

Analysis of ARR & Fees and Charges For SLDC (FY 2013-14)

WISE , Pune ,Consumer Counsel

Computation of Annual Charges for SLDC

Regulation followed : OERC (Fees & Charges of SLDC) 2010 , CERC Regulation on RLDCs, 2009

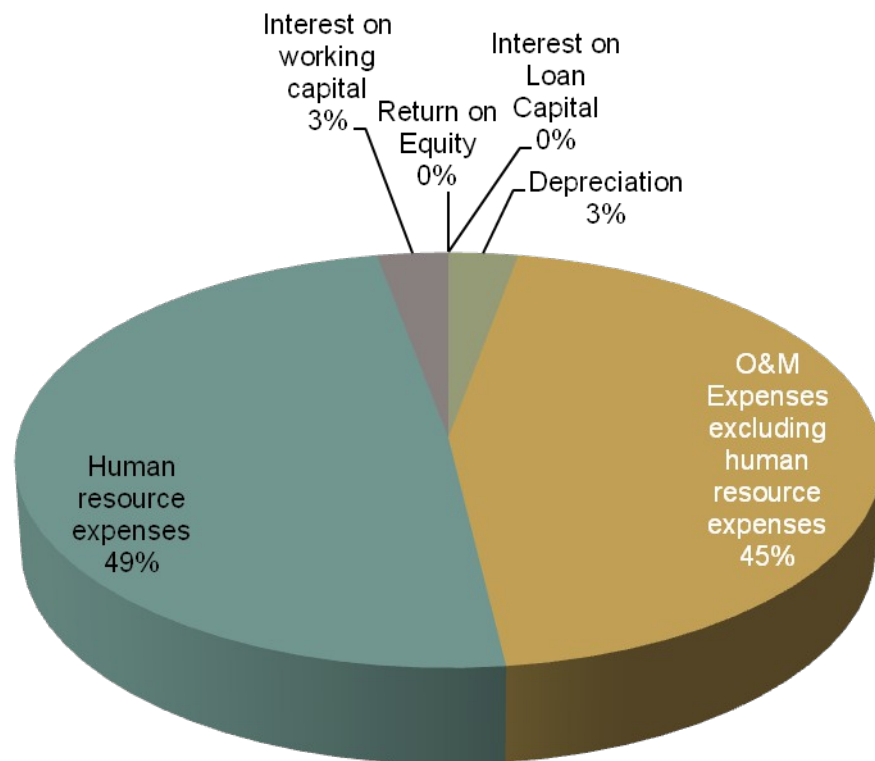
Annual Charges consist of

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

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

Proposed ARR for FY 2013-14

SL No	Item	Cost (lacs)
1	Return on Equity	0
2	Interest on Loan	0
3	Depreciation	30.834
4	O&M expenses	484.676
5	HR Expenses	524.960
6	Interest on Working Capital	31.54
	Total	1072.01



Comparison of ARR

					(in Rs. lakhs)
Sr No	Particulars	Approved (2010-11)	Approved (2011-12)	Approved (2012-13)	Proposed (2013-14)
1	Employee cost including compensation	364.92	445.63	495.680	524.960 (5.91%)
2	Additional compensation for ABT during	85.00	85.00	85.00	-----
3	R&M expenses	201.80	231.70	200.00	322.710 (61.36%)
4	A&G expenses (including certification of SLDC personnel)	75.00	75.00	75.00	161.966 (115.95%)
5	Depreciation	27.80	17.536	20.550	30.834 (50.04%)
6	Interest on loan	0	0	0	0
7	Interest on WC	22.33	25.44	26.05	31.54 (21.00%)
8	ROE	0	0	0	0
	Total ARR (Rs Lakh)	776.85	880.31	902.28	1072.01 (18.8% rise)

Comparison of Annual SLDC charges

Sr No	Particulars	Unit	Approved (2012-13) Per annum	Proposed (2013-14) Per annum
1	ARR of SLDC		902.28	1072.01
2	System Operation Charge (80%)	Lacs	721.85	857.61 (18.8 % increase)
3	Market Operating Charge (20%)	Lacs	180.46	214.40 (18.8 % increase)
4	SOC for Intra-state transmission licensee (10% of SOC)	Lacs	72.18	85.76
5	SOC & MOC for Generating Stations and sellers (45% of SOC +50% MOC)	Lacs	415.06 (324.83+90.23)	493.12 (385.92+107.2)
6	SOC & MOC for DISCOM & Buyers (45% of SOC + 50% MOC)	Lacs	415.06 (324.83+90.23)	493.12 (385.92+107.2)
	CESU	Lacs	115.89	137.698
	NESCO		74.66	88.685
	WESCO		91.40	108.599
	SOUTHCO		42.87	50.942
	Based on % share of energy consumption			

Analysis of ARR and Suggestions

Depreciation

Observations

SLDC has claimed Rs. **30.834** lacs as depreciation for assets in ULDC and offices in SLDC as per CERC Regulation. Out of total depreciation an amount of Rs. **17.468** lacs is claimed on account of Video Projection Screen (**VPS**) and Rs. **9.439** lacs is claimed for IT equipments at EASSC.

Submission

- ❑ Depreciation on VPS was approved for the FY 2012-13 and the same may be allowed for the FY 2013-14 on the ground that the Honorable Commission has observed in the last year's order that the VPS has been purchased from the account of the SLDC.
- ❑ Status on the functioning of EASSC is not found in the ARR filing for the FY 2013-14 and hence the Honorable Commission may ask for further information on the same before approving the amount for EASSC.

O&M Expenses

Observations

The O&M expenses of Rs. **484.676** lacs are projected considering the expenditure to be incurred in FY 13-14 & not as per OERC Regulation (5.72% escalation on previous year's actual O & M expenses)

Submission

The proposed O&M expenses of Rs **484.676** lacs seems to be on higher side and should not be approved. The SLDC could not spend **approved O&M expenses in FY 2010-11 and FY 2011-12**; therefore should be computed as per OERC Regulation : 5.72% escalation over actual O&M expenditure of 2012-13.

HR and O&M Expenses (in lacs)

Particular	FY 2010-11		FY 2011-12		FY 2012-13		Proposed for FY 2013-14
	Approved	Actual	Approved	Actual	Approved	Actual (1 st 6 months) / Projection for next six months.	
Employee cost including compensation	449.92	318.85	530.63	252.462	580.68	124.362/182.0	524.960
R & M expenses	201.80	188.15	231.70	172.517	200.00	95.651/141.47	322.710
A & G expenses	75	65.71	75	94.529	75.00	41.502/85.180	161.966

Observations :

- SLDC could not spend the approved amount in FY 2010-11 and FY 2011-12 on actual basis
- The actual expenditure incurred in first six month of FY 12-13 is not satisfactory
- Projected expenses to be incurred for A&G expenses in the second half of FY 12-13 are shown more than double to what actually incurred in the first half, whereas that for employee cost and R&M expenses have been assumed to increase almost by 50%.
- Commission may arrive at the figures for FY 12-13 on pro-rata basis and escalate it for FY 2013-14 at the 5.72%

Human Resources Expenses

Observation

SLDC has claimed HR expenses of **Rs 524.96** lacs on account of salary and other cost of 81 no of executives and non executives for FY 13-14

Submission

- ❑ SLDC has not recruited the requisite **81** number of staffs during FY 12-13 to manage the day to day SLDC operations
- ❑ Their records show **43 no of staff** on roll as per **7B(1) & (2)** form (as on 30 Sept 2012)
- ❑ It was noted that the SLDC staff strength was reduced **from 53 nos. during 2008-09 to 43 nos. during 2012-13**
- ❑ Therefore the proposed Human resource expenses of **Rs 524.96** lacs for FY 2013-14 should be approved after verifying the availability of staffs at SLDC

Working capital

Observation

SLDC has claimed Working capital requirement of **Rs 262.805** lacs [**O&M excluding HR** for **one** month Rs. 40.39 lacs, **HR** expenses for **one** month Rs. 43.747 lacs & Receivables for **two** months (SOC & MOC) Rs. 178.668 lacs]

Submission

Proposed working capital of Rs. 262.805 lacs should be reduced based on the approved O&M & Human resource expenses

Some more observations

Non compliance of the direction of Hon. Commission

Task Assigned	Time limit Proposed by OERC	Status
Transfer of assets of Sub -SLDC at Bhubneshwar, Meramundali, jayanagar, & Bhudipadar to SLDC	31.08.2007	No definite time frame is suggested by OPTCL in this ARR
Functioning of Energy Accounting and Settlement System Centre (EASSC) of SLDC	01.04.2010	SLDC may produce status report on the functioning of EASSC
SLDC should be headed by Chief load dispatcher in the rank of Director and they should be supported by requisite number of staffs (81 Nos.)	31.05.2010 OERC directed OPTCL to send requisition to GoO by 28.02.11	The HR information pertaining to FY 2012-13, reveals that the present strength of SLDC is 43

Some more observations

<p>Commission has approved CAPEX of Rs 349.90 lakh for FY 2011-12</p>	<p>OPTCL may furnish the report on status of work and expenditure made till date</p>
<p>Report on Manpower restructuring of SLDC by NPC</p>	<p>SLDC may furnish the findings of NPC report</p>
<p>Additional Compensation of Rs 85 lakh each was allowed for implementation of intra-state ABT in the ARR of FY 2010-11, 2011-12 and 2012-13</p>	<p>SLDC may furnish the status of work</p>
<p>Receipt into and expenditure from the “SLDC development fund” as on December 2012.</p>	<p>SLDC may use this fund for assets creation, and margin money for raising loans from FIs for assets creation and funding of R&D projects.</p>

In Conclusion

- The SLDC is considered as 'Brain' of power system operation and should function as an Independent System Operator.
- 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 and without a Chief Load Despatcher for last 4 years will adversely affect the power system operations and indirectly increases the cost of electricity to be served
- EASSC is yet to be commissioned under SLDC & SLDC is unable to prepare and issue monthly State Energy Account (SEA), weekly UI Account and weekly Reactive Energy Account in accordance with OERC (Intra-State ABT) Regulations, 2007 even after 4 years of ring-fencing.
- The SLDC has committed delay in implementing the orders of Hon Commission
- The Commission may consider above facts before approving the ARR for FY 2013-14.

Thank You