

**Analysis of ARR & Fees and  
Charges For SLDC  
(FY 2023-24)**

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# Computation of Annual Charges for SLDC

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

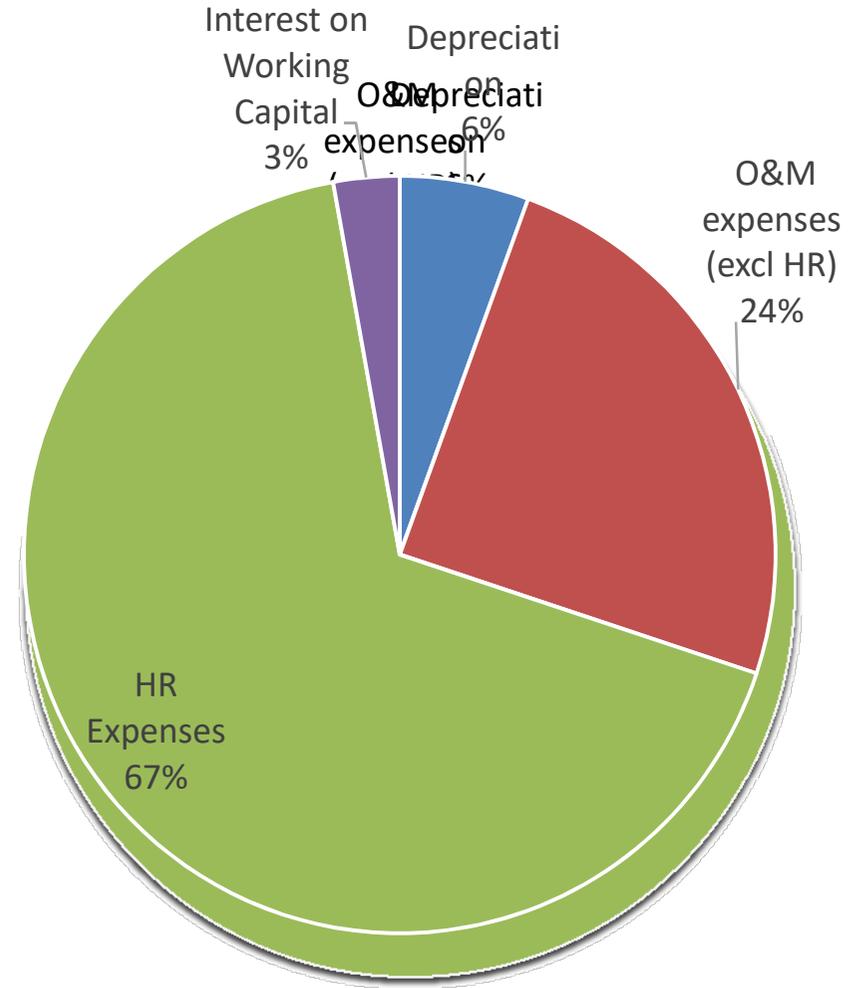
Annual Charges consist of

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

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

# Proposed ARR for FY 2023-24

SL No	Annual Charge Components	Cost (in Rs. lakh)
1	Return on Equity	0.000
2	Interest on Loan	0.000
3	Depreciation	80.689
4	O&M expenses (excl HR)	356.455
5	HR Expenses	974.545
6	Interest on Working Capital	41.311
	<b>Total</b>	<b>1453.000</b>



## Comparison of ARR

		(in Rs. lakh)				
SL No	Particulars	Approved (2019-20)	Approved (2020-21)	Approved (2021-22)	Approved (2022-23)	Proposed (2023-24)
1	Employee cost including compensation	725.33	724.387	793.630	874.473	974.545
2	O&M Expenses	167.49	168.114	181.236	193.948	356.455
3	Depreciation	44.65	38.388	71.298	81.183	80.689
4	Interest on loan	0	0	0	0	41.311
5	Interest on WC	0	0	0	0	0
6	ROE	0	0	0	0	0
<b>Total ARR (Rs Lakh)</b>		<b>937.47</b>	<b>930.889</b>	<b>1046.164</b>	<b>1149.604</b>	<b>1453.000</b>

## Comparison of Annual SLDC charges (in Rs. lakh)

Sr No	Particulars	Proposed (2022-23) Per annum	Approved (2022-23) Per annum	Proposed (2023-24) Per annum
1	ARR of SLDC	1432.830	1149.604	1453.000
2	System Operation Charge (80%)	1146.264	919.684	1162.400
3	Market Operating Charge (20%)	286.566	229.921	290.600
4	SOC for Intra-state transmission licensee (10% of SOC)	114.626	91.968	116.240
5	SOC & MOC for Generating Stations and sellers ( 45% of SOC+50% MOC)	659.102 (515.819+143.283)	528.818 (413.858+114.960)	668.38 (523.080+145.300)
6	SOC & MOC for DISCOM & Buyers ( 45% of SOC + 50% MOC)	659.102 (515.819+143.283)	528.818 (413.858+114.960)	668.38 (523.080+145.300)

# Analysis of ARR and Suggestions

## Status of Capex

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

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

# Depreciation

## Observations

SLDC has claimed Rs. 80.689 lakh as depreciation for assets in ULDC and offices in SLDC as per CERC Regulation. Out of total depreciation major amount claimed is for computers & peripherals for SLDC control room, office and data centres amounting 44.24 lakh. Other amount includes Rs. 24.979 lakh claimed on account of Video Projection Screen (**VPS**).

## Submission

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

	Gross Block as On 31.03.21	Gross Block as On 31.03.22
Video Projection Screen	166.53	166.53
Computers & peripherals for data centre	258.13	258.13

- The depreciation should be allowed based on Commission's approved project cost, depreciation already claimed etc.

# O&M Expenses excluding HR

## Observations

The O&M expenses of Rs. **356.455** lakhs are projected considering the expenditure to be incurred in FY 2023-24 & not as per OERC Regulation (83.78% escalation on FY 2022-23 expenses)

## Submission

- The proposed O&M expenses of Rs **356.455** lakh seems to be on higher side and should not be approved.
- Under A&G, projected electricity charges and watch & ward charges are significant (around 40% of projected A&G charges). Significant increase in conveyance and travel. These need to be reviewed.
- SLDC has spent very low amount on **O&M expenses for FY 2022-23 (actual up to September 22 is 75.155 lakh, i.e. 38.75% of the approved for FY 2022-23, of Rs. 193.948 lakhs)**. SLDC is projecting high O&M related expenses during Oct 22–March 2023 amounting 201.305 lakh, which is on higher side.
- The O&M, therefore, should be computed as per OERC Regulation : 5.72% escalation over actual prorated O&M expenditure of FY 2022-23.

## HR and O&M Expenses (in Rs lakh)

Particular	FY 2021-2022		FY 2022-23		Proposed for FY 2023-24
	Approved	Actual	Approved	Actual (1 <sup>st</sup> 6 months) / Projection for next six months/ Projection for full year.	
Employee cost including compensation	793.630	986.74	874.473	498.682/466.885/ 965.567	974.545
R & M expenses	56.996	72.919	89.311	18.528/56.624/75.152	140.290
A & G expenses	124.240	113.811	104.637	56.627/88.054/144.681	216.165

- **Observations :** The projected expenses for second half of FY 22-23 is far more than actual expenditure incurred in first six months of FY 2022-23 .
- Projected expenses to be incurred on R&M expenses in the second half of FY 2022-23 is three times higher than what actually incurred in the first half.
- The Commission may arrive at the figures for FY 2023-24 on pro-rata basis of FY 2022-23 and escalate it at the rate of 5.72%

# Human Resources Expenses

## **Observation**

SLDC has claimed HR expenses of **Rs 974.545** lakh on account of salary and considering the existing employees including 4 numbers of Telecommunication personnel working at SLDC control centre. In addition, salary for 13 contractual/outsourcing staffs to be engaged at SLDC for FY 23-24.

## **Submission**

- SLDC has computed salary of 63 staff including contractual staff (current staff is also the same).
- Basic Pay & GP for 2023-24 may be calculated on the basis of actual expenses of last 10 months (up to Jan-23) which can be prorated for the whole of FY 2022-23 and the same may be escalated with the appropriate rate.
- Applicable DA rate can be considered. Proposed HRA is significantly higher than the approved amount for FY 2022-23. The same may be reviewed.
- SLDC proposed terminal benefits of Rs 41.136 lakh for FY 2023-24. The same may be allowed based on actual payment made by SLDC.

# Working capital

## Observation

- SLDC has claimed Working capital requirement of **Rs 353.083** lakh [O&M **excluding HR** for **one** month at Rs. 29.705 lakh, **HR** expenses for **one** month at Rs. 81.212 lakh & Receivables (**two** months of SOC & MOC) at Rs. 242.167 lakh]
- SLDC in their ARR application has admitted that they have not taken loans to meet working expenses.
- Hon'ble Commission' observation in FY 22-23 order: *“37.(b) The Commission observes that since SLDC has substantial amount of funds in the SLDC Development Fund and parts of which is being used as deemed loan for working capital purpose, therefore no interest on working capital for FY 2022-23 is allowed”.*

## Submission

Proposed working capital of **Rs. 353.083 lakh** may not be approved separately and the same may be allowed to be incurred from SLDC Development Fund.

## Some more observations

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

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

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

Certification of LDC personnel

The recommendation No. (4) in Clause 6.4 of Report of the Committee on “Manpower, Certification and Incentives for System Operation and Ring fencing Load Despatch Centres” has envisaged that the highly specialized and technical nature of LDC function necessitates a suitable compensation structure to attract and retain talent. The expenditure for Training & Certification of LDC personnel has been projected as Rs 30.0 lacs for FY 2023-24. **Actual FY 21-22: Rs 1.307 lakh; projected FY 2022-23: Rs 6.28 lakh.**

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

## Some more observations – SLDC Development fund

Utilization of “SLDC development fund”	<ul style="list-style-type: none"><li>• Capex addition: FY 2019-20: Rs 208 lakh, FY 2020-21: Rs 14.5 Lakh, FY 2021-22: Rs 22.91 lakh only.</li><li>• Surplus (income - expenditure from operation) transfer to SLDC fund: FY 2019-20: Rs 450 lakh, FY 2020-21: Rs 407 lakh; FY 2021-22: Rs 381 Lakh.</li><li>• The accumulated cash balance in SLDC Development Fund, as submitted by SLDC, is Rs.69.08 Crore as on 31.03.2022.</li></ul>
Hon’ble Commission’s direction:	<ul style="list-style-type: none"><li>• The miscellaneous income of SLDC such as Registration Fee, Application Fee, Short Term Open Access Charges, etc. during FY 2022-23 shall be deposited in the SLDC Development Fund as per Regulation 8 of OERC (Fees &amp; Charges of SLDC and other related matters) Regulation, 2010.</li><li>• 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 &amp; funding of R&amp;D Projects, if any, relating to Odisha Power System with the necessary approval of the Commission.</li><li>• Any asset created by SLDC out of money available in SLDC Development Fund shall not be considered for computation of Return on Equity &amp; Interest on Loan.</li></ul>

## In Conclusion

- The SLDC is considered as 'Brain' of power system operation.
- SLDC is responsible for optimum scheduling and dispatch of electricity, carrying out real time operations for grid control and dispatch of electricity in cost effective manner.
- Non functioning of SLDC at its full strength will adversely affect the power system operations.
- The SLDC has committed delay in implementing the orders of Hon Commission.
- SLDC Development fund to be monitored closely.
- Implementation of CABIL report recommendations may be submitted.
- The Commission may consider above facts before approving the ARR for FY 2023-24.

Thank You