

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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Case No. 77 of 2006

In the matter of
Petition filed by MSETCL for approval of SLDC Budget for FY 2007-08.

Dr Pramod Deo, Chairman
Shri A. Velayutham, Member
Shri S.B.Kulkarni, Member

ORDER

Dated: March 28, 2007

The Maharashtra State Electricity Transmission Company Limited (MSETCL), being the notified STU in the State of Maharashtra, filed a Petition on January 25, 2007 seeking the Commission's approval for the budget of the State Load Despatch Centre (SLDC) for the year 2007-08, in pursuance of Regulation 18.1 read with Regulation 18.2 of the MERC (Transmission Open Access) Regulations, 2005 and prayed as under -.

- (a) *"Hon'ble Commission may consider and approve the Budget of cost of operation of the State Load Dispatch Centre for financial year 2007-08.*
- (b) *Approve draft principles for levy and recovery of SLDC Fees and Charges alongwith appropriate payment mechanism.*
- (c) *Approve SLDC Fees and Charges as deemed appropriate.*
- (d) *Pass such other and further orders as are deemed fit and proper in the facts and circumstances of the case."*

2. Upon scrutiny of the submissions, the Commission observed that SLDC (which is currently owned and operated by MSETCL), hereinafter referred to as Maharashtra State Load Despatch (MSLDC) has not been able to undertake capital investments in FY 2006-07 owing to various reasons such as need for comprehensive revision of schemes and pending internal Board approval for the same. Further, even until December 31, 2006, MSLDC has not made any investment as per Capital expenditure plan proposed earlier, which was granted 'in-principle' approval by the Commission. MSLDC has revised the projected capital investment from Rs 2505 lakh proposed and approved by Commission for FY 2006-07 to Rs 550.5 Lakh.



3. In view of above, the Commission directed MSETCL (MSLDC) through its letter dated February 7, 2007 to furnish following information on affidavit within 2 weeks and to suitably modify its submission.

- Ø *“Details of Revised Capital Expenditure Schemes for each scheme involving outlay exceeding Rs 100 lakh along with implementation plan, sources of funding and statement of justification/rationale for the scheme.*
- Ø *Further, due to deferment of capital expenses, excess recovery of Annual SLDC Fees during FY 2006-07 needs to be adjusted from SLDC budget proposed for FY 2007-08. You would need to modify your submission on this count.*
- Ø *Further, you have not furnished ‘Allocation Statement’ and basis for allocation of expenses between transmission and SLDC related activities, based on audited financial statements for FY 2005-06. You are directed to provide measures initiated for maintaining accounting related information for SLDC related activities separately.*
- Ø *You have not proposed any ‘Registration/Connection fees’ and ‘Rescheduling charges’ for FY 2007-08 as against earlier approved for FY 2006-07.”*

3. MSLDC submitted further details on February 22, 2007, in support of their petition, with certain modifications. The Commission conducted a hearing in the matter on February 23, 2007 in the presence of distribution licensees. However, no consumer representative was present during the Hearing. At the hearing, MSLDC made a presentation to the Commission on the SLDC budget for FY 2007-08. During the hearing, the Commission opined that in view of the critical role envisaged for SLDC under the Electricity Act 2003, independence in operations of SLDC should be clearly established.

4. The Record of Proceedings of said Hearings was circulated on February 28, 2007 for immediate action and compliance by MSLDC. Some of the key observations made by the Commission during above Hearing are as under:

- a) The Commission observed that MSLDC has to be functionally autonomous and also maintain a separate identity from MSETCL to ensure its financial independence on matters related to approval of capex schemes, sanction of loan specific to MSLDC related activities, etc.
- b) The Commission referred to Clause 42 of its earlier Order on approval of SLDC Budget for FY 2006-07 (Case 30 of 2005) wherein the Commission has stated *“while Commission has considered Capital Budget of Rs 2505 L for FY2006-07, it does not mean approval of capital expenditure of the schemes. MSETCL is directed to submit details of each scheme involving outlay exceeding Rs 100 lakh along with investment plan, sources of funding, and statement of justification/rationale for the scheme for the scrutiny and approval of the Commission within two weeks from issuance of this*



Order". The Commission also observed that MSLDC must submit Capex Scheme outlining scheme details, configuration, schematics, and purpose of scheme along with DPR. Merely providing title of scheme as part of Capital budget is not sufficient to accord approval to any scheme. Further, the Commission observed that unless MSLDC submits its capex schemes, it is not possible to ascertain whether a particular scheme (for example RTUs and data acquisition) is already covered by MSETCL as part of Transmission schemes or as part of MSLDC scheme.

- c) Further, the capex schemes for which the Board of MSETCL has not given approval shall not be approved by the Commission. MSETCL has to take adequate steps to ensure that all the schemes in the proposed budget of MSLDC for FY 2007-08 have been approved by the Board.
- d) The Commission further observed that since the Electricity Act, 2003 envisages a single SLDC for each State, the present SLDC (Kalwa) should be independent and its dependency on TPC for data acquisition for licensees within Mumbai area is not a correct practice.
- e) The Commission observed that co-ordination with Mumbai licensees and availability of data/information from various licensees within Mumbai is the statutory responsibility of MSLDC. MSLDC will be held responsible and accountable for scheduling and despatch related activities associated with all licensees and generating companies within the State.
- f) The Commission observed that MSLDC has failed to comply with various directives such as operationalising 'centralized pooling mechanism' to undertake financial settlement of energy exchange (overdrawal/underdrawal) amongst various licensees as directed under its Order dated September 29, 2006 (Case 31 of 2005).
- g) Based on MSLDC's submission that expenses for FY 2006-07 comprises actual expenses from April to Sep 2006 and projections for the period from October 2006 to March 2007, the Commission observed that basis for projection is unclear since expenses in two-half yearly periods are not proportionate. The Commission enquired as to whether MSETCL can justify the non-linear relationship between the expenditure proposed by MSETCL and the actual needs of MSETCL.
- h) The Commission observed that MSLDC needs to submit a need-based budget for approval including issues concerning resource planning. MSETCL needs to also ensure that approval of the management of MSLDC is undertaken to justify staff deputation. It is the management of MSLDC which should settle human resource issues in MSLDC and performance budgeting must be initiated. MSLDC would thus be able to justify its budget based on performance, financial as well as physical activities.
- i) The Commission observed that performance of MSLDC will have to be evaluated in terms of improvement in Grid parameters, measures initiated by MSLDC to ensure Grid stability and grid discipline, reduction in the frequency of grid interruption, etc.



- j) The Commission enquired as to why the system is subject to under-frequency trippings so often? Is MSLDC a mere spectator and does it refrain from taking any action?
- k) The Commission observed that its orders on utilisation of hydro resources, (including Koyna generation) are not being complied with. The Commission further enquired as to which authority in SLDC/MSETCL is responsible for violating the orders of the Commission. The Commission observed strictly that MSLDC should not increase the hours of load shedding in violation to the load shedding protocol stipulated by the Commission. No compliance has yet been filed before the Commission informing compliance of its Orders. MSLDC should not increase EHV openings while conforming to load shedding protocol. MSLDC cannot even increase the hours of load shedding on the pretext of emergency. MSLDC must monitor grid operations strictly as per load shedding protocol.
- l) The Commission directed MSLDC to report incidences of emergency to the Commission. Further, the Commission observed that while grid operation within frequency band of 49 Hz to 50.5 Hz is permitted, importance of grid operations and grid planning at 50 Hz, cannot be undermined. Further, the Commission observed that the role of MSLDC as independent operator being crucial, it needs to fix responsibilities on distribution companies and generating companies for failure to comply with its instructions. For this purpose, MSLDC must maintain record of availability declarations of generators. MSLDC must certify the availability of generation companies and mis-declaration must be suitably penalised.
- m) The Commission observed that MSLDC has grossly failed to observe its functions as required under the EA 2003. MSLDC functions are required to be handled independently and there must be autonomy from that of transmission related operations of MSETCL. Further, Kalwa MSLDC and other LDCs of Mumbai may be administered under a specified hierarchy during the transition phase. For that purpose, employees of TPC may assist the MSLDC by way of deputation or otherwise and upon their retirement new employees may be recruited by MSLDC.
5. In addition, the Commission also sought various clarifications and directed MSLDC to immediately comply with the following:
- a) The Commission enquired as to how the SLDC related functions of MSETCL are separated from the functions relating to its transmission business, and whether any financial delegation has been made by MSETCL in favour of MSLDC, and whether the employees of MSLDC are deployed by MSETCL.
- b) The Commission directed MSETCL to submit detailed Business Plan for MSLDC clearly outlining organizational and managerial plan, financial delegation of powers, administrative delegation of powers, accounting separation, staff deputation policies and HR policies, and plan for take over of Mumbai operations including transition plan.



- c) It was observed by the Commission that satisfactory response could not be obtained in the hearing to the substantial and material issues raised by the Commission. For this purpose, it is required to have further interaction with the participation of the top management including the Managing Director of MSETCL who are directed to make submissions on the issues raised during the hearing.

6. However, the Commission notes that no further action has been undertaken by MSLDC in this matter. The Commission notes that approval of SLDC Budget for FY 2007-08 and approval of SLDC fees and charges thereon, has a bearing on the Annual Revenue requirement of the licensees. The regulatory process of approval of Multi Year Tariff Petitions of various licensees is currently underway. The Commission cannot wait indefinitely for MSLDC to submit its replies and details of capex, as the Orders for other transmission and distribution licensees will get held up on this count. In the absence of any further action from MSLDC, the Commission has proceeded to determine SLDC Budget and Recovery of SLDC Fees and charges for FY 2007-08 based on material available on record and proceedings of the Hearing as summarized in earlier paragraphs.

A] Approval of Revenue Budget

7. The Commission, under its earlier Order for approval of SLDC Budget for FY 2006-07 (Case 30 of 2005) has outlined modalities for approval of SLDC Budget as well as principles for recovery of SLDC Fees and Charges. Accordingly, MSLDC Revenue Budget comprises two parts, namely, (A) **Part-A : SLDC Operating Cost Budget** comprising components such as (i) Employee expenses (ii) Administration and General expenses (iii) Repairs and maintenance expenses (iv) Interest on working capital, and (v) RLDC fees and charges, and (B) **Part-B: SLDC Capital Charge Budget** comprising components such as (i) Depreciation (ii) Interest and finance charges, and (iii) Return on equity.

8. Although METCL in its Petition has projected revised estimates for FY 2006-07, there is no provision under the Regulations for approving the same, hence, Commission's approved budget for FY 2006-07 stands.

(1) Operating Cost Budget

(i) Employee expenses

9. The details of employee related expenses actually incurred for FY 2005-06, revised estimates for FY 2006-07 and projection for FY 2007-08 as submitted by MSETCL are shown in the following Table:



Item Description	2005-06	2006-07			2007-08
	MSLDC	MSLDC	Commission	MSLDC	MSLDC
	(Actual)	(Petition)	(approved)	(Rev. Est)	Petition
No. of Employees	114	196	-	115	196
Employee Expenses	478.58	713.59	628.59	482.33	746.50

10. During FY 2007-08, MSLDC has projected an increase in employee expenses from Rs 482.33 lakh (revised estimates for FY 2006-07) to Rs 746.50 Lakh, mainly on account of projected increase in the number of employees from 115 to 196. MSLDC has also assumed revision in basic salary and related components to the extent of 10% and increase in other employee related expenses at 5% p.a. MSLDC has also requested for approval of increase in number of employees from present level.

11. As regards MSLDC organization structure, manpower requirement, and HR policies, etc., the Commission has elaborated its views in detail under earlier paragraphs. The Commission notes that unless MSLDC submits its detailed Business Plan outlining organizational and managerial plan, financial and administrative delegation of powers, staff deputation policies and HR policies, etc., it would not be prudent to approve any modification to the number of employees at this stage. Further, in this context the Commission would like to refer to its observation as regards number of employees under its earlier Order (Case 30 of 2005), extract of which is reproduced below:

“Further, while the Commission is aware that activities and obligations of SLDC will increase to include State-wide energy accounting and facilitation of open access transactions and doing regular and intensive load flow studies etc, it cannot accept increase in number of employees as proposed. MSETCL is directed to undertake and submit detailed study covering SLDC organization structure, manpower requirement at various levels, analysis of training need requirement, plan for enhancement of skills etc. The study should pay special attention to the use of technological tools, automation, sophisticated hardware and software rather than manual applications. It should also pay due attention as regarding getting outside specialised help on retainer or job work basis to undertake specific or one time jobs in preference to creating machinery and manpower in-house. In short, emphasis should be on analytically strong SLDC with most sophisticated systems and least manual interface or dependence. Further, the Commission would like to clarify that while it has approved the budget for employee related expenses above, it has not approved the employee strength of 196 as proposed as the same can be reviewed only after MSETCL furnishes the detailed report. MSETCL has to restrict its employee expenses for FY2006-07 within the amount approved for the year.

12. In view of above, the Commission does not find any merit in revising employee related expenses at this stage until comprehensive review of manpower requirement is



undertaken based on Business Plan to be submitted by MSLDC. Accordingly, the Commission has considered Revised Estimates of employee expenses for FY 2006-07 as submitted by MSLDC as basis for projecting employee expenses for FY 2007-08 subject only to the extent of adjustment on account of inflation. The Commission notes that average inflation based on consumer price index for industrial workers for the past 3 years from 2004 to 2006 has been around 5.26%. Accordingly, the Commission approves budget of employee related expenses of Rs 507.71 lakh for FY 2007-08, as against Rs 746.50 lakh proposed by MSLDC.

(Rs. Lakh)

Item Description	2007-08 (MSLDC)	2007-08 (Commission)
Employee related expenses	746.50	507.71

(ii) Administration and General Expenses

13. The details of A&G expenses actually incurred for FY 2005-06, revised estimates for FY 2006-07 and projection for FY 2007-08 as submitted by MSETCL are shown in the following Table:

Item Description	2005-06	2006-07			2007-08
	MSLDC	MSLDC	Commission	MSLDC	MSLDC
	(Actual)	(Petition)	(approved)	(Rev. Est)	Petition
A&G Expenses	88.99	159.68	159.68	168.08	177.01

14. During FY 2007-08, MSLDC has projected an increase of 5% in A&G expenses from Rs 168.08 lakh (revised estimates for FY 2006-07) to Rs 177.01 Lakh. The A&G expenditure approved by the Commission for FY 2006-07 is Rs. 159.68 lakh. The Commission notes that actual A&G expenditure incurred during the first six months of FY 2006-07 (Apr-06 to Sep-06) has been only Rs 32.73 Lakh against the approved budget of Rs. 159.68 lakh.

15. In view of above, the Commission has projected the A&G expenses for FY 2007-08 by accounting for inflation. For the purpose of inflation factor, the Commission has considered average Wholesale Price Index (WPI) and Consumer Price Index for industrial workers (CPI_IW) for the past 3 years in proportion of 60:40 in line with principles adopted by CERC. Weighted average inflation factor amounts to 5.34%. Accordingly, the Commission approves budget of A&G expenses of Rs 168.20 Lakh for FY2007-08, as against Rs 177.01 lakh proposed by MSLDC.

(Rs. Lakh)

Item Description	2007-08 (MSLDC)	2007-08 (Commission)
A&G Expenses	177.01	168.20



(iii) Repairs and Maintenance Expenses

16. The details of R&M expenses actually incurred for FY 2005-06, revised estimates for FY 2006-07 and projection for FY 2007-08 as submitted by MSETCL are shown in the following Table:

Item Description	2005-06	2006-07			2007-08
	MSLDC	MSLDC	Commission	MSLDC	MSLDC
	(Actual)	(Petition)	(approved)	(Rev. Est)	Petition
R&M Expenses	85.30	185.74	62.09	383.10	184.45

17. During FY 2007-08, MSLDC has projected change in R&M expenses from Rs 383.10 lakh (revised estimates for FY 2006-07, including one time expense of Rs 227.81 Lakh towards implementation of ICCP link and integration of data into EMS) to Rs 184.45 Lakh. As regards one time expenses towards ICCP link and data acquisition shown in FY 2006-07, the Commission notes that similar expenses were incurred during FY 2005-06 as per MSLDC's earlier submission which was recorded under its earlier Order (Case 30 of 2005). Clause 21 of the said Order states that MSLDC has indicated this component of R&M expense to be one time and not expected to be recurring for FY 2006-07.. During the Hearing, the Commission sought a clarification from MSLDC on this issue, which did not yield any satisfactory response, hence, the same is considered as incorrectly projected.

18. The R&M expenditure approved by the Commission for FY 2006-07 is Rs. 62.09 lakh. However, revised estimates of R&M expenses for FY 2006-07 are projected at Rs 155.29 Lakh, which is around 2.5 times the R&M expenses approved by the Commission for FY 2006-07, excluding above one-time expenses towards ICCP link. Similarly, the R&M expenditure of Rs 184.45 Lakh projected by MSLDC for FY 2007-08 is around three times the R&M expenses approved by the Commission for FY 2006-07. MSLDC has submitted that R&M expenses have been comparatively higher on account of hydraulic works, civil works, office equipment, furniture and fixtures.

19. In view of above, the Commission has considered R&M expense as actually incurred during FY 2005-06 as basis for projecting R&M expenses for FY 2007-08 by accounting for inflation. The inflation factor for this purpose has been considered at average WPI for past three years at 5.39% applied for period of two years from FY 2005-06 to FY 2007-08. Accordingly, the Commission approves budget of R&M expenses of Rs 94.74 lakh for FY 2007-08, as against Rs 184.45 lakh proposed by MSLDC.

(Rs. Lakh)

Item Description	2007-08 (MSLDC)	2007-08 (Commission)
R&M Expenses	184.45	94.74



(iv) Interest on working capital

20. During FY 2007-08, MSLDC has projected an increase in interest on working capital from Rs 34.45 lakh (revised estimates for FY 2006-07) to Rs 43.58 Lakh. The interest on working capital approved by the Commission for FY 2006-07 is Rs. 28.81 Lakh. MSLDC has submitted that it has considered the methodology stipulated under MERC (Terms and Conditions of Tariff) Regulations, 2005 for calculation of Interest on working capital. Also, the Operating Cost Budget alone has been considered as per Commission's directive in the earlier Order for approval of SLDC Budget for FY 2006-07.

21. As per earlier Order, interest shall be allowed at a rate equal to the Short Term Prime Lending Rate of the State Bank of India as at the date on which the application for determination of charges is made. Hence, the SBI PLR rate of 11.5% effective from December 27, 2006 has been considered.

22. The Commission notes that while methodology adopted for computation of working capital requirement and interest on working capital is appropriate, the figures would undergo change since R&M expense, GFA, receivables etc. would vary from that projected by MSLDC.

23. In view of above, the Commission has considered interest on working capital as approved for FY 2006-07 as basis adjusted only to an extent of inflation factor (at the rate of 4.5%) and interest factor (at the rate of 11.5% as against 10.25%) while projecting expenses for FY 2007-08. Accordingly, the Commission approves budget of interest on working capital of Rs 30.71 lakh for FY 2007-08, as against Rs 43.58 as proposed by MSLDC.

(Rs. Lakh)

Item Description	2007-08 (MSLDC)	2007-08 (Commission)
Interest on working capital	43.58	30.71

(v) RLDC related charges

24. MSLDC has projected RLDC related charges of Rs 237.55 Lakh during FY 2007-08 comprising RLDC fees component of Rs 230.35 Lakh in line with that approved by the Commission under previous Order and WRPC secretariat charges of Rs 7.20 Lakh.

25. Accordingly, the Commission approves RLDC related charges of Rs 237.55 lakh for FY 2007-08, as proposed by MSLDC.

(Rs. Lakh)

Item Description	2007-08 (MSLDC)	2007-08 (Commission)
RLDC related charges	237.55	237.55



(2) Capital Budget Components

26. Capital Budget components include (i) depreciation (ii) interest on long term loan and (iii) return on equity. These components are linked to Gross Fixed Assets as well as capital expenditure likely to be capitalized during the year. MSLDC has projected capital expenditure of Rs 6388 lakh during FY 2007-08.

27. In this context, the Commission notes that as against approved capital expenditure budget of Rs 2505 Lakh for FY 2006-07, MSLDC has not been able to undertake capital investments in FY 2006-07 owing to various reasons such as need for comprehensive revision of schemes and pending internal Board approval for the same. Further, even until December 31, 2006, MSLDC has not made any investment as per Capital expenditure plan earlier proposed. MSLDC has revised the projected capital investment from Rs 2505 lakh proposed and approved by Commission for FY 2006-07 to Rs 550.5 Lakh.

28. Further, MSLDC has proposed following Capital Expenditure Plan for FY 2007-08:

(Rs. Lakh)

S.No	Name of Scheme / Description of investment	Kalwa	Ambazari	Total
1	Enhancement of Real Time Data Acquisition Capability	3350	0	3350
2	Establishment of Training & System Studies Facilities at LD Centre	40	40	80
3	Development of Application Software for Operator Assistance	35	35	70
4	Effective Communication System	5	32	37
5	Energy Accounting Balancing & Settlement Mechanism.	0	0	0
6	Infrastructural Development	1764	1087	2851
	Grand Total	5194	1194	6388

29. The Commission notes that even though MSLDC has not made any progress during FY 2006-07 as regards energy accounting and development of 'centralised pooling mechanism' despite the Commission's earlier Order, MSLDC has not proposed any capital expenditure towards energy accounting and balancing settlement mechanism in FY 2007-08, on the basis that it plans to incur estimated expenditure of Rs 120 Lakh on this account during FY 2006-07 itself, which is nearing completion. The Commission takes a serious note of this lackadaisical approach towards development of energy accounting and balancing and settlement mechanism. Further, unless MSLDC submits its capex schemes, it is not possible to ascertain whether the scope of the scheme is already covered by MSETCL as part of Transmission schemes or as part of SLDC scheme. In any case, RTUs have to be installed and maintained by MSETCL, and hence, will have to be part of MSETCL's capital expenditure.



30. Thus, as outlined during the Hearing, MSLDC must submit Capex Schemes outlining scheme details, configuration, schematics, and purpose of scheme along with DPR. Merely providing title of scheme as part of Capital budget is not sufficient to accord approval to any scheme.

31. In view of above, the Commission is of the opinion that it would not be prudent to modify capital charge related budget components for FY 2006-07 in the absence of capex schemes and plans to be submitted by MSLDC. Accordingly, the Commission has considered capital charge related budget for FY 2007-08 in line with that approved during FY 2006-07, which corresponds to capital budget of Rs 2505 Lakh for FY 2007-08 as well. However, the Commission clarifies that the same would be reviewed at the time of annual review during the next year, based on audited accounts of MSLDC.

(Rs. Lakh)

Item Description	2007-08 (MSLDC)	2007-08 (Commission)
Depreciation	231.36	147.60
Interest on long term debt	571.46	189.00
Return on equity	268.30	105.21
Total (Capital charge related budget)	1071.11	441.81

Summary of Revenue Budget

32. The Revenue Budget for FY 2007-08 as approved by the Commission is summarized in the following Table:

Amount in Rs. Lakh	2007-08 (MSLDC)	2007-08 (Commission)
Operating Cost Budget		
Employee Expenses	746.50	507.71
A&G Expenses	177.01	168.20
R&M Expenses	184.45	94.74
Interest on working capital	43.58	30.71
RLDC Fees and charges	237.55	237.55
Sub-total (Operating Cost Budget)	1,389.09	1,038.91
Capital Charge Budget		
Depreciation	231.36	147.60
Interest costs	571.46	189.00
Return on Equity	268.30	105.21
Sub-total (Capital Charge Budget)	1071.11	441.81
TOTAL (Revenue Budget)	2,460.20	1,480.72



BI Approval of Capital Budget

33. MSLDC has projected an outlay of Rs 136.02 Crore over 4 years (FY 2006-07 to FY 2009-10). The investment for FY 2006-07 has been revised to Rs 550 Lakh. The projected capital investment for FY 2007-08 is Rs. 63.88 Cr, of which Rs 51.94 Crore is towards capital expenditure for Kalwa and Rs 11.94 Crore towards Ambazari. MSLDC has submitted that the proposed capital investment in FY 2007-08 will be made towards:

- Enhancement of Real Time Data Acquisition system
- Establishment of System Studies Facilities for Contingency Planning
- Development of Application Software for operator assistance
- Effective Communication System
- Energy Accounting Balancing & Settlement mechanism
- Infrastructural Development

34. It is not clear from MSLDC's submission whether above includes any capital expenditure towards scheduling and despatch activities and co-ordination with Mumbai licensees and generating companies, which is a statutory responsibility entrusted on MSLDC. During the hearing, the Commission observed that co-ordination with Mumbai licensees and availability of data/information from various licensees within Mumbai is the statutory responsibility of MSLDC. MSLDC will be held responsible and accountable for scheduling and despatch related activities associated with all licensees and generating companies within the State.

35. As outlined earlier, capital expenditure schemes of MSLDC will have to be scrutinized for their purpose, application, system improvement aspects, timeframe for implementation, and how they facilitate stakeholder requirement including open access transactions. Further, details of each scheme need to be submitted along with proposed investment plan and sources of funding for approval, as the same would have bearing on capital budget related charges to be recovered from the stakeholders, as discussed earlier.

36. As the Commission had stated in the Order for approval of SLDC Budget for FY 2006-07, while the Commission has considered capital budget of Rs 2505 Lakh for FY 2006-07, it does not mean approval of capital expenditure of the schemes. MSLDC is directed to submit details of each scheme involving outlay exceeding Rs 100 lakh along with investment plan, sources of funding, statement of justification/rationale for the scheme, implementation plan, and milestones for monitoring purposes, for the scrutiny and approval of the Commission, within two weeks from issuance of this Order. Further, MSLDC must submit Capex Scheme outlining scheme details, configuration, schematics, and purpose of scheme along with Detailed Project Report (DPR) for each scheme.



37. Further, the Commission observes that implementing the capital budget of Rs 2505 lakh within a year for MSLDC is mammoth task, particularly since, entire capital investment for MSLDC until now (as per GFA for FY 2006-07) has been only around Rs 5543 lakh. The Commission hereby directs MSLDC to submit the detailed schedule including milestones and plan for implementation, monitoring and control for each scheme separately, proposed to be undertaken during FY 2007-08, within two weeks from date of issuance of this Order for Commission's records and perusal.

C] Determination of SLDC Fees and Charges and Mechanism for recovery

38. The Commission under its earlier Order dated May 16, 2006 (Case 30 of 2005) has outlined the principles for determination of SLDC Fees and Charges and mechanism for recovery of the same, which has been adopted for FY 2007-08 as enumerated below.

- i. SLDC Fees and Charges shall comprise following components
 - (a) Annual SLDC Fees – corresponding to Capital Charge related Budget components, payable on semi-annual basis.
 - (b) SLDC Operating Charges – corresponding to annual operating cost budget comprising Employee expense, R&M expense, A&G expense, interest on working capital and RLDC fees and charges, payable monthly in arrears.
- ii. Annual SLDC Fees and Annual SLDC Operating Charges shall be levied on distribution licensees in proportion to their contribution to Co-incident Peak Demand (CPD) in MW terms met during previous year. Annual SLDC Fees shall be recovered on semi-annual basis on 10th April and 10th October of each fiscal year, whereas Annual SLDC Operating Charges shall be recovered on monthly basis, in arrears.
- iii. Further, SLDC shall be entitled to levy and recover Registration/Connection Fee and Rescheduling Charges as under:
 - (c) Registration or Connection Fees at the rate of Rs 10,000/- per connection for connecting to the intra-State transmission system (InSTS). The registration fees shall be a one time fee payable at the time of registration or seeking connection to InSTS. The registration fees shall be applicable for all generating companies, distribution licensees and Transmission Open Access Users (TOAU). Existing generating companies and distribution licensees shall arrange to register and pay for such fees upon formulation of detailed procedure by MSLDC in this respect not later than two months from date of issuance of this Order.



(d) Rescheduling Charges: To be levied on generating companies, distribution licensees, trading companies, transmission OA users, as the case may be, at the rate of Rs 3000/- for each revision in schedule after finalization of schedules by MSLDC on day-ahead basis or for non-submission of schedule as per State Grid Code requirements.

39. As per para 32 of this Order, the Commission has approved the Revenue Budget for MSLDC for FY 2007-08 at Rs 1480.72 Lakh comprising operating cost budget of Rs 1038.91 Lakh and capital charge related budget of Rs 441.81 Lakh. MSLDC has furnished details of co-incident peak demand of various licensees from April 2005 to October 2006. The 12-monthly average (November 2005 to October 2006) of co-incident peak demand and share of each distribution licensee in terms of contribution to co-incident peak demand (MW) is summarized in the following Table. Accordingly, the Commission hereby determines the share of each distribution licensee out of approved MSLDC Budget for FY 2007-08 as summarized below:

Item Description	MSLDC Budget (FY08)	Annual Operating Budget (FY08)	Capital charge Budget (FY08)	Share of Co-incident peak demand	% share	Annual SLDC Operating Charges	Annual SLDC Fees	Annual SLDC Fees & Charges
	(Rs L)	(Rs L)	(Rs L)	(MW)	%	(Rs L)	(Rs L)	(Rs L)
MSEDCL	1,480.72	1,038.91	441.81	9588	81.1%	842.22	358.16	1,200.38
TPC-D				353	3.0%	30.97	13.17	44.13
REL-D				1245	10.5%	109.38	46.51	155.89
BEST				641	5.4%	56.35	23.96	80.31
TOTAL				11827	100.0%	1,038.91	441.81	1,480.72

40. Further, in view of principles outlined under paragraph 38 of this Order, the Commission hereby approves recovery of Monthly SLDC Operating Charges and Semi-annual SLDC Fees during FY 2007-08 from various distribution licensees as summarized below:

Item Description	Monthly SLDC Operating Charges	Semi-Annual SLDC Fees
	(Rs L/mth)	(Rs L/hlf yr)
MSEDCL	70.18	179.08
TPC-D	2.58	6.58
REL-D	9.11	23.26
BEST	4.70	11.98
TOTAL	86.58	220.91



41. The Commission will true up actual expenses incurred and revenue earned during FY 2006-07 on submission of audited results of MSETCL alongwith Allocation Statement for MSLDC during annual review. The Commission observes that for FY 2006-07, MSLDC was recovering entire SLDC Budget from MSEDCL, hence any over recovery /under recovery of SLDC fees and charges during FY 2006-07 will have to be adjusted against MSEDCL's share of SLDC fees and charges payable in future.

Accordingly, the Commission disposes the Case No. 77 of 2006 in the matter of Petition filed by MSETCL for approval of SLDC Budget for FY 2007-08.

Sd/-
(S.B. Kulkarni)
Member

Sd/-
(A. Velayutham)
Member

Sd/-
(Dr Pramod Deo)
Chairman



(Ms Malini Shankar)
Secretary, MERC

