

**Order
on
True Up for the Period FY 2014-15 to FY
2017-18
&
Multi Year Tariff for
FY 2019-20 to FY 2023-24
For
Himachal Pradesh State Load Despatch
Centre (HPSLDC)**



**Himachal Pradesh Electricity Regulatory
Commission**

June 29, 2019

**BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION AT
SHIMLA****PETITION NO: 29/2019**

CORAM

Sh. S.K.B.S. NEGI**Sh. BHANU PRATAP SINGH**

IN THE MATTER OF:

Approval of the Five year Business Plan for fourth Control Period FY 2019-20 to FY 2023-24, True-up for FY 2014-15 to FY 2017-18 and Aggregate Revenue Requirement (ARR) for fourth Control Period FY 2019-20 to FY 2023-24 under sections 62, 64 and 86 of the Electricity Act, 2003

AND

IN THE MATTER OF:

Himachal Pradesh State Load Despatch Centre (HPSLDC)Petitioner

ORDER

Himachal Pradesh State Load Despatch Centre (hereinafter called 'The HPSLDC') has filed a Petition with the Himachal Pradesh Electricity Regulatory Commission (hereinafter referred to as 'the Commission' or 'HPERC') for approval of its Five year Business Plan for fourth Control Period FY 2019-20 to FY 2023-24, True-up for FY 2014-15 to FY 2017-18 and Aggregate Revenue Requirement (ARR) for fourth Control Period FY 2019-20 to FY 2023-24 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 with amendments thereof in 2013 and 2018. The Commission scheduled the public hearing for interaction with the Petitioner, interveners, consumers, and consumer representatives of various consumer groups on April 29, 2019 at Shimla, and having had formal interactions with the officers of HPSLDC 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 True-up for FY 2014-15 to FY 2017-18 and ARR of the HPSLDC for each year of the fourth Control Period FY 2019-20 to FY 2023-24 under the Multi Year Tariff (MYT) regime and approve 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 2019. The arrears, if any, for the months of April 2019 and May 2019 shall be adjusted in equal installments in the invoices for the next three months of FY 2019-20.

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 along with Amendment 1, 2013, and Amendment 2, 2018, unless amended or revoked, continue to be in force up to 31 March, 2024.

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/-
(BHANU PRATAP SINGH)
Member

Sd/-
(S.K.B.S. NEGI)
Chairman

Shimla

Dated: June 29, 2019

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1 INTRODUCTION

Background

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 a statutory body with a quasi-judicial and legislative role under Electricity Act, 2003.

Functions of the Commission

- 1.1.2 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.
- 1.1.3 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.

1.2 Himachal Pradesh State Load Despatch Centre

- 1.2.1 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.
- 1.2.2 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.

- 1.2.3 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 Centre" vide its order No. MPP-B (13)-2/2010 dated 8.11.2010. HPSEB Ltd. has placed the services of some of its employees on secondment basis with Himachal Pradesh State Load Despatch Centre with effect from 17th June 2012. Himachal Pradesh State Load Despatch Centre has therefore deemed to have taken over the functions of State Load Despatch Centre from HPSEB Ltd. with effect from 17th June 2012.
- 1.2.4 As per Section 32 of the Act, the State Load Despatch Centre is the apex body to ensure integrated operation of the power system in the State. The functions of State Load Despatch Centre as stipulated in the Act are as follows:
- e) be responsible for optimum scheduling and despatch of electricity within the State, in accordance with the contracts entered into within the Licensees or the Generating Companies operating in the State;
 - f) monitor grid operations;
 - g) keep accounts of the quantity of electricity transmitted through the State grid;
 - h) exercise supervision and control over the intra-State transmission system; and;
 - i) be responsible for carrying out real time operations for grid control and despatch of electricity within the State through secure and economic operation of the State grid in accordance with the Grid Standards and the State Grid Code.

1.3 Multi Year Tariff Framework

- 1.3.1 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.
- 1.3.2 The MYT framework is 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.
- 1.3.3 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.

- 1.3.4 Thereafter, the Commission had notified the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011. The MYT regulations notified in the year 2011 were amended as (First Amendment) Regulations, 2013 on 1st November 2013 and (Second Amendment) Regulations, 2018 on 22nd November 2018 (herein after referred to as "HPERC MYT SLDC Regulations 2011").
- 1.3.5 The Commission issued the first Multi-Year Tariff (MYT) Order for HPSLDC for the period FY 2011-12 to FY 2013-14 on 5th January, 2013 and thereafter for the Control Period (FY 2014-15 to FY 2018-19) on 10th June, 2014. Subsequently, the Commission also issued the Tariff Order on True Up Petition for the Second Control Period (FY 2011-12 to FY 2013-14) and Mid Term Review for Control Period (FY 2014-15 to FY 2018-19).

1.4 True-up, Business Plan and MYT Petition

Procedural Background

- 1.4.1 The Petitioner has filed the application for approval of Five year Business Plan for fourth Control Period (FY 2019-20 to FY 2023-24), True-up for FY 2014-15 to FY 2017-18 and Aggregate Revenue Requirement (ARR) for fourth Control Period (FY 2019-20 to FY 2023-24), with the Commission on 30th November 2018 registered as Filing No. 138 of 2018.
- 1.4.2 The Commission admitted the Petition vide interim order dated 25th February, 2019. 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)	1 st March 2019
2.	Punjab Kesari (Hindi)	1 st March 2019
3.	Hindustan Times (English)	2 nd March 2019
4.	Amar Ujala (Hindi)	2 nd March 2019

Interaction with the Petitioner

- 1.4.3 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.
- 1.4.4 Based on preliminary scrutiny of the petition, the Commission vide letter No. HPERC-F(1)-6/2018-2407 dated 12th December, 2018 directed the Petitioner to submit details regarding first set of deficiencies identified in the petition, which were submitted by the Petitioner vide MA No. 33/2019 dated 18th

February, 2019.

- 1.4.5 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

SI	Submission of the Petitioner	Date
1	M.A No 33/2019 dated 18.02.2019	18.02.2019
2	M.A. No 58/2019 dated 20.03.2019	20.03.2019
3	M.A. No 110/2019 dated 02.05.2019	02.05.2019

Public Hearings

- 1.4.6 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 3: List of Newspapers

SI.	Name of News Paper	Date of Publication
1.	The Tribune (English)	1 st March 2019
2.	Punjab Kesari (Hindi)	1 st March 2019
3.	Hindustan Times (English)	2 nd March, 2019
4.	Amar Ujala (Hindi)	2 nd March, 2019

- 1.4.7 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 newspapers as mentioned in the table:

Table 4: List of Newspapers for Public Notice

SI.	Name of News Paper	Date of Publication
1.	Indian Express (English)	8 th March 2019
2.	Dainik Bhaskar (Hindi)	8 th March 2019

- 1.4.8 The stakeholders were requested to file their objections by 30th March, 2019. The HPSLDC was required to submit replies to the suggestions/ objections to the Commission by 16th March, 2019 with a copy to the objectors on which the objectors were required to submit rejoinder by 23rd April, 2019. The date of public hearing was fixed on 29th April, 2019.

- 1.4.9 Consumer representative, officials of HPSEBL and representative from Directorate of Energy, GoHP were present during the hearing. The representative from Directorate of Energy, GoHP, HPSEBL and other Stakeholders had submitted written objections which are detailed in Chapter 4 of this Order.

2 SUMMARY OF THE TRUE-UP PETITION FROM FY15 TO FY18

2.1 Introduction

- 2.1.1 This chapter summarizes the highlights of the Petition filed by the HPSLDC for True-up for the third Control Period (FY 2014-15 to FY 2017-18) and Provisional True-up for FY 2018-19.
- 2.1.2 The Petition was filed on 30th November, 2018 which was registered with the Commission as MA No. 118/2018. The Petitioner has submitted the True Up for the third Control Period (FY 2014-15 to FY 2017-18), Provisional True-up for FY 2018-19, Business Plan and Aggregate Revenue Requirement (ARR) for fourth Control Period (FY 2019-20 to FY 2023-24) in line with the provisions of the HPERC MYT SLDC Regulations 2011. The True-up Petition filed by the Petitioner from FY15 to FY18 is based on audited accounts for the respective and Provisional True-up for FY19 is based on the half-yearly accounts for FY19.
- 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
 - ULDC Charges
 - Other Income
 - Non-Tariff Income
- 2.1.4 The Petitioner has computed the ARR in the True-up Petition for the third Control Period (FY 2014-15 to FY 2018-19) considering the audited figures for FY 2014-15, FY 2015-16, FY 2016-17 and FY 2017-18 and HPERC MYT SLDC Regulations 2011.

2.2 Operation & Maintenance Expenses (O&M)

- 2.2.1 The Petitioner has computed the O&M expense in accordance with Regulation 14 (1) of the HPERC MYT Regulation 2011 and its subsequent Amendments, and has submitted its O&M Expenses with respect to its Annual Audited Accounts for the respective years.
- 2.2.2 For Provisional Truing up of FY 2018-19, the Petitioner has considered the actual figures from the unaudited annual accounts upto September, 2018 (6 months) and further estimated the expenses for the remaining months.
- 2.2.3 The breakup of the actual O&M Expenses for FY 2014-15 to FY 2017-18 and Provisional O&M Expenses for FY 2018-19 submitted by the Petitioner is mentioned below.

Employee Expenses

- 2.2.4 The Petitioner has submitted the Employee Cost for FY 2014-15 to FY 2017-18 based on the audited accounts for the respective years.
- 2.2.5 For the purpose of estimating the employee expenses for FY 2018-19, the Petitioner has considered the actual expenses for the first 6 months i.e., from April 2018 to September 2018 (Q1&Q2) and projected employee expenses for the next six months i.e., from October 2018 to March 2019 (Q3&Q4) considering number of employees in H1, to be same as H2. Further, based on the estimated number of employees and with cadre wise monthly salary data, the Year on Year employee strength submitted by the Petitioner is submitted below-

Table 5: Proposed Employee Strength for FY15 to FY19

Particulars	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Actual	Actual	RE
No of Employees	9	14	14	18	16

- 2.2.6 The employee expenses submitted by the Petitioner for FY15 to FY19 is tabulated below-

Table 6: Proposed Employee Expenses for FY15 to FY19 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Actual	Actual	RE
Salaries, Wages, Allowances and Benefits	96.61	116.45	141.61	190.87	199.29
Mobile Allowance			0.58	0.73	1.41
Medical Expenses Reimbursement			4.39	0.83	0.35
Leave Travel Assistance (TA Bill)			1.28	2.47	0.58
Employee Cost	96.61	116.45	147.86	194.90	201.63

A&G Expenses

- 2.2.7 The Petitioner has submitted the A&G expenses for FY 2014-15 to FY 2017-18 based on the audited accounts for the respective years.
- 2.2.8 For the purpose of estimating the A&G expenses for FY 2018-19, the Petitioner has considered the actual expenses for first 6 months of FY 2018-19 i.e. from April 2018 to September 2018. For balance part of FY 2018-19, the Petitioner has estimated the expenses based on prorata basis guided on the factors dependent or independent on the estimated No of employees to be added for the remaining half of the year.
- 2.2.9 The A&G expenses submitted by the Petitioner for FY15 to FY19 is tabulated below-

Table 7: Proposed A&G Expenses for FY15 to FY19 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Actual	Actual	RE
Taxi hiring	10.09	10.06	14.5	13.09	12.47
Bank Charges	0.04	0.09	0.01	0.01	0.01
Internet Expenses	0.21	0.19	0.09	-	1.2
Miscellaneous Expenses	0.36	0.19	6.31	0.43	1.2
Telephone expenses	0.82	1.05	0.14	0.15	1.2
Postage & Telegram Expenses	0.02	0.03	0.09	0.07	0.12
Newspaper Expenses	0.59	0.03	0.04	0.07	0.11
Printing and Stationery Expenses	0.49	0.66	0.36	0.78	1.2
Outsource Salary	-	-	6.42	10.56	14.33
Legal fees	-	-	0.06	0.14	1.42
Insurance Charges	0.04	0.07	-	-	-
Auditor's Fee	-	0.15	-	0.7	1.00
Cleaning & Sweeping Charges	0.77	-	-	-	-
Electricity Bill	0.95	-	-	-	-
Website Expense	0.06	-	-	0.06	0.05
Travelling expenses	1.02	-	-	-	-
Hospitalities	-	-	0.1	0.15	0.15
HPERC Licensee fees	-	-	0.2	-	-
Petition Filing Fee	2.00	-	-	-	2.00
Professional Fee/ consultancy charges	5.31	-	-	2.30	10.00
Advertisement Expenses	0.17	-	2.76	-	23.50
Total A&G Expenses	22.95	12.52	31.08	28.50	69.96

R&M Expenses

- 2.2.10 The Petitioner has submitted the R&M expenses for FY 2014-15 to FY 2017-18 based on the audited accounts for the respective years.

2.2.11 For the purpose of estimating the R&M expenses for FY 2018-19, the Petitioner has considered the actual expenses for first 6 months of FY 2018-19 i.e. from April 2018 to September 2018. For balance part of FY 2018-19, the Petitioner has estimated the expenses based on the pending R&M work.

2.2.12 The R&M expenses submitted by the Petitioner for FY15 to FY19 is tabulated below-

Table 8: Proposed R&M Expenses for FY15 to FY19 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Actual	Actual	RE
R&M Expenses	7.48	15.88	0.03	0.16	3.36

2.3 Depreciation

2.3.1 The Petitioner has submitted the depreciation for FY 2014-15 to FY 2018-19 based on the actual addition of assets during the respective years from FY 2014-15 to FY 2017-18 and as per the proposed CAPEX considered in FY 2018-19.

2.3.2 Further, the Petitioner has considered the transfer of assets from HPSEBL to HPSLDC which includes the transfer of Building Assets of Rs. 121 Lakh as an addition of Fixed Asset during the year.

2.3.3 The expenses pertaining to depreciation submitted by the Petitioner for FY15 to FY19 is tabulated below-

Table 9: Proposed Depreciation for FY15 to FY19 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Actual	Actual	RE
Depreciation	0.32	2.93	1.62	1.07	4.62

2.4 Interest and Finance Charges

2.4.1 The Petitioner has submitted the interest and finance charges for FY 2014-15 to FY 2018-19 based on the GFA addition during the year and the debts at the beginning of the year.

2.4.2 The Petitioner has mentioned that there is no actual debt liability/ loan borrowed and the interest on loan has been worked out on a normative basis in accordance with the prevailing provisions under Regulation 17 of the HPERC MYT SLDC Regulations, 2011. The Petitioner has computed Interest Expenses based on normative debt-equity ratio of 70:30. The Petitioner has considered the repayment of loan same as depreciation for the respective years.

2.4.3 The Petitioner has considered the effective Interest rate at the rate of 10.25% (1 Year SBI MCLR + 200 Basis Points) for the respective years. The interest and finance charges submitted by the Petitioner for FY15 to FY19 as follows:

Table 10: Proposed Interest and Finance charges for FY15 to FY19 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Actual	Actual	RE
Debt at the beginning of the year	-	-	4.95	3.54	3.57
Capitalisation during the year	-	11.26	0.30	1.57	134.39
Debt portion of the Capitalisation during the year	-	7.88	0.21	1.10	94.70
Repayment of Loan	-	2.93	1.62	1.07	4.62
Closing Loan	-	4.95	3.54	3.57	93.02
Average Loan	-	2.47	4.24	3.55	48.29
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%
Interest on Loan	-	1.15	0.51	0.36	0.37

2.5 Return on Equity

- 2.5.1 The Petitioner has submitted the return on equity for FY 2014-15 to FY 2018-19 based on the GFA addition during the year and the equity at the beginning of the year. The Petitioner has considered 30% as the equity portion.
- 2.5.2 Further, the Petitioner has considered the base rate for Return on Equity (RoE) at the rate of 19.17% after considering the base rate as 15.50% and Income Tax rate as MAT Rate at 21.34%, for the respective years as per Regulation 20 of the MYT Regulations 1st Amendment.
- 2.5.3 The return on equity submitted by the Petitioner for FY15 to FY19 is tabulated below.

Table 11: Proposed Return on Equity charges for FY15 to FY19 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Actual	Actual	RE
Regulatory Equity at the beginning of the year	-	-	3.38	3.47	3.94
Capitalization during the year	-	11.26	0.30	1.57	134.39
Equity Portion during the year	-	3.38	0.09	0.47	40.32
Regulatory Equity at the end of the year	-	3.38	3.47	3.94	44.26
Average Equity	-	1.69	3.42	3.70	24.10
Rate of Return on Equity	19.71%	19.71%	19.71%	19.71%	19.71%
Return on Equity (RoE)	-	0.33	0.67	0.73	4.75

2.6 Interest on Working Capital

- 2.6.1 The Petitioner has submitted that the Interest on Working Capital for FY 2014-15 to FY 2018-19 has been computed based on the Regulation 23 of

the HPERC MYT SLDC Regulations, 2011.

2.6.2 The Petitioner submitted that the Interest rate on Working Capital is average Base Rate of State Bank of India for the last six months prior to the filing of the MYT petition plus 350 basis points which is as per the Regulation 23 of the HPERC MYT SLDC Regulations, 2011.

2.6.3 The Interest on Working Capital (IoWC) claimed by the Petitioner for FY 2014-15 to FY 2018-19 is summarized below.

Table 12: Proposed Interest on Working Capital for FY15 to FY19 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Actual	Actual	RE
O&M Expenses for 1 Month	10.59	12.07	14.91	18.63	22.91
2 Months Receivables	34.73	33.23	43.35	54.94	60.02
Maintenance Spares @ 15% of O&M Expenses for 1 month	1.59	1.81	2.24	2.79	3.44
Total Working Capital Requirement	46.91	47.11	60.50	76.37	86.37
Rate of IoWC (%)	12.41%	12.41%	12.41%	12.41%	12.41%
Interest on Working Capital	5.82	5.85	7.51	9.48	10.72

2.7 ULDC Charges

2.7.1 The Petitioner has submitted that the assets under ULDC-I Scheme are being presently handled by HPSEBL and the bill for the same are raised by HPSEBL at 20% of the overall expenses that are incurred by its load despatch office. The Petitioner has submitted that the ULDC charges for FY 2014-15 to FY 2018-19 is claimed as per the actual expenses booked under Audited accounts.

2.7.2 The Petitioner has submitted that for estimating the ULDC charges for FY 2018-19, it has considered the 20% of the total bill amount paid by HPSEBL from 1 Jan, 2016 to October 2018, which is inclusive of Ex-Works Cost, Insurance and AMC Charges.

2.7.3 The ULDC charges claimed by the Petitioner for FY 2014-15 to FY 2018-19 is summarized below.

Table 13: Proposed ULDC charges for FY15 to FY19 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Actual	Actual	RE
ULDC I/II Charges	75.22	44.27	70.84	94.46	64.74

2.8 Income from SLDC Charges

2.8.1 The Petitioner submitted that presently the majority of revenue of HPSLDC

comes from SLDC operating charges of Rs. 2000 per day per transaction (as per No. HPERC/418(V) dated 29th May 2013) from the Short Term Open Access (STOA) Consumers and one time registration fee of Rs 1 Lakh paid by the customers of HPSLDC.

2.8.2 The Petitioner has submitted the income for FY 2014-15 to FY 2017-18 based on the audited accounts for the respective years. The Petitioner has also submitted the income from investments for respective years under the income from SLDC charges as summarised below.

Table 14: Proposed Income from SLDC charges for FY15 to FY19 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Actual	Actual	RE
Income from SLDC Operations	142.13	191.03	240.19	230.32	230.32
Income from Investments (Bank)	6.12	10.52	17.43	78.19	78.19

2.9 ARR Summary from FY 2014-15 to FY 2018-19

2.9.1 Based on values determined by HPSLDC for the various parameters, the ARR for FY 2014-15 to FY 2018-19 is submitted as below for truing-up by the Petitioner.

Table 15: Proposed ARR Summary from FY 2014-15 to FY 2018-19 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Actual	Actual	RE
O&M Expenses	127.05	144.85	178.96	223.57	274.94
R&M Expenses	7.48	15.88	0.03	0.16	3.36
A&G Expenses	22.95	12.52	31.08	28.50	69.96
Employee Expenses	96.61	116.45	147.86	194.91	201.63
Depreciation	0.32	2.93	1.62	1.07	4.62
Interest on Finance Charges	-	1.15	0.51	0.36	0.37
Return on Equity	-	0.33	0.67	0.73	4.75
Interest on Working Capital	5.82	5.85	7.51	9.48	10.72
ULDC I/II Charges	75.22	44.27	70.84	94.46	64.74
Gross ARR	208.41	199.38	260.12	329.66	360.13
Less: Income from SLDC Operations	142.13	191.03	240.19	230.32	230.32
Less: Income from Investments (Bank)	6.12	10.52	17.43	78.19	78.19
Net ARR	60.15	(2.18)	2.50	21.15	51.62

3 SUMMARY OF THE BUSINESS PLAN AND MYT TARIFF PETITION FOR FOURTH CONTROL PERIOD

3.1 Background

- 3.1.1 HPSLDC has submitted a Business plan and MYT Tariff Petition for the fourth Control Period (FY 2019-20 to FY 2020-24) in line with the provisions of the HPERC MYT SLDC Regulations, 2011.
- 3.1.2 This chapter summarizes the highlights of the Business Plan and Petition filed by HPSLDC for determination of the Aggregate Revenue Requirement (ARR) for the fourth MYT Control Period (FY 2019-20 to FY 2020-24).
- 3.1.3 Business Plan for the Control Period has been bifurcated into Human Resource Plan and Business Plan, whereas ARR for each year of the Control Period has been bifurcated into O&M expenses, depreciation, interest and finance charges, and interest on working capital and return on equity.

3.2 Business Plan- Human Resource Plan

- 3.2.1 In order to mitigate the challenges and achieve the desired operational efficiency, the Petitioner has carried out a detailed analysis of the work force required for the next five years based on various technical and physical requirements.
- 3.2.2 The Petitioner has highlighted that the present strength of HPSLDC is only 16, which is highly inadequate to carry out the full-fledged operations of an SLDC in near future, considering these concern, HPSLDC has projected its manpower requirement for the Control Period FY 2019-20 to FY 2020-24.
- 3.2.3 The Petitioner has submitted the HR plan consisting of manpower addition, capacity building of the employees, applicability of certificate linked and performance linked incentives.

Employee Addition

- 3.2.4 The Petitioner has taken into consideration the FoR sub-group recommendation for determining the workforce requirement for the FY 2019-20 to FY 2023-24 and has estimated the growth of employee as under:

Table 16: Proposed Yearly Employee Addition for FY20 to FY24

Post	Existing	FY 20	FY 21	FY 22	FY 23	FY 24
Managing Director (MD)	1	-				
Chief Engineer (C.E)	1	-				
Superintendent Engineer (SE)	1	1				
Sr. Executive Engineer (Sr.XEN)	4	5				
Assistant Engineer (AE-Electrical/IT)	3	7	2	2	1	1
Assistant Engineer AE (Civil)	-	1				
Regulatory/Law Officer	-	1				
JE-Electrical/IT	-	10	2	2	1	1
JE-Civil	-	1				
PS/APS	1	3				
HR Manager		1				
Finance Officer		1				
Asst. Accounts Officer	1	-				
Accountant	1	1				
IT Head		1				
Network/Syst.Admin/ Sware developer		4				
Computer Operator/DEO	1	4				
Junior Officer Assistant		4				
Draftsman (D/Man)		1				
Electrician		1				
Plumber		1				
Driver	1	1				
Peon	1	4				
Annual Addition		53	4	4	2	2
Cumulative Addition	16	69	73	77	79	81

Human Resource Development Expense and Certification linked Incentive

3.2.5 The Petitioner has proposed to pay fixed incentives and certificate linked incentives to employees of HPSLDC along with revision in salary for various cadres in order to attract and retain right kind of talent required for the operation of HPSLDC .The HRD expenses are segregated under two heads i.e. Fixed Incentive per year and Performance Linked Incentive. The yearly Human Resource development expenses with respect to fixed and performance-linked incentive projected by the Petitioner for the fourth Control Period are highlighted in the table below:

Table 17: Proposed HRD expense (Fixed & performance linked) for FY20 to FY24 (In Rs.)

Post	Per employee incentive	FY 20	FY 21	FY 22	FY 23	FY 24
Managing Director (MD)	15,000	180,000	180,000	180,000	180,000	180,000
Chief Engineer (C.E)	10,000	120,000	120,000	120,000	120,000	120,000
Superintendent Engineer (SE)	8,500	102,000	204,000	204,000	204,000	204,000
Sr. Executive Engineer (Sr.XEN)	7,000	378,000	756,000	756,000	756,000	756,000
Assistant Engineer (AE- Electrical/IT)	5,000	300,000	720,000	840,000	900,000	960,000
Assistant Engineer AE (Civil)	5,000	30,000	60,000	60,000	60,000	60,000
Regulatory/Law Officer	4,000	24,000	48,000	48,000	48,000	48,000
JE-Electrical/IT	4,000	240,000	576,000	672,000	720,000	768,000
JE-Civil	4,000	24,000	48,000	48,000	48,000	48,000
PS/APS	2,000	48,000	96,000	96,000	96,000	96,000
HR Manager	5,000	30,000	60,000	60,000	60,000	60,000
Finance Officer	5,000	30,000	60,000	60,000	60,000	60,000
Asst. Accounts Officer	3,000	18,000	36,000	36,000	36,000	36,000
Accountant	2,500	30,000	60,000	60,000	60,000	60,000
IT Head	5,000	30,000	60,000	60,000	60,000	60,000
Network/Syst. Admin/ Sware developer	3,000	72,000	144,000	144,000	144,000	144,000
Computer Operator/DEO	2,500	75,000	150,000	150,000	150,000	150,000
Junior Officer Assistant	2,000	48,000	96,000	96,000	96,000	96,000
Draftsman (D/Man)	2,000	12,000	24,000	24,000	24,000	24,000
Electrician	2,000	12,000	24,000	24,000	24,000	24,000
Plumber	2,000	12,000	24,000	24,000	24,000	24,000
Driver	1,000	12,000	24,000	24,000	24,000	24,000
Peon	1,000	30,000	60,000	60,000	60,000	60,000
Total Expenses in Rs.		1,857,000	3,630,000	3,846,000	3,954,000	4,062,000
Total Expenses in Lakh.		18.57	36.30	38.46	39.54	40.62

Table 18: Proposed HRD expense (Performance linked) for FY20 to FY24

	FY 20	FY 21	FY 22	FY 23	FY 24
	464250	907500	961500	988500	1015500

	FY 20	FY 21	FY 22	FY 23	FY 24
Certificate linked incentive - assumed to be paid to 25% of employees	4.64	9.08	9.62	9.89	10.16

Capacity Building and Training Expenses

3.2.6 The Petitioner has proposed to send employees for training for minimum of 15 days in a year and has projected the training expense for various employees over the coming years. The training expense projection considering yearly number of employees joining in respective years are shown below:

Table 19: Proposed Employee Training Expense for FY20 to FY24

Post	Rs per employee	FY 20	FY 21	FY 22	FY 23	FY 24
Managing Director (MD)	50,000	50,000	52,500	55,200	57,900	60,800
Chief Engineer (C.E)	37,500	37,500	39,400	41,400	43,500	45,600
Superintendent Engineer (SE)	37,500	75,000	78,800	82,800	87,000	91,200
Sr. Executive Engineer (Sr.XEN)	100,000	900,000	945,000	992,700	1,042,200	1,094,400
Assistant Engineer (AE-Electrical/IT)	100,000	1,000,000	1,260,000	1,544,200	1,737,000	1,945,600
Assistant Engineer AE (Civil)	100,000	100,000	105,000	110,300	115,800	121,600
Regulatory/Law Officer	50,000	50,000	52,500	55,200	57,900	60,800
JE-Electrical/IT	50,000	500,000	630,000	772,800	868,500	972,800
JE-Civil	50,000	50,000	52,500	55,200	57,900	60,800
PS/APS		-	-	-	-	-
HR Manager	25,000	25,000	26,300	27,600	29,000	30,400
Finance Officer	50,000	50,000	52,500	55,200	57,900	60,800
Asst. Accounts Officer	25,000	25,000	26,300	27,600	29,000	30,400
Accountant	25,000	50,000	52,600	55,200	58,000	60,800
IT Head	50,000	50,000	52,500	55,200	57,900	60,800
Network/Syst.Admin/Software developer	25,000	100,000	105,200	110,400	116,000	121,600
Computer Operator/DEO	20,000	100,000	105,000	110,500	116,000	122,000
Junior Officer Assistant	10,000	40,000	42,000	44,400	46,400	48,800
Total Expenses in Rs.		3,202,500	3,678,100	4,195,900	4,577,900	4,989,200

Post	Rs per employee	FY 20	FY 21	FY 22	FY 23	FY 24
Total Expenses in Lakh		32.03	36.78	41.96	45.78	49.89

Business Plan- Capex and IT Plan for HPSDCL

- 3.2.7 The Petitioner submitted that in order to achieve the anticipated load growth and targeted operational efficiency; it has carried out a detailed analysis of capital investment required for the fourth Control Period based on various technical and physical requirements.
- 3.2.8 The Petitioner in line with the human resource development has projected the capital expenses required for development of a robust physical infrastructure involving civil, IT infrastructure (software & hardware)
- 3.2.9 Based on the recommendations of Satnam Singh Task Force report on Asset Requirement and FoR Sub-Group report, the Petitioner has projected total Capex of Rs. 4497 lakh over the fourth Control Period of FY 2019-20 to FY 2023-24.

Capital Expenditure Plan

- 3.2.10 The capital expenditure and capitalization plan of HPSLDC for the fourth Control Period FY 2019-20 to FY 2023-24 are as follows:

Table 20: Proposed CAPEX Plan for 4th MYT Control Period (Rs. Lakh)

Sr. No.	Schemes	Estimated Budget (Rs. Lakh)	Phasing (Capital Expenditure)				
			FY 20	FY 21	FY 22	FY 23	FY 24
A	Enhancement of Real Time Data Acquisition System	1,185.00	200.00	200.00	350.00	385.00	50.00
1	Hardware for SCADA system (Display Unit Extension, etc.)	200.00	100.00	100.00	-	-	-
2	Cyber security and Data security	25.00	-	-	-	10.00	15.00
3	Weather stations	10.00	-	-	-	-	10.00
4	Backup Control Centre/Sub-LDC	500.00	-	-	250.00	250.00	-
5	URTDSM	50.00				25.00	25.00
6	Communication Interfacing Equipment (SHP/Solar Integration) & Infra for communication n/w redundancy	400.00	100.00	100.00	100.00	100.00	-
B	Energy Accounting Systems	1,545.00	772.50	772.50	-	-	-
1	SAMAST	1,545.00	772.50	772.50	-	-	-
C	Offline Systems	25.00	-	20.00	5.00	-	-
1	Data warehousing and mining facility	5.00	-	-	5.00	-	

Sr. No.	Schemes	Estimated Budget (Rs. Lakh)	Phasing (Capital Expenditure)				
			FY 20	FY 21	FY 22	FY 23	FY 24
2	Scheduling application Software	20.00		20.00	-		-
D	Infrastructure Development	1,742.00	800.00	737.00	107.00	37.00	61.00
1	Building Interior & Renovation	60.00	30.00	30.00	-	-	-
2	New additional Office Building	300.00	150.00	150.00		-	-
3	Office Equipment (Servers, PCs, Printers, Laptop, Xerox m/c, Firewalls, Routers, LAN Components, cables, switches etc.)	40.00	20.00	10.00	10.00		
4	SLDC's Website Upgradation	5.00	-			5.00	-
5	ERP Software (SAP)	50.00	-	25.00	25.00		
6	Construction of Compound Wall	20.00	-	-	-	10.00	10.00
7	Conference Room	30.00	15.00	15.00	-	-	-
8	CCTV, Security System, Audio Recording	30.00	-	15.00	15.00	-	-
9	Furniture for Office	15.00	5.00	5.00	2.00	2.00	1.00
10	Staff Recreation & Rejuvenation Facilities	-					
	-Cafeteria/Pantry	15.00	-	10.00	5.00		-
	-Gymnasium	5.00	-	5.00	-	-	-
	-Rest Room	2.00	-	2.00	-	-	-
11	Disaster Recovery System/Back Up	25.00	-	-	-		25.00
12	Staff Quarters	1,050.00	580.00	470.00		-	
13	Fire Alarm/Fire Fighting System	5.00	-	-	-	-	5.00
14	Diesel Generator	20.00	-	-	-	20.00	-
15	Battery Sets with Charger	15.00	-	-	-	-	15.00
16	UPS System	5.00	-	-	-	-	5.00
17	HVAC - Centralized	50.00	-		50.00	-	
	Total CAPEX	4,497.00	1,772.50	1,729.50	462.00	422.00	111.00

Financing Plan

3.2.1 The Petitioner has proposed several funding patterns in the form of debt, equity and grant sufficient to fund the entire capex scheme of HPSLDC. The proposed following mix of financing plan for the fourth Control Period is tabulated below:

Table 21: Proposed Funding of schemes for fourth MYT Control Period (Rs. Lakh)

Particulars	FY22
Grant	Schemes like SAMAST, URTDSM/WAMS
Normative loan (70%)	Other Schemes proposed for 4 th Control Period

Particulars	FY22
Normative Equity (30%)	

3.3 O&M Expenses

3.3.1 The Petitioner has submitted the projection of O&M expenses based on the notified amendment in HPERC MYT SLDC Regulations, 2011. The Petitioner has considered The base year for O&M Expenses is considered as trued-up O&M expense FY 2017-18 on which appropriate escalation factor as prescribed under the amended provisions has been considered. The components wise O&M expenses proposed by the Petitioner is detailed below.

Employee Expenses

3.3.2 The Petitioner has computed the employee expenses as per HPERC MYT SLDC Regulations, 2011 along with its subsequent amendments and the provisions. The formula for computing Employee Expenses is as follows:

$$"EMP_n = [(EMP_{n-1}) \times (1+G_n) \times (CPI \text{ inflation})] + Provision (Emp) + HRD_n$$

Where:

'CPI inflation' – is the average increase in the Consumer Price Index (CPI) for immediately preceding three or five years before the base year, whichever is higher;

'EMP_{n-1}' – employee's cost of the power system operation company for the (n-1)th year.

'Provision (Emp)′- Provisions 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;

'HRD_n' - shall cover expense pertaining to human resource development activities including but not limited to training, capacity building, employee incentive scheme, special allowance linked to experience and expertise."

3.3.3 The CPI inflation rate is calculated as per the following table:

Table 22: CPI Calculation for FY20 to FY24 Control Period

Financial Year	Average CPI	% Increase
2012-2013	215	
2013-2014	236	9.68%
2014-2015	251	6.29%
2015-2016	265	5.65%
2016-2017	276	4.12%

Financial Year	Average CPI	% Increase
2017-2018	284	3.08%
5 Year Average Inflation		5.76%
3 Year Average Inflation		4.28%

- 3.3.4 The Petitioner has mentioned that as on date 16 employees are working on roll of HPSLDC. The Petitioner has further quoted the recommendation of 69 employees in FOR sub-group CABIL report. Further, the Petitioner has provided the addition of 12 employees above 69 over the Control Period in order to implement SAMAST in the State, making the total strength of employees to 81.
- 3.3.5 In order to estimate the expenses associated with the fixed pay incentive the Petitioner has assumed fees broadly based on the fixed incentive proposed by various other State and the recommendations of FoR sub-group committee. Similarly, to estimate the expenses associated with the performance-linked incentive the Petitioner has assumed an annual Key Performance Incentive to the extent of 25% of Fixed Incentive pay out.
- 3.3.6 The Petitioner has computed training expenses based on the designation of the employees. HPSLDC has proposed a yearly increase of 5% in training expenses for projections.
- 3.3.7 Thus, considering all the above factors and the projected values of number of employees and CPI inflation, the Petitioner has projected the total Employee expenses for FY 2019-20 to FY 2023-24 as below:

Table 23: Proposed Employee Expenses for FY20 to FY24 (Rs. Lakh)

Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
Salaries	908.98	1,017.09	1,134.65	1,231.21	1,335.14
Mobile Allowance	6.43	7.20	8.03	8.71	9.45
Medical Expenses Reimbursement	1.57	1.76	1.96	2.13	2.31
Leave Travel Assistance (TA Bill)	2.64	2.96	3.30	3.58	3.88
Total	919.63	1,029.01	1,147.95	1,245.64	1,350.78
HRD (incentive scheme, special allowance to experienced)	18.57	36.30	38.46	39.54	40.62
HRD (performance linked)	4.64	9.08	9.62	9.89	10.16
Provisions (Training Expense & Capacity Building)	32.03	36.78	41.96	45.78	49.89
Grand Total	974.86	1,111.17	1,237.98	1,340.84	1,451.45

A&G Expenses

- 3.3.8 The Petitioner has submitted the A&G expenses on the basis of the methodology provided in HPERC MYT SLDC Regulations, 2011 along with its subsequent amendments.

$$"A\&G_n = [(A\&G_{n-1}) \times (WPI \text{ inflation})] + \text{Provision (A\&G)}$$

Where,

WPI inflation – is the average increase in the Wholesale Price Index (CPI) for immediately preceding three or five years before the base year, whichever is higher;

Provision (A&G)- Cost for initiatives or other one-time expenses as proposed by the power system operation company and validated by the Commission.”

- 3.3.9 The Petitioner has considered the WPI inflation of 1.49%. Further, the Petitioner has considered the effect of increase in number of employees during the year and the annual inflation factor. The A&G expenses projected by the Petitioner for fourth Control Period is summarised below.

Table 24: Proposed A&G Expenses for FY20 to FY24 (Rs. Lakh)

Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
A&G expense	182.01	221.08	235.49	248.27	278.46

R&M Expenses

- 3.3.10 The Petitioner has submitted the R&M expenses as per the HPERC MYT SLDC Regulations, 2011 along with its subsequent amendments and the provisions discussed in above section. The Petitioner has calculated the R&M Expenses as per the following formula.

$$R&M_n = K \times GFA_n$$

Where,

'K' - is a constant (could be expressed in %).

'R&M_n' – Repair and Maintenance costs of the State Load Despatch Centre for the nth year;

'GFA_n' – is the Gross Fixed Asset of the Power System Operation Company for the State Load Despatch Centre functions for the nth year.”

- 3.3.11 The Total R&M cost submitted by the Petitioner for the fourth Control Period as proposed by the Petitioner is tabulated below:

Table 25: Proposed R&M Expenses for FY20 to FY24 (Rs. Lakh)

Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
R&M expense	15.45	28.23	18.93	10.18	5.98

3.4 Depreciation

- 3.4.1 For working out depreciation for the FY 2019-20 to FY 2023-24, the Petitioner has considered the proposed Capital Expenditure Plan. The Petitioner has computed the depreciation in accordance with the Regulation 22 of the HPERC MYT SLDC Regulations, 2011 and its subsequent amendments.

3.4.2 The Petitioner has claimed no depreciation for the addition of assets under the schemes funded by grants such as SAMSAT and URTDSM. The above provision is in accordance with the Regulation 13 (A) of the HPERC MYT SLDC Regulations, 2011 and its subsequent amendments.

3.4.3 The depreciation for each year of the Control Period has been computed as per the depreciation rates prescribed in the HPERC MYT Regulations as below:

Table 26: Capitalization, funding pattern & Depreciation proposed for FY20 to FY24 (Rs. Lakh)

Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
Capitalization during the year	1,247.50	1,758.50	757.00	419.50	264.00
Capitalization funded through Grants	629.38	629.38	-	12.50	25.00
Capitalization funded through Normative debt & equity	618.13	1,129.13	757.00	407.00	239.00
Depreciation	60.72	147.21	218.24	281.33	317.47

3.5 Interest and Financing Charges

3.5.1 The Petitioner has proposed Interest & Finance charges based on the proposed capital expenditure plan for the entire Control Period and the existing loans. The closing normative debt of FY 2018-19 was considered as the opening normative debt for FY 2019-20 and the Petitioner adopted similar approach for the respective years. As discussed above no interest expenses was considered on schemes under grant.

3.5.2 The Petitioner in accordance with Regulation 17 of the HPERC MYT SLDC Regulations, 2011 has considered 70% as the debt portion for the addition of assets during the year and the effective Rate of Interest at 10.25% as per Regulation 21(2) of the HPERC MYT SLDC Regulations, 2011 and its subsequent amendments.

3.5.3 The summary of the proposed interest expenses worked out for the fourth MYT Control Period are as under:

Table 27: Proposed Interest on loan for FY20 to FY24 (Rs Lakh)

Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
Debt at the beginning of the year	93.02	464.99	1,108.16	1,419.82	1,423.39
Capitalization during the year	618.13	1,129.13	757.00	407.00	239.00
Debt portion of the Capitalization during the year	432.69	790.39	529.90	284.90	167.30
Repayment of Loan	60.72	147.21	218.24	281.33	317.47
Closing Loan	464.99	1,108.16	1,419.82	1,423.39	1,273.22

Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
Average Loan	279.00	786.57	1,263.99	1,421.60	1,348.30
Rate of Interest	10.25%	10.25%	10.25%	10.25%	10.25%
Interest on Loan	9.53	47.66	113.58	145.52	145.89

3.6 Return on Equity

- 3.6.1 The Petitioner has computed the Return on Equity for the Control Period in accordance with Regulation 17 of the HPERC MYT SLDC Regulations, 2011. The Petitioner has considered 30% as the equity portion, the closing equity of FY 2018-19 was considered as the opening equity for FY 2019-20, and the Petitioner adopted similar approach for the respective years
- 3.6.2 The Petitioner as per Regulation 20 of the MYT Regulations, the base rate for Return on Equity (RoE) has been computed as 21.88% after considering the base rate as 15.50% and Income Tax rate as Corporate Tax Rate at 29.13%, for the respective years.
- 3.6.3 The return on equity proposed by the Petitioner for the third Control Period is summarized below:

Table 28: Proposed ROE for FY20 to FY24 (Rs Lakh)

Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
Regulatory Equity at the beginning of the year	44.26	229.69	568.43	795.53	917.63
Capitalization during the year	618.13	1,129.13	757.00	407.00	239.00
Equity Portion during the year	185.44	338.74	227.10	122.10	71.70
Regulatory Equity at the end of the year	229.69	568.43	795.53	917.63	989.33
Average Equity	136.97	399.06	681.98	856.58	953.48
Rate of Return on Equity	21.88%	21.88%	21.88%	21.88%	21.88%
Return on Equity (RoE)	29.97	87.30	149.20	187.40	208.59

3.7 Interest on Working Capital

- 3.7.1 The Petitioner has proposed an interest rate of 11.25% on working capital in line with Regulation 23 of the HPERC MYT SLDC Regulation, 1st Amendment. The normative working Capital requirement and interest thereon as projected by HPSLDC is summarized below:

Table 29: Proposed Interest on Working Capital from FY20 to FY24 (Rs Lakh)

Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
O&M Expenses for 1 Month	97.69	113.37	124.37	133.27	144.66
2 Months Receivables	223.60	299.13	355.55	385.44	412.15
Maintenance Spares @ 15% of O&M Expenses for 1 month	14.65	17.01	18.66	19.99	21.70

Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
Total Working Capital Requirement	335.94	429.51	498.58	538.70	578.51
Rate of IoWC (%)	11.25%	11.25%	11.25%	11.25%	11.25%
Interest on Working Capital	37.79	48.32	56.09	60.60	65.08

3.8 ULDC Charges

3.8.1 The Petitioner has claimed the payment of ULDC charges on transfer of assets from HPSEBL to HPSLDC. The Petitioner has submitted that due to above transfer all the pending liabilities because of ULDC Scheme II will be transferred to HPSLDC along with liability portion of Bhakra Beas Management Board (BBMB).

3.8.2 The Petitioner has considered the 100% of the allocation liability of outstanding amount of ULDC II as well as BBMB portion under ULDC Charges from FY 2019-20 to FY 2022-23. The estimated ULDC charges as projected by HPSLDC is summarized below:

Table 30: Proposed ULDC Charges payable to M/s Siemens Ltd. for FY20-FY24

Particulars	2018	2019	2020	2021
ULDC II Charges	14.52	87.09	87.09	21.77
AMC Charges	16.09	16.09	16.09	16.09
Insurance	0.63	0.63	0.63	0.63
Total ULDC II Charges	31.24	103.81	103.81	38.49

3.9 Income from SLDC Charges

3.9.1 The Petitioner has proposed the increase in SLDC charges of per transaction per day (fee of Rs. 2000 per transaction per day to be increased to Rs. 2500 per transaction per day) and increase in NOC charges (from existing Rs. 5000 per NoC to 7000 per NoC). The Petitioner has also considered 5% of escalation factor year on year, for the purpose of projections from FY 2019-20 to FY 2023-24. The estimated Income from SLDC charges as projected by HPSLDC is summarized below:

Table 31: Proposed Income from SLDC Charges for FY20-FY24 (Rs Lakh)

Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
Income from SLDC Operations	241.83	253.93	266.62	279.95	293.95
Income from Investments (Bank)	78.19	78.19	78.19	78.19	78.19

3.10 ARR Summary from FY 2019-20 to FY 2023-24

3.10.1 The Petitioner's submission of ARR for the fourth Control Period i.e. FY 2019-20 to FY 2023-24 has been summarized below:

Table 32: Proposed Annual Revenue Requirement from FY20 to FY24 (Rs Lakh)

Particulars	FY 20	FY 21	FY 22	FY 23	FY 24
O&M Expenses	1,172.33	1,360.47	1,492.40	1,599.29	1,735.88
R&M Expenses	15.45	28.23	18.93	10.18	5.98
A&G Expenses	182.01	221.08	235.49	248.27	278.46
Employee Expenses	974.86	1,111.17	1,237.98	1,340.84	1,451.45
Depreciation	60.72	147.21	218.24	281.33	317.47
Interest on Finance Charges	9.53	47.66	113.58	145.52	145.89
Return on Equity	29.97	87.30	149.20	187.40	208.59
Interest on Working Capital	37.79	48.32	56.09	60.60	65.08
ULDC I/II Charges	31.24	103.81	103.81	38.49	-
Gross ARR	1,341.58	1,794.77	2,133.32	2,312.63	2,472.91
Less: Income from SLDC Operations	241.83	253.93	266.62	279.95	293.95
Less: Income from Investments (Bank)	78.19	78.19	78.19	78.19	78.19
Net ARR	1,021.55	1,462.65	1,788.51	1,954.48	2,100.77
Cumulative Revenue Gap/(Surplus) of Past Years	133.24				
Carrying Cost/ Holding Cost for FY 2014-15	22.04				
Carrying Cost/ Holding Cost for FY 2015-16	(1.07)				
Carrying Cost/ Holding Cost for FY 2016-17	0.92				
Carrying Cost/ Holding Cost for FY 2017-18	5.13				
Net ARR Post Impact of Revenue Gap/(Surplus) and Carrying Cost/Holding Cost	1181.81	1,462.65	1,788.51	1,954.48	2,100.77

4 OBJECTION FILED AND ISSUES RAISED BY STAKEHOLDERS DURING PUBLIC HEARING

4.1 Introduction

4.1.1 In response to the public notice inviting objections / suggestions from stakeholders on the petition filed by HPSLDC for True-up for FY 2014-15 to FY 2018-19 and Aggregate Revenue Requirement (ARR) for fourth Control Period from FY 2019-20 to FY 2023-24, few stakeholders i.e. HPSEBL, Shri K.S. Dhaulta, IA Hydro Energy Pvt. Ltd. and Directorate of Energy (GoHP) filed their suggestions/ objections in writing.

4.1.2 The public hearing was held on 29th April 2019 at the Commission's Court Room in Shimla. The list of stakeholders is as follows:

Table 33: List of Stakeholders

Sl.	Objector	Address
1.	HP State Electricity Board Ltd.	Vidyut Bhawan, Shimla-04
2.	Directorate of Energy	Phase-III, Sector-6, Kangnadhara, New Shimla
3.	M/s IA Hydro Energy Pvt. Ltd.	D17, Lane1, Sector-1 New Shimla
4.	Sh. K.S. Dhaulta, Consumer Representative	House No. A32, Sector 2, Phase I, New Shimla

4.1.3 A presentation was done by the Managing Director of HPSLDC on the salient features of the petition. Subsequently, the representatives of the stakeholders presented their key points before the Commission during public hearing.

4.1.4 Issues raised by the stakeholders in their written submission and during the public hearing, along with replies given to the objections by the HPSLDC and views of the Commission are summarized in following paras:

4.2 SLDC Fees and Charges

Stakeholder's comments

4.2.1 Mr. Jitendra kumar of IA Hydro Energy Pvt. Ltd has submitted that the proposal of HPSLDC to increase SLDC operating charges, NOC charges and simultaneously levy scheduling and rescheduling fees was unjust as existing

SLDC operating charges and NOC charges were already high as compared to other states. Moreover, revision of such charges will lead to additional burden on customers, thus requested the Commission to consider the operating charges, NOC charges and scheduling fees at par with other states.

Petitioner's reply

- 4.2.2 The Petitioner submitted that the rationale to compare other state SLDC's with HPSLDC is not appropriate as Regional Load Despatch Centres & referred State Load Despatch Centres are already well established or running their operations as a subsidiary to respective State Transmission Utilities, whereas the HPSLDC operations will be run independently. The Petitioner further requested the Commission to allow the proposed increase in open access charges which would enable recovery of total revenue requirement.

Commission's views

- 4.2.3 The required infrastructure enabling the operation of SLDC has been transferred from HPSEBL to HPSLDC on 30th March 2019. Therefore, the current estimates of ARR are based on the proposed submission of the Petitioner and prudence check with limited baseline values. Applicable charges specified in the regulations are already being recovered from various long-term and short-term consumers by HPSLDC for meeting the approved ARR. Therefore, the Commission is of the view that changes in the tariff structure shall be considered at the time of Mid-term review based on the performance and actual data made available by HPSLDC.

Stakeholder's comments

- 4.2.4 Directorate of Energy (DOE) has submitted that the proposed per MW SLDC charges of Rs.2478.60/MW/month for FY 2019-20 by HPSLDC was very high as compared to approved SLDC charges of Rs.445.07/MW/Month for FY 2018-19. Moreover, such unjust increase of 456% in SLDC charges with respect to enhanced contracted capacity will directly affect the LTOA customers of the State. Thus, Directorate of Energy (DOE) requests the Commission not to allow such unjustified hike in charges and seek clarification from HPSLDC for the same.

Petitioner's reply

- 4.2.5 The Petitioner has submitted that it has started independent functioning from September 2018. The Petitioner has further submitted that the proposed ARR is in line with recommendation of CABIL Report published by the Forum of Regulators and Model (Fees and Charges for Load Despatch Centres) Regulations, 2019 by the FoR.

Commission's views

- 4.2.6 The Commission has determined the ARR for the fourth Control Period for HPSLDC after scrutinizing the submissions of the Petitioner and analysing the

Petitioner's claims against various parameters of the ARR. The analysis underlying the Commission's approval for the ARR fourth Control Period is set out in the subsequent Sections of this Order. Further, the Commission has computed the SLDC charges in line with the approved ARR for the Control Period and estimated contracted capacity of long-term consumers as detailed out in Chapter-6 of this Tariff Order.

Stakeholder's comments

- 4.2.7 Directorate of Energy (DOE) has submitted that, the proposed Scheduling Fee (Per day Scheduling) of Rs. 2000 and Rescheduling Fee (Per day Rescheduling) of Rs.2000 by HPSLDC was not in accordance with regulations. As the charges with respect to scheduling and rescheduling have already been included in SLDC operating charges and levy of such charges will overburden the consumers with double charging. Thus, Directorate of Energy (DOE) has requested the Commission to exempt the levy of such charges on consumers.

Petitioner's reply

- 4.2.8 The Petitioner has submitted that the SLDC operating Charges for the STOA consumers is a per-day one-time fee, whereas the levy of proposed Scheduling & Rescheduling fees is meant for the repetitive transactions by the beneficiaries of SLDC, which would be applicable to all category of open access consumers. Further, the Petitioner also states that Himachal Pradesh Electricity Grid Code, 2008 as amended from time to time allows revision in generation schedule, thus in view of foregoing, Petitioner has proposed Scheduling & Rescheduling Charges to be applicable in the fourth MYT Control Period. In addition, the Petitioner also highlights that SLDCs like Maharashtra SLDC also charges Scheduling & Rescheduling Charges as part of SLDC Fees to its users.

Commission's views

- 4.2.9 It is observed that HPSLDC shall be initiating complete and independent operations from FY 2019-20 onwards subsequent to the transfer of SLDC infrastructure from the HPSEBL on 30.03.2019. Therefore, the adequacy of various expenditure and revenue items could only be evaluated once it has operated for couple of years and the actual data is available for analysis. Further, amendments in applicable regulations for inclusion of such additional charges would be necessary before approving such additional charges. Therefore, the Commission feels appropriate to continue with the existing applicable charges and shall consider levy of any additional charges at the time of mid-term review.

Stakeholder's comments

4.2.10 Directorate of Energy (DOE) has submitted that, short-term open access charges should not be increased from Rs. 2000/per day to Rs.2500/-, as this increase further burdens the consumers of SLDC who are availing the Short-Term Open Access. The charges for NRLDC, ERLDC, Delhi SLDC, WRLDC, UPSLDC are to the tune of Rs. 1000.00 whereas, most of the States have lower charges as compared to HPSLDC.

Petitioner's reply

4.2.11 The Petitioner submits that the rationale to compare other state SLDC's with HPSLDC is not appropriate as Regional Load Despatch Centres & referred State Load Despatch Centres are already well established or running their operations as a subsidiary to respective State Transmission Utilities, whereas the HPSLDC operations will be run independently. Thus, the Petitioner humbly requests the Commission to allow the increase in open access charges so that HPSLDC can realize its revenue as the Petitioner receives negligible financial support from any agency.

Commission's views

4.2.12 The existing charges for short-term open access are prescribed in the Himachal Pradesh Electricity Regulatory Commission (Short Term Open Access) Regulations, 2010 and therefore any revision in such charges cannot be formed part of this Tariff Order.

Stakeholder's comments

4.2.13 Directorate of Energy (DOE) has submitted that the Petitioner has also requested to increase NoC Charges from Rs. 5000/- to Rs. 7000/- per NoC for acquiring the NoC/ Standing clearance. It has also submitted that SLDC has already proposed the Annual Revenue Requirement by enhancing the O&M expenses and carrying cost for previous financial years in a single control period (FY 2019-20).

Petitioner's reply

4.2.14 Petitioner submits that, as highlighted in its MYT Petition, higher revenue would be required over the fourth MYT Control Period considering the HR & CAPEX plan proposed in the Business Plan and MYT Petition. Thus, in order to meet such requirements, which is very crucial for HPSLDC's independent operations per se, Petitioner has proposed for increase of NOC and other applicable charges in its MYT Petition. Thus, in order to meet the proposed ARR over the control period, higher SLDC charges have been proposed by the Petitioner.

4.2.15 It is further submitted that, though the above said charges are proposed on the higher side, the expected revenue on account of this would also be on higher side, which in turn will ultimately reduce the overall net expenses &

revenue gap burden on the SLDC's beneficiaries in the respective financial years

Commission's views

4.2.16 The Commission feels that no increase in the NOC charges is required. The increase in SLDC charges approved as part of this Order would be adequate to cover the increase in expenses of the Petitioner.

4.3 Employee Expenses

Stakeholder's comments

4.3.1 Shri K.S. Dahulta submitted that HPSLDC must provide proper justification for the proposed increase in number of employees during the control period.

Petitioner's reply

4.3.2 The Petitioner submitted that considering the dynamic nature, intensity of the evolving functions performed by load dispatch centres, and taking into cognizance the recommendations of the "Capacity Building of Indian Load Despatch Centres (CABIL)" report 2018 published by FOR minimum work force for smallest size of emerging LDC is 69 Nos. Thus, it is necessary to increase the number of employees for capacity building within HPSLDC. The Petitioner proposed the increase in employee before the eighth GBM of HPSLDC, held on 24th January, 2019 that was later approved by the general body of HPSLDC.

Commission's views

4.3.3 The Commission has noted the submission of the Petitioner. It is observed that until FY 2018-19, the functioning of the Petitioner was limited as the SLDC assets were retained and managed by HPSEBL. However, with the transfer of SLDC assets from HPSEBL to the Petitioner, strengthening of manpower is essential for discharge of various activities and functions of load dispatch. Accordingly, the Commission has approved the employee addition as detailed out in Chapter 6 of this Order.

Stakeholder's comments

4.3.4 HPSEBL submitted that HPSLDC in its petition has proposed requirement of proper infrastructure with adequate qualified work force for the functioning of the SLDC for the fourth Control Period (FY2019-20 to FY2023-24). Moreover, HPSLDC has also proposed training and incentive schemes to retain the specialised manpower in the field of Load Despatch. HPSEBL feels that aforementioned scheme will result in higher employee cost & will be burden on consumers of the State. Alternate to this, HPSLDC may have separate cadre for its Load Despatch functions. Thus, HPSEBL requests the Commission to seek clarification from HPSLDC for the same.

Petitioner's reply

4.3.5 The Petitioner submitted that considering the dynamic nature, intensity of the evolving functions performed by load dispatch centers, it is necessary to have a proper incentive structure over and above the usual salary structure in order to attract and retain the right kind of talent. Thus, the Petitioner requested the Commission to approve the incentive scheme as per the General Body's approval which is in line with the CABIL report approved by FOR and the model Regulations for SLDC formulated by CERC.

Commission's views

4.3.6 The Commission has reviewed the details submitted with respect to the incentive scheme and training requirement proposed by the Petitioner. The views of the Commission with regard to these aspects are discussed in Chapter 6 and 7 of the Order.

Stakeholder's comments

4.3.7 Directorate of Energy (DOE) has submitted that HPSLDC has proposed the HRD expenses under two heads i.e. Fixed Incentive per year and Performance Linked Incentive. Thus, Directorate of Energy (DOE) requests the Commission not to consider the fixed incentive as it will over burden the SLDC consumers. Moreover, to attract and retain employees only certification/performance linked incentive may be considered for employees acquiring certificate in their respective areas of specialization from the perspective of effective operation of SLDC. However, the annual Key Performance Incentive shall be based on the achievement of the Key Performance Indicators prescribed by the Commission.

4.3.8 Shri K.S. Dahulta submitted that HPSLDC must link payment of fixed incentives, certificate linked incentives with achievement of targets approved by the BOD and the Commission, and provide proper justification for the proposed revision in salary structure to employees of HPSLDC.

Petitioner's reply

4.3.9 The Petitioner submitted that the intent of introducing incentive payments in the MYT petition was to inculcate the recommendations of the CABIL Report. Thus in cognizance of the relevant provisions under the Model Regulations for LDCs by FoR, the CERC's notified Regulations for RLDCs and the Certificate Based Incentive Schemes approved by the other SERC's i.e. MERC for MSLDC. Moreover, with a view to attract and retain right kind of talent required for the operation of HPSLDC proper incentive structure over salary structure is necessary. The Petitioner has proposed for the in-principle approval of the Certificate Linked Incentive Schemes from the Commission.

Commission's views

4.3.10 The Commission has already clarified its view on incentive payments in the previous replies. The same has been further detailed out in Chapter 6 of the Order.

Stakeholder's comments

4.3.11 Shri K.S. Dahulta submitted that HPSLDC must provide proper training to its employees based on the expenses projected within the control period and avoid mis-utilization of funds in the name of training.

Petitioner's reply

4.3.12 The Petitioner submitted that HPSLDC being a Regulated State Entity all its proposed expenses form a part of its annual revenue requirement. Thus, it is subjective to the approval of the Commission after prudence check during truing up, based on the submission of audited annual accounts by the Petitioner.

Commission's views

4.3.13 The Commission has only provisionally approved the amount of Rs. 5 Lakh per annum towards capacity building. Further, the Commission shall consider the actual training expenses during the truing up for the respective years and mid-term review after prudence check.

4.4 A&G Expenses**Stakeholder's comments**

4.4.1 HPSEBL submitted that the details of the trued up Administrative & General (A&G) expenses for FY2014-15 and FY2016-17 provided by HPSLDC are not identical with respect to the expenses approved by the Commission. Moreover, the A&G charges for FY2018-19 are on higher side, which include consultancy charges of Rs.10.00 lakh & advertisement charges of Rs.23.50 lakh. Thus, HPSEBL requests the Commission to seek clarification from HPSLDC for the same.

Petitioner's reply

4.4.2 The Petitioner submitted that one of the row entries towards the expense head "Travelling Expenses" and "HPERC Fees" was inadvertently omitted for FY 2014-15 and FY 2016-17 respectively. However, it is highlighted that in both the above cases, the total sum of A&G expense already included these expense heads in the respective years and thus there is no change in the A&G Expenses as submitted in the MYT Petition for FY 2014-15 and FY 2016-17. Further, the amount of Rs.10.00 Lakh and Rs.23.40 Lakh against Consultancy Charges and Advertisement Charges respectively are proposed on provisional

basis and is subjective to prudence check by the Commission based on actual data during trueing up.

Commission's views

4.4.3 The Commission has noted the response of the Petitioner. The Commission has carried out detailed scrutiny of the claim of the Petitioner with audited accounts and other documents, submissions, etc. for approval of each ARR parameter as part of the true-up exercise. The detailed analysis of each element is covered under Chapter 5 of this Order.

4.5 Capital Expenditure and related expenses

Stakeholder's comments

4.5.1 Shri K.S. Dahulta submitted that HPSLDC has proposed an amount of Rs.44.97 Cr under Capex Plan & IT Plan and has not provided approvals of the proposed schemes, supporting documents including DPR, cost-benefit analysis, and financial approvals from banks/ funding agency, etc. Thus, the Commission must consider the submission of these documents along with justification by HPSLDC before approving such a large Capex for the enhancement of larger consumer interests

Petitioner's reply

4.5.2 The Petitioner submitted that the proposed capex of Rs.44.97 Cr in the MYT petition has been allocated for Scheduling, Accounting, Metering and Settlement of Transactions in Electricity (SAMAST) Framework implementation in the State of HP and for augmentation and infrastructure development of IT. The requirement is justified taking into consideration the dynamic nature of the power sector.

4.5.3 Petitioner also submitted that, preparation of DPR for the remaining schemes is under progress and the same shall be submitted before the Commission for obtaining its approval. The Petitioner has submitted that it already furnished the necessary approval of the General Body of the HPSLDC for the proposed Capex Scheme before the Commission as part of Response to the observations of the Commission vide letter No. 2407, dated: 12.12.2018.

Commission's views

4.5.4 The Commission concurs with the views of the stakeholder and has directed the Petitioner in this Order to submit the DPR and other supporting documents for approval of each scheme/ work prior to implementation. However, considering the need to establish an efficient power system operation in the State, the Commission feels that HPSLDC is required to strengthen its existing infrastructure and deploy software, systems, etc. Therefore, the Commission has provisionally approved the schemes proposed by the Petitioner for the fourth Control Period with a condition that Petitioner

shall seek approval of the Commission when necessary document and approvals of the Board are available.

Stakeholder's comments

4.5.5 HPSEBL submitted that HPSLDC has proposed capitalization of Rs. 134.39 lakh for FY 2018-19. However, no details of the capitalized assets were being provided. Thus, HPSEBL requests the Commission to seek clarification from HPSLDC for capitalized assets during the year FY2018-19.

Petitioner's reply

4.5.6 The Petitioner submitted that the submission of capitalization during the year FY 2018-19 was submitted on provisional basis. Further, the detailed breakup of the capitalization of Rs.134.39 Lakh during the year FY 2018-19 has already been provided in the MYT Formats.

Commission's views

4.5.7 The Commission sought detailed clarifications from the Petitioner on proposed capitalization of Rs. 134.39 lakh for FY 2018-19 and observed that the amount of Rs. 121 lakh towards transfer of HPSEBL assets was included as part of the capitalization. The Commission has further analysed the information and details provided by HPSLDC and in absence of details regarding the details of transferred assets have excluded the same for the working of GFA.

Stakeholder's comments

4.5.8 HPSEBL submitted that HPSLDC proposed capital expenditure under the heads enhancement of Real Time Data Acquisition System, upgradation of Cyber & Data Security system, weather information system providers, Communication Interfacing Equipment's, Back up control center, Unified Real Time Dynamic State Measurement System (RTDSM) in order to automate and upgrade the existing physical infrastructure. However, the financing plan for the aforementioned CAPEX was not clear in the Petition. Thus, HPSEBL requests the Commission to seek clarification from HPSLDC for the same.

Petitioner's reply

4.5.9 The Petitioner submits that the financing plan for schemes apart from the centrally funded schemes viz. SAMAST Implementation and URTDSM, could be either of the following ways as Petitioned for approval of the Commission.

- I. As per the normative basis i.e. 70:30 ratio of Debt: Equity as per the prevailing provisions under the HPERC's (Levy of Fees and Collection of Fees and Charges by SLDC) Regulations, 2011 and amendments thereof.
- II. By creation of LDC fund, as in the case of Uttarakhand SLDC or Maharashtra SLDC, where the Commission has allowed the creation of LDC fund, which would be utilised for the SLDC's development such as for funding CAPEX

Schemes, etc. This would help in reducing the overall debt & equity burden from the SLDC beneficiaries.

Commission's views

4.5.10 During the review of the Petition, the Commission has sought several written and oral clarifications with regard to proposed schemes during the fourth Control Period. All details and discussions in this regard is provided in Chapter-6 of the Order along with views of the Commission.

Stakeholder's comments

4.5.11 HPSEBL submitted that under depreciation expenses for FY2018-19, Building Assets of Rs. 121 Lakh during the year have been added but no details are given of the Building Assets. The SLDC assets in the books of HPSEBL are not yet transferred to HPSLDC/ HPSLDC. The complete transfer of assets from HPSEBL to HPSLDC will only take place when the separate control centre for HPSEBL is ready. The current infrastructure is being utilized by HPSEBL for the monitoring of the Own Generating Stations. Therefore, Commission may seek clarification from HPSLDC for inclusion of the Building Assets while working out the Depreciation expenses.

Petitioner's reply

4.5.12 The Petitioner submits that the said cost of Rs. 121.00 Lakh against the building asset considered for FY 2018-19 was a provisional amount considered in the Previous MYT Petition i.e. for third Control Period, when the actual transfer of such asset/ building was pending. The said cost of Rs. 121.09 Lakh was obtained by HPSLDC on the basis of interaction with HPSEBL representatives, in whose supervision the O&M of HPSLDC office building assets was being taken up in the past and was considered on tentative basis which shall be finalized consequent upon the final assets transfer, which would happen subsequently/ in near future and could be considered upon final true-up.

Commission's views

4.5.13 The Commission has examined the submission of Petitioner in this regard and observed that transfer of assets under the accounts are still pending. Further, the Petitioner has not been able to provide the details with respect to the assets including asset type, sources of funding, accumulated depreciation, etc. in response to the query raised by the Commission. Therefore, the Commission at this point has not considered any impact of transfer of assets on GFA addition, interest on loan, depreciation, etc. while determining the interest and finance charges for the fourth Control Period. The Commission may consider the same during Mid-term review/ True-up on detailed scrutiny of submission of details in this regard by the Petitioner.

4.6 Contracted capacity

Stakeholder's comments

- 4.6.1 HPSEBL submitted that HPSLDC has not indicated its beneficiaries with their MW capacity who are in long term, medium term & short-term business with State Load Dispatch Centre for the control period FY2014-15 to FY2018-19.
- 4.6.2 HPSEBL also submitted that the Petitioner has claimed that projected power handled will be 3973.37 MW during FY2019-20 and there is 5% hike given on Year on Year basis. Commission may seek project wise & beneficiary wise details of 3973.37 MW considered in the petition by HPSLDC.
- 4.6.3 Also, Directorate of Energy (DOE) in its comments have submitted that HPSEBL should provide details of contracted capacity of users handled by SLDC bifurcated into SLDC customer wise i.e LTOA, HPSEBL, Himurja, HPPCL and various IPPs. Moreover, contracted capacity of every financial year (FY 2019-20 to FY 2023-24) needs to be calculated based on the anticipation of SLDC user in future.

Petitioner's reply

- 4.6.4 The Petitioner submitted that the said list of beneficiaries was furnished before the Commission as a part of response to Query No. 8 of the observations made by the Commission's letter No. 3144, dated 7th March, 2019 vide letter No. 15594, dated: 20.03.2019. Further, Petitioner again resubmitted its list of beneficiaries/ Registered Users along with MW capacity corrected up to 24.04.2019. Further the Petitioner has submitted that the escalation considered on contracted capacity is in context of the increasing trend of Actual Power handled in the previous years.
- 4.6.5 In response to the comment of DOE, HPSLDC submitted that it has provided the details of beneficiary wise break up of contracted capacity for FY19-20, the estimation of contracted capacity was based on the latest MYT Order approved by the Commission. Moreover, the proposed power handled capacity of 3973.37 MW has been projected on estimation basis based on the capacity additions and after taking into consideration the capacity additions projected by the various agencies/ entities as per past trends.

Commission's views

- 4.6.6 The information of beneficiaries and future capacity was provided by the Petitioner as part of clarifications and submissions made during the processing of the petition. The Commission has considered the details for computation of SLDC charges in this Order.

4.7 Other Issues

Stakeholder's comments

- 4.7.1 Directorate of Energy (DOE) has submitted that the schedule of HEPs, Accounting & other activities is not accessible on the SLDC website for a long time. Thus, requesting the Commission to direct HPSLDC for initiating necessary action in this regard.

Petitioner's reply

- 4.7.2 The Petitioner submits that all sincere efforts are being made by HPSLDC for providing access to the System Performance related information and daily transactions reports on HPSLDC's website and the requisite data as desired by the objector shall be made available in the public domain in line with the regulatory provisions of the Commission at the earliest. Further, the Petitioner submits that, the official website of HPSLDC is being recently upgraded and provision for information access is under development and the Target date of completion of up gradation work of website including the Dashboard is 30.06.2019.

Commission's views

- 4.7.3 The Commission directs the Petitioner to make available the details of the schedules of the Projects, accounts and other details of transaction on their website within one month of completion of upgradation of the website and submit compliance report of the same to the Commission.

Stakeholder's comments

- 4.7.4 Directorate of Energy (DoE) has submitted that the figures for ARR in the petition for FY 2018-19 are on provisional basis, which shall be submitted as per final audited accounts.

Petitioner's reply

- 4.7.5 The Petitioner submitted that the approval of ARR for FY 2018-19 has been sought on the provisional basis since, the Petition was filed in the month November 2018 and provisional accounts were available up to September 2018, which was also submitted before the Commission. Further the Petitioner also stated that complete provisional accounts for FY 2018-19 is under preparation and shall be submitted to the Commission as per requirement.

Commission's views

- 4.7.6 The Commission has not undertaken the true-up for FY 2018-19 in the absence of Audited Accounts for FY 2018-19 in line with the provisions of the MYT Regulations 2011. The final true-up for FY 2018-19 shall be undertaken by the Commission at the time of Mid-term review based on the Audited Accounts.

Stakeholder's comments

4.7.7 DOE has submitted that the Grid code discipline is still not updated in the State. Typically, a grid code will specify the required behaviour of a connected generator during system disturbances. These include voltage regulation, power factor limits and reactive power supply, response to a system fault (short-circuit), response to frequency changes on the grid, and required 'ride through' short interruptions of the connection.

Petitioner's reply

4.7.8 Petitioner also submits that, all the stakeholders have to take the necessary measures during the disturbances in the system viz. voltage regulation, power factor limits and reactive power supply, response to a system fault (Short-circuit), response to frequency changes in the grid as per provisions of the Indian Electricity Grid Code and HPERC Grid Code.

Commission's views

4.7.9 The Commission appreciates and welcomes the suggestion of DOE on updating the Grid Code. DoE may submit its proposal for required changes in the Grid Code.

Stakeholder's comments

4.7.10 Directorate of Energy (DoE) has submitted that the income to SLDC from Registration Fee, NOC Fees, Receipts from IEX, SLDC charges etc. should be in line with enhancement of contracted capacity, as SLDC in the petition mentioned the same figures for Registration Fee, NOC Fee, Receipts from IEX and SLDC charges for each control period i.e. FY 2018-19 to FY 2023-24.

Petitioner's reply

4.7.11 The Petitioner submitted that the projections of year-wise income of HPSLDC has been calculated on lump-sum basis. The Petitioner also mentioned that income realisation against the respective income heads would vary year to year, hence, the head-wise basis of projections over the control period would be a challenge and unrealistic. Moreover, head wise income realisation is subjective to prudence check by the Commission based on actual data during truing up.

Commission's views

4.7.12 Based on detailed scrutiny and analysis of the submissions in this regard, the Commission has projected the SLDC charges from short-term consumers and other charges as discussed in Chapter 6 of the Order.

Stakeholder's comments

4.7.13 Directorate of Energy (DoE) has submitted that HPSLDC is raising the UI bills on its entities without any concrete methodology. SLDC is raising the UI bills on frequency deviation along with additional surcharge (in order to recover the shortfall between NRPC-DSA and State-DSA) wherein SLDC is realizing the excess amount from its entities which is also much higher in comparison to UI deviation. Thus, requesting the Commission to direct HPSLDC to finalize a methodology with coordination of all SLDC entities. Moreover, the Commission must vet such methodology and create a provision of reconciliation with all entities on quarterly basis.

Petitioner's reply

4.7.14 The Petitioner submitted that DSM bills are prepared in line with applicable provisions for Accounting of Charges for Deviation and Additional Deviation Charges and Billing provided in the Deviation Settlement Mechanism and Related Matters, Regulations, 2018.

Commission's views

4.7.15 The Commission has noted the objection of the stakeholder and response of the Petitioner with regard to the same. The Commission directs the Petitioner to provide complete details with respect to the computation of the UI bills to the consumers. Further, the Petitioner is also directed to make available the methodology used for deviation statement on their website for each month within one month of issuance of this Order.

5 TRUE-UP OF AGGREGATE REVENUE REQUIREMENT (ARR) FOR THE PERIOD FY15 TO FY18

5.1 Background

5.1.1 HPSLDC has submitted true-up for the third Control Period (FY 2014-15 to FY 2017-18) and provisional true-up for FY 2018-19 along with the MYT Petition for the fourth Control Period. Audited Annual Accounts for FY 2014-15 to FY 2017-18 and half yearly provisional accounts for FY 2018-19 have been submitted by the Petitioner in support of their claim.

5.1.2 As per the MYT Regulations 2011,

"14. Mid-term review and True Up at the end of Control Period.

(1) The power system operation company shall file the mid-term review petition and true-up petition in accordance with the timelines specified in Appendix-I to these regulations along with the details of capital expenditure including additional capital expenditure, sources of financing, operation and maintenance expenditure, etc. incurred for the period, duly audited and certified by the auditors. The true up across various controllable parameters shall be done by the Commission for the previous years of the Control Period or for the previous Control Period on the basis of audited accounts made available by the power system operation company during the midterm review or during Control Period true up in accordance with following principles:

(a) any surplus or deficit on account of O&M expenses shall be to the account of the power system operation company and shall not be trued up in ARR;

(b) the Commission shall review actual capital investment vis-à-vis approved capital investment;

(c) depreciation and financing cost, which includes cost of debt including working capital (interest), cost of equity (return) shall be trued up on the basis of actual/audited information and prudence check by the Commission;

(d) After true up the variations as approved by the Commission shall be adjusted in the ARR of the next Control Period or as may be deemed fit by the Commission.

(2) Notwithstanding anything contained in these regulations, the gains or losses in the controllable items of ARR on account of force majeure, change in law and change in taxes and duties shall be passed on as an additional

charge or rebate in ARR over such period as may be laid down in the order of the Commission."

- 5.1.3 The Commission had issued a MYT Order for the third Control Period FY 2014-15 to FY 2018-19 dated 10th June 2014 based on the submissions of the Petitioner. While approving the MYT Order for the third Control Period, the Commission had taken into consideration the transfer of SLDC infrastructure which was pending transfer from HPSEBL. During examination of Mid Term Review (MTR) Petition submitted by HPSLDC, it was observed that the transfer of assets had not been undertaken resulting in significant differences between approved and actual parameters of ARR. Accordingly, the Commission had revised the ARR for the Control Period based on the actual data provided by the Petitioner for FY 2014-15 and FY 2015-16.
- 5.1.4 In the current Petition, the Petitioner has submitted for final true-up of FY 2014-15 to FY 2017-18 based on audited accounts along with provisional true-up of FY 2018-19.
- 5.1.5 For purpose of true-up of FY 2014-15 to FY 2017-18, the Commission has reviewed the various ARR parameters considering the audited accounts submitted by the Petitioner. The Commission has finalised the true-up for FY 2014-15 to FY 2017-18 in line with the HPERC MYT SLDC Regulations, 2011, taking into account all the information, data submissions and necessary clarifications submitted by the SLDC as well as views expressed by stakeholders.
- 5.1.6 Provisional true-up for FY 2018-19 has not been considered by the Commission in the absence of Audited Accounts for FY 2018-19. In line with the provisions of the MYT Regulations 2011, final true-up for FY 2018-19 shall be undertaken based on Audited Accounts for the relevant year.
- 5.1.7 Pending the transfer of relevant infrastructure by HPSEBL to the Petitioner during the third Control Period, the Commission has considered actual figures recorded under various heads of the Audited Accounts for approval of true-up ARR of HPSLDC for the years FY 2014-15 to FY 2017-18. The following sections details the methodology adopted by the Commission for true-up of various parameters of the ARR for FY 2014-15 to FY 2017-18 of HPSLDC.

5.2 Operation & Maintenance (O&M) Expenses

- 5.2.1 The Commission in the MYT Order for third Control Period of HPSLDC had approved the O&M expenses for each year considering the impact of transfer of assets from HPSEBL and independent operations of HPSLDC. Accordingly, the Commission had considered the increase in employee strength and transfer of 100% of cost towards O&M expenses on HPSLDC.
- 5.2.2 Thereafter, the Commission had revised the O&M expense for each year of third Control Period in the Mid-Term Review (MTR) Order in view of the delay in transfer of SLDC assets and delay in full operations of HPSLDC. Accordingly, the Commission had approved revised O&M expense for the

Control Period considering the actual figures submitted by the Petitioner for FY 2014-15 and FY 2015-16.

- 5.2.3 As the SLDC infrastructure remains to be transferred to HPSLDC, the Commission considers it appropriate to undertake the true-up of O&M expenses as per the actual figures for FY 2014-15 to FY 2017-18.
- 5.2.4 In line with the above, the Commission has examined the submissions made by HPSLDC with respect to components of O&M expenses for FY 2014-15 to FY 2017-18 with the audited accounts as discussed below:

A) Employee Expenses

- 5.2.5 The Petitioner has claimed the actual employee expenses for the third Control Period based on the audited annual account for FY 2014-15 to FY 2017-18. Variations in approved and actual employee cost are observed due to impact of interim relief on account of 7th Pay Commission and non-transfer of assets from HPSEBL to HPSLDC. Also, during the MTR Order of third Control Period, the Commission had provisionally approved the employee cost for FY 2016-17 to FY 2018-19 considering the delay in transfer of assets and uncertainty over full operations of SLDC. Therefore, the Commission feels it appropriate to allow actual employee cost for the purpose of true-up for FY 2014-15 to FY 2017-18.
- 5.2.6 Further, it was observed that the Petitioner had considered employee cost towards outsourced employees as part of A&G expense. The Commission, however, has also considered the cost of outsourced employee in the overall employee expenses while approving the true-up of employee expenses for the respective years.
- 5.2.7 Accordingly, the employee cost approved by the Commission for true-up of FY 2014-15 to FY 2017-18 is summarised in the table below:

Table 34: Approved Employee Expenses for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
As Approved in MTR order	96.60	116.44	123.82	178.45
As submitted by Petitioner	96.61	116.45	147.86	194.90
Approved in True-up	96.61	116.45	154.28	205.47

B) A&G Expenses

- 5.2.8 The Petitioner has proposed the A&G expenses for FY 2014-15 to FY 2017-18 as per the audited accounts of the respective years. It is observed that the claim of the Petitioner towards A&G expenses for FY 2016-17 and FY 2017-18 is slightly higher than the approved cost as per Mid-term review order of third Control Period of SLDC. Further, the approved A&G cost proposed by Petitioner was inclusive of the cost of outsourced employees.

5.2.9 The Commission has considered the actual A&G expenses for the purpose of truing-up as the Petitioner was still to initiate the SLDC function pending the transfer of assets from HSPEBL. Further, the cost of outsourced employees has been excluded from the A&G expense as the same has already been approved along with the employee cost as detailed in the previous section.

5.2.10 The trued-up A&G expenses approved by the Commission for FY 2014-15 to FY 2017-18 is summarised in the table below-

Table 35: Approved A&G Expenses for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
As Approved in MTR order	21.95	12.52	16.75	17.48
As submitted by Petitioner	22.95	12.52	31.08	28.50
Approved in True-up	22.95	12.52	24.65	17.94

C) R&M Expenses

5.2.11 The Petitioner has submitted the R&M expense for FY 2014-15 to FY 2017-18 as per the audited accounts of respective years. The Petitioner in the true-up Petition has accounted the AMC charges separately under the ULDC expense head.

5.2.12 The Commission has analysed the R&M expenses based on the audited accounts of the respective years. It was observed that excluding the ULDC charges, the R&M expenses for the period FY 2016-17 and FY 2017-18 were very less as compared to that approved in MTR Order for third Control Period. In line with the decision of considering actual O&M expenses for the purpose of truing-up for third Control Period, the Commission approves the submission of R&M expenses as per the audited accounts.

5.2.13 The trued-up R&M expenses is summarised in the table below:

Table 36: Approved R&M Expenses for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
As Approved in MTR order	7.48	15.87	16.56	17.28
As submitted by Petitioner	7.48	15.88	0.03	0.16
Final Approved	7.48	15.88	0.03	0.16

D) Total O&M Charges

5.2.14 Based on the above approved components of O&M expense, the total trued-up O&M expense approved for FY 2014-15 to FY 2017-18 is provided in table below:

Table 37: Approved O&M Expenses for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
Employee Expense	96.61	116.45	154.28	205.47
A&G Expense	22.95	12.52	24.65	17.94
R&M expense	7.48	15.88	0.03	0.16
Total O&M Expense	127.04	144.85	178.96	223.57

5.3 ULDC Charges

5.3.1 The Petitioner has submitted that the assets under ULDC-I Scheme were being handled by HPSEBL during the third Control Period and HPSEBL was raising an invoice corresponding to 20% of the overall expenses to HPSLDC. In response to one of the queries, the Petitioner also submitted reference of the HPSEBL Office Order for sharing of 20% of the total charges billed by NRLDC towards ULDC charges with HPSLDC.

5.3.2 Based on the various submission made by HPSLDC in this regard, the Commission has approved the payment of ULDC charges as per the audited accounts and bills raised by the Petitioner to HPSEBL. The approved ULDC charges by the Commission is as provided below:

Table 38: Approved ULDC charges for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
ULDC I/II Charges	75.22	44.27	70.84	94.46

5.4 Capital Expenditure

5.4.1 In the MYT Order for third Control Period, the Commission had considered the capital expenditure of Rs. 121.09 lakh by way of assets transfer from HPSEBL to the books of HPSLDC for FY 2014-15. Subsequently, in the MTR Order, the Commission did not consider any addition in GFA as the transfer of SLDC assets to HPSLDC was still pending. The Commission had mentioned to consider the addition in GFA at the time of truing-up at the end of the Control Period.

5.4.2 The Petitioner has submitted minor additions in GFA as per the audited accounts for FY 2014-15 to FY 2017-18. The Commission had sought the details of asset addition during the period. In response, the Petitioner submitted that assets capitalised during third Control Period are of the nature of telephone, heat pillars, computers (desktops), other computer peripherals etc. for office use and are not covered under any specific schemes. Further, HPSLDC submitted that the capitalised assets were funded through HPSLDC's own reserves and revenue generated from SLDC operating charges and therefore no loans were availed for the above assets.

5.4.3 Considering the submissions, the Commission finds it prudent to allow the capitalisation for FY 2014-15 to FY 2017-18 as per audited accounts. Also, the Commission has considered Normative Debt: Equity of 70:30 as per the MYT Regulations, 2011. The approved capitalisation for FY 2014-15 to FY 2017-18 along with funding details is provided in the table below.

Table 39: Approved Capitalization for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
As Approved in MTR order	-	11.26	3.95	18.00
As submitted by Petitioner	-	11.26	0.30	1.57
Approved Capitalisation	-	11.26	0.30	1.57
<i>Debt (70%)</i>	-	7.88	0.21	1.10
<i>Equity (30%)</i>	-	3.38	0.09	0.47

5.5 Depreciation

5.5.1 The depreciation claimed by the Petitioner for FY 2014-15 to FY 2017-18 vis-à-vis depreciation approved in MTR Order of third Control Period of SLDC is summarised in the table below:

Table 40: Depreciation proposed for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
As Approved in MTR order	0.27	0.33	0.41	0.53
As submitted by Petitioner	0.32	2.93	1.62	1.07

5.5.2 In response to one of the queries raised by the Commission with respect to computation of depreciation, the Petitioner submitted that the Opening and Closing GFA as provided under the Petition are as per the year-wise opening and the closing GFA of the annual Audited Statements for the respective Financial Years of the third Control Period which is as per the Net Fixed Assets instead of Gross Fixed Assets.

5.5.3 As the methodology considered by the Petitioner was not in line with the provisions of the Regulations, the depreciation has been worked out as per the approved addition in GFA and depreciation rates provided in the HPERC MYT SLDC Regulations, 2011. Accordingly, the approved depreciation for the purpose of true-up is summarized below:

Table 41: Approved Depreciation for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
Opening GFA	8.18	8.18	19.44	19.74
Addition during the year	-	11.26	0.30	1.57
Closing GFA	8.18	19.44	19.74	21.31
Depreciation	1.22	1.69	2.18	2.23

5.6 Interest and Finance Charges

5.6.1 The Petitioner has submitted the interest and finance charges for FY 2014-15 to FY 2017-18 for truing-up based on the proposed capitalisation as summarised in the table below-

Table 42: Interest and Finance charges proposed for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
As Approved in MTR order	-	0.43	0.95	1.67
As submitted by Petitioner	-	1.15	0.51	0.36

5.6.2 As detailed in previous paras, in absence of any loan undertaken by HPSLDC, the Commission has considered the normative debt-equity of 70:30 as per the proposal of HPSLDC and provisions under HPERC MYT SLDC Regulations, 2011.

5.6.3 Further, it was observed that the Petitioner has computed the interest charges by applying the interest rate directly on opening/ addition of loan. Therefore, for the purpose of the approving interest on normative loans for the period FY 2014-15 to FY 2017-18, the Commission has considered the average of opening and closing normative loans after providing for repayment equivalent to the depreciation for the respective years.

5.6.4 Further, in absence of any loans availed by HPSLDC, the Commission has considered interest rate of 10.25% based on the 1 Year SBI MCLR + 200 Basis Points for the respective years in line with the HPERC MYT SLDC Regulations, 2011.

5.6.5 Based on the above, the approved Interest & Finance charges towards truing-up for FY 2014-15 to FY 2017-18 is tabulated below:

Table 43: Approved Interest and Finance charges for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
Debt at the beginning of the year	0.00	0.00	6.19	4.22
Debt portion of the Capitalisation during the year	0.00	7.88	0.21	1.10
Repayment of Loan*	1.22	1.69	2.18	2.23
Closing Loan	0.00	6.19	4.22	3.09
Average Loan	0.00	3.09	5.20	3.66
Rate of Interest	10.25%	10.25%	10.25%	10.25%
Interest on Loan	0.00	0.32	0.53	0.37

*repayment of loan has been considered equal to depreciation approved for the respective years

5.7 Return on Equity

5.7.1 The details of Return on Equity approved in the MTR order of third Control Period and actuals now claimed by SLDC in truing up is provided in the table below:

Table 44: Proposed Return on Equity for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
As Approved in MTR order	0.00	0.26	0.62	1.13
As submitted by Petitioner	-	0.33	0.67	0.73

5.7.2 For the purpose of claiming RoE for the period FY 2014-15 to FY 2017-18, the Petitioner has grossed up the RoE of 15.50% for the MAT rate of 21.34%. However, the Commission has approved the RoE of 15.50% and provided for actual income tax charges for the purpose of true-up for FY 2014-15 to FY 2017-18.

5.7.3 The Commission has considered normative equity equivalent to 30% of the approved capitalisation for each year during FY 2014-15 to FY 2017-18 and applied RoE @15.50% as summarised below:

Table 45: Approved Return on Equity for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
Opening Equity	-	-	3.38	3.47
Equity Portion during the year	-	3.38	0.09	0.47
Closing Equity	-	3.38	3.47	3.94
Average Equity	-	1.69	3.42	3.70
Rate of Return on Equity	15.50%	15.50%	15.50%	15.50%
Return on Equity (RoE)	-	0.26	0.53	0.57

5.8 Interest on Working Capital

5.8.1 The Commission has examined the submissions made by the Petitioner and has computed the working capital requirement for FY 2014-15 to FY 2017-18 in accordance with Regulations 23 of the HPERC MYT SLDC Regulations, 2011. Base rate of SBI plus 350 basis points have been considered for approving interest on working capital. The approved working capital requirement and interest on working capital towards truing-up for FY 2014-15 to FY 2017-18 is summarised in the table below:

Table 46: Approved Interest on Working Capital for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
O&M Expenses for 1 Month	10.59	12.07	14.91	18.63
2 Months Receivables	9.67	3.14	-0.45	2.55

Particulars	FY15	FY16	FY17	FY18
Maintenance Spares @ 40% of R&M Expenses for 1 month	0.25	0.53	0.00	0.01
Total Working Capital Requirement	20.50	15.74	14.46	21.19
Rate of IoWC (%)	13.50%	13.03%	12.79%	12.43%
Interest on Working Capital	2.77	2.05	1.85	2.63

5.9 Other Income

5.9.1 Other income for HPSLDC consists of SLDC Charges paid by the Short Term Open Access (STOA) consumers, SLDC Operating fees, one time registration fee and other charges paid by the users of the SLDC and Receipts from IEX. Further, the Petitioner has claimed non-tariff income from interest earned on investments and bank interest which have been deducted from the ARR of the respective year to arrive at the net ARR.

5.9.2 Based on the audited annual accounts of FY 2014-15 to FY 2017-18, the Commission has considered income from registration charges, STOA charges, NOC charges, interest from bank deposits, etc. Income under such heads during the period FY 2014-15 to FY 2017-18 for the purpose of true-up is detailed below:

Table 47: Approved Other Income for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
A) SLDC Related Income				
<i>Registration Fees</i>	4.97	12.00	4.00	14.00
<i>NOC Fees</i>	-	6.25	11.20	10.80
<i>Receipts from IEX*</i>	88.68	91.79	93.56	-
<i>SLDC Charges</i>	48.48	54.03	70.30	99.28
<i>Other Receipts from POSOCO</i>	-	-	61.12	106.24
Sub-Total	142.13	164.07	240.19	230.32
B) Other Incomes				
<i>Income from Banks</i>	6.12	10.52	17.43	78.19
Total Other Income- (A-B+C)	148.26	174.59	257.62	308.51

*Net of HPSEBL wheeling and STU charges

5.10 Revenue from LTOA

5.10.1 The Commission in the MYT Order and MTR Order for the third Control Period had computed the SLDC charges to be recovered from Long-term Open Access (LTOA) consumers based on the capacity handled. However, it was observed that the details with respect to revenue recovered from LTOA consumers were not appearing in the audited accounts of Petitioner.

- 5.10.2 Accordingly, the Commission sought details of invoices raised and amount recovered by the Petitioner towards SLDC charges from LTOA during the period FY 2014-15 to FY 2017-18.
- 5.10.3 In response, the Petitioner submitted details of SLDC Charges billed and recovered from HPSEBL and GoHP during the third Control Period. However, no clarification with regard to inclusion of the amount in the audited accounts for the respective year was provided by HPSLDC. During TVS, the Petitioner was asked to provide reconciliation of the revenue from LTOA in the audited accounts for the respective year. However, the Petitioner did not submit any reconciliation in this regard.
- 5.10.4 Based on the details of invoices submitted by the Petitioner towards SLDC charges from LTOA consumers, it is observed that the Petitioner has not been raising the invoice as per the provisions of the regulations which prescribe monthly invoice to be generated for payment of SLDC charges. Instead the Petitioner had raised invoice in FY 2017-18 towards recovery of SLDC charges for the period FY 2014-15 to FY 2017-18. While the Petitioner was not able to reconcile this amount billed in the FY 2017-18 with the accounts of the relevant year, the Commission is also not able to identify any head under revenue, which could be referred to such an amount.
- 5.10.5 Based on the issues observed, the Commission feels that the Petitioner is not undertaking proper book keeping internally which are resulting in such errors, which are apparent. The Petitioner is directed to undertake adequate steps and deploy experienced resources for the purpose of book keeping. Further, adequate steps need to be undertaken by the Petitioner for timely billing in line with the provisions of the regulations. The Petitioner is also directed to provide a detailed note with the steps taken for rectifying such issues within 3 months from issue of this Order.
- 5.10.6 The delay in raising of invoice can be directly attributed to the oversight of the Petitioner and therefore, the Commission has considered the amount of invoice raised towards SLDC charges from LTOA in the respective year to which the amount pertains for computing the revenue gap/ surplus as per the table below:

Table 48: Revenue considered from LTOA Consumers (HPSEBL and GoHP) for FY15 to FY18 (Rs. Lakh)

Particulars	FY15	FY16	FY17	FY18
Revenue from LTOA	55.99	-	31.14	92.49

5.11 Income Tax Charges

- 5.11.1 The Commission has analysed the Income Tax Return (ITR) documents and observed that the Petitioner has paid tax amount of Rs 0.50 Lakh in FY 2016-17. The Commission approve the actual tax paid as part of truing-up for the period FY 2014-15 to FY 2017-18.

5.12 ARR Summary from FY 2014-15 to FY 2017-18

5.12.1 The summary of the ARR approved by the Commission for true-up of FY 2014-15 to FY 2017-18 is summarised in the table below:

Table 49: Approved ARR for FY15 and FY16 (Rs. Lakh)

Particulars	FY15			FY16		
	MTR approved	Petition	Approved (True-up)	MTR approved	Petition	Approved (True-up)
O&M Cost	126.03	127.05	127.04	144.83	144.85	144.85
Employee Cost	96.60	96.61	96.61	116.44	116.45	116.45
A&G Cost	21.95	22.95	22.95	12.52	12.52	12.52
R&M Cost	7.48	7.48	7.48	15.87	15.88	15.88
ULDC Charges	75.22	75.22	75.22	44.26	44.27	44.27
Depreciation	0.27	0.32	1.22	0.33	2.93	1.69
Interest & Finance Charges		-	-	0.43	1.15	0.32
Interest on Working Capital Requirement	2.71	5.82	2.77	1.70	5.85	2.05
Return on Equity	-	-	-	0.26	0.33	0.26
Income Tax	-	-	-	-	-	-
Aggregate Revenue Requirement	204.23	208.41	206.25	191.81	199.38	193.43
Other Income		6.12	148.26		10.52	174.59
Net ARR		202.29	57.99		188.86	18.84

Table 50: Approved ARR for FY17 to FY18 (Rs. Lakh)

Particulars	FY17			FY18		
	MTR approved	Petition	Approved (True-up)	MTR approved	Petition	Approved (True-up)
O&M Cost	157.14	178.96	178.96	213.22	223.57	223.57
Employee Cost	123.82	147.86	154.28	178.45	194.91	205.47
A&G Cost	16.75	31.08	24.65	17.48	28.5	17.94
R&M Cost	16.56	0.03	0.03	17.28	0.16	0.16
ULDC Charges	46.19	70.84	70.84	48.20	94.46	94.46
Depreciation	0.41	1.62	2.18	0.53	1.07	2.23
Interest & Finance Charges	0.95	0.51	0.53	1.67	0.36	0.37
Interest on Working Capital Requirement	2.41	7.51	1.85	4.32	9.48	2.63

Particulars	FY17			FY18		
	MTR approved	Petition	Approved (True-up)	MTR approved	Petition	Approved (True-up)
Return on Equity	0.62	0.67	0.53	1.13	0.73	0.57
Income Tax			0.50			
Aggregate Revenue Requirement	207.71	260.12	254.90	269.06	329.66	323.84
Other Income		17.43	257.62		78.19	308.51
Net ARR		242.69	(2.72)		251.47	15.32

5.12.2 Based on the trued-up ARR and revenue approved HPSLDC for the period FY 2014-15 to FY 2017-18, the approved revenue surplus/ gap is summarized below:

Table 51: Approved Revenue Gap for FY15 to FY16 (Rs. Lakh)

Particulars	FY15			FY16		
	MTR approved	Petition	Approved (True-up)	MTR approved	Petition	Approved (True-up)
Net ARR		202.29	57.99		188.86	18.84
Revenue from HPSEBL			55.99			-
Surplus/ (Gap)	(55.98)	(60.16)	(2.00)	54.01	2.17	(18.84)

Table 51: Approved Revenue Gap for FY17 to FY18 (Rs. Lakh)

Particulars	FY17			FY18		
	MTR approved	Petition	Approved (True-up)	MTR approved	Petition	Approved (True-up)
Net ARR		242.69	-2.72		251.47	15.32
Revenue from HPSEBL			31.14			92.49
Surplus/ (Gap)	(31.13)	(2.5)	33.86	(92.48)	(21.15)	(77.16)

5.12.3 As per the above table, it is observed that HPSLDC has a cumulative revenue surplus of Rs. 90.18 lakh for the period FY 2014-15 to FY 2017-18. The Petitioner is directed to deposit the revenue surplus in the LDC account as detailed in the section 7.13 of Chapter 7.

6 ANALYSIS OF THE BUSINESS PLAN FOR FOURTH CONTROL PERIOD

6.1 Background

6.1.1 HPSLDC has submitted a petition for Business Plan for fourth Control Period (FY 2019-20 to FY 2023-24) in line with the provisions of the HPERC MYT SLDC Regulations, 2011.

6.1.2 As per the MYT Regulations 2011,

"The Power System Operation Company shall file for the Commission's approval, a business plan approved by its Management as per the timelines specified in Appendix-I to these regulations. The business plan shall be for the entire Control Period and shall, inter-alia, contain.-

(a) Capital expenditure (CAPEX) plan: This should be commensurate with load growth and quality improvement proposed in the business plan. The capital expenditure plan should also include corresponding capitalisation schedule and financing plan;

(b) The appropriate capital structure and cost of financing (interest on debt) and return on equity, terms of the existing loan agreements, etc;

(c) Operation and Maintenance (O&M) Expenses: This shall include the costs estimated for the base year, the actual expenses incurred in the previous years and the projected values for each year of the Control Period based on the proposed norms for O&M cost, including indexation and other appropriate mechanisms;

(d) Depreciation: This shall include the depreciation schedule based on the useful life of the asset and capitalisation schedules for each year of the Control Period;

(e) Other Information: This shall include any other details considered appropriate by the Power System Operation Company for consideration during determination of fees and charges."

- 6.1.3 The Commission has reviewed the proposed Business Plan comprising of the capital expenditure plan, funding of capex schemes, capitalization plan and HR plan for the fourth Control Period. A Technical Validation Session (TVS) session was conducted on 2nd May 2019 in the office of the Commission to discuss in detail the submissions of the Petitioner and validate the data submitted by the Petitioner and sought further clarifications regarding status of the proposed schemes, available sources of funding, manpower recruitment, etc. as part of the Business Plan.

6.2 SLDC Infrastructure

- 6.2.1 HPSLDC was established on 8.11.2010 and with deployment of employees with effect from 17.06.2012, the functions of SLDC were deemed to be transferred from HPSEBL. However, the assets relating to SLDC operations continued to remain with the HPSEBL. In its previous Orders, the Commission has been stressing on the transfer of these assets from HPSEBL to HPSLDC for independent and smooth functioning of the HPSLDC and had directed the Petitioner to take up the matter with the Government of Himachal Pradesh and HPSEBL.
- 6.2.2 In the current Business Plan, the Petitioner has submitted that during Board Meeting held on 27.07.2018, the transfer of assets from HPSEBL to HPSLDC was decided. Further, the Petitioner has provided reference of office orders of the State Government and meetings with HPSEBL with regard to expediting the matter of transfer of infrastructure to the HPSLDC. In view of developments, the Petitioner has submitted that the transfer of assets shall be completed by the end of FY 2018-19.
- 6.2.3 During the presentation made by HPSLDC in the public hearing on 29.04.2019, the Petitioner submitted that the transfer of assets has been completed on 30.03.2019 and therefore the assumptions and projections made as part of the Business Plan and MYT Petition for the fourth Control Period may be considered for projecting the future ARR. Subsequently, HPSLDC also submitted a supplementary submission in view of the transfer of SLDC assets from HPSEBL and revision in the ARR components considering the revised status.
- 6.2.4 The Commission has examined the Petition and subsequent submissions made by the Petitioner for the purpose of approving the elements of Business Plan and ARR for the Control Period FY 2019-20 to FY 2023-24. Also, the Commission has considered the impact on account of the transfer of assets and change in overall operations of HPSLDC during the fourth Control Period.

6.3 Business Plan- Capex and IT Plan for HPSDCL

- 6.3.1 In order to improve the existing infrastructure of SLDC, the Petitioner has projected total Capex of Rs. 4497 lakh as part of the Business Plan for the fourth Control Period of FY 2019-20 to FY 2023-24. The proposed capital expenditure is towards system improvement, upgradation and addition of

new software & IT infrastructure in accordance with Regulation 15 of the HPERC MYT SLDC Regulations, 2011. The Petitioner has taken into consideration the recommendations of Satnam Singh Committee report and FoR subgroup for planning capital expenditure for the fourth Control Period.

6.3.2 The Petitioner has categorised the year wise capital expenditure in fourth Control Period under four broad heads. The summary of the scheme wise capital expenditure proposed is summarised below.

Table 52: Summary of Proposed Capital expenditure for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Enhancement of Real Time Data Acquisition System	200.00	200.00	350.00	385.00	50.00
Energy Accounting Systems- SAMAST	772.50	772.50	-	-	-
Offline Systems	-	20.00	5.00	-	-
Infrastructure Development	800.00	737.00	107.00	37.00	61.00
Total	1,772.50	1,729.50	462.00	422.00	111.00

6.3.3 Subsequent to the progress with regard to the transfer of assets from HPSEBL, the Petitioner submitted a supplementary submission for revised capital expenditure and capitalization for the fourth Control Period on account of reduction of scope and deferment of implementation of some schemes. The Petitioner has provided following revisions in the capital expenditure plan-

- exclusion of the proposal of hardware addition as well as communication interface equipment.
- exclusion of award for integrated software development and implementation work of Rs. 222.51 Lakh which was earlier placed under the SAMAST Framework. The Petitioner has submitted that this expenditure will not be funded under SAMAST scheme in line with the directions of CEA.
- Change in capitalization year for few of the works like Staff quarters, new office buildings, Building Interior & Renovation, CCTV, Security Systems, Audio Recording and Furniture for Office.
- Proposal for an additional work under Infrastructure development scheme regarding purchase of two new vehicles for Managing Director and conveyance of employees.

6.3.4 In line with the proposed changes, the scheme-wise revised capital expenditure submitted by the Petitioner is detailed in the table below.

Table 53: Summary of Revised Proposed Capex for FY20 to FY24 (Rs. Lakh)

SI	Schemes	Estimated Budget	Phasing (Capital Expenditure)				
			FY21	FY21	FY22	FY23	FY24
A	Enhancement of Real Time Data	885.00	125.00	125.00	275.00	310.00	50.00

SI	Schemes	Estimated Budget	Phasing (Capital Expenditure)				
			FY21	FY21	FY22	FY23	FY24
	Acquisition System						
1	Hardware for SCADA system	200.00	100.00	100.00	-	-	-
2	Cyber security and Data security	25.00	-	-	-	10.00	15.00
3	Weather stations	10.00	-	-	-	-	10.00
4	Backup Control Centre/Sub-LDC	500.00	-	-	250.00	250.00	-
5	URTDSM	50.00				25.00	25.00
6	Communication Interfacing Equipment	100.00	25.00	25.00	25.00	25.00	-
B	Energy Accounting Systems	1,545.00	772.50	772.50	-	-	-
1	SAMAST	1,545.00	772.50	772.50	-	-	-
C	Offline Systems	25.00	-	20.00	5.00	-	-
1	Data warehousing and mining facility	5.00	-	-	5.00	-	
2	Scheduling application Software	20.00		20.00	-		-
D	Infrastructure Development	1,567.00	140.00	592.00	640.00	135.00	60.00
1	Building Interior & Renovation	60.00	60.00	-	-	-	-
2	New additional Office Building	250.00		50.00	100.00	100.00	
3	Office Equipment	40.00	20.00	10.00	10.00	-	-
4	SLDC's Website Upgradation	5.00	-			5.00	-
5	ERP Software (SAP)	50.00	-	25.00	25.00		
6	Construction of Compound Wall	20.00	-	-	-	10.00	10.00
7	Conference Room	30.00	15.00	15.00	-	-	-
8	CCTV, Security System, Audio Recording	30.00	15.00	15.00	-	-	-
9	Furniture for Office	15.00	15.00				
10	Staff Recreation & Rejuvenation Facilities	-					
11	Cafeteria/Pantry	15.00	-	10.00	5.00		-
12	Gymnasium	5.00	-	5.00	-	-	-
13	Rest Room	2.00	-	2.00	-	-	-
14	Disaster Recovery System/Back Up	25.00	-	-	-		25.00
15	Staff Quarters	900.00	-	450.00	450.00	-	
16	Fire Alarm/Fire Fighting System	5.00	-	-	-	-	5.00

SI	Schemes	Estimated Budget	Phasing (Capital Expenditure)				
			FY21	FY21	FY22	FY23	FY24
17	Diesel Generator	20.00	-	-	-	20.00	-
18	Battery Sets with Charger	15.00	-	-	-	-	15.00
19	UPS System	5.00	-	-	-	-	5.00
20	HVAC - Centralized	50.00	-	-	50.00	-	-
21	Purchase of Two New Vehicles	25.00	15.00	10.00	-	-	-
	Total CAPEX	4,022.00	1,037.50	1,509.50	920.00	445.00	110.00

- 6.3.5 The Commission has scrutinized the capital expenditure plan submitted by the Petitioner for the fourth Control Period in detail. Of the various schemes proposed by the Petitioner as part of Business Plan, the Commission has already provided in principle approval of the SAMAST scheme dated 27th September 2019. For the balance proposed schemes, the Commission sought details of the works supported by DPRs and preparedness for execution of the schemes. In response, the Petitioner submitted that the General Body of HPSLDC has decided to take the Scheme/DPR wise approval of Executive Committee and shall submit it to the Commission on case to case basis. Further, the Petitioner has submitted that the process of preparation of DPRs for few schemes is under progress and has requested the Commission to provisionally approve the proposed CAPEX and capitalisation.
- 6.3.6 The Commission enquired the Petitioner for providing the basis of estimation of cost for each work proposed under capital expenditure schemes. In response, the Petitioner submitted that the schemes are in initial stages of development and the proposed cost is currently based on the cost submitted by SLDC in other states. The Petitioner has further submitted that the budgetary estimates shall be obtained upon finalising the detailed scope for each scheme.
- 6.3.7 Based on the submission and subsequent clarifications of the Petitioner, the Commission is of the view that the proposed schemes as part of the Business Plan are based on the proposals submitted in other states and requirements set forth as part of the FOR CABIL report. Also, the Petitioner has not undertaken any detailing and planning with respect to the proposed works in view of the existing status of the HPSLDC. However, considering the evolving state of power sector both within the country and the state, the Commission feels that adequate capital expenditure would be required to strengthen the operations of HPSLDC for effective discharge of the functions of load despatch.
- 6.3.8 The Commission has therefore approved the proposed works under the Business Plan for the fourth Control Period. However, the Petitioner is directed to submit appropriate details including DPR, other supporting documents for each work and take approval of the Commission prior to implementation. In

absence of prior approval, the Commission shall disallow the capitalization towards the respective scheme at the time of true-up.

6.3.9 Of the proposed schemes, it is observed that few of the schemes are essential for efficient operations and discharge of functions of SLDC i.e. real time data acquisition system, SAMAST, etc. and therefore needs to be taken up on priority. Considering the transfer of SLDC assets has taken place recently, the Petitioner should focus on strengthening the operations of the SLDC and prioritize the works accordingly.

6.3.10 For the purpose of approval of capital expenditure, for the Control Period, scheme-wise review has been undertaken as discussed below:

- I. **Enhancement of Real Time Data Acquisition System:** This scheme covers the set-up of SCADA system, cyber security, URTDSM, etc. to enable the SLDC to operate effectively. The works under this scheme should be finalized considering the actual requirements with reference to the State of HP. The Petitioner is required to submit the details of works, DPR, cost estimates, budgetary approval within 3 months from the issuance of the Tariff Order and initiate early implementation of the scheme.
- II. **Energy Accounting Systems:** This includes implementation of SAMAST scheme to upgrade the full-fledged automated Energy Accounting and Billing System in the State. The Commission has already accorded in-principal approval of the scheme dated 27th September 2018 of Rs. 1313.89 Lakh plus applicable GST to be funded through grants from MoP. In the supplementary submission dated 13th May 2019, the Petitioner has submitted that the SAMAST scheme was revised. The Petitioner also submitted that an integrated software development and implementation work of Rs. 222.51 Lakh under the SAMAST Framework has been awarded and is expected to be capitalised in FY 2019-20. Further, the Petitioner has appraised that during the 49th Techno Economic Sub Group (TESG) Meeting of PSDF held on 25th March, 2019, it was conveyed that any award of work which has been placed by SLDC shall not be funded under the SAMAST Scheme and therefore the amount of Rs. 222.51 Cr. should be considered under normal capital expenditure.
As submitted by the Petitioner, the work of development and implementation of software was earlier part of the SAMAST scheme and funded from 100% grant. Being an essential element of the SAMAST scheme, the Commission provides in-principle approval on integrated software development work of Rs. 222.51 Lakh and also directs HPSLDC to take up the matter to CEA for inclusion of the cost towards the software as part of the funding. For the purpose of Business Plan, the Commission has considered the entire SAMAST scheme (including the software part) and shall consider any changes at the time of Mid-Term Review.
- III. **Offline Systems:** This scheme covers installation of specialized software required for smooth functioning of activities in a LDC. Therefore, the

Commission has provisionally approved the proposal of the Petitioner for the approval of Business Plan. However, the Petitioner is required to submit all details post finalization of the scheme for approval of the Commission.

- IV. **Infrastructure Development:** This proposed scheme covers various infrastructural requirements to accommodate expansion in workforce and capabilities of HPSLDC. Based on the discussions during the TVS, it is observed that these works are a general list provided by the Petitioner without ascertaining the actual requirement and associated costs. Therefore, the Commission finds it appropriate to approve a notional amount of Rs 100 Lakh per annum towards the capital expenditure proposed under Infrastructural development scheme. Further, the Commission is of the view that HPSLDC should prioritize and take-up works which are more important for efficient operations of SLDC and directs to take prior approval from the Commission before implementation.

6.3.11 Based on the above observations and considerations, the capex approved by the Commission for the fourth Control Period is mentioned below-

Table 54: Approved Capital expenditure for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Enhancement of Real Time Data Acquisition System	125	125	275	310	50
Energy Accounting Systems- SAMAST	772.5	772.5	0	0	0
Offline Systems	0	20	5	0	0
Infrastructure Development	100	100	100	100	100
Total	997.5	1017.5	380	410	150

6.4 Capitalization

6.4.1 In the supplementary submission, the Petitioner has revised the capitalisation of the proposed schemes due to delays attributed to initiation of independent operations from 1st April, 2019 onwards, delays in arrangements of funds and setting of the current liabilities. The Petitioner has submitted deferment of capitalisation of few schemes to the next financial year as envisaged in the Original MYT Petition. Few of the proposed changes are listed below:

- Under the Enhancement of Real Time Data Acquisition system, the Hardware for SCADA system (Display Unit Extension) as well as Communication Interface Equipment (SHP/ Solar Integration) shall be delayed and shall also result in reduction of overall cost as the small generating stations shall be required to install their own optical fibre communication network to the nearest existing Interfacing points of HPSLDC
- An integrated software development and implementation work of Rs. 222.51 Lakh under the SAMAST Framework has been awarded and is expected to be capitalised in FY 2019-20, while the remaining

amount of Rs. 1322.49 Lakh against the hardware and metering infrastructure implementation under the SAMAST Framework would be capitalised in FY 2020-21

- c. Staff Quarters capitalization has been proposed to be deferred in the next financial year i.e. from FY 2020-21 onwards as the land for the proposed construction of quarters is yet to be selected
- d. Advancement of capitalization of Building Interior & Renovation scheme to FY 2019-20 as majority of work is already underway
- e. With regard to expenditure on (a) CCTV, Security Systems, Audio Recording & (b) Furniture for Office, Capitalization is proposed to be advanced to FY 2019-20
- f. Two new vehicles have been proposed in FY 2019-20 for conveyance of Employees working in shift duty

6.4.2 The scheme-wise revised capitalisation submitted by the Petitioner is detailed in the table below:

Table 55: Summary of Revised Proposed Capitalization for FY20 to FY24 (Rs. Lakh)

Sr. No.	Schemes	Estimated Budget	Phasing (Capitalisation)				
			FY21	FY21	FY22	FY23	FY24
A	Enhancement of Real Time Data Acquisition System	885.00	-	125.00	250.00	292.50	180.00
1	Hardware for SCADA system	200.00	-	100.00	100.00	-	-
2	Cyber security and Data security	25.00	-	-	-	5.00	12.50
3	Weather stations	10.00	-	-	-	-	5.00
4	Backup Control Centre/Sub-LDC	500.00	-	-	125.00	250.00	125.00
5	URTDSM	50.00	-	-	-	12.50	25.00
6	Communication Interfacing Equipment	100.00	-	25.00	25.00	25.00	12.50
B	Energy Accounting Systems	1,545.00	222.51	1,322.49	-	-	-
1	SAMAST	1,545.0	222.5	1,322.5	-	-	-
C	Offline Systems	25.00	-	10.00	15.00	-	-
1	Data warehousing and mining facility	5.00	-	-	5.00	-	-
2	Scheduling application Software	20.00	-	10.00	10.00	-	-
D	Infrastructure Development	1542	130	513.5	573.5	280	45
1	Building Interior & Renovation	60	60	0	0	0	0
2	New additional Office Building	250	0	0	0	250	
3	Office Equipment	40	10	15	10	5	0
4	SLDC's Website Upgradation	5	0	0	0	5	0

Sr. No.	Schemes	Estimated Budget	Phasing (Capitalisation)				
			FY21	FY21	FY22	FY23	FY24
5	ERP Software (SAP)	50	0	0	50	0	0
6	Construction of Compound Wall	20	0	0	0	10	10
7	Conference Room	30	15	15	0	0	0
8	CCTV, Security System, Audio Recording	30	15	15	0	0	0
9	Furniture for Office	15	15	0	0	0	0
10	Staff Recreation & Rejuvenation Facilities	0	0	0	0	0	0
11	Cafeteria/Pantry	15	0	5	10	0	0
12	Gymnasium	5	0	2.5	2.5	0	0
13	Rest Room	2	0	1	1	0	0
14	Disaster Recovery System/Back Up	12.5	0	0	0	0	12.5
15	Staff Quarters	900	0	450	450		0
16	Fire Alarm/Fire Fighting System	2.5	0	0	0	0	2.5
17	Diesel Generator	20	0	0	0	10	10
18	Battery Sets with Charger	7.5	0	0	0	0	7.5
19	UPS System	2.5	0	0	0	0	2.5
20	HVAC - Centralised	50	0	0	50	0	0
21	Purchasing of new vehicles	25	15	10	0	0	0
	Total CAPEX	3,959.5	352.5	1970.9	838.5	572.5	225

6.4.3 The Commission has examined the submissions made by the Petitioner and has sought details on methodology adopted by the Petitioner while capitalising the various schemes. In response, the Petitioner has submitted considering 50% capitalization of the scheme in the concerned year and remaining 50% in subsequent year for works like Communication Interface, Cyber Security, Weather Stations, URTDSM, Building Interior & Renovation, Office Equipment, Staff Quarters, Furniture, Battery Sets and Charger, UPS systems, etc. Further, the Petitioner submitted that balance works which could only be put to use after COD have been proposed to be capitalised in same year of COD.

6.4.4 The Commission has considered the approved capital expenditure to be capitalized in the ratio of 50:50 in the first and second year other than works proposed to be capitalised in the year of COD and works covered under infrastructure development scheme. In case of SAMAST scheme, the Commission has considered the revised capitalization schedule proposed by the Petitioner. However, the Commission shall carry out the prudence check of the actual capitalisation in true-up for the respective years.

6.4.5 The approved capitalisation for the fourth Control Period is summarised in the table below:

Table 56: Approved Capitalization for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Enhancement of Real Time Data Acquisition System	0	125	250	292.5	180
Energy Accounting Systems- SAMAST	222.51	1322.49	0	0	0
Offline Systems	0	10	15	0	0
Infrastructure Development	100	100	100	100	100
Total	322.51	1557.49	365	392.5	280

6.5 Funding of Proposed schemes

6.5.1 Regarding funding of the proposed schemes, the Petitioner has proposed the following mix of financing plan for the fourth Control Period:

Table 57: Summary of Proposed Funding of schemes for FY20 to FY24 (Rs. Lakh)

Schemes	Approved Funding
Enhancement of Real Time Data Acquisition System	
<i>URTDSM</i>	Grant- 100%
<i>Other works</i>	Debt-70%; Equity- 30%
Energy Accounting Systems- SAMAST	Grant- 75%; Debt- 25%
Offline Systems	Debt-70%; Equity- 30%
Infrastructure Development	Debt-70%; Equity- 30%

6.5.2 Further, pending approval from MoP on SAMAST scheme, the Petitioner has proposed mix of grant and debt in the ratio of 75:25.

6.5.3 In response to the queries of the Commission with respect to source of debt and equity, the Petitioner has submitted that part of the schemes is proposed to be fund through internal accruals with a normative debt - equity ratio of 70:30.

6.5.4 Based on the review of submissions, the Commission has approved the funding of proposed capital expenditure as detailed below:

- I. **Enhancement of Real Time Data Acquisition System:** As proposed by the Petitioner, funding for URTDSM amounting to Rs. 50 lakh has been considered through grant. For the balance works under this scheme, the Commission has provisionally considered to normative debt:equity of 70:30 as per the MYT Regulations, 2011.
- II. **Energy Accounting Systems:** The Commission on 27th September 2018 has accorded in-principle approval on SAMAST with 100% grant funding

from MOP. During the additional submissions and TVS, the Petitioner has stated that it has awarded the work for procurement of software development and implementation. Further, HPSLDC has submitted that as per the communication from CEA, any work which has already been awarded by SLDC shall not be considered as part under the funding of SAMAST scheme. Therefore, the Petitioner has requested the amount of Rs. 222.51 lakh towards the software to be funded through normative debt-equity of 70:30. As also detailed in the section for capital expenditure, the Commission has considered all works under the SAMAST scheme to be funded through 100% grant from MoP. The Petitioner is directed to take up the matter with CEA/ MoP for inclusion of the cost of integrated software as part of the SAMAST scheme.

- III. **Offline Systems:** The Commission has provisionally considered the funding of works under offline system scheme on normative debt: equity of 70:30 as per the MYT Regulations, 2011.
- IV. **Infrastructure Development:** For funding of works under this scheme, the Commission finds it prudent to allow the proposed normative debt: equity of 70:30.
- 6.5.5 The financing plan for the approved capital expenditure for the Control Period is summarised in the table below:

Table 58: Approved Funding for fourth Control Period (Rs. Lakh)

Schemes	Approved Funding
Enhancement of Real Time Data Acquisition System	
<i>URTDSM</i>	Grant- 100%
<i>Other works</i>	Debt-70%; Equity- 30%
Energy Accounting Systems- SAMAST	Grant- 100%
Offline Systems	Debt-70%; Equity- 30%
Infrastructure Development	Debt-70%; Equity- 30%

- 6.5.6 As also directed in the previous section, the Petitioner is required to take prior approval of the Commission before implementation of the approved capital expenditure. The Commission may during the individual approval of scheme/ works allow funding of the above schemes to be considered from the LDC fund which is being proposed later as part of this Order, on case to case basis. Accordingly, the actual sources of funding for each work shall be considered at the time of truing-up.
- 6.5.7 Based on the approved capitalisation, the financing plan approved by the Commission for the Control Period is summarised in the table below:

Table 59: Approved Year wise Funding for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Debt	70.00	164.50	255.50	266.00	178.50
Equity	30.00	70.50	109.50	114.00	76.50
Grant	222.51	1,322.49	-	12.50	25.00

Particulars	FY20	FY21	FY22	FY23	FY24
Total	322.51	1557.49	365	392.5	280

6.6 Business Plan- HR plan

6.6.1 As part of the Business Plan, the Petitioner has submitted an HR plan for fourth Control Period consisting of manpower addition, capacity building of the employees and applicability of certificate linked and performance linked incentives. Based on the Petition and subsequent clarifications / submissions, the Commission has approved the HR plan for the Control Period as detailed in sections below:

Employee Addition

6.6.2 The Petitioner after considering the recommendation of FOR subgroup has proposed strength of 69 employees by end of FY 2019-20. The Petitioner has also submitted the deployment of additional 12 employees in HPSLDC making the total strength of employees to 81. The year on year employee strength proposed by the Petitioner is provided in the table below:

Table 60: Proposed Employee strength for FY20 to FY24 (Rs. Lakh)

Particulars	Existing	FY20	FY21	FY22	FY23	FY24
Annual Addition		53	4	4	2	2
Cumulative Addition	16	69	73	77	79	81

6.6.3 Subsequently, in the revised submissions, the Petitioner has proposed to limit its total employee addition to 69 and the same are planned to be added by end of FY 2019-20 phased across four quarters.

6.6.4 The Commission has directed HPSLDC to submit the preparedness for the proposed employee plan including with approval from State Government/Board of HPSLDC on the proposed organisation structure and employee addition, process of recruitment and details of outsourcing employees. In response, the Petitioner submitted minutes of 8th General Body meeting (GBM) dated 24th January 2019 for approval of additional employees. The Petitioner has further provided that out of the 69 employees for a longer run 45 employees shall be on secondment basis from HPPTCL and remaining 24 Nos. of employees with regard to IT and Other services, peons, etc. shall be engaged on outsourcing basis, which shall be engaged through Government approved agencies.

6.6.5 Considering the above submissions, the Commission is of the view that adequate manpower is crucial for independent functioning of SLDC. However, considering the current progress of recruitment, the Commission finds it appropriate to allow addition of 55 employees in FY 2019-20 and balance addition in the subsequent year. Retirements during the Control Period has been considered as per the submission of the Petitioner.

6.6.6 The approved manpower for the Control Period FY 2019-20 to FY 2023-24 is summarized in the table below:

Table 61: Approved Employee strength for FY20 to FY24 (Rs. Lakh)

Particulars	Existing	FY20	FY21	FY22	FY23	FY24
<i>Regular Employees</i>						
Opening employees	17	18	35	45	45	45
New Recruits/ Intake-Executive	14	17	10	0	0	0
Retirement/ Left/ Other outgoing	13	0	0	0	0	0
Closing	18	35	45	45	45	45
<i>Outsourced employees</i>						
Opening employees	7	15	20	24	24	24
New Recruits/ Intake-Executive	9	5	4	0	0	0
Retirement/ Left/ Other outgoing	1	0	0	0	0	0
Closing	15	20	24	24	24	24
Total employees	33	55	69	69	69	69

6.6.7 The Commission directs the Petitioner to put best efforts for meeting the proposed recruitment of employees and submit the quarterly status of recruitment to Commission. Further, the Commission shall consider the actual recruitment and retirement status during the truing up for the respective years.

Capacity Building

6.6.8 The Petitioner has proposed to send employees of all levels for a minimum of 15 days training in a year and has proposed annual training expenses as tabulated below.

Table 62: Proposed Training expenses for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Training expenses	32.03	36.78	41.96	45.78	49.89

6.6.9 The Commission has scrutinised the submissions of Petitioner and has directed HPSLDC to submit the details of training along with training calendar and justification for cost estimation. In response, the Petitioner submitted that under the capacity building plan, managerial and technical trainings have been planned in line with the CABIL report. Further, the Petitioner submitted that for estimation of the cost of training it has referred to the rates of different training institutes like National Power Training Institute (NPTI), ASCI, etc.

6.6.10 The Commission appreciates the requirement for providing adequate training to the employees of HPSLDC for discharge of their roles and responsibilities in an efficient manner. However, it is observed that the Petitioner is yet to

add the required manpower strength and the training requirement would be required to be determined for each role separately.

6.6.11 In absence of an adequate training assessment of the employees, the Commission finds it appropriate to provisionally approve an amount of Rs. 5 Lakh per annum towards training and capacity building. The Commission shall true-up the amount on training expenses during the truing up for the respective years and review the same at the time of mid-term review.

Certificate and performance linked incentive

6.6.12 The Petitioner has proposed to pay fixed incentives and certificate linked incentives to employees of HPSLDC. The cost proposed by the Petitioner with respect to incentive pay-outs is provided below.

Table 63: Proposed Incentive for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Certificate linked	18.57	36.30	38.46	39.54	40.62
Performance linked	4.64	9.08	9.62	9.89	10.16

6.6.13 Based on the queries sought by the Commission, the Petitioner submitted that it has got the approval on the certificate based scheme from the Board in its 8th General Body meeting (GBM) dated 24th January 2019. The Petitioner has also stated that the approach adopted for estimating incentive scheme is in accordance with the CABIL Report approved by the Forum of Regulators (FOR). Further, the Petitioner requested the Commission to accord in-principle approval of the certificate incentive scheme and to claim the actual expenses towards the same as part of the next MTR Petition. In the supplementary submission, the Petitioner has not projected any cost towards certificate incentive.

6.6.14 In addition to the certificate scheme, the Petitioner has also claimed performance based scheme equal to 25% of the certificate linked pay-outs. The Commission observes that as per the CABIL report, the performance linked incentive scheme is to be based on the KPIs of the employees. In response to the queries of the Commission, the Petitioner submitted that it will develop the detailed incentive scheme for its employees taking into cognizance of the CABIL's recommendations. The Petitioner also submitted that any expenses towards the same shall be claimed on actual basis along with necessary details, as part of the next MTR Petition.

6.6.15 The Commission is of the view that the Petitioner has proposed the incentive schemes without providing any details, structure or coverage. The Commission directs the Petitioner to formulate a complete proposal including all details and submit the same post authorisation by its Board to the Commission for approval. Any amount paid on account of incentives without prior approval of the Commission shall not be allowed to be recovered as part of SLDC charges.

7 ANALYSIS OF THE MYT TARIFF PETITION FOR THE FOURTH CONTROL PERIOD

7.1 Background

- 7.1.1 HPSLDC has submitted a petition for Business Plan and Aggregate Revenue Requirement (ARR) for fourth Control Period (FY 2019-20 to FY 2023-24) in line with the provisions of the HPERC MYT SLDC Regulations, 2011.
- 7.1.2 The Commission while approving the ARR has considered the provisions of MYT Regulations and the audited Annual Accounts of FY 2014-15 to FY 2017-18 for the purpose of ARR projections for each year of the fourth Control Period and approved capital expenditure, capitalization and funding plan for the fourth Control Period as part of the Business Plan. Further, adequate provisions have been provided in the ARR parameters to account for additional requirements, if any, in the future considering that HPSLDC would be initiating complete operations post the transfer of infrastructure from HPSEBL on 30.03.2019. The Commission shall revisit the projections for any major variations in the subsequent MTR Order.
- 7.1.3 In this chapter the Commission has detailed the methodology for computing each component of the ARR including O&M expenses, interest and finance charges, depreciation, return on equity, working capital requirement, etc. for approving the total ARR for each year of the fourth Control Period i.e. FY 2019-20 to FY 2023-24. The methodology followed and approved values for each parameter of the ARR is detailed in subsequent sections.

7.2 O&M Expenses

- 7.2.1 As per Regulation 19 of the HPERC MYT SLDC Regulations, 2011 and subsequent amendments, the O&M expenses comprise of employee expenses, Administrative and General (A&G) expenses, Repairs and Maintenance (R&M expenses); and other miscellaneous expenses.
- 7.2.2 For purpose of approving the O&M expenses for the fourth Control Period, the claim of the Petitioner has been analysed based on the O&M expenses of the past years and other factors considered appropriate by the Commission.

7.2.3 The methodology and assumptions considered for projection of each component of the O&M expenses i.e. employee cost, R&M expense and A&G expense is further discussed below:

A) Employee Expense

7.2.4 In the Petition, Petitioner had proposed employee cost for the Control Period considering the addition of employees from existing 16 to 81 by the end of Control Period considering the transfer of SLDC assets from HPSEBL. Subsequently, the Petitioner revised its projections of employee expenses in its supplementary submission in which the total employees were capped at 69 and expenses proposed towards incentive schemes were excluded. The revised employee expenses submitted by the Petitioner are tabulated below:

Table 64: Proposed Employee Expenses for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Employee salary	626.41	972.63	1028.68	1087.96	1150.67
HRD (incentive scheme, special allowance to experienced)	-	-	-	-	-
HRD (performance linked)	-	-	-	-	-
Provisions (Training Expense & Capacity Building)	21.30	32.84	34.51	36.23	38.04
Total Employee Expense	647.72	1,005.47	1,063.19	1,124.19	1,188.70

7.2.5 Based on the submissions, it is observed that the Petitioner had collectively proposed the expenses of regular and outsources employees in employee salary expenses. As the proportion of regular and outsourced employees is changing due to the large number of additions, the Commission has computed the employee expenses for regular and outsourced employees separately for each year considering the number of employees approved in the Business Plan. For approving the employee cost for the Control Period, the Commission has applied the formula provided in the HPERC MYT SLDC Regulations, 2011 as mentioned below-

$$"EMP_n = [(EMP_{n-1}) \times (1+G_n) \times (CPI \text{ inflation})] + Provision (Emp) + HRD_n$$

7.2.6 In order to compute 'EMP_{n-1}', the Petitioner has considered the employee expenses of regular and outsourced employees for FY 2017-18 as the base and has escalated the same with the CPI inflation and employee growth rate approved for regular and outsourced employees, respectively, in the Business Plan.

7.2.7 The Commission has considered the CPI inflation of 5.76% for projection of employee expenses that has been arrived as the highest of the 5 years and 3 years inflation in line with the HPERC MYT SLDC Regulations, 2011.

Table 65: Details of Historical CPI as considered by the Commission

Year	CPI	% Increase
2012-2013	215	
2013-2014	236	9.68%
2014-2015	251	6.29%
2015-2016	265	5.65%
2016-2017	276	4.12%
2017-2018	284	3.08%
5 Year Average Inflation		5.76%
3 Year Average Inflation		4.28%

7.2.8 Additionally, the Commission has considered a provisional amount Rs. 5 Lakh per annum as approved in the Business Plan towards training and capacity building under the HR plan of HPSLDC. Thus, the total approved employee expenses of HPSLDC for the fourth Control Period is detailed below:

Table 66: Approved Employee Expenses for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Employee expenses Regular	385.17	614.89	731.62	773.78	818.38
Employee expenses-outsourced	29.63	39.40	45.45	48.07	50.85
Training expenditure	5.00	5.00	5.00	5.00	5.00
Total Employee Expense	419.80	659.29	782.07	826.86	874.22

B) A&G Expense

7.2.9 The Petitioner had proposed A&G expenses considering impact of substantial increase in number of employees during the Control Period year while computing the A&G expenses for the fourth Control Period.

7.2.10 As part of the supplementary Petition, the Petitioner has submitted revised A&G expenses for the fourth Control Period factoring the impact of revision in employee growth as tabulated below.

Table 67: Proposed A&G Expenses for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
A&G expenses	141.79	186.24	195.59	205.56	232.72

7.2.11 In the revised submission, the Petitioner has proposed few new A&G expenses including, database licensee for workstation, water charges, security, helper and other subscription and membership fees. Details of additional expenses proposed by the Petitioner are tabulated below.

Table 68: Proposed additional A&G Expenses for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
SSL Certificate Cost	0.05	0.05	0.05	0.05	0.05
Security Staff	15.27	16.15	17.08	18.06	19.10
House Keeping Staff	6.87	7.27	7.69	8.13	8.60
AMC Cyberoam	0.88	0.88	0.88	0.88	0.88
Municipal Corporation Tax	0.68	0.68	0.68	0.68	0.68
Total Other Expenses	23.75	25.03	26.38	27.80	29.31

7.2.12 For the purpose of projection of A&G expense, the Commission has considered the formula provided in the HPERC MYT SLDC Regulations, 2011 as given below:

$$A\&G_n = [(A\&G_{n-1}) \times (WPI \text{ inflation})] + Provision (A\&G)$$

7.2.13 The actual A&G expense for base year i.e. FY 2017-18 has been escalated with the WPI inflation of 1.49%, being the higher 5 years and 3 years average WPI inflation rate, for projecting the A&G expense for the fourth Control Period. The WPI inflation considered is provided in table below:

Table 69: Details of Historical CPI as considered by the Commission

Year	CPI	% Increase
2012-2013	107	
2013-2014	112	5.20%
2014-2015	114	1.26%
2015-2016	110	-3.68%
2016-2017	112	1.76%
2017-2018	115	2.92%
5 Year Average Inflation		1.49%
3 Year Average Inflation		0.33%

7.2.14 In addition to the regular A&G expense approved as per the HPERC MYT SLDC Regulations, 2011, the Commission has considered additional provision towards the following:

- A provisional amount of Rs. 14 lakh have been provided in FY20 and FY22 towards petition filing fee, advertisement charges and consultancy charges.
- In absence of any baseline data for newly proposed A&G cost like database licensee for workstation, water charges, security, housekeeping, municipal corporation tax, SSL certificate cost, AMC Cyberoam, helper and other subscription and membership fees, a provisional amount of Rs 50 Lakh per year has been provided additionally each year towards A&G expense.
- The Commission has approved a provisional amount of Rs. 15 Lakh for AMC charges from FY22 onwards towards SAMAST scheme as proposed by the Petitioner.

- 7.2.15 The above-mentioned provisional amount provided in the A&G expense shall be reviewed during the mid-term review and trued-up as per actual.
- 7.2.16 Based on the discussions above, the approved A&G expenses for the fourth Control Period is summarized below:

Table 70: Approved A&G Expenses for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
General A&G expenses	16.11	16.35	16.59	16.84	17.09
Petition filing fee and related cost	14.00	-	-	14.00	-
SAMAST AMC	-	-	15.00	15.00	15.00
Provisioning for additional A&G expenses	50.00	50.00	50.00	50.00	50.00
A&G expenses	80.11	66.35	81.59	95.84	82.09

C) R&M Expense

- 7.2.17 The Petitioner had proposed a k-factor of 2.5% for projecting the R&M expenses for the fourth Control Period in the Petition as the past period actual R&M expenses were minimal and not reflective of the R&M expenses post transfer of the SLDC assets from the HPSEBL.
- 7.2.18 Based on the R&M expenses booked under audited accounts for past years, it was observed that the expense was very low due to limited operations of SLDC. Therefore, the Commission concurs with the submission of the Petitioner that the same cannot be considered for projection of R&M expense for future years. At the same time, the Commission is of the view that existing base of assets is very small and substantial portion of the assets will comprise of newly added assets as approved in the Business Plan for the fourth Control Period for which limited R&M expense may be required during the initial years. Further, separate AMC charges under A&G expenses have been proposed by the Petitioner for maintenance of the assets added under the SAMAST scheme.
- 7.2.19 Therefore, the Commission is of the view that k factor of 2.5% for computing R&M expenses for the fourth Control Period may not be justified in absence of adequate base data. Accordingly, the Commission has approved Rs. 10 Lakh per annum towards R&M for each year of the fourth Control Period. The approved R&M is provisional and the Commission shall review the same based on the actual expenditure during the initial years and revise the same during the Mid-term review. The approved R&M expense for the fourth Control Period is summarized in table below:

Table 71: Approved R&M Expenses for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
R&M expenses	10.00	10.00	10.00	10.00	10.00

O&M Expenses

7.2.20 The O&M expenses approved by the Commission for the fourth Control Period from FY 2019-20 to FY 2023-24 is as shown in the table below:

Table 72: Approved O&M Expenses for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Employee Expenses	419.80	659.29	782.07	826.86	874.22
A&G expenses	80.11	66.35	81.59	95.84	82.09
R&M Expenses	10.00	10.00	10.00	10.00	10.00
Total O&M Expenses	509.9	735.6	873.7	932.7	966.3

7.3 ULDC Charges

7.3.1 In the MYT Petition, the Petitioner had proposed transfer of all pending liabilities on account of ULDC Scheme II to be transferred to HPSLDC on account of transfer of physical assets by end of FY 2018-19 from HPSEBL. Accordingly, the Petitioner had claimed entire amount payable against the scheme as against the existing practise of sharing of these expenditure with HPSEBL. Further, the Petitioner had mentioned that out of the total scheme cost of Rs. 501.68 Lakh, the cost pertaining to RTUs shall continue to be borne by HPSEBL as the RTUs would be retained by HPSEBL.

7.3.2 Subsequently, in the revised submission, the Petitioner has recomputed the ULDC charges along with the AMC as well as insurance cost after deducting the amount paid by HPSEBL up to 31st March, 2019 as tabulated below.

Table 73: Revised Proposed ULDC charges for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
ULDC Charges (HPSLDC Share)	81.86	81.86	-	-	-
ULDC Charges (HPSEBL's Share)	12.22	12.22	-	-	-
ULDC Charges (BBMB Portion)	3.98	3.98	-	-	-
AMC SCADA (HPSLDC Share)	20.56	20.56	20.56	-	-
AMC SCADA (HPSEBL's Share)	2.70	2.70	2.70	-	-
AMC SCADA (BBMB Share)	1.21	1.21	1.21	-	-
Insurance (HPSLDC Share)	0.55	0.55	0.55	0.55	0.55
Insurance (HPSEBL's Share)	0.07	0.07	0.07	0.07	0.07
Insurance (BBMB Share)	0.08	0.08	0.08	0.08	0.08
Total ULDC II Charges	123.23	123.23	25.17	0.70	0.70

7.3.3 The Commission has examined the submission made by the Petitioner regarding payment of ULDC related charges during the fourth Control Period. The Commission has observed that the Petitioner has also claimed the ULDC, AMC and insurance charges related to HPSEBL and BBMB which will be reimbursed to HPSLDC by the respective entities. Therefore, the Commission finds it appropriate to only approve the ULDC charges pertaining to HPSLDC only and has approved the ULDC charges as summarised in the table below:

Table 74: Approved ULDC charges for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
ULDC I/II Charges	81.86	81.86	-	-	-
AMC charges	20.56	20.56	20.56	-	-
Insurance	0.55	0.55	0.55	0.55	0.55
Total ULDC charges	102.97	102.97	21.11	0.55	0.55

7.4 RLDC fees and Charges

7.4.1 As part of the supplementary submission, the Petitioner has submitted that post transfer of asset from HPSEBL to HPSLDC, the RLDC fees and charges shall be required to be paid by HPSLDC and has accordingly requested the Commission to approve the RLDC fees and charges as part of the ARR for the fourth Control Period.

7.4.2 As per the CERC (RLDC) Regulations, 2019, SLDCs are considered as nodal agency for collection of monthly LDC charges payable to the concerned Regional Load Despatch Centre. Further, the Petitioner has submitted that as per CERC Order dated 26th December 2016 and as apportioned to HP state, the RLDC works out to Rs. 88.80 Lakh per annum (~ 7.40 Lakh per month).

7.4.3 The Commission has noted the submission of the Petitioner and has accordingly approved included RLDC fees and charges as per the submission of the Petitioner for the fourth Control Period which is tabulated below:

Table 75: Approved RLDC fees and charges for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
RLDC fees and charges	88.80	88.80	88.80	88.80	88.80

7.5 Depreciation

7.5.1 The Petitioner has proposed depreciation considering the proposed GFA for each year for the fourth Control Period and asset class-wise depreciation rates.

7.5.2 Based on the approved capitalization for each year as part of Business Plan in the previous Chapter, the Commission has arrived on GFA for each year for the purpose of computation of depreciation. Further, the Commission has considered a weighted average depreciation rate of 10.85% for approving the depreciation for the Control Period.

- 7.5.3 In line with the provisions of HPERC SLDC MYT Regulations, 2011, assets funded through consumer contribution and capital subsidies/grants have been excluded for the purpose of computing depreciation.
- 7.5.4 The depreciation approved by the Commission for the fourth Control Period is summarised in the table below.

Table 76: Approved Depreciation for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Opening Assets (net of grant)	34.71	134.71	369.71	734.71	1,114.71
Asset addition (excluding assets funded through grants)	100.00	235.00	365.00	380.00	255.00
Closing Asset	134.71	369.71	734.71	1,114.71	1,369.71
Weighted Average Depreciation rate	10.85%	10.85%	10.85%	10.85%	10.85%
Total Depreciation	9.19	27.37	59.94	100.37	134.83

7.6 Interest and Finance Charges

- 7.6.1 The Petitioner has considered the opening loan balance for FY 2019-20 as Rs. 93.01 lakh. While considering the above loan balance, the Petitioner has taken into consideration the 70% normative loan addition of assets of Rs. 121 Lakh, proposed to be transferred from HPSEBL to HPSLDC by end of FY 2018-19.
- 7.6.2 The Commission has examined the submission of Petitioner in this regard and observed that transfer of assets under the accounts are still pending from HPSEBL. Further, the Petitioner has not been able to provide the details with respect to the assets including asset type, sources of funding, accumulated depreciation, etc. in response to the query raised by the Commission. Therefore, the Commission at this point has not considered any impact of transfer of assets on loan addition while determining the interest and finance charges for the fourth Control Period. The Commission may consider the same during Mid-term review/ True-up on detailed scrutiny of submission of details in this regard by the Petitioner.
- 7.6.3 The Commission has considered the loan addition during each year of the fourth Control Period in line with funding plan for capitalized assets approved as part of the Business Plan. Normative repayment equivalent to the depreciation for the respective year has been considered for computing the opening and closing loan balances.
- 7.6.4 In absence of any existing loan balances or loan sanctions for the proposed schemes, the Commission has considered the interest rate at the rate of 10.50% based on SBI MCLR as on 1st April 2019 plus 200 basis points for the respective years in line with the provisions of the HPERC MYT SLDC Regulations, 2011. Accordingly, the normative interest portion approved for the Control Period is summarised in the table below:

Table 77: Approved Interest and Finance charges for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Debt at the beginning of the year	9.43	70.24	207.36	402.93	568.56
Debt portion of the Capitalisation during the year	70.00	164.50	255.50	266.00	178.50
Repayment of Loan	9.19	27.37	59.94	100.37	134.83
Closing Loan	70.24	207.36	402.93	568.56	612.23
Average Loan	39.83	138.80	305.14	485.74	590.39
Rate of Interest	10.50%	10.50%	10.50%	10.50%	10.50%
Interest on Loan	4.18	14.57	32.04	51.00	61.99

7.7 Return on Equity

7.7.1 The Commission has considered the estimated closing equity for FY 2018-19 and equity addition each year corresponding to the approved funding plan in the Business Plan for determination of return on equity for each year of the fourth Control Period.

7.7.2 The Petitioner has considered rate of return @21.88% after considering the base rate as 15.50% grossed up for corporate tax rate for the purpose of claiming RoE. However, the Commission has considered rate of return @15.50% in view of NIL tax liability in the last two years. Any tax liability arising on the Petitioner during the Control Period shall be trued-up during the mid-term review or at the end of Control Period.

7.7.3 The return on equity approved by the Commission for the fourth Control Period is summarised in the table below:

Table 78: Approved Return on Equity for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Regulatory Equity at the beginning of the year	7.96	37.96	108.46	217.96	331.96
Equity Portion addition during the year	30.00	70.50	109.50	114.00	76.50
Regulatory Equity at the end of the year	37.96	108.46	217.96	331.96	408.46
Average Equity	22.96	73.21	163.21	274.96	370.21
Rate of Return on Equity	15.50%	15.50%	15.50%	15.50%	15.50%
Return on Equity (RoE)	3.56	11.35	25.30	42.62	57.38

7.8 Interest on Working Capital

7.8.1 The Commission has computed the working capital requirement based on the provisions of HPERC MYT SLDC Regulations, 2011, which comprises of one month's O&M expenses, maintenance spares at 15% of O&M expenses and receivables for 2 months of expected revenue from SLDC fees and charges.

7.8.2 The Commission has considered the rate of interest on working capital at the rate of 11.15 % based on SBI MCLR as on 1st April 2018 (i.e. 8.15%) plus 300 basis points as per the provisions of the HPERC MYT Regulations 2011. Accordingly, the working capital requirement and interest on working capital approved by the Commission for the fourth Control Period is summarised in the table below:

Table 79: Approved Interest on Working Capital for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
O&M Expenses for 1 Month	42.49	61.30	72.81	77.72	80.53
2 Months Receivables	6.37	9.20	10.92	11.66	12.08
Maintenance Spares @ 15% of O&M Expenses for 1 month	85.34	130.26	150.91	170.58	186.58
Total Working Capital Requirement	134.21	200.76	234.64	259.97	279.18
Rate of IoWC (%)	11.15%	11.15%	11.15%	11.15%	11.15%
Interest on Working Capital	14.96	22.38	26.16	28.99	31.13

7.9 Income from STOA and other charges

- 7.9.1 The Petitioner had projected income from SLDC operations and income from investments as part its MYT petition. However, no details or segregation regarding recovery of income from SLDC operations from long-term or short-term open access consumers have been provided.
- 7.9.2 The Commission has considered the average of last three years (i.e. FY 2015-16, FY 2016-17 and FY 2017-18) to determine the recovery from Short Term Open Access (STOA) consumers, NOC charges, one time registration fee and other charges for the fourth Control Period.
- 7.9.3 The Petitioner during the TVS session stated that income from investments (Banks) to the tune of Rs. 78.19 Lakh per annum was on part of fixed deposit in a bank on account of receipt from STU & Wheeling charges from STOA consumers. The Petitioner has proposed to clear all the past liability with HPSEBL & STU as part of independent operation of HPSLDC and to utilise the fixed deposit to reimburse the amount to HPSEBL & STU. The Petitioner stated that post liquidation of fixed deposit, no income on this account will accrue to HPSLDC.
- 7.9.4 While the details of such liabilities have not been provided by the Petitioner, the Commission has considered a small amount of Rs. 10 lakh each year during the fourth Control Period towards interest from bank deposits and investments.
- 7.9.5 The above approved amount shall be deducted from the total ARR for the purpose of determining the SLDC charges applicable on long-term open

access consumers. The approved income from STOA SLDC charges and other income for the fourth Control Period is as below:

Table 80: Approved Income from STOA and other charges for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Other Income	211.53	211.53	211.53	211.53	211.53
Income from Investments (Bank)	10.00	10.00	10.00	10.00	10.00
Total Income	221.53	221.53	221.53	221.53	221.53

7.10 ARR Summary for the fourth Control Period (FY 2019-20 to FY 2023-24)

7.10.1 The summary of the revised ARR submitted by the Petitioner as part of supplementary submissions is summarized below:

Table 81: Proposed ARR for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
O&M Cost	797.76	1,210.78	1,291.82	1,372.12	1,467.13
<i>Employee Cost</i>	<i>647.72</i>	<i>1,005.47</i>	<i>1,063.19</i>	<i>1,124.19</i>	<i>1,188.70</i>
<i>A&G Cost</i>	<i>141.79</i>	<i>186.24</i>	<i>195.59</i>	<i>205.56</i>	<i>232.72</i>
<i>R&M Cost</i>	<i>8.26</i>	<i>19.07</i>	<i>33.05</i>	<i>42.38</i>	<i>45.71</i>
ULDC Charges	123.23	123.23	25.17	0.7	0.7
RLDC Fee and charges	88.8	88.8	88.8	88.8	88.8
Depreciation	37.57	102.6	184.08	239.27	269.68
Interest & Finance Charges	9.53	30.97	66.99	108.28	123.93
Interest on Working Capital Requirement	29.82	44.55	48.32	53.02	57.26
Return on Equity	21.25	54.1	102.9	148.79	173.73
Other Expenses post asset transfer	23.74	25.02	26.37	27.79	29.3
Aggregate Revenue Requirement	1,131.71	1,680.05	1,834.44	2,038.78	2,210.55
Income from SLDC	241.83	253.93	266.62	279.95	293.95
Net ARR	889.87	1,426.13	1,567.82	1,758.83	1,916.60
Adjustment of true-up surplus/ (gap)	160.26				
Adjusted ARR	1,050.13	1,426.13	1,567.82	1,758.83	1,916.60

7.10.2 Based on the discussions in sections above, the summary of the Aggregate Revenue Requirement (ARR) approved by the Commission for the fourth Control Period is summarised in the table below:

Table 82: Approved ARR for FY20 to FY24 (Rs. Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
O&M Cost	509.9	735.6	873.7	932.7	966.3
Employee Cost	419.8	659.3	782.1	826.9	874.2
A&G Cost	80.1	66.3	81.6	95.8	82.1
R&M Cost	10.0	10.0	10.0	10.0	10.0
ULDC Charges	103.0	103.0	21.1	0.6	0.6
RLDC Fee and charges	88.8	88.8	88.8	88.8	88.8
Depreciation	9.2	27.4	59.9	100.4	134.8
Interest & Finance Charges	4.2	14.6	32.0	51.0	62.0
Interest on Working Capital Requirement	15.0	22.4	26.2	29.0	31.1
Return on Equity	3.6	11.3	25.3	42.6	57.4
Aggregate Revenue Requirement	733.6	1,003.1	1,127.0	1,245.0	1,341.0
Other Income- Bank charges	221.5	221.5	221.5	221.5	221.5
Net ARR	512.1	781.6	905.5	1,023.5	1,119.5

7.11 SLDC Charges for fourth Control Period

7.11.1 The Petitioner proposed the SLDC charges for the fourth Control Period in the MYT Petition:

Table 83: SLDC Charges as proposed by the Petitioner for 4th Control Period

Particulars	FY20	FY21	FY22	FY23	FY24
Total ARR (Rs. Lakh)	1,050.13	1,426.13	1,567.82	1,758.83	1,916.60
Power handled by SLDC (MW)	3,614	3,795	3,985	4,184	4,393
SLDC Charges (Rs/MW/Month)	2,421.28	3,131.64	3,278.83	3,503.15	3,635.60

7.11.2 With regard to power handled, the Commission sought details of power handled by the Petitioner during the past years. The Petitioner in reply to the query raised by the Commission submitted the contracted capacity of FY 2018-19 and proposed additions of 331.17 MW in contracted capacity in FY 2019-20. Accordingly the Commission has considered estimated contracted capacity of 3614 MW for FY 2019-20 and an escalation of 5% year-on-year in contracted capacity for the subsequent years.

7.11.3 Based on the approved ARR and estimated contracted capacity, the SLDC charges to be recovered from long-term/ medium-term open access customers has been worked out by the Commission as summarised below.

Table 84: SLDC Charges as Approved by the Commission for 4th Control Period

Particulars	FY20	FY21	FY22	FY23	FY24
Total ARR (Rs. Lakh)	512.1	781.6	905.5	1,023.5	1,119.5
Power handled by SLDC (MW)	3,614	3,795	3,985	4,184	4,393
SLDC Charges (Rs/MW/Month)	1,181	1,716	1,894	2,039	2,124

7.11.4 Approved SLDC charges for long-term and medium-term open access customers shall be applicable from 1st April 2019. The arrears, if any, from the these customers for the months of April 2019 and May 2019 shall be adjusted in equal installments in the invoices for next three months of FY 2019-20.

7.12 SLDC Fees

7.12.1 The Petitioner has submitted that to meet the proposed ARR, higher revenue would be required over the next Control Period. To meet the same, HPSLDC has proposed an increase in SLDC charges (fee of Rs. 2000 per transaction per day to be increased to Rs. 2500 per transaction per day) and increase in NOC charges (from existing Rs. 5000 per NoC to 7000 per NoC).

7.12.2 Further, the Petitioner has proposed to levy Scheduling and Re-scheduling charges on the pretext of implementation of DSM Regulations, 2018. The charges proposed by the Petitioner is summarised in the table below.

Table 85: Proposed SLDC Fess for the 4th Control Period (Rs.)

SLDC fees	Existing	Proposed
Registration Fees	1,00,000.00	1,00,000.00
Operating Charges (STOA) (Per Day/Per Transaction)	2,000.00	2,500.00
NoC Charges	5,000.00	7,000.00
Scheduling Fees (Per Day Scheduling)	-	2,000.00
Rescheduling (Per day Rescheduling)		2,000.00

7.12.3 It is observed that the required infrastructure enabling the operation of SLDC has been transferred from HPSEBL to HPSLDC on 30th March 2019. Therefore, HPSLDC shall be initiating complete and independent operations from FY 2019-20 onwards. Therefore, the Commission is of the view that the adequacy of various expenditure and revenue items could only be evaluated once it has operated for couple of years and post availability of baseline data for analysis. Also, the Commission has approved SLDC charges to be recovered from long-term consumers for meeting the approved ARR for the fourth Control Period and therefore no shortfall is envisaged.

7.12.4 Further, amendments in applicable regulations for inclusion of new charges such as scheduling and rescheduling charges would be necessary before approving such additional charges in the Tariff Order. Therefore, the Commission feels appropriate to continue with the existing applicable charges and shall consider levy of any additional charges at the time of mid-term review.

7.13 LDC Development Fund

7.13.1 In its supplementary submission, the Petitioner has requested the Commission for approval of creation of a LDC development fund in lines with the recommendations contained in the Model Regulations by the Forum of Regulators (FoR).

7.13.2 In this context, the Commission has analysed the provisions of the regulation 27 of the Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2019 which provides for the creation of LDC development fund as pronounced below-

"The Power System Operation Company shall create and maintain a separate fund called Load Despatch Centre Development Fund" ("LDCD Fund") for administering capital expenditure."

7.13.3 It is observed that creation of the LDC fund has been provided as part of the most recent regulations for determination of fees and charges for RLDC issued by CERC and therefore needs to be adopted in other states as well. Also, no provision for creation of such fund exists in the existing HPERC MYT SLDC Regulations, 2011. However, the Commission approves the creation of the LDC Development Fund (LDCD Fund). In this regard the HPSLDC is directed to create and maintain a separate fund called LDC Development Fund (LDCD Fund). The approved charges on account of return on equity, interest on loan, depreciation shall be deposited into the LDCD fund. Further, other specific provisions with respect to the LDC fund are detailed below:

- HPSLDC shall be entitled to utilise the money available in the LDCD Fund for servicing of debt including interest and repayment of loan.
- HPSLDC shall be entitled to utilize the available money in the fund for creation of new assets, meeting stipulated equity portion in asset creation, margin money for raising loan from the financial institutions and funding of R&D project with the prior approval of the Commission.
- The LDCD Fund shall not be utilized for revenue expenditure except to meet the short fall, if any, in the annual charges allowed by the Commission or to meet the contingency expenses which were not foreseen at the time of making the application for fees and charges and are considered necessary for the efficient power system operation. However, such draws from the said fund shall be recouped from the expenditure allowed by the Commission under the respective heads at the time of truing up.

- Any asset created by the SLDC out of the money deposited into the LDCD Fund shall not be entitled for return on equity, interest on loan and depreciation on same principles as in case of grant.
- HPSLDC is required to submit the amount accumulated in LDCD Fund along with break-up of amount received and utilization of the fund. The Commission shall review the LDC development fund every year and may issue directions to HPSLDC for effective utilization of the funds, if required.

7.13.4 Based on the trued-up ARR of HPSLDC for the Period FY 2014-15 to FY 2017-18, the Petitioner is required to deposit the amount of Rs. 14.51 lakh as detailed in table below:

Table 86: LDC Development Fund Approved for third Control Period (Rs Lakh)

Particulars	FY15	FY16	FY17	FY18	FY19
Opening of LDC Development Fund	-	1.22	3.49	6.73	9.91
Addition during the year					
<i>Surplus on account of True-up</i>					
<i>Depreciation</i>	1.22	1.69	2.18	2.23	3.04
<i>Interest on Loan</i>	-	0.32	0.53	0.37	0.64
<i>Return on Equity</i>	-	0.26	0.53	0.57	0.92
Utilisation for Capital Expenses	-	-	-	-	
Closing of LDC Development Fund	1.22	3.49	6.73	9.91	14.51

7.13.5 Further, a surplus amount of Rs. 90.18 lakh is available with HPSLDC on account of true-up for FY 2014-15 to FY 2017-18 as detailed in Chapter for True-up of third Control Period. The Petitioner is directed to deposit the surplus amount within three months from issuance of this Order in the LDCD fund.

7.13.6 The LDCD fund approved for the fourth Control Period is summarized in table below:

Table 87: LDC Development Fund Approved for fourth Control Period (Rs Lakh)

Particulars	FY20	FY21	FY22	FY23	FY24
Opening of LDC Development Fund	14.51	121.63	174.92	292.20	486.19
Addition during the year					
<i>Surplus on account of True-up (FY15-FY18)</i>	90.18				
<i>Depreciation</i>	9.19	27.37	59.94	100.37	134.83
<i>Interest on Loan</i>	4.18	14.57	32.04	51.00	61.99
<i>Return on Equity</i>	3.56	11.35	25.30	42.62	57.38
Utilisation for Capital Expenses	-	-	-	-	-
Closing of LDC Development Fund	121.63	174.92	292.20	486.19	740.39

8 DIRECTIVES

8.1 Strengthening of book keeping functions

- 8.1.1 The Commission observed serious discrepancies in the Annual Accounts submitted by HPSLDC. The Commission feels that the Petitioner is not undertaking proper book keeping internally which are resulting in such errors, which are apparent. Moreover, it is observed that the Audited accounts does not provide any details regarding notes/ schedules, accounting policies, treatment of capital and revenue items, etc.
- 8.1.2 It is further observed that the Auditor has raised serious concerns over the authenticity of accounts and has mentioned that the statement does not provide a true picture in view of the accounting standards.
- 8.1.3 The Petitioner is directed to undertake adequate steps and deploy experienced resources for the purpose of book keeping. Further, adequate steps need to be undertaken by the Petitioner for timely billing in line with the provisions of the regulations. The Petitioner is also directed to provide a detailed note with the steps taken for rectifying such issues within 3 months from issue of this Order.

8.2 Prior approval of proposed schemes

- 8.2.1 It is observed that the Petitioner has not submitted the DPRs of the proposed schemes. The Commission directs HPSLDC to submit appropriate details including DPR, financing plan, cost benefit analysis and other supporting documents for each work and take approval of the Commission prior to implementation. In absence of prior approval, the Commission shall disallow the capitalization towards the respective scheme at the time of truing-up.

8.3 Assessment of training needs of employees

- 8.3.1 The Petitioner has claimed significant amount under Capacity Building Program under employee expenses. It is observed that the Petitioner is yet to finalise the training calendar.
- 8.3.2 The Commission directs the Petitioner to prepare a comprehensive training calendar detailing the training type, objective, curriculum, duration, importance, participants, impact of each training, cost of training, etc. and submit the same in six months from the date of issuance of this Order.

8.4 Incentive Policy

- 8.4.1 The Petitioner has requested the Commission to provide in-principle approval on payments of fixed incentives and certificate linked incentives to employees of HPSLDC. The Petitioner has also submitted that it will develop the detailed incentive scheme for its employees taking into cognizance of the CABIL's recommendations.
- 8.4.2 The Commission directs the Petitioner to prepare a detailed proposal on performance linked incentive policy and submit the same post authorisation by its Board to the Commission for approval. The Incentive proposal should explicitly mention the parameters / KPIs taken into consideration for the formulation of the same and whether there are any parameters for monitoring the performance of the employees has been adopted.

8.5 Employee Addition

- 8.5.1 The Commission directs the Petitioner to put best efforts for meeting the proposed recruitment of employees in a time bound manner and submit the quarterly status of recruitment to Commission post issuance of Tariff Order.

8.6 Outstanding arrears and liabilities

- 8.6.1 The Petitioner has proposed to clear all the pending liabilities and to initiate the independent operations post transfer of assets from HPSEBL. The Petitioner in one of the responses has provided the details of invoices and receipts for recovery of SLDC charges from long term consumers. It is observed from the submission that a substantial amount is pending to be recovered from long term consumers.
- 8.6.2 The Commission directs the Petitioner to make sincere and continuous efforts in realising the outstanding arrears from long-term beneficiaries.
- 8.6.3 The Petitioner is also directed to clear all the outstanding liabilities and initiate the independent operations in a most efficient manner.

8.7 SLDC Website

- 8.7.1 The Petitioner in one of the response had submitted that it will provide the access to the System Performance related information and daily transactions reports on HPSLDC's website at the earliest. The Petitioner had also submitted that, the official website of HPSLDC is being recently upgraded and provision for information access is under development and the Target date of completion of up gradation work of website including the Dashboard is 30.06.2019.
- 8.7.2 In view of the above, the Commission directs the Petitioner to make available the following details on their website within one month of completion and upgradation of the website and submit compliance report on the same to the Commission.

- Injection/ drawl schedules of all generators in the State
- Accounting, computation and recovery of various SLDC charges

8.7.3 The Commission further directs the Petitioner to provide complete and comprehensive details with respect to the computation of the UI bills to the consumers. Further, the Petitioner is also directed to make available the methodology used for deviation statement on their website for each month within one month of issuance of this Order.

8.8 Creation of LDC Development Fund

8.8.1 The Commission has approved the creation of LDC development fund as detailed in Chapter 7 of this Order. In this regard the HPSLDC is directed to create and maintain a separate fund called LDC Development Fund (LDCD Fund), where the approved charges on account of return on equity, interest on loan, depreciation shall be deposited.

8.9 Deposit of Revenue Surplus in LDC Development Fund

8.9.1 The Commission has approved a surplus amount of Rs. 90.18 lakh available with HPSLDC on account of true-up for FY 2014-15 to FY 2017-18 as detailed in Chapter-5 of this Order. The Petitioner is directed to deposit the surplus amount within three months from issuance of this Order in the LDCD fund.

8.10 Approval of Grant under SAMAST Scheme

8.10.1 The Petitioner in the supplementary submission dated 13th May 2019 has revised the SAMAST scheme and has submitted that an integrated software development and implementation work of Rs. 222.51 Lakh under the SAMAST Framework has been awarded and is expected to be capitalised in FY 2019-20. The Petitioner also submitted that during the 49th Techno Economic Sub Group (TESG) Meeting of PSDF held on 25th March, 2019, it was conveyed that any award of work which has been placed by SLDC shall not be funded under the SAMAST Scheme and thus the work of development and implementation of software will not be considered as part of SAMAST scheme.

8.10.2 However, as detailed in chapter-6 of this order, the Commission has considered all works under the SAMAST scheme to be funded through 100% grant from MoP. The Commission directs the Petitioner to take up the matter with CEA/ MoP for inclusion of the cost of integrated software as part of the SAMAST scheme.

8.11 Open Access related details

8.11.1 As per Section 32 of Electricity Act 2003, SLDC is required to maintain the account of the quantity of electricity transmitted through the State grid and also to exercise supervision and control over the intra-State transmission system. However, it is observed that Petitioner has not submitted such details of monitoring of energy transactions in the State.

8.11.2 In view of the above, the Commission directs the Petitioner to submit the details of open access consumers, generators and energy imported and exported on quarterly basis to the Commission.