared on the basis of provisional data extracted from SAP whereas the audited financial statement consist of actual expenditure incurred. The same has also been clarified in the letter dated 12/09/2013.

6.19 As per the audited financial statement of FY 2010-11 the Petitioner has booked Rs.15.61 lacs for R&M expenditure under the head prior period expenditure which is being considered under the head R&M expenditure of the FY 2010-11.

6.20 Based on the audited financial statement and the Annexure 6 the R&M expenses are being approved by the Commission are as below:

**Table 6: Approved R&M expenses for FY 2008-09 to FY 2011-12 (in Rs. Lacs)**

Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
R&M Expenses	157.53	126.66	120.57	110.31

**DEPRECIATION**

**Petitioner’s Submission**

6.21 As per Commission Order dated 14.09.2009 it is observed:

"12. DEPRECIATION

The SLDC has furnished the depreciation (on assets considered by the Commission for SLDC in the Tariff Order for DTL) as follows:

**TABLE - 10**

(Amount Rupees in  
Lacs)

<b>Particulars</b>	<b>2006-07</b>  <b>(Actuals )</b>	<b>2007-08</b>  <b>(Actuals for 6 months estimates for 6 months)</b>	<b>2008-09</b>  <b>(Projections)</b>
Depreciation	6.95	8.29	9.75

The above depreciation is computed at the rates as per the Company Act 1956. However, the depreciation is not claimed as the entire amount of expenditure on the capital assets is being claimed as revenue expenditure.

The SLDC further submitted that there is no requirement against the items given below:

- (i) Advance against depreciation
- (ii) Interest and finance charges
- (iii) Interest on working capital

In compliance with the Commission's Order dated 30.09.2008, SLDC furnished the details of the assets since inception and the revised Depreciation Expenses as follows:

**TABLE - 11**

(Amount Rupees in  
Lacs)

<b>Particulars</b>	<b>Year</b>  <b>(2006-07)</b>	<b>Year</b>  <b>(2007-08)</b>	<b>Current Year</b>  <b>(2008-09)</b>
Depreciation	7.95	8.26	11.21

**Commission’s Analysis**

*The SLDC has not claimed any amount towards the Depreciation for the FY 2008-09 as the entire amount of expenditure on Capital assets is being claimed as Revenue expenditure. However on perusal of the detail of assets furnished by SLDC, it was observed that there is a block of assets which has existed since the FY 2005-06; and, which has also been bifurcated in the MYT Transmission Order, 2008-11 of the DTL to be the assets of the SLDC as on 1<sup>st</sup> April 2007.*

*The Commission is of the view that ideally the Capital expenditure incurred by the SLDC every year should result in creation/addition of assets and allowance of Depreciation thereon so that in future a reserve is created for replenishment of such assets. This also ensures the physical availability of the assets with the SLDC. However the SLDC has claimed the entire capital expenditure as a part of the 'other expenses' for the FY 2007-08 and 2008-09.*

*Further, the Commission approves the Capital Expenditure incurred in the FY 2007-08 and FY 2008-09 under the head "Other Expense" as revenue expenditure. However a list of fixed assets be maintained and all Capital Expenditure be booked to Capital Accounts from the next financial year. Accordingly the Commission does not approve any depreciation on the additions of assets in these two years. The Commission also approves Depreciation on the Gross fixed assets (to the tune of Rs.54.22 lacs) existing as on 1<sup>st</sup> April 2007 in the ARR of FY 2008-09 at the Depreciation rates as per the MYT Transmission Regulations. The amount per annum on such assets comes to Rs.4.34 lacs per annum."*

**6.22 Depreciation for FY 2009-10 to FY 2011-12** - The depreciation on the assets claimed by SLDC in its Petition is as tabulated under:

**Table 7: Depreciation claimed in the Petition by the Petitioner (in Rs. Lacs)**

Particulars	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12 (Provisional)
Opening Balance of Gross fixed assets at start of the year	77.96	108.28	242.84	377.78
Opening Balance of accumulated depreciation on the beginning of the year	4.34	11.29	22.70	39.89
Additions in Gross fixed assets during the year	30.32	134.56	134.94	0.59

<b>Particulars</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12 (Provisional)</b>
Depreciation provided for the year	6.95	11.42	17.19	19.83
Withdrawal of Depreciation	0.00	0.00	0.00	0.00
Closing Balance of accumulated depreciation at the end of the year	11.29	22.70	39.89	59.72
Closing balance of gross fixed assets at the end of the year	108.28	242.84	353.89	354.48

6.23 SLDC further submits that as per Electricity Act 2003, the expenses to run the SLDC is to be fully reimbursed. The expenses to create the asset proposed may also be treated as revenue expenses so that the entire cost of the proposed assets can be recovered. The Capital expenses for SLDC are miniscule. For creation of capital funds, arranging loans, building of equity etc could be avoided if the entire expenses are reimbursed as revenue expenditure. For major expenses like creation of backup SLDC and other activities, it is proposed that the expenditure may be met from the surplus fund available in the UI pool Account arising out of additional UI charges payable by the Distribution Licensees for over drawal and generation by Generating Utilities for frequency regime below 49.3Hz from 01-04-2009 below 49.5Hz from 03-05-2010 and UI cap for Generators from 07-01-2008.

6.24 As such the Commission is requested to allow Depreciation as per the DERC Schedule for the asset already considered while fixing the expenses for FY 2007-08 and FY 2008-09 for subsequent years as well i.e. Rs. 4.34 lacs per annum.

#### **Commission's Analysis**

6.25 The Commission re-iterates it's view that ideally the Capital expenditure incurred by the SLDC every year should result in creation/addition of assets and allowance of Depreciation thereon.

6.26 The Commission has reviewed the audited financial statements submitted by the Petitioner with Annexure 7 of the petition. As per the Commission Order dated 14.09.2009, the depreciation for FY 2008-09 is considered at Rs. 4.34 lacs per annum on opening balance of GFA.

- 6.27 The Petitioner had claimed the entire capital expenditure as a part of the 'Other expenses' for the FY 2008-09. As per the Commission Order dated 14.09.2009, the capital expenditure during FY 2008-09 amounting to Rs. 30.32 lacs as per the audited financial statements has been considered as revenue expenditure
- 6.28 For the purpose of computation of depreciation in FY 2009-10 onwards, the Gross fixed assets existing as on 1<sup>st</sup> April 2007 amounting to Rs. 54.22 lacs is being considered as opening GFA base for FY 2009-10.
- 6.29 The additions to the gross fixed asset base during the FY 2009-10 to FY 2011-12 are being considered as per audited financial statements and accordingly, the approved depreciation and GFA block for FY 2008-09 to FY 2011-12 is as below (in Rs. lacs):

**Table 8: Approved depreciation for FY 2008-09 to FY 2011-12 (in Rs. Lacs)**

<b>Particulars</b>	<b>FY 2007-08</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
Opening Gross Fixed Assets	54.22	54.22	54.22	185.04	317.41
Opening Balance of accumulated depreciation on the beginning of the year	-	4.34	8.68	18.51	35.39
GFA Additions during the year	-	-	135.84	134.94	-
Sales/Adjustment during the period			5.02	2.57	-
Depreciation during the year	4.34	4.34	9.83	16.87	20.83
Closing Balance of accumulated depreciation at the end of the year	4.34	8.68	18.51	35.39	56.22
Closing Gross Fixed Assets	54.22	54.22	185.04	317.41	317.41
Closing Net Fixed Assets	49.88	45.54	166.53	282.02	261.19

- 6.33 The sale of assets during FY 2009-10 in the asset class 'Vehicles' is limited to the opening book value available in the FY 2009-10.

## **Means of finance**

6.34 The Commission has directed the Petitioner to submit the financing details of the capital expenditure and working capital. The Petitioner has submitted that Capital expenditure has been funded through the internal accrual and revenue surplus available with the SLDC including the short term open access charges and application money received as Other Income.

### **Funding of Capital Expenditure**

6.35 At the time of separation of the SLDC Division, the Fixed Assets worth Rs. 54.22 were transferred from DTL to SLDC. No corresponding charge as loan to DTL was created by SLDC in its Balance Sheet.

6.36 The Petitioner has submitted vide letter no. F.3 (218)/Tariff/DERC/2007-08/1609/2217 dated 10.10.2013, the liability towards DTL on account of assets transferred from DTL is nil. Whereas in the audited financial statement of the Petitioner note 3 related to trade payables includes the amount payable to DTL from SLDC division towards salary & other payments released from the bank accounts of DTL and the same is subject to reconciliation. The Commission hereby directs the Petitioner to reconcile the balance payable to DTL.

6.37 New additions to the Fixed Asset base during the FY 2008-09 to FY 2011-12 have been funded by SLDC through its internal accruals including the Other Income.

6.38 Thus, there is neither equity nor debt financing of the capital expenditure therefore no return on equity or interest on loan has been allowed for SLDC.

### **Funding of Working Capital**

6.39 The commission has analysed the audited financial statement and it has been observed that current liabilities and provisions include the amount payable to DTL from SLDC Division towards salary and other payments released from bank accounts of DTL. And such balances are subject to reconciliation.

6.40 The Petitioner in response to DERC query vide letter no. F.3 (218)/Tariff/DERC/2007-08/1609/2217 dated 10.10.2013, has stated that Income of SLDC division mainly comprise of SLDC Charges, Interest on Bank Deposit and other miscellaneous receipts, all of which are kept in the main bank account i.e. CLCA, Corporation Bank. All such receipts are either utilized in day to day payments and (or) transferred to CLTD accounted by the bank, as part of efficient funds management. No separate utilization details are kept by SLDC Division except as above.

6.41 Since the funding of SLDC working capital is being met with its own revenue accruals including Other Income, the provisioning of interest on loan, or return on equity is not required.



**OTHER EXPENSES**

**Petitioner’s Submission**

6.42 The Petitioner furnished the following additional information in regard to other expenses in the Petition.

**Table 9: Other expenses as claimed by the Petitioner for FY 2008-09 to FY 2011-12 (in Rs. Lacs)**

S. No.	Particulars of Expenses	FY 2008-09 Actuals	FY 2009-10 Actuals	FY 2010-11 Actuals	FY 2011-12 Provisional
1.	Computer	2.98	8.76	2.42	
2.	Furniture	10.61	2.03	0.00	
3.	Office Equipments	4.88	5.84	1.54	
4.	SCADA & PLCC	3.55	117.93	130.67	
5.	Small Value Assets	1.37	1.30	0.32	0.59
6.	Communication	1.96	0.25	0	
7.	Vehicle	5.00	0	0	
8.	Other Bank Charges + FBT etc.	2.90	0.24	0.30	
	TDS on SLDC charges	23.62	41.22	91.79	91.79
<b>TOTAL</b>		<b>56.87</b>	<b>177.57</b>	<b>227.04</b>	<b>92.38</b>

6.43 The main reasons for very large increase in other expenses for FY 2009-10 to FY 2011-12 are being summarized as below:

a) SCADA and PLCC Expenses -

Particulars	FY 2009-10	FY 2010-11
<b>SCADA &amp; PLCC Exps</b>		
Up gradation of Communication Front End	41.82	
SDH Mux for Fiber Optics termination at Sub Station at Gazipur	45	
Fiber Optic Connectivity and LAN Connectivity	15	69
Microwave Connectivity	7	41.5
High Density Poly Ethylene Duct for OFC		39

<b>Particulars</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>
Battery Banks		
Video Conferencing		
<b>Total Expenditure related to Data connectivity</b>	<b>108.82</b>	<b>149.5</b>

- b) As far as TDS is concerned, for the year 2008-09, only NDPL has deducted the TDS @ 10% of the billed amount. For the year 2009-10 onwards, all other utilities started deducting TDS. The tax was deducted at 10% plus the applicable surcharge and education cess upto August 2009. The utilities started deducting TDS @ 0.5% + applicable surcharge and educational cess w.e.f. September 2009 upto March 2010 as the tax exemption certificate issued by the department of Income Tax only on 20.08.2009. For the year 2010-11, the TDS was being done @10% + applicable surcharge and educational cess. However, the IT Department has given the exception to pay @ 6% tax for the period 10.03.2011 to 31.03.2011. At present, Delhi SLDC is operated by DTL. As such, TDS benefit is being availed by DTL. Since entire expenses of SLDC are to be reimbursed to SLDC, DTL has to reimburse TDS by DISCOMs to SLDC for the period 2008-09 to 2011-12.

### **Commission's Analysis**

- 6.44 The Commission has reviewed the audited financial statements submitted and find that there is no separate heads as "Other Expenses" in the P&L account of the Petitioner for FY 2009-10 to FY 2011-12.
- 6.45 Expenses for FY 2008-09 under "Other Expenses" is being limited to additions in gross fixed assets during the year (amounting to Rs. 30.32 lacs) as per the Commission's Order dated 14.09.2009 wherein the capital expenditure during FY 2008-09 was to be treated as revenue expenditure.
- 6.46 Other than the above, the Commission does not allow expenses under the head of Other Expenses as all these costs are being either covered as revenue expenses and/or Capital Expenses getting added to the Gross block of Fixed Assets and accordingly being considered for the True Up under relevant sub-heads.
- 6.47 The Commission is of the view that SLDC may reconcile the income tax payable on revenue generated from SLDC activities included in DTL's income. The tax deducted at source by the distribution companies may be adjusted against the income tax payable by DTL on behalf of SLDC income.

**Prior Period Adjustment**

**Petitioner’s Submission**

6.48 The Petitioner claims certain amount as Prior period adjustment amount as per the actual recognized in their books of accounts which is as below.

**Table 10: Prior Period Adjustment as claimed by the Petitioner for FY 2008-09 to FY 2010-11 (in Rs. Lacs)**

Particulars	FY 2008-09	FY 2009-10	FY 2010-11
Prior period Adjustment (+/-)	2.37	5.14	7.17

**Commission’s Analysis**

6.49 The Commission has reviewed the audited financial statements submitted and further sought clarification on the information of Prior period adjustment.

- a. The Commission has allowed the R&M expenditure amounting to Rs. 15.61 lacs related to prior period expenditure under R&M expenditure of FY 2010-11, therefore the same has not been allowed under the head prior period adjustment.
- b. The Commission has not allowed Rs. 2.37 lacs paid in FY 2008-09 as it denotes depreciation reversed on SCADA/PLCC assets as charged extra during the FY 2006-07 and 2007-08. Since depreciation is being considered as per Table 10 above, the same is not considered separately.

**Table 11: Approved Prior Period Adjustment for FY 2008-09 to FY 2011-12 (in Rs. Lacs)**

Particulars	2008-09	2009-10	2010-11	2011-12
Prior Period Income	-	4.20	8.44	-
Prior Period Exp.	-	9.34	-	-

**Summary of True Up of Expenditure for FY 2008-09 to FY 2011-12  
Petitioner’s Submission**

6.50 The summary of True Up as proposed by SLDC is indicated in the following tables:

**Table 12: Summary of ARR True up proposed by SLDC (in Rs. Lacs)**

<b>Financial Years</b>	<b>2008-09 (Actual)</b>	<b>2009-10 (Actual)</b>	<b>2010-11 (Actual)</b>	<b>2011-12 (Provisional)</b>
Employee Cost	497.05	834.01	773.96	744.53
Administration Expenses	120.74	114.74	107.58	90.45
Repair & Maintenance Expenses	157.53	126.65	104.97	103.29
Depreciation	4.34	4.34	4.34	4.34
Interest & Finance charges	0	0	0	0
Interest on Working Capital	0	0	0	0
Other Expenses	56.87	117.57	227.04	92.38
Prior Period Adjustments (+/-)	2.37	5.14	7.17	0
Return on Investment/Capital	0	0	0	0
Total Revenue Requirements	838.9	1202.45	1225.06	1034.99
<b>Total ARR</b>	<b>838.9</b>	<b>1202.45</b>	<b>1225.06</b>	<b>1034.99</b>
TDS to be recovered from DTL	23.62	41.22	91.79	91.79
<b>Net Annual Revenue Requirements</b>	<b>815.28</b>	<b>1161.23</b>	<b>1133.27</b>	<b>943.2</b>

**Commission Analysis:**

6.51 The Commission has approved the ARR for FY 2008-09 in its order dated 14.09.2009 as follows:

<b>Particulars</b>	<b>FY 2008-09</b>
Employee Cost	525.81
A&G Expenses	130.08
R&M Expenses	208.75
Depreciation	4.34
AAD	0.00
Interest & Finance Charges	0.00
Interest on working capital	0.00
Other Expenses	34.58
Prior period Adjustments	0.00
<b>Total Revenue Requirements</b>	<b>903.56</b>

6.52 Based on the Petition submission and the detailed analysis as discussed above in relevant paras, the ARR now approved for FY 2008-09 to FY 2011-12 is as tabulated below:

**Table 13: Summary of approved ARR for FY 2008-09 to FY 2011-12 (in Rs. Lacs)**

Financial Years	2008-09	2009-10	2010-11	2011-12
Employee Cost	497.05	834.01	733.96	745.24
A&G Exps	120.74	114.73	107.56	122.35
R&M Exps	157.53	126.65	120.57	110.31
Depreciation	4.34	9.83	16.87	20.83
Interest & Finance charges	-	-	-	-
Interest on Working Capital	-	-	-	-
Other Expenses	30.32	-	-	-
Prior Period Expenses	-	9.34	-	-
Return on Investment/Capital	-	-	-	-
<b>Annual Revenue Requirement</b>	<b>809.98</b>	<b>1094.56</b>	<b>978.96</b>	<b>998.73</b>

**INCOME**

**Income from SLDC charges**

**Petitioner’s Submission**

6.53 The Petitioner has submitted the operational revenue as Annexure 2 of the regulations in the Petition regarding revenue from operations as follows:

**Table no. 14: Revenue as submitted by the Petitioner under Annexure 2 of the regulations**

Particulars	Revenue amount in Rs. Lacs.
FY 2008-09 (Actual)	838.90
FY 2009-10 (Actual)	1262.45
FY 2010-11 (Actual)	1225.06
FY 2011-12 (Provisional)	1050.10

6.54 The Petitioner has further submitted that it has been receiving Scheduling Charges and Application Charges from Open Access Customers involved in Open Access transactions. For the year 2008-09 to 2011-12 the details of the charges received in this regard are as under.

**Table no. 15: Other Income of the Petitioner for FY 2008-09 to FY 2011-12 (in Rs. Lacs)**

Year	Short Term Open Access Charges (in Rs. Lacs)	Remarks
2008-09	154.14936	Application charges being collected from open Access Customers directly by SLDC. Scheduling charges (rs. 2,000/- per day for each Short Term Open access transaction) are received from RLDCs on monthly basis, being collected from Open Access Customers involved in Interstate Open Access Transactions)
2009-10	248.52432	
2010-11	242.39437	
2011-12	136.17511	

6.55 The Petitioner requests the Commission to treat the Open Access charges and other charges like Registration Fee received by Delhi SLDC in the same way as envisaged in the relevant regulations notified by Central Commission.

**Commission’s Analysis**

- 6.56 The Commission has analysed the revenue from operations as per the audited financial statements and as per Annexure 2 of the regulations submitted in the Petition.
- 6.57 There was a difference observed in both the statements and further clarification was sought from the Petitioner.
- 6.58 The Petitioner has submitted clarification vide letter dated 12.09.2013 and after analysis thereof, the revenue for the purpose of assessment of income of the Petitioner has been considered as follows:

**Table no. 16: Revenue for FY 2008-09 to FY 2011-12 (in Rs. Lacs)**

Particulars (in Rs. Lacs)	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
<b>Income from Operations</b>				
Income from SLDC Charges	755.00	1,003.62	903.66	903.56
Interest income from CLTD/FDR	37.17	77.17	127.00	189.37
Prior Period Income	-	4.20	8.44	
Other Misc. receipts	0.08	3.64	0.44	2.37
<b>Sub Total (A)</b>	<b>792.25</b>	<b>1,088.63</b>	<b>1,039.54</b>	<b>1,095.30</b>
<b>Other Income</b>				

Short Term Open Access Charges	61.88	168.51	288.58	162.93
Concurrence Charges	-	22.45		
Application Money	92.27	80.01		
<b>Sub Total (B)</b>	<b>154.15</b>	<b>270.97</b>	<b>288.58</b>	<b>162.93</b>
<b>Grand Total</b>	<b>946.40</b>	<b>1,359.60</b>	<b>1,328.12</b>	<b>1,258.23</b>

6.59 The income from operations of SLDC (excluding the Short Term Open Access charges, Application money and Concurrence charges) is set out as (A) in table above.

6.60 The Commission is of the view that SLDC may create its State Load Despatch Centre Development Fund on the following guidelines:

- SLDC shall create and maintain a separate fund called 'LDC Development Fund'.
- The charges on account of return on equity, interest on loan, depreciation and other income of SLDC such as registration fee, application fee, short term open access charges etc. shall be deposited to the LDC development fund.
- SLDC shall be entitled to utilize the money deposited in the LDC Development fund for repayment of debt, servicing the capital raised in the form of interest payment, meeting stipulated equity portion in asset creation and margin money for raising loan from the financial institutions and funding R&D projects.
- The LDC development fund may be utilized for any other purpose with the approval of the Commission.
- Any asset created by SLDC out of the LDC Development fund shall not be considered for computation of the return on equity and interest on loan.

The Commission shall review the utilization of LDC Development fund every year and may direct the utilization of the same for any other purpose.

**Table 17: Approved Income for FY 2008-09 to FY 2011-12 (in Rs. Lacs)**

<b>Particulars</b>	<b>FY 2008-09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
<b>Income from Operations</b>				
Income from SLDC Charges	755.00	1,003.62	903.66	903.56
Interest income from CLTD/FDR	37.17	77.17	127.00	189.37
Prior Period Income	-	4.20	8.44	
Other Misc. receipts	0.08	3.64	0.44	2.37
<b>Sub Total (A)</b>	<b>792.25</b>	<b>1,088.63</b>	<b>1,039.54</b>	<b>1,095.30</b>
<b>Other Income</b>				
Short Term Open Access Charges	61.88	168.51	288.58	162.93
Concurrence Charges	-	22.45		
Application Money	92.27	80.01		

<b>Particulars</b>	<b>FY 2008- 09</b>	<b>FY 2009-10</b>	<b>FY 2010-11</b>	<b>FY 2011-12</b>
<b>Sub Total (B)</b>	<b>154.15</b>	<b>270.97</b>	<b>288.58</b>	<b>162.93</b>
<b>Grand Total</b>	<b>946.40</b>	<b>1,359.60</b>	<b>1,328.12</b>	<b>1,258.23</b>

**Revenue (Gap)/Surplus**

6.61 The revenue gap or surplus is computed on the Operational income (excluding Short term Open access charges, concurrence charges and application money) and the annual revenue requirement (ARR) of SLDC.

6.62 The revenue Surplus/(Gap) for SLDC is thus computed as follows:

**Table 18: Revenue (Gap)/Surplus**

<b>Particulars</b>	<b>In Rs. Lacs</b>			
<b>Financial Years</b>	2008-09	2009-10	2010-11	2011-12
Income from Operations (Excl other Income)	792.25	1,088.63	1,039.54	1,095.30
ARR	809.98	1094.56	978.96	998.73
Revenue (Gap)/Surplus	(17.73)	(5.93)	60.58	96.57

6.63 LDC Development fund is proposed to be created as set out in this Order. The Commission has analysed the Petitioner submission related to other income and capital expenditure incurred during the FY 2008-09 to FY 2011-12. The Capital expenditure for FY 2008-09 has been allowed in ARR of FY 2008-09 under the head other Expenses. Therefore, the Capital Expenditure for FY 2008-09 has not been considered for adjustment from proposed LDC Development fund.

6.64 The revenue Gap or surplus arising in the FY 2008-09 to FY 2011-12 is proposed to be adjusted from the proposed LDC development fund.

6.65 Accordingly, the utilization of other income up to end of FY 2011-12 is being computed as below:

**Table 19: Utilization of Other Income in LDC Development Fund**

<b>Particulars</b>	Reference	<b>In Rs. Lacs</b>			
<b>Financial Years</b>		<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
<b>Opening balance of LDC Development fund proposed</b>		-	141.16	281.47	512.56
<b>Other income</b>	A	154.15	270.97	288.58	162.93
<b>Depreciation allowed in ARR</b>	B	4.34	9.83	16.87	20.83
<b>Capital Expenditure</b>	C	-	134.56	134.94	
<b>Revenue</b>	D	-17.33	-5.93	60.58	96.57



Particulars	Reference	In Rs. Lacs			
Financial Years		2008-09	2009-10	2010-11	2011-12
Gap/Surplus					
Balance transferred to LDC development fund	$F=A+B+C-D+E$	141.16	281.47	512.56	792.89

6.66 The annual revenue requirement for FY 2012-13 will be trued up after the submission of the audited financial statements by SLDC.

**DIRECTIVES**

- 7.1 The Petitioner is directed to create LDC Development fund and maintain separate bank account for operational purpose and deposit in LDC development fund from FY 2012-13 onwards for review of the LDC Development fund by the Commission.
- 7.2 The Commission directs the Petitioner to create a separate company for regulatory and statutory purpose.
- 7.3 The Petitioner is directed to maintain consistency in booking of expenses/ revenue under various sub-heads in its books of accounts.

8 Ordered accordingly.

Sd/-  
(J.P. Singh)  
MEMBER

Sd/-  
(P.D. Sudhakar)  
CHAIRMAN