

**Multi Year Tariff Order
For
Himachal Pradesh State Load Dispatch Society
(HPSLDS)
For the period
FY 15 to FY 19**



**Himachal Pradesh Electricity Regulatory
Commission
10th June, 2014**

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**Before the Himachal Pradesh Electricity Regulatory Commission
At Shimla**

Case No. 98 of 2014

CORAM

SUBHASH C. NEGI

In the matter of:

Filing of Multi Year Aggregate Revenue Requirements (ARR) for the third control period (FY 2014-15 to FY 2018-19) and determination of SLDC charges under Section 62, 64 and 86 of the Electricity Act, 2003.

And

In the matter of:

Himachal Pradesh State Load Despatch Society (HPLDS)**Petitioner**

ORDER

Himachal Pradesh State Load Despatch Society (hereinafter called 'The HPLDS') has filed a Petition with the Himachal Pradesh Electricity Regulatory Commission (hereinafter referred to as 'the Commission' or 'HPERC') for approval of its Aggregate Revenue Requirement (ARR) and determination of SLDC charges for the third MYT Control Period (FY2014-15 to FY2018-19) under Sections 62, 64 and 86 of the Electricity Act, 2003 (hereinafter referred to as 'the Act'), read with the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011. The Commission scheduled the public hearing for interaction with the Petitioner, interveners, consumers, and consumer representatives of various consumer groups on April 25, 2014 at Shimla, and having had formal interactions with the officers of HPLDS and having considered the documents available on record, herewith accepts the submissions with modifications, conditions and directions specified in the following Tariff Order.

The Commission has determined the ARR of the HPLDS for each year of the third Control Period (FY 2014-15 to FY 2018-19) under the Multi Year Tariff (MYT) regime and approved the Aggregate Revenue Requirements for the Control Period duly taking into account the

guidelines laid down in Section 61 of the Act, the National Electricity Policy, the National Tariff Policy and the regulations framed by the Commission.

The Commission, in exercise of the powers vested in it under Section 62 of the Act, orders that the approved Aggregate Revenue Requirement shall come into force w.e.f. 1st April 2014. The arrears, if any, for the months of April 2014 and May 2014 shall be adjusted in equal installments in the remaining months of FY 2014-15.

In terms of sub-regulation (10) of Regulation 9 of the HPERC (Levy and Collection of Fees and charges by State Load Despatch Centre) Regulations, 2011 read with HPERC (Levy and Collections of Charges by State Load Despatch Centre) (First Amendment), Regulations, 2013 the Tariff Order shall, unless amended or revoked, continue to be in force up to 31 March, 2019.

The Commission further directs the publication of the tariff in two leading newspapers, one in Hindi and the other in English, having wide circulation in the State within 7 days of the issue of the Tariff Order.

--Sd--

Shimla

(Subhash C. Negi)

Dated: 10th June, 2014

Chairman

1 Introduction

1.1 Himachal Pradesh Electricity Regulatory Commission

1.1.1 The Himachal Pradesh Electricity Regulatory Commission (hereinafter referred to as 'HPERC' or 'the Commission') constituted under the Electricity Regulatory Commission Act, 1998 came into being in December 2000 and started functioning with effect from 6th January, 2001. After the enactment of the Electricity Act, 2003 on 26th May, 2003, the HPERC has been functioning as statutory body with a quasi-judicial and legislative role under Electricity Act, 2003.

1.2 Functions of HPERC

1.2.1 As per Section 86 of the Electricity Act, 2003, the State Commission shall discharge the following functions, namely:

- a) determine the tariff for generation, supply, transmission and wheeling of electricity, wholesale, bulk or retail, as the case may be, within the State: Provided that where open access has been permitted to a category of consumers under section 42, the State Commission shall determine only the wheeling charges and surcharge thereon, if any, for the said category of consumers;
- b) regulate electricity purchase and procurement process of distribution licensees including the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the State;
- c) facilitate intra-state transmission and wheeling of electricity;
- d) issue licences to persons seeking to act as transmission licensees, distribution licensees and electricity traders with respect to their operations within the State;
- e) promote co-generation and generation of electricity from renewable sources of energy by providing suitable measures for connectivity with the grid and sale of electricity to any person, and also specify, for purchase of electricity from such sources, a percentage of the total consumption of electricity in the area of a distribution licence;

- f) adjudicate upon the disputes between the licensees, and generating companies and to refer any dispute for arbitration;
- g) levy fee for the purposes of this Act;
- h) specify State Grid Code consistent with the Indian Electricity Grid Code specified with regard to grid standards;
- i) specify or enforce standards with respect to quality, continuity and reliability of service by licensees;
- j) fix the trading margin in the intra-state trading of electricity, if considered, necessary; and
- k) discharge such other functions as may be assigned to it under this Act.

1.2.2 The State Commission shall advise the State Government on all or any of the following matters, namely

- a) promotion of competition, efficiency and economy in activities of the electricity industry;
- b) promotion of investment in electricity industry;
- c) reorganization and restructuring of electricity industry in the State;
- d) matters concerning generation, transmission, distribution and trading of electricity or any other matter referred to the State Commission by State Government.

1.3 Himachal Pradesh State Load Despatch Society

1.3.1 The State Load Despatch Centre (SLDC) was established in Himachal Pradesh in 2002 and Himachal Pradesh State Electricity Board Ltd. (erstwhile HPSEB) has been operating it since then. HPSEB Ltd was the sole utility looking after the businesses of generation, transmission and distribution of power in the state. With the enactment of Electricity Act, 2003, which broadly focuses on making the power sector competitive, different utilities have been set up in the state to look after the businesses of generation and transmission of power, whereas HPSEB Ltd. continues to be the only utility in the distribution business in the state. The HV/EHV lines previously classified as intra-state transmission lines are now owned by HPSEBL and have been classified as HV/EHV distribution lines. Therefore, unlike many other states of the region where the SLDC functions were assigned to the State Transmission Utility, in Himachal Pradesh, SLDC functions continued to remain under HPSEB Ltd.

- 1.3.2 In order to ensure that SLDC discharges the functions and duties entrusted with it in the Electricity Act 2003, in an efficient and effective manner, the Himachal Pradesh Electricity Regulatory Commission imparted directions to HPSEB Ltd. to take steps to ring fence SLDC, and grant it functional autonomy.
- 1.3.3 In line with this, the Govt. of Himachal Pradesh ordered the establishment of State Load Despatch Centre as an independent entity in the form of “Himachal Pradesh State Load Despatch Society” vide its order No. MPP-B (13)-2/2010 dated 8.11.2010. HPSEB Ltd. has put the services of some of its employees on secondment basis with Himachal Pradesh State Load Despatch Society with effect from 17th June 2012. Himachal Pradesh State Load Despatch Society has therefore deemed to have taken over the functions of State Load Despatch Centre from HPSEB Ltd. with effect from 17th June 2012.
- 1.3.4 However, the two fold reasons of HPSEB Ltd. being the only DISCOM in the state, and for it to have carried out the SLDC functions for so long, have added to the complexities of transferring the functions of SLDC from HPSEB Ltd. to Himachal Pradesh State Load Despatch Society. The unique initiative of the integrated functioning of SLDC (with Himachal Pradesh Load Despatch Society) and ALDC (HPSEBL) taken up in HP, adds to the difficulties likely to arise during the transition phase. Since ALDC facility of HPSEB Ltd and SLDC facility of Himachal Pradesh State Load Despatch Society are located in the same complex; the necessary assets required for SLDC operation have not been transferred by HPSEB Ltd. to Himachal Pradesh Load Despatch Society till date.
- 1.3.5 The biggest challenge today is to provide Himachal Pradesh Load Despatch Society the necessary infrastructure and human resources so that it can carry out its functions and duties as per the Act. Simultaneously with the coming up of large number of power projects and Commission’s commitment to provide open access to consumers having demand more than 1 MW in the state, the role of State Load Despatch Centre becomes more important as it is designated as the apex body for the integrated operation of the power system in the state by the Act.

1.4 Multi Year Tariff Framework

- 1.4.1 The Commission follows the principles of Multi Year Tariff (MYT) for determination of tariffs, in line with the provision of Section 61 of the Act.

- 1.4.2 The MYT framework is also designed to provide predictability and reduce regulatory risk. This can be achieved by approval of a detailed capital investment plan for the Petitioner, considering the expected network expansion and load growth during the Control Period. The longer time span enables the Petitioner to propose its investment plan with details on the possible sources of financing and the corresponding capitalization schedule for each investment
- 1.4.3 The Commission had specified the terms and conditions for the determination of tariff in the year 2004, based on the principles as laid down under Section 61 of the Electricity Act 2003.
- 1.4.4 Thereafter, the Commission had notified the HPERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, HPERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, and HPERC (Terms and Conditions for Determination of Transmission Tariff) Regulations notified in the year 2007 and 2011. The Commission also notified the HPERC (Levy and Collection of Fees and Charges by the State Load Despatch Centre) Regulations, 2011 for levy of charges by the SLDC. The MYT regulations notified in the year 2011 were amended as (First Amendment) Regulations, 2013 on 1st November 2013.
- 1.4.5 The Commission issued the first Multi-Year Tariff (MYT) Order for HPLDS for the period FY 2011-12 to FY 2013-14 on 5th January, 2013.

1.5 Filing of ARR and Tariff Petition for MYT Control Period (FY15 – FY19)

Procedural Background

- 1.5.1 The Petitioner has filed the application for approval of the Aggregate Revenue Requirement (ARR) and determination of SLDC charges along with the Business Plan for the third control Period (FY 2014-15 to FY 2018-19), with the Commission on 4th April 2014 registered as MA No. 98 of 2014.
- 1.5.2 Deloitte Touche Tohmatsu India Pvt. Ltd. (Deloitte) was appointed as Consultant to assist the Commission in the assessment of the ARR and determination of the relevant tariffs.
- 1.5.3 The Commission admitted the Petition vide interim order dated 5th April, 2014. The interim order inter alia included direction to the Petitioner to publish the application in

an abridged form and manner as per the “disclosure format” attached with the interim order for the information of all the stakeholders in the State. As per the direction, the Petitioner published the public notice in the following newspapers:

Table 1: List of Newspapers

Sl.	Name of News Paper	Date of Publication
1.	The Tribune (English)	8th April 2014
2.	Divya Himachal (Hindi)	8th April 2014
3.	The Indian Express (English)	9th April 2014
4.	Amar Ujala (Hindi)	9th April 2014

Interaction with the Petitioner

- 1.5.4 Since the submission of the Petition, there have been a series of interactions between the Petitioner and the Commission, both written and oral, wherein the Commission sought additional information/clarifications and justifications on various issues, critical for the analysis of the Petition.
- 1.5.5 Based on preliminary scrutiny of the petition, the Commission vide letter No. HPERC/MYT3/HPLDS/2013-14–152 dated 11th April, 2014, directed the Petitioner to submit details regarding first set of deficiencies identified in the petition, which were submitted by the Petitioner vide MA No. 108/2014 dated 22nd April, 2014.
- 1.5.6 Based on the detailed scrutiny of the petition, various clarifications/ information were sought by the Commission from time to time. The following submissions made by the petitioner in response there to, have been taken on record:

Table 2: Communication with the Petitioner

No	Submission of the Petitioner
1	M.A No 108/2014 dated 22 nd April, 2014.
2	M.A. No 115/2014 dated 13 th May, 2014

Public Hearings

- 1.5.7 The Commission published a public notice inviting suggestions and objections from the public on the tariff petition filed by the Petitioner in accordance with Section 64(3) of the Act, which was published in the following newspapers:

Table 3: List of Newspapers for Public Notice

Sl.	Name of News Paper	Date of Publication
1.	The Tribune (English)	10th April, 2014
2.	Amar Ujala (Hindi)	10th April, 2014

- 1.5.8 The stakeholders were requested to file their objections by 25th April, 2014. The HPLDS was required to submit replies to the suggestions/ objections to the Commission by 30th April, 2014 with a copy to the objectors on which the objectors were required to submit rejoinder by 5th May 2014. The date of public hearing was fixed on 25th April, 2014.
- 1.5.9 The Commission received comments/ suggestions from HPSEBL on the petition filed by the HPLDS vide MA No. 113/2014 dated 2nd May, 2014 and MA No. 116/2014 dated 17th May, 2014.

1.6 Structure of the Order

1.6.1 This order is organised into the following chapters namely:

- **Chapter 1: Introduction**– Covers the background of the entire process along with details of the processes adopted by the Commission prior to issue of this MYT Order for HPLDS and the approach being adopted therein.
- **Chapter 2: Summary of the ARR petition for the Control Period** - Covers the highlights of the petition filed by the HPLDS for determination of the Aggregate Revenue Requirement (ARR) for the third MYT Control Period (FY15 to FY19).
- **Chapter 3: Objection filed and issues raised by the consumers during public hearing**
- **Chapter 4: Analysis of Aggregate Revenue Requirement for third Control Period** - Deals with the determination of ARR and SLDC charges for third MYT Control Period (FY15 to FY19).

2 Summary of the ARR petition for the Control Period

2.1 Introduction

2.1.1 This chapter summarizes the highlights of the Petition filed by the HPLDS for determination of the Aggregate Revenue Requirement (ARR) for the third MYT Control Period (FY15 to FY19).

2.1.2 The Petition was filed on 4th April, 2014 which was registered with the Commission as Petition No. 98 of 2014. The Petitioner has proposed projections for the Control Period as per the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011 read with HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) (First Amendment) Regulations, 2013 (herein after referred to as “HPERC MYT SLDC Regulations” and considering the actual expense for past years and estimates for the base year i.e. FY 2013-14.

2.1.3 ARR for each year of the Control Period has been bifurcated into following elements:

- O&M Expenses;
 - (i) Employee cost;
 - (ii) Administrative and General Expenses (A&G);
 - (iii) Repairs and Maintenance expenses(R&M);
- Depreciation;
- Interest and Financing Charges;
- Interest on Working Capital;
- Return on Equity

2.1.4 The Petitioner has computed the ARR considering the audited figures for FY 2011-12, provisional figures for FY 2012-13 and FY 2013-14 and HPERC MYT SLDC Regulations.

2.2 Operation & Maintenance Expenses (O&M)

Employee Expenses

2.2.1 The Petitioner has computed the employees' expenses as per the following formula:-

$$EMP_n = [(EMP_{n-1}) \times (1+G_n) \times (CPI_{inflation})] + Provision_{(Emp)}$$

Where:

'CPI_{inflation}' – is the average increase in the Consumer Price Index (CPI) for immediately preceding three years before the base year;

2.2.2 The CPIinflation rate is calculated as per the following table:

Table 4: CPI Calculation

FY	CPI Index	Growth in CPI
2009-2010	162.75	
2010-2011	179.75	10.45%
2011-2012	194.83	8.39%
2012-2013	215.17	10.44%
Average		9.76%

'EMP_{n-1}' – employee's cost of the SLDC for the (n-1)th year.

'Provision(Emp)'¹- Provision corresponding to clauses (iii), (iv) and (v) of sub regulation (1-a) of regulation 13, duly projected for relevant year for expenses beyond control of the SLDC and expected one-time expenses as specified above;

'G_n' - is a growth factor for the nth year. Value of G_n shall be determined by the Commission in the MYT tariff order for meeting the additional manpower requirement based on licensee's filings, benchmarking, approved cost by the Commission in past and any other factor that the Commission feels appropriate;

2.2.3 The petitioner has stated that the sanctioned manpower strength for HPLDS is 15. Of which 2 posts are lying vacant. The petitioner has proposed addition of 52 employees

in FY 2014-15 for strengthening its operation. The petitioner has estimated the growth factors on the basis of the employee growth as under:

Table 5: Projected number of employees during MYT period

Particulars	FY14	FY15	FY16	FY17	FY18	FY19
Employee strength (No.)	13	67	67	67	67	67

2.2.4 The total employee cost projected by the Petitioner for the Third Control Period is tabulated below:

Table 6: Projected employee cost for the Control Period (Rs Lakh)

Particulars	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
	Actuals	Actuals	RE	Proj.	Proj.	Proj.	Proj.	Proj.
Salaries	31.20	62.30	62.97	212.66	390.96	429.11	470.98	516.94
Dearness Allowance		0.93	0.99	3.34	6.14	6.74	7.40	8.12
Medical Expenses Reimbursement		0.32	0.10	0.34	0.63	0.69	0.76	0.84
Staff Welfare Expenses		0.05						
Provident Fund Contribution		13.22	10.58	35.72	65.67	72.08	79.12	86.84
Any Other Items (LIC)		0.22	0.24	0.79	1.46	1.60	1.76	1.93
Grand Total	31.20	77.04	74.87	252.86	464.87	510.23	560.02	614.67

Administrative and General Expenses and ULDC Charges

2.2.5 The Petitioner has projected the A&G expenses as per HPERC MYT SLDC Regulations basis on the WPI growth rate. The WPIinflation rate projected for escalation is calculated as per the following table:

Table 7: WPI Calculation

Year	WPI Index	Growth in CPI
2009-2010	130.81	
2010-2011	143.32	9.56%
2011-2012	156.13	8.94%
2012-2013	167.62	7.36%
Average		8.62%

2.2.6 Based on the above mentioned methodology the total A&G cost for the Third Control Period as proposed by the Petitioner is tabulated below:

Table 8: Projected A&G Cost (Rs Lakh)

In Rs Lakhs	FY 12 Actual	FY 13 Actual	FY 14 RE	FY 15 Proj.	FY 16 Proj.	FY 17 Proj.	FY 18 Proj.	FY 19 Proj.
Administration Expenses								
Insurance of employees, assets, Legal insurance	0.04							
Telephone, Postage & Telegram	0.16	0.4	0.53	0.19	0.20	0.22	0.24	0.26
Consultancy Charges	2.98	1.52	1.96	3.50	2.00	2.00	2.00	2.00
Conveyance And Travel	2.19	4.68	6.99	7.60	8.25	8.96	9.74	10.58
Administration – Total	5.38	6.60	9.48	11.29	10.45	11.18	11.97	12.84
Other Charges								
Fee And Subscriptions Books And Periodicals	0.01	0.08		0.04	0.04	0.04	0.05	0.05
Printing And Stationery	0.24	0.63		0.30	0.31	0.34	0.37	0.41
Advertisement Expenses		1.90	0.07	0.90	0.94	1.03	1.13	1.23
Miscellaneous Expenses	0.58	1.37	1.33	0.65	0.68	0.75	0.81	0.89
Public Interaction Program	0.22	0.29		0.14	0.14	0.16	0.17	0.19
Any Other expenses	0.08	0.07	0.13	0.03	0.03	0.04	0.04	0.04
Auditor's Fee			0.10	0.12	0.20	0.20	0.20	0.20
A & G – Total	6.52	10.92	11.11	13.45	12.81	13.74	14.75	15.85
ULDC Charges	406.03	498.33	439.88	555.56	560.23	565.36	274.15	68.32

Repair and Maintenance Expenses

2.2.7 The petitioner has stated that presently the assets of SLDC are being handled by HPSEBL and the bill for the same is raised by HPSEBL. This bill amount has been used to derive the R&M charges. HPSEBL bills 20% of the overall expenses that are incurred by the its load despatch Office.

2.2.8 The petitioner has submitted that the assets of the overall building that houses ULDC equipment and the employee shall be handed over to HPLDS and the full maintenance charges shall be incurred by HPLDS. Based on the above submission the petitioner has considered 100% expenditure to be incurred by it, post asset transfer. The R&M expenses proposed by the petitioner for the 3rd Control period are shown in the following table:

Table 9: Projected R&M Cost (Rs Lakh)

Particulars	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19
R&M Expenses	20.49	35.77	23.22	116.116	152.116	152.116	152.116	152.116

2.2.9 The total O&M expenses proposed by the Petitioner for the Third MYT Control period are shown as below:

Table 10: Projected O&M cost for the Control period (Rs Lakh)

Particulars	FY15	FY16	FY17	FY18	FY19
Employee Cost	252.86	464.87	510.23	560.02	614.67
A&G Cost	13.45	12.81	13.74	14.75	15.85
R&M Cost	116.12	152.12	152.12	152.12	152.12
ULDC Cost	555.56	560.23	565.36	274.15	68.32
O&M Cost (In Rs Lakh)	937.99	1190.03	1241.45	1001.04	850.95

2.3 Capital Investment Plan

2.3.1 The petitioner has proposed to acquire the energy infrastructure assets set up for SLDC operations and the building that houses these assets, which are currently under HPSEBL's control. The petitioner has considered the cost of SLDC building to be transferred from HPSEBL to HPLDS as 121.09 Lakh.

2.3.2 The petitioner has also proposed to utilize IT tools to operate in the best possible manner. However, many commercial and accounting tools have been in-built in the ULDC II Scheme being implemented by Power Grid Corporation of India Limited and is expected to be in operation by December 2014.

2.3.3 The petitioner also submitted that HPLDS is already in negotiations with various financial institutions for funding of Capital Investment Plan and the same shall be finalized once the Commission approves this Capex plan.

2.4 Depreciation

2.4.1 The petitioner submitted that the operations of HPLDS started in 2011 with the grant received from the Government of HP. No assets have been added into the books of HPLDS as of now. However, the petitioner urgently needs its own building and therefore would like to acquire the building with its whole infrastructure in which the SLDC operations are presently being carried out.

2.4.2 The petitioner has submitted the following depreciation charges for the MYT period:

Table 11: Depreciation for the control period

Details	FY15	FY16	FY17	FY18	FY19
Opening GFA	0	121.09	121.09	121.09	121.09
Addition during the year	121.09	0	0	0	0

Details	FY15	FY16	FY17	FY18	FY19
Closing GFA	121.09	121.09	121.09	121.09	121.09
Depreciation (In INR Lac)	0.55	1.09	1.09	1.09	1.09

2.5 Interest and Finance Charges

2.5.1 The petitioner submitted that, in order to take over the assets of Rs. 121.09 Lakh It would need to raise Rs. 84.8 lakhs for taking over the SLDC building from HPSEBL. The petitioner plans to take the loan from REC at 12.5% rate of interest (prevailing REC rate). The petitioner expects a moratorium of 3 years from the date of release of loan and the loan period of 15 years.

2.5.2 The petitioner submitted the following Interest and Finance charges

Table 12: Interest and Finance Charges for the Control Period

In INR Lakhs	FY14	FY15	FY16	FY17	FY18	FY19
Opening Balance	-	-	84.8	84.8	84.8	79.1
Receipt	-	84.8	-	-	-	-
Repayment	-	-	-	-	5.7	5.7
Closing Balance	-	84.8	84.8	84.8	79.1	73.5
Average Balance	-	42.4	84.8	84.8	81.9	76.3
Loan drawl	-	84.8	84.8	84.8	84.8	84.8
Interest	-	5.3	10.6	10.6	10.2	9.5
Interest Rate	12.50%					

2.6 Interest on Working Capital

2.6.1 The petitioner submitted that the estimation of Interest on Working Capital was in line with the clause 23 of HPERC (Levy and collection of Fees and charges by State Load Despatch Centre) which has been computed as follows:

$$\text{Interest on Working Capital} = (\text{Interest Rate on Working Capital}) * (\text{O\&M Expenses for one month} + \text{Maintenance spares@ 40\% of R\&M Cost} + \text{Receivables for two months})$$

2.6.2 The petitioner submitted that the average SBI Base Rate for the last 6 months is 9.80%. Hence, interest rate on working capital comes out to be 13.30%.

2.6.3 The petitioner submitted the following interest on working capital requirement for the MYT control period.

Table 13: Interest on working capital for the Control Period

Details (INR Cr)	FY15	FY16	FY17	FY18	FY19
O&M expenses for 1 month	78.17	99.17	103.45	83.42	70.91
Maintenance spares @40% of R&M expenses for 1 month	46.45	60.85	60.85	60.85	60.85
Receivable for 2 months	148.98	193.22	200.84	158.10	130.87
Total Working capital	273.59	353.24	364.14	302.37	262.63
Interest on Working capital @13.30%	36.39	46.98	48.56	40.22	34.93

2.7 Return on Equity

2.7.1 The petitioner submitted that Return on Equity for the Control Period has been calculated based on the average equity for the corresponding year. This has been done in line with the HPERC Regulations. The Normative Rate of return on equity has been taken at 15.50% and Pre-Tax rate of return on equity comes out to be 23.48%.

2.7.2 The petitioner also submitted that the infusion of equity into HPLDS is primarily to take over the assets of HPSEBL's Load Despatch Centre (building, etc).

2.7.3 The following table shows the return on equity submitted by the petitioner for the MYT control period

Table 14: Return on Equity for the MYT Control Period

Details (INR Cr)	FY15	FY16	FY17	FY18	FY19
Equity (Opening Balance)	0.00	36.33	36.33	36.33	36.33
Net addition during the year	36.33	0.00	0.00	0.00	0.00
Equity (Closing Balance)	36.33	36.33	36.33	36.33	36.33
Pre-tax Rate of Return on Equity	23.48%	23.48%	23.48%	23.48%	23.48%
Normative Pre-tax return of Equity	4.27	8.53	8.53	8.53	8.53

2.8 Income from Charges

2.8.1 The petitioner submitted that presently, majority of revenue of HPLDS comes from SLDC operating charges of Rs. 2000 per day per transaction (as per No. HPERC/418(V) dated 29th May 2013) that it charges from the Short Term Open Access (STOA) Consumers and one time registration fee of Rs 1 Lakh paid by the customers of HPLDS. The petitioner has adjusted these charges from the total ARR value.

2.8.2 The following table shows the income from charges proposed by the petitioner for the control period:

Table 15: Income from charges for the MYT control period

(In INR Lacs)	FY 15	FY 16	FY 17	FY 18	FY 19
From bilateral/banking agreements of HPSEBL	21.90	21.90	21.90	21.90	21.90
From Sale of power of Malana HEP	7.30	7.30	7.30	7.30	7.30
STOA consumers	51.10	58.40	65.70	73.00	80.30
Sale of GoHP power on Power Exchanges	7.30	7.30	7.30	7.30	7.30
Registration Fee	3	3	3	3	3
Total	90.6	97.9	105.2	112.5	119.8

2.9 Aggregate Revenue Requirement

2.9.1 The table below summarises the Aggregate Revenue Requirement as proposed by the petitioner for the third MYT Control period:

Table 16: Summary of proposed ARR for the third MYT Control period (In Rs Lakh)

S. No.	Particulars (in Rs Lakh)	Control Period				
		FY 15	FY 16	FY 17	FY 18	FY 19
1	O&M Expenses	937.99	1190.03	1241.45	1001.04	850.95
	i) R&M Expense	116.12	152.12	152.12	152.12	152.12
	ii) Employee Expenses	252.86	464.87	510.23	560.02	614.67
	iii) A&G Expense	13.45	12.81	13.74	14.75	15.85
	iv) ULDC Charges	555.56	560.23	565.36	274.15	68.32
2	Depreciation	0.55	1.09	1.09	1.09	1.09
3	Interest & Finance Charges	5.30	10.60	10.60	10.24	9.54
4	Return on Equity	4.27	8.53	8.53	8.53	8.53
5	Interest on working capital	36.39	46.98	48.56	40.22	34.93
6	Less: Income from charges	90.6	97.90	105.20	112.50	119.80
7	Annual Revenue Requirement	893.89	1159.32	1205.03	948.62	785.24

3 Objection filed and issues raised by Consumers during Public Hearing

3.1 Introduction

3.1.1 The interested parties/stakeholders were asked to file their objections and suggestions on the Petition vide public notice dated 10th April, 2014. The Commission received comments from HPSEBL vide MA Nos. 113/2014 and 116/2014 dated 2nd May and 17th May, 2014.

3.1.2 A public hearing was held on 25th May, 2014 at the Commission's Court Room in Shimla where HPSEBL sought a week's time for filing their objections to the petition filed by HPLDS, which was agreed to by the Commission.

3.1.3 HPSEBL made a brief presentation before the Commission on 2nd May, 2014 and the various issues were deliberated with the petitioner.

3.1.4 The issue wise comments/ suggestions raised by HPSEBL and the reply by HPLDS are provided below:

3.2 Transfer scheme

The HPSEBL has stated that in the transfer scheme dated 10.06.2010 under Clause-4 (Section-6) it has been stipulated that "The present State Load Despatch Centre" shall also include the "HPSEBL Area Load Despatch Centre", each with their independent functions and HPSEBL for independent functioning of HPLDS has provisioned requisite staff as per its order dated 16.06.2011 and also agreed for sharing of costs of assets in the ratio of 20:80 which is being followed since then sacrosanct.

Petitioner's reply

The petitioner has submitted that the sharing of costs of assets in the ratio of 20:80 was only an interim arrangement, with no scientific rationale behind it. Further, it was stated by the petitioner that more than two years have now passed since the establishment of SLDC, and it is important that there is a rational basis for sharing of costs.

Commission's observation

The Commission observes that for smooth and efficient functioning of HPLDS, it should have operational as well as financial independence. For this purpose the transferring of assets required by HPLDS to carry out its independent functioning is essential. However, till the creation of new infrastructure/ control centre by HPSEBL, the existing infrastructure shall be used by both HPLDS and HPSEBL to carry out their independent functions.

3.3 Ownership of assets

The HPSEBL has stated that the Discom (ALDC) requires essentially the assets created under ULDC Phase-I in the shape of Remote Terminal Units (RTUs), Communication Equipment (CFEs), Hardwires (Optical Fibre, PLCC etc.) and connectivity from RTUs to Control Room. And in addition, the assets available in the Control Room to the extent of Data Acquisition and Supervisory Control System (SCADA/EMS) and the other infrastructure available in the Control Room, including Real Time Displays which are also essentially required by HPLDS (SLDC) to perform its functions. Therefore, Assets which are commonly required by both the parties are practically are the assets installed in the Control Room only.

The HPSEBL has stated that the above mentioned infrastructure installed under ULDC Scheme-I or being installed under ULDC Scheme-II is the property of PGCIL till such time amount of loan/expenditure incurred as per MOU is paid back by DISCOM (HPSEBL). The total amount of ULDC Scheme-I is to be paid back by July, 2017 and only thereafter the appropriate division of assets can take place. However, it is pertinent to mention here that all the Civil Structures including the Control Room building etc. are the exclusive property of DISCOM (HPSEBL) built at its own cost.

Further, HPSEBL made additional submission that non-recurring expense of Rs 12 crore should be allowed by the Commission for setting up of new control room along with the requisite hardware and software common facilities.

Petitioner's reply

The petitioner has submitted that it is not advisable to have joint ownership of any asset, and that there should be a clear demarcation of roles and responsibilities between SLDC and Discom. In this context, it is submitted that what Discom actually requires is the real time data from the control room, which shall be supplied by SLDC to the DISCOM as per their needs.

Commission's observation

The Commission observes that it is essential to have a separate infrastructure for independent functioning of HPLDS. The field equipments such as Remote Terminal Units (RTUs), Communication Equipment (CFEs), Hardwires (Optical Fibre, PLCC) etc. shall remain the property of the DISCOM and therefore shall be maintained by them only. The assets including Control Room, Data Acquisition and Supervisory Control System (SCADA/EMS) and the other infrastructure available in the Control Room, including Real Time Displays required to carry out SLDC functions shall be transferred to HPLDS. The Commission has provided in principle approval for the transferring of existing SLDC infrastructure to HPLDS which has been considered in this order. However till the establishment of separate control centre by HPSEBL, the existing infrastructure shall be used by both HPSEBL and HPLDS.

For efficient functioning of separate control centre to be established by HPSEBL, HPLDS shall share the relevant real time data from existing SLDC control room with HPSEBL. The commission gives in principle approval for a capital expenditure of Rs. 12 Cr. as requested by HPSEBL which has been included in the CAPEX of distribution licensee and has been dealt in HPSEBL's distribution order for FY 2014-15 to FY 2018-19. The Commission directs HPSEBL to establish separate control centre within two years.

3.4 Additional manpower requirement

The HPSEBL has objected to the additional man power requirement for running the shifts independently and for O&M purpose. The HPSEBL has stated that the

purpose of utilizing the Assets jointly is to reduce the costs and to lessen the direct or indirect burden on the consumer.

Petitioner's reply

The petitioner has reiterated that for the effective ring-fencing of SLDC it is important that sufficient manpower and infrastructure is available with SLDC so that the functions entrusted to it under Electricity Act, 2003 and various Central and State Regulations can be carried out effectively.

The proposal to subsequently hand over the assets to Discom (ALDC) for maintenance purposes for which O&M costs shall be paid by HPLDS (SLDC) to Discom (HPSEBL) on the analogy of STU in HP seems not plausible because it would defeat and diffuse the process of ring-fencing of SLDC.

Commission's observation

The Commission agrees to the requirement of sufficient manpower to carry out the functions of SLDC as mandated under the Electricity Act, 2003. The aspect of additional man power requirement of HPLDS has been dealt in Chapter 4 of this order.

3.5 Compliance to HPERC direction for setting up ALDC

The HPSEBL has given reference to direction given by the HPERC in its order dated 10.06.10 vide which the HPSEBL needs to setup the ALDC to coordinate with SLDC and undertake the related functions falling under the purview of the distribution utility. The distribution licensee was directed to submit a comprehensive plan in respect of establishment of ALDC(s), within four months.

Petitioner's reply

The petitioner has stated that in due course of time, all the Open Access Consumers and other major users of the state power grid will be required to set up control centres to ensure secure and reliable operation of the grid. However, the nomenclature of such control centres needs to be looked into, as calling them ALDC(s) can lead to confusion and misinterpretation of regulations.

The petitioner replied that the Discom has to undertake trading activities among other things and, therefore, its control centre should ideally not be associated with the load despatch functions, which is governed mainly by technical standards and considerations. It is further pertinent to mention here that in many states ALDCs are the sub-units of SLDCs, under the aegis of the STU.

Commission's observation

The Commission reiterates its direction to HPSEBL to establish a separate control centre in order to carry out its distribution and trading activities.

4 Analysis of Aggregate Revenue Requirement (ARR) for the Third Control Period

4.1 Background

- 4.1.1 The Commission has analysed the MYT Petition for approval of the ARR and determination of HPLDS charges for the Third Control Period (FY15 to FY19).
- 4.1.2 This Chapter covers the item-wise analysis of ARR for each year of the Third Control Period including Depreciation, O&M expenses, Interest and Finance Charges and Working Capital Requirement, etc. to reflect the total ARR of the Petitioner for the Control Period.
- 4.1.3 For this purpose, the Commission held several rounds of technical discussions to validate the data submitted by the Petitioner and sought further clarifications on various issues. The Commission has considered all information submitted by the Petitioner as part of the Tariff Petition including responses to various queries raised during the discussions.

4.2 Approach

- 4.2.1 The Commission has in this Tariff Order, determined the ARR and HPLDS tariff for the energy handled by the petitioner. The Commission has for that purpose analysed in detail, the submissions made by the petitioner to arrive at the ARR for the third Control Period in accordance with the Himachal Pradesh Electricity Regulatory Commission (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011.
- 4.2.2 The approach adopted by the Commission in arriving at various components of the ARR is discussed in the following paragraphs in detail.

4.3 ARR for SLDC

4.3.1 In accordance with the Himachal Pradesh Electricity Regulatory Commission (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011, the ARR for the SLDC business for each year of the Control Period shall consist of the following items:

- (a) Operation and Maintenance Expenses;
- (b) Return on Equity;
- (c) Interest and Finance charges;
- (d) Depreciation; and
- (e) Interest on Working Capital.

4.4 Operation & Maintenance (O&M) Expenses

4.4.1 As per the Himachal Pradesh Electricity Regulatory Commission (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011, the O&M expenses consist of

- (a) Salaries, wages, pension contribution and other employee costs;
- (b) Administrative and general expenses;
- (c) Repairs and maintenance expenses;
- (d) Other miscellaneous expenses, statutory levies and taxes (except corporate income tax).

4.4.2 As per sub regulation 3 of the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011, the O&M expenses for the nth year of the control period shall be approved based on the formula given below:-

$$O\&M_n = R\&M_n + EMP_n + A\&G_n;$$

Where -

$$EMP_n' = [(EMP_{n-1}) \times (1+G_n) \times (CPI_{inflation})] + Provision_{(Emp)} ;$$

$$A\&G_n' = [(A\&G_{n-1}) \times (WPI_{inflation})] + Provision_{(A\&G)} ;$$

$$'R\&M_n' = K \times (GFA_{n-1}) \times (WPI_{inflation});$$

4.4.3 The escalation to be applied for projecting the O&M parameters has been considered as per the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011. The Commission has calculated the Consumer Price Index (CPI_{inflation}) and Wholesale Price Index (WPI_{inflation}) based on the average increase for the preceding three years. The summary of the escalations considered is provided in table below:

Table 17: Inflation considering average increase in CPI & WPI Index for past three years

Particulars	CPI inflation	WPI Inflation
Average increase in last three years	9.76%	8.62%

Employee Expenses

4.4.4 The commission has observed that the petitioner has submitted increase in employees for managing the HPLDS. The petitioner proposes to add 52 employees to strengthen the employee count to 67 by FY 2014-15.

4.4.5 The Commission has considered the estimate of employee cost of the HPLDS for the year FY 2013-14 as submitted by the petitioner. The details of actual employee cost for FY 2013-14 is shown in the table below:

Table 18: Actual employee cost for FY 2013-14 (Rs Lac)

Particulars	FY 14
Salaries, Wages, Allowances and Benefits	62.97
DA	0.99
Medical Reimbursement	0.10
Staff Welfare Expenses	0.00
PF Contribution	10.58
Any other items	0.24
Total	74.87

4.4.6 The employee cost so apportioned has been escalated at average CPI growth rate as mentioned in para 4.4.3. The Commission accepts the submission of the petitioner to increase the number of employees to independently handle the functions of SLDC. However the Commission directs the petitioner to work out the requirement of additional manpower keeping the mind the specific functions related to SLDC and deploy professional experts in various fields rather than to follow the hierarchy followed by the Discom. The Commission in this order has approved the addition of new employees during the Control period. The employee cost approved by the

Commission, after considering the proposed increase in the number of employees, for the third Control period is shown in the table below:

Table 19: Approved Employee cost for intra state works (Rs Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Salaries, Wages, Allowances and Benefits	212.66	390.96	429.11	470.98	516.94
DA	3.34	6.14	6.74	7.40	8.12
Medical Reimbursement	0.34	0.63	0.69	0.76	0.84
Staff Welfare Expenses	0.00	0.00	0.00	0.00	0.00
PF Contribution	35.72	65.67	72.08	79.12	86.84
Any other items	0.79	1.46	1.60	1.76	1.93
Total	252.86	464.87	510.23	560.02	614.67

Administrative and General Expenses

4.4.7 In absence of appropriate baseline data, the Commission has considered the A&G expenses for FY 2012-13 as per annual accounts. The table below shows the details of A&G cost for FY 2012-13:

Table 20: Actual A&G Cost for FY 2012-13 as submitted by the Petitioner (Rs Lacs)

Particulars	FY 13
Professional Fee	1.52
Taxi hiring	3.73
Advertisement Expenses	1.90
Bank Charges	0.00
Computer Accessories	0.07
Internet Expenses	0.08
Miscellaneous Expenses	0.17
Mobile Bill Exp. Of Employees	0.25
Newspaper Exp.	0.08
Printing and Stationery Exp.	0.63
TDS Returns Filling Exp.	0.03
Toll Tax	0.04
Training Fee for L&D Program	0.29
Travelling Expenses of Employees	0.96
Total A&G Expenses	9.72

4.4.8 The commission has considered the submission of the petitioner with regard to the A&G expenses. The expenses of base year are escalated at WPI growth rate of 8.62%. Additionally, the Commission has considered the auditor's fees for the control period as proposed by the petitioner.

4.4.9 The total approved A&G expenses for the Third Control Period is provided in the table below:

Table 21: Approved A&G cost for third Control Period (Rs Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Professional Fee	1.79	1.94	2.11	2.29	2.49
Taxi hiring	4.40	4.77	5.19	5.63	6.12
Advertisement Expenses	2.24	2.43	2.64	2.87	3.11
Bank Charges	0.00	0.00	0.01	0.01	0.01
Computer Accessories	0.09	0.10	0.10	0.11	0.12
Internet Expenses	0.09	0.10	0.11	0.12	0.13
Miscellaneous Expenses	0.20	0.22	0.24	0.26	0.28
Mobile Bill Exp. Of Employees	0.29	0.32	0.35	0.37	0.41
Newspaper Exp.	0.09	0.10	0.11	0.11	0.12
Printing and Stationery Exp.	0.74	0.80	0.87	0.95	1.03
TDS Returns Filling Exp.	0.03	0.03	0.04	0.04	0.04
Toll Tax	0.04	0.05	0.05	0.06	0.06
Training Fee for L&D Program	0.34	0.37	0.40	0.44	0.47
Travelling Expenses of Employees	1.13	1.23	1.33	1.45	1.57
Auditor's Fee	0.12	0.20	0.20	0.20	0.20
Total A&G Expenses	11.59	12.66	13.73	14.90	16.17

Repair and Maintenance Expenses

4.4.10 The Commission has considered the average of past three years AMC charges as R&M charges. For ULDC –II schemes, the petitioner has proposed the AMC charges of Rs 92.89 Lakh for 7 years. The Commission has considered the same under R&M expenses. In addition, the Commission has considered increase in the R&M costs of FY 2012-13 from 20% to 100% as proposed by the petitioner. This is due to the fact that post transfer of the assets from HPSEBL entire expenses of R&M will be paid by the petitioner.

4.4.11 Using the above methodology the commission has arrived at the following R&M expenses for the third control period HPLDS:

Table 22: Approved R&M cost for third Control Period (Rs Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
R&M Expenses	122.75	129.39	129.39	129.39	129.39

Total Operation and Maintenance Cost

4.4.12 Based on the above explanation, the total O&M cost approved by the Commission for Third MYT Control period is given in the table below:

Table 23: Approved O&M costs for Third MYT Control Period (Rs Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Employee Cost	252.86	464.87	510.23	560.02	614.67
A&G Cost	11.59	12.66	13.73	14.90	16.17
R&M Cost	122.75	129.39	129.39	129.39	129.39
Total O&M Cost	387.21	606.92	653.35	704.31	760.22

4.5 Capital Expenditure

4.5.1 The commission has considered the capital expenditure of Rs. 121.09 lakhs by way of assets transfer from HPSEBL to the books of HPLDS for FY 2014-15.

4.6 Depreciation

4.6.1 The commission has depreciated the asset of Rs. 121.09 Lakh consisting of buildings transferred from HPSEBL. In accordance with the provisions of section 22 of HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011, the Buildings and civil engineering works (containing plants and equipment) are to be depreciated at 3.34% with salvage value of 10% of the original cost of the asset.

4.6.2 Using the above methodology, the depreciation for HPLDS approved by the Commission for the Third Control period is shown below:

Table 24: Approved Depreciation on HPLDS Assets for third MYT Control Period (Rs Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Depreciation on Assets	1.82	3.64	3.64	3.64	3.64
Total Depreciation	1.82	3.64	3.64	3.64	3.64

4.7 Interest & Finance Charges

4.7.1 The commission has considered the financing of 70% of the asset cost which will be transferred to HPLDS from HPSEBL in FY 2014-15. The interest rate of 12.0 % and moratorium period of three years have been considered by the Commission for the computation of Interest and Finance Charges.

4.7.2 The following table shows the interest and finance charges approved by the commission:

Table 25: Approved Interest & Finance Charges (Rs Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Opening Balance	-	84.76	84.76	84.76	79.11

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Receipt	84.76	-	-	-	-
Repayment	-	-	-	5.65	5.65
Closing Balance	84.76	84.76	84.76	79.11	73.46
Average Balance	42.38	84.76	84.76	81.94	76.29
Interest	5.09	10.17	10.17	9.83	9.15

4.8 Interest on working capital

4.8.1 Based on the approved O&M expenses and expected receivables, the Commission has approved the working capital requirements and interest on working Capital for the Control Period in accordance with regulations 23 of the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011 and its subsequent amendments.

4.8.2 Accordingly, the rate of interest on working capital has been arrived as below:

Table 26: Approved Rate of interest for Working capital requirement (%)

Particulars	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13
SBI Base rate (%)	9.70%	9.70%	9.70%	9.74%	9.80%	9.96%
Average for last six months	9.77%					
Rate of Interest for computing IWC (Avg Base rate + 350 basis point)	13.27%					

4.8.3 The working capital requirement and interest on working capital approved by the Commission is shown in the table below:

Table 27: Approved Interest on Working Capital for the third Control period (Rs Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
O&M expenses for 1 month	32.27	50.58	54.45	58.69	63.35
Maintenance spares @40% of R&M expenses for 1 month	4.09	4.31	4.31	4.31	4.31
Receivable for 2 months	139.57	181.37	188.73	148.13	122.31
Total Working capital	175.92	236.26	247.49	211.13	189.98
Interest on Working capital	23.34	31.34	32.83	28.01	25.20

4.9 Return on Equity (ROE)

4.9.1 The Commission has considered the equity portion required by the petitioner to acquire the assets from HPSEBL. The equity portion has been considered as 30% of the total cost of assets in accordance with section 17 of the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011.

4.9.2 Regulation 20 of the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011 specifies the rate of return as 23.481% for a Power System Operation Company paying normal corporate tax @ 33.99%.

4.9.3 The commission approves the RoE as shown below:

Table 28: Return on Equity for HPLDS for the third control period

Particulars	FY15	FY16	FY17	FY18	FY19
Opening Balance (Equity)	-	36.33	36.33	36.33	36.33
Receipt	36.33	-	-	-	-
Closing Balance (Equity)	36.33	36.33	36.33	36.33	36.33
Average Balance	18.16	36.33	36.33	36.33	36.33
ROE @ 23.48%	4.26	8.53	8.53	8.53	8.53

4.10 Other Income

4.10.1 Other income for HPLDS consists of SLDC Charges paid by the STOA consumers, one time registration fee and other charges paid by the users of the SLDC.

4.10.2 The commission approves the submission made by HPLDS with regard to the other income. The other income approved by the Commission for the third Control Period has been tabulated below:

Table 29: Approved Non-tariff Income for third Control period (Rs Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
From Bilateral/ banking agreement of HPSEBL	21.9	21.9	21.9	21.9	21.9
From sale of power of Malana HEP	7.3	7.3	7.3	7.3	7.3
STOA Consumers	51.1	58.4	65.7	73	80.3
Sale of GOHP power on power exchanges	7.3	7.3	7.3	7.3	7.3
Registration Fee	3	3	3	3	3
Total	90.6	97.9	105.2	112.5	119.8

4.11 Aggregate Revenue Requirement (ARR)

4.11.1 The summary of the Aggregate Revenue Requirement (ARR) approved by the Commission during the Third MYT Control Period is given in the table below:

Table 30: Approved ARR of HPPTCL for the Third MYT Control period (Rs Lacs)

Particulars		FY 15	FY 16	FY 17	FY 18	FY 19
1	O&M Cost	387.21	606.92	653.35	704.31	760.22
A	Employee Cost	252.86	464.87	510.23	560.02	614.67
B	A&G Cost	11.59	12.66	13.73	14.90	16.17
C	R&M Cost	122.75	129.39	129.39	129.39	129.39
2	ULDC Charges	506.28	525.51	529.03	246.93	46.92
3	Depreciation	1.82	3.64	3.64	3.64	3.64
4	Interest & Finance Charges	5.09	10.17	10.17	9.83	9.15
5	Interest on Working Capital Requirement	23.34	31.34	32.83	28.01	25.20
6	Return on Equity	4.26	8.53	8.53	8.53	8.53
7	Total Expenses	927.99	1,186.11	1,237.56	1,001.25	853.67
8	Less: Income from Charges	90.60	97.90	105.20	112.50	119.80
Aggregate Revenue Requirement		837.39	1,088.21	1,132.36	888.75	733.87

4.12 SLDC Charge

4.12.1 The Commission in its tariff order dated 5th January, 2013 had directed HPLDS to enter in to capacity agreements with its users. However till date, HPLDS has not executed any agreements with the user for contracted capacity. In the absence of such agreements, the Commission has calculated the SLDC charges on the basis of submissions made by SLDC regarding actual power handled by SLDC. The commission has considered the capacity handled by HPLDS for the control period and accordingly calculated the SLDC charges. The commission approves the following SLDC Charges:

Table 31: Capacity Charges of the HPLDS

Particulars	FY15	FY16	FY17	FY18	FY19
Total ARR (Rs. Lakh)	837.39	1,088.21	1,132.36	888.75	733.87
Power handled by SLDC (MW)	2,710.97	2,971.55	3,457.20	3,620.55	3,973.37
SLDC Charges (Rs/MW/month)	2,574	3,052	2,729	2,046	1,539