Order

on

True Up for the Period FY 2018-19 & FY 2019-20

Provisional True-up for FY 2020-21

&

Mid-Term Review Order for the Period

FY 2021-22 to FY 2023-24

For

Himachal Pradesh State Load Despatch Centre (HPSLDC)

Himachal Pradesh Electricity Regulatory Commission

August 12, 2021

BEFORE THE HIMACHAL PRADESH ELECTRICITY REGULATORY COMMISSION AT SHIMLA

PETITION NO: 14/2021

CORAM

Sh. DEVENDRA KUMAR SHARMA
Sh. BHANU PRATAP SINGH

IN THE MATTER OF:

Approval of True Up for the Period FY 2018-19 to FY 2020-21 &Mid-Term Review Order for the Period FY 2021-22 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 True-up of FY 2018-19 and FY 2019-20, Provisional True-up of FY 2020-21 and revised Aggregate Revenue Requirement (ARR) from FY 2021-22 to FY 2023-24under 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, and stakeholders on June 22, 2021 through Video Conferencing, 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 of FY 2018-19 and FY 2019-20, Provisional True-up of FY 2020-21 and revised ARR from FY 2021-22 to FY 2023-24 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 April2021. The arrears, if any, for the months of April to July 2021 shall be adjusted in equal installments in the invoices for the next three months of FY 2021-22.

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.

(BHANU PRATAP SINGH)	**(DEVENDRA KUMAR SHARMA)**
Member	**Chairman**

Shimla

Dated: August 12, 2021

Table of Contents

List of Tables

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:

a) 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;

b) monitor grid operations;

c) keep accounts of the quantity of electricity transmitted through the State grid;

d) exercise supervision and control over the intra-State transmission system; and;

e) 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 second 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).

1.3.6 Subsequently, the Commission issued an Order for Business Plan and Multi-Year Tariff for fourth Control Period (FY 2019-20 to FY 2023-24) on 29thJune, 2019. In the Order, the Commission had also undertaken true-up for the period FY 2014-15 to FY 2017-18. The Petitioner has now filed this Mid-term Review Petition for truing-up for FY 2018-19 and FY 2019-20, Provisional True-up of FY 2020-21 and revised Aggregate Revenue Requirement (ARR) from FY 2021-22 to FY 2023-24.

1.4 True-up, Business Plan and MYT Petition

Procedural Background

1.4.1 The Petitioner has filed the Petition for approval of its True-up of FY 2018-19 and FY 2019-20, Provisional True-up of FY 2020-21 and revised Aggregate Revenue Requirement (ARR) from FY 2021-22 to FY 2023-24, with the Commission on 04thMarch2021registered as Filing No. 36 of 2021.

1.4.2 The Commission admitted the Petition vide interim order dated 24thMarch, 2021. 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)	1st April 2021
2.	Divya Himachal (Hindi)	1st April 2021
3.	The Indian Express (English)	1st April 2021
4.	Amar Ujala (Hindi)	1st April 2021

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)-22/2021-418 dated 04.06.2021 directed the Petitioner to submit details regarding deficiencies identified in the petition,. Subsequently, the Commission vide letter No. HPERC-F (1)-22/2021-741 dated 30.06.2021 raised another queries.

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

Sl	Submission of the Petitioner	Date
1	MA No. 43/2021	24th March 2021
2	MA No. 141/2021	21st June 2021
3	Letter No. HPSLDC/SLDC-17/2021-22-2419	07th July 2021
4	Letter No. HPSLDC/SLDC-17/2021-22-2831	27th July 2021

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

Sl.	Name of News Paper	Date of Publication
1.	Times of India (Chandigarh edition)	7th May, 2021
2.	Divya Himachal (Himachal edition)	7th May, 2021

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

Sl.	Name of News Paper	Date of Publication
1.	Times of India (Chandigarh edition)	7th May, 2021

Sl.	Name of News Paper	Date of Publication
2.	Divya Himachal (Himachal edition)	7th May, 2021

1.4.8 The stakeholders were requested to file their objections by 31st May, 2021. The HPSLDC was required to submit replies to the suggestions/ objections to the Commission by 11th June, 2021 with a copy to the objectors on which the objectors were required to submit rejoinder by 19th June, 2021.

1.4.9 The Commission issued a public notice informing the public about the scheduled date of public hearing as 22nd June, 2021. All the parties, who had filed their objections/ suggestions, were also informed about the date, time and venue for presenting their case in the public hearing.

1.4.10 The issues and concerns voiced by various objectors have been carefully examined by the Commission. The major issues raised by the objectors in their written submission as well as those raised during the stakeholder consultation process, have been summarized in Chapter 4 of this Order.

2 SUMMARY OF THE TRUE-UP PETITION FROM FY19 TO FY21

2.1 Introduction

2.1.1 This chapter summarizes the highlights of the Petition filed by the HPSLDC for True-up for FY 2018-19, FY 2019-20, and Provisional True-up for FY 2020-21.

2.1.2 The Petition was filed on 4thMarch 2021 which was registered with the Commission as MA No. 36 of 2021. The Petitioner has submitted the True Up for FY 2018-19, FY 2019-20, and Provisional True-up for FY 2020-21 in line with the provisions of the HPERC MYT SLDC Regulations 2011. The True-up Petition filed by the Petitioner for FY 2018-19, FY 2019-20 is based on audited accounts for the respective financial years and Provisional True-up for FY 2020-21 is based on the provisional accounts.

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 FY 2018-19, FY 2019-20 considering the audited figures of respective financial years 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 the True-up of FY 2018-19 and FY 2019-20, the Petitioner has considered actual expenses booked in the Annual Audited Accounts of FYs 2018-19 & FY 2019-20.

2.2.3 For Provisional Truing up of FY 2020-21, the Petitioner has considered the actual figures from the unaudited annual accounts up to December 2020 (9 months) and further estimated the expenses for the remaining three months.

2.2.4 The breakup of the actual O&M Expenses for FY 2018-19, FY 2019-20 and Provisional O&M Expenses for FY 2020-21 submitted by the Petitioner is mentioned below.

Employee Expenses

2.2.5 The Petitioner has submitted the Employee Cost for FY 2018-19, FY 2019-20 based on the audited accounts for the respective years.

2.2.6 For the purpose of estimating the employee expenses for FY 2020-21, the Petitioner has considered the actual expenses for the first 9 months i.e., from April 2020 to December 2020 (Q1, Q2 & Q3) and the anticipated expenses for Q4. The Year on Year employee strength submitted by the Petitioner is submitted below-

Table 5: Proposed Employee Strength for FY19 to FY21

Particulars	FY19	FY20	FY21*
	Actual	Actual	RE
No of Employees	40	55	53

**up-to December 2020*

2.2.7 The employee expenses submitted by the Petitioner for FY 2018-19 to FY 2020-21 is tabulated below-

Table 6: Proposed Employee Expenses for FY19 to FY21 (Rs. Lakh)

Particulars	FY19	FY20	FY 21		
	Actual	Actual	Up to Q3	Q4	RE
Salaries & Other	306.62	311.71	263.95	93.50	357.45
Provisions (Training Expense & Capacity Building)	-	9.68	-	0.18	0.18
Employee Cost	**306.62**	**321.38**	**263.95**	**93.68**	**357.63**

A&G Expenses

2.2.8 The Petitioner has submitted the A&G expenses for FY 2018-19, FY 2019-20 based on the audited accounts for the respective years.

2.2.9 For the purpose of estimating the A&G expenses for FY 2020-21, the Petitioner has considered the actual expenses for first 9 months of FY 2020-21 i.e. from April 2020 to December 2020 and the anticipated expenses for Q4.

2.2.10 The A&G expenses submitted by the Petitioner for FY 2018-19 to FY 2020-21 is tabulated below-

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

Particulars	FY19	FY20	FY 21		
	Actual	Actual	Up to Q3	Q4	RE
Total A&G Expenses	**31.26**	**80.50**	47.19	40.25	**87.44**

R&M Expenses

2.2.11 The Petitioner has submitted R&M expenses for FY 2018-19, FY 2019-20 based on the audited accounts for the respective years.

2.2.12 For the purpose of estimating the R&M expenses for FY 2020-21, the Petitioner has considered the actual expenses for first 9 months of FY 2020-21 i.e. from April 2020 to December 2020. For balance part of FY 2020-21, the Petitioner has estimated the expenses based on the pending R&M work.

2.2.13 The Petitioner has further highlighted that there is a significant expenditure booked under the R&M Expenses for the FY 2019-20 and FY 2020-21 on account of the following reasons:

- **Expenses booked towards Building Refurbishment:**
  The Petitioner has submitted that expenses under this head were booked post transfer of assets from HPSEBL to HPSLDC in FY 2019-20. The Petitioner also mentioned that the building transferred was already more than 15 years old. Hence, there was an inevitable necessity to repair and refurbish the office building along with the associated equipment, electrical installations etc. to enhance the real time operation of HPSLDC.

- **Expenses booked towards implementation of an integrated Information Technology Solution/ Software Solutions as per recommendation of the SAMAST Report:**
  The Petitioner has submitted that to implement the Intra-State Deviation Settlement Mechanism the Petitioner had awarded the work of Rs. 247.23 Lakh to a software development firm selected through a fair E-tendering process on 15th March 2019. However, the funding of Rs. 247.23 Lakh was not considered under the Central PSDF grant. The Petitioner requested the Commission to allow the expenditure to be incurred towards 60% of the total awarded work i.e., 148.00 Lakh from the Load Despatch

Centre Development (LDCD) Fund., The Commission vide letter no. HPERC-II (1)-25-DSM/ 2019-2287, dated 6th December 2019, had approved Rs. 69.00 Lakh out of the total requested expenditure of Rs. 148.00 Lakh from the State PSDF as a stop gap arrangement. The Commission further allowed utilization of State PSDF for the subsequent instalments towards the awarded work of Rs. 247.23 Lakh. The Petitioner has mentioned that it has infused Rs. 79.34 Lakh and Rs. 1.99 Lakh corresponding to the remaining outstanding amounts of Rs. 148.34 Lakh and Rs. 24.72 Lakh from its reserves and surplus of FY 2019-20 and FY 2020-21 respectively.

Thus, the Petitioner has booked Rs. 79.34 Lakh and Rs. 1.99 Lakh as the Revenue Expenditure in FY 2019-20 and FY 2020-21, respectively. The Petitioner has also proposed to recoup the withdrawal amounting to Rs. 91.73 Lakh from State PSDF towards payment to vendor for installation of integrated software through its surplus in FY 2020-21 and has proposed to treat the same as part of revenue expenditure (R&M expense) in FY 2020-21

2.2.14 The R&M expenses submitted by the Petitioner for FY 2018-19 to FY 2020-21is tabulated below-

Table 8: Proposed R&M Expenses for FY19 to FY21 (Rs. Lakh)

Particulars	FY19	FY20	FY21		
	Actual	Actual	Up to Q3	Q4	RE
20% Repairs and Maintenance Charges – HPSEBL	64.74	-	-	-	-
Repair & Maintenance of Computer	0.20	52.39	1.60	-	1.60
Repair & Maintenance of Office, Fixture and Maintenance	2.01	67.21	12.61	-	12.61
Maintenance and Development Cost of SAMAST	-	79.34	1.99	-	1.99
Repair & Maintenance of Vehicle	0.18	0.71	0.26	-	0.26
Repair & Maintenance of Building	-	46.28	8.78	-	8.78
Repair & Maintenance of Photostat Machine	-	-	0.01	-	0.01
R&M of Computers	-	-	30.29	-	30.29
Expense for Recouping of SPSD Fund	-	-	91.73		91.73
R&M Expenses	**67.13**	**245.95**	**147.27**	**40.53**	**187.80**

2.3 Depreciation

2.3.1 The Petitioner has submitted the depreciation based on the actual GFA booked during the respective years as per audited accounts of FY 2018-19 and FY 2019-20 and provisional accounts of FY 2020-21 for 9 months.

2.3.2 Further, the Petitioner has considered a significant GFA addition of Rs. 283.79 Lakh on account of transfer of Building Assets to HPSLDC from HPSEBL for the FY 2019-20.

2.3.3 The expenses pertaining to depreciation submitted by the Petitioner for FY 2018-19 to FY 2020-21 is tabulated below-

Table 9: Proposed Depreciation for FY19 to FY21 (Rs. Lakh)

Particulars	FY19	FY20	FY21
	Actual	Actual	Actual
Depreciation	**2.22**	**12.87**	**11.30**

2.4 Interest and Finance Charges

2.4.1 The Petitioner has considered the closing loan of FY 2017-18 as the opening loan for FY 2018-19 and followed the similar approach for the respective years. The Petitioner initially submitted value of closing loan of FY 2017-18 at Rs. 3.57 lakh. However, since it was not matching with True-up value for FY 2017-18, on query of the Commission the Petitioner revised it back to Rs. 3.09 lakh

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 10.15%, 10.55% and 9.75% (1 Year SBI MCLR + 200 Basis Points) for FY 2018-19, FY 2019-20, and FY 2020-21respectively. The interest and finance charges submitted by the Petitioner for FY 2018-19 to FY 2020-21 as follows:

Table 10: Proposed Interest and Finance charges for FY19 to FY21 (Rs. Lakh)

Particulars	FY19	FY20	FY21
	Actual	Actual	RE
Debt at the beginning of the year	3.09	11.44	197.23
Capitalization during the year	10.57	198.65	23.07
Debt portion of the Capitalization during the year	2.22	12.87	11.30
Repayment of Loan (Depreciation)	11.44	197.23	208.99
Closing Loan	7.26	104.33	203.11
Rate of Interest	10.15%	10.55%	9.75%
Interest on Loan	**0.31**	**1.21**	**19.23**

2.5 Return on Equity

2.5.1 The Petitioner has considered the closing equity of FY 2017-18 as the opening equity for FY 2018-19 and has submitted 30% of addition of fixed assets during the respective years as the equity portion in accordance with the Regulation 17 of the HPERC MYT SLDC Regulations 2011.

2.5.2 Further, the Petitioner has considered the Return on Equity (RoE) at the base rate as 15.50% and has separately claimed its actual Income Tax for the respective years as booked under the Annual Audited Accounts.

2.5.3 The return on equity submitted by the Petitioner for FY 2018-19 to FY 2020-21is tabulated below.

Table 11: Proposed Return on Equity charges for FY19 to FY21 (Rs. Lakh)

Particulars	FY19	FY20	FY21
	Actual	Actual	RE
Regulatory Equity at the beginning of the year	3.94	8.47	93.61
Capitalization during the year	15.10	283.80	32.96
Equity Portion during the year	4.53	85.14	9.89
Regulatory Equity at the end of the year	8.47	93.61	103.49
Average Equity	6.20	51.04	98.55
Rate of Return on Equity	15.50%	15.50%	15.50%
Return on Equity (RoE)	**0.96**	**7.91**	**15.28**

2.6 Interest on Working Capital

2.6.1 The Petitioner has submitted that the Interest on Working Capital for FY 2018-19 has been computed based on the Regulation 23 of the MYT Regulation 2011, 1st Amendment and for FY 2019-20 and FY 2020-21has been worked out in accordance with the Regulation 23 of the MYT Regulation, 2nd Amendment.

2.6.2 The Interest on Working Capital (IoWC) claimed by the Petitioner for FY 2018-19 to FY 2020-21is summarized below.

Table 12: Proposed Interest on Working Capital for FY19 to FY21 (Rs. Lakh)

Particulars	FY19	FY20	FY21
	Actual	Actual	RE
O&M Expenses for 1 Month	33.75	53.99	52.74
2 Months Receivables	70.31	160.43	138.77
Maintenance Spares @ 15% of O&M Expenses for 1 month	5.06	8.10	7.91
Total Working Capital Requirement	109.13	222.51	199.42
Rate of IoWC (%)	12.20%	11.55%	10.75%
Interest on Working Capital	**13.31**	**25.70**	**21.44**

2.7 Income Tax

2.7.1 The Petitioner has claimed the actual Income Tax paid for FY 2019-20 and has also submitted ITR Acknowledgement for the same. However, the Petitioner has not claimed any income tax for FY 2020-21 since the account for the year is provisional and requests the Commission to allow such expensed during True-up. Income Tax claimed by the Petitioner FY 2018-19 to FY 2020-21 is summarized below.

Table 13: Proposed Income Tax for FY19 to FY21 (Rs. Lakh)

Particulars	FY19	FY20	FY21
	Actual	Actual	RE
Income Tax	-	51.84	-

2.8 ULDC Charges

2.8.1 The Petitioner has submitted that the transfer of assets was materialized in FY 2019-20. Thus, the Petitioner has claimed 20% of the annual ULDC Charges for FY 2018-19, whereas in FY 2019-20 HPSLDC has paid 87.41% of the annual Ex-Works Cost under ULDC scheme and 88.41% of the annual ULDC AMC Cost.

2.8.2 For the purpose of estimating the ULDC charges inclusive of Ex-Works Cost and AMC Cost for FY 2020-21, the Petitioner has considered the actual expenses booked for first 9 months of FY 2020-21 i.e. from April 2020 to December 2020. For balance part of FY 2020-21, the Petitioner has estimated the ULDC charges on pro-rata basis.

2.8.3 Further, the Petitioner has also submitted that the total Ex-works cost of ULDC II scheme for FY 2020-21 pertains to Rs. 501 Lakh out of which total repayment of Rs. 478 Lakh have been done to the Power Grid till December 2020. Thus, the Petitioner has considered the remaining amount of Rs. 23 Lakh for January 2021 to March 2021.

2.8.4 The ULDC charges claimed by the Petitioner for FY 2018-19 to FY 2020-21 is summarized below:-

Table 14: Proposed ULDC charges for FY19 to FY21 (Rs. Lakh)

Particulars	FY19	FY20	FY21
	Actual	Actual	RE
ULDC I/II Charges	-	137.57	62.56

2.9 RLDC Fee and Charges

2.9.1 The Petitioner has mentioned that as per the CERC (RLDC) Regulations, 2019, SLDCs are considered as nodal agency for collection of monthly RLDC charges payable to the concerned Regional Load Despatch Centre.

2.9.2 Accordingly, the Petitioner has claimed RLDC fee and charges for FY 2018-19, FY 2019-20, and FY 2020-21 as per the Annual Audited Accounts as well as Provisional Audited Accounts for the respective years as below:

Table 15: Proposed RLDC Fee and charges for FY19 to FY21 (Rs. Lakh)

Particulars	FY19	FY20	FY21
	Actual	Actual	RE
NLDC Fee and Charges	-	77.59	69.91

2.10 LDCD Funds

2.10.1 The Petitioner has submitted that as per the directions of the Commission in its previous MYT Order dated 29 June 2019, the Petitioner has created the LDCD Fund and deposited the requisite past period surplus as well as annual amount recovered towards depreciation, Interest on Loan & RoE for the respective years.

2.10.2 The summary of the actual funds deposited by the Petitioner to the LDCD Funds for FY 2018-19 to FY 2020-21 is as below.

Table 16: LDCD Fund Balance for FY19 to FY21(Rs. Lakh)

Particulars	FY19	FY20	FY21
	Actual	Actual	RE
Opening Balance	-	104.69	121.85
Addition of Past period Surplus	104.69	-	-
Addition of yearly deposits	-	16.93	39.97
Interest earned	-	0.23	2.52
Closing Balance	**104.69**	**121.85**	**164.34**

2.11 Income from SLDC Charges

2.11.1 The Petitioner has submitted the income from SLDC Operations for FY 2018-19, FY 2019-20 based on the audited accounts for the respective years.

2.11.2 For the purpose of estimating the income from SLDC Operations for FY 2020-21, the Petitioner has considered the actual income for the first 9 months i.e., from April 2020 to December 2020 (Q1,Q2& Q3) and projected income from SLDC Operations for the next three months i.e., from January 2020 to March 2021 (Q4).

2.11.3 The Petitioner has also submitted the income from investments for respective years under the income from SLDC charges as summarized below.

Table 17: Proposed Income from SLDC charges for FY19 to FY21 (Rs. Lakh)

Particulars	FY19	FY20	FY21
	Actual	Actual	RE
Income collected from LTOA/ MTOA customers on account of monthly SLDC charges.	212.20	477.83	697.89

Particulars	FY19	FY20	FY21
	Actual	Actual	RE
Income collected on account of SLDC operations collected through POSOCO, Registration and NOC charges	300.22	262.14	289.79
Other Income (Bank Int. etc.)	54.34	28.65	10.19
Total SLDC Income	**566.76**	**768.62**	**997.87**

2.12 ARR Summary from FY 2018-19 to FY 2020-21

2.12.1 Based on values determined by HPSLDC for the various parameters, the ARR for FY 2018-19 to FY 2020-21 is submitted as below for truing-up by the Petitioner.

Table 18: Proposed ARR Summary from FY19 to FY21 (Rs. Lakh)

Particulars	FY19	FY20	FY21
	Actual	Actual	Actual
O&M Expenses	**405.02**	**647.83**	**632.88**
R&M Expenses	67.13	245.95	187.80
A&G Expenses	31.26	80.50	87.44
Employee Expenses	306.62	321.38	357.63
Depreciation	2.22	12.87	11.30
Interest and Finance Charges	0.31*	1.21*	19.28
Return on Equity	0.96	7.91	15.28
Interest on Working Capital	13.31	25.70*	21.44
Income Tax	-	51.84	-
ULDC I/II Charges	-	137.57	62.56
RLDC Fees & Charges		77.59	69.91
Gross ARR	**421.82**	**962.56**	**832.64**
Less: Income from SLDC Operations	512.43	739.97	987.68
Less: Income from Investments (Bank)	54.34	28.65	10.19
Net ARR	**(144.95)**	**193.93**	**(165.23)**

** Revised in reply to data gaps*

3 SUMMARY OF THE MID-TERM REVIEW FOR THE PERIOD FY 22 TO FY 24

3.1 Background

3.1.1 HPSLDC has submitted a revised CAPEX plan and MYT Tariff Petition for the remaining years of Control Period (FY 2020-21 to FY 2023-24) after considering the transfer of Assets from HPSEBL in line with the provisions of the HPERC MYT SLDC Regulations, 2011 and its subsequent amendments.

3.1.2 The Petitioner has also submitted the revised Aggregate Revenue Requirement (ARR) for the remaining years of Control Period (FY 2020-21 to FY 2023-24).

3.1.3 CAPEX Plan for the Control Period has been bifurcated into CAPEX and Capitalization phasing for 4th control period and Financing Plan, whereas ARR for each year of the Control Period has been bifurcated into O&M expenses, depreciation, interest and finance charges, interest on working capital, return on equity, ULDC Charges, RLDC fees and Charges and LDCD fund.

Capital Expenditure Plan

3.1.4 The Commission has in its Order dated June 29, 2019 approved Capital expenditure for the fourth control Period FY 2020-21 to FY 2023-24 based on the various capital expenditure schemes proposed by the Petitioner in the MYT Business Plan.

3.1.5 However, the Petitioner has envisaged revision within the approved CAPEX plan based on the present gap in infrastructure and giving due consideration to CERC (Indian Electricity Grid Code) and key recommendation of the Forum of Regulators (FOR) Sub-group. Further, the Petitioner while projecting the revised capital expenditure plan for the control Period for FY 2020-21 to FY 2023-24 has provided due consideration to the increasing complexities of maintaining the grid for the grid operator due to the paradigm changes expected in the Indian Grid with large-scale integration of Renewable Energy projects to the grid, establishment of ancillary services market, managing large-scale grid connected storage solutions, operating and settlement of spinning reserve market etc.

3.1.6 Thus, the Petitioner has submitted that a robust metering and communication infrastructure with real-time data transfer capability at all levels of grid is of utmost importance to monitor and control the gird in the most efficient manner.

3.1.7 In cognizance to the above-mentioned scenario the Petitioner has submitted a revised CAPEX plan with various schemes. The summary of revised capital expenditure and capitalization plan of HPSLDC for the fourth Control Period FY 2020-21 to FY 2023-24 is as follows:

Table 19: Summary of Revised proposed Capex Plan (Rs. Lakh)

Sr. No.	Schemes	Estimated Budget (Rs. Lakh)	Revised Capital Expenditure							
			FY 2020-21		FY 2021-22		FY 2022-23		FY 2023-24	
			Approved by HPERC	Proposed	Approved by HPERC	Proposed	Approved by HPERC	Proposed	Approved by HPERC	Proposed
A	Enhancement of Real Time Data Acquisition System	50.00	125.00		275.00	-	310.00	25.00	50.00	25.00
B	Schemes Proposed under State PSDF	1542.00		-		487.00		705.00		350.00
C	Implementation of SAMAST	630.63	772.50	530.63	-	100.00	-		-	
D	Offline Systems	5.00	20.00		5.00			5.00	-	
E	Infrastructure Development	1253.00	100.00	2.50	100.00	741.50	100.00	509.00	100.00	-
F	**Total CAPEX**	**3480.63**	**1,017.50**	**533.13**	**380.00**	**1,328.50**	**410.00**	**1,244.00**	**150.00**	**375.00**

3.1.8 The Petitioner has proposed capital expenditure for some of the schemes in FY 2020-21 but has not envisaged any capitalization towards such schemes in the same year.

3.1.9 The summary of revised capitalization plan of HPSLDC for the remaining period of fourth Control Period (FY 2020-21 to FY 2023-24) as per the revised capex scheme is as follows:

Table 20: Summary of Revised proposed Capitalization (Rs. Lakh)

Sr. No.	Schemes	Estimated Budget (Rs. Lakh)	Revised Capitalization		
			FY 2021-22	FY 2022-23	FY 2023-24
			Proposed	Proposed	Proposed
A	**Enhancement of Real Time Data Acquisition System**	50.00	**-**	**25.00**	**25.00**
1	URTDSM	50.00	-	25.00	25.00
B	**Scheme proposed under State PSDF**	**1542.00**	**487.00**	**705.00**	**350.00**
1	Cyber security and Data security	40.00	40.00	-	-
2	Backup Control Centre/Sub-LDC	250.00		200.00	50.00
3	Implementation of ADMS	235.00	235.00		
4	Development of Software for demand Forecasting	212.00	212.00	-	-

Sr. No.	Schemes	Estimated Budget (Rs. Lakh)	Revised Capitalization		
			FY 2021-22 Proposed	FY 2022-23 Proposed	FY 2023-24 Proposed
5	Replacement and upgradation of existing SCADA & EMS system	600.00	-	300.00	300.00
6	Data warehousing and mining facility	205.00	-	205.00	-
C	**Implementation of SAMAST Framework in the HP State**	**630.63**	**530.63**	**100.00**	-
1	Various works under SAMAST Scheme	530.63	530.63	-	-
	Balance proposed works	100.00	**-**	100.00	**-**
D	**Offline Systems**	**5.00**	-	**5.00**	-
1	Scheduling application Software	5.00	-	5.00	-
E	**Infrastructure Development**	**1253.00**	**144.00**	**709.00**	**400.00**
1	Additional & Alteration of Office Building	53.00	53.00	-	-
2	Construction of rain water harvesting storage tank	3.50	3.50	-	-
3	Installation and commissioning of 20 Kwp grid connected solar roof top plant	8.00	8.00	-	-
4	Installation and commissioning of automatic weather station (AWS)	2.50	2.50	-	-
5	Office Equipment	7.00	-	7.00	-
6	SLDC's Website Upgradation	5.00	-	5.00	-
7	Procurement of Software solution for E-Office	15.00	15.00	-	-
8	Construction of Compound Wall	10.00	10.00	-	-
9	Conference Room in the proposed additional building	25.00	15.00	10.00	-
10	CCTV, Security System, Audio Recording in the proposed additional building	10.00	10.00	-	-
11	Furniture for Office (For proposed additional building)	15.00	15.00	-	-
12	Staff Recreation & Rejuvenation Facilities	-	-	-	-
	-Cafeteria/Pantry	10.00	-	10.00	-
	-Gymnasium	5.00	-	5.00	-
13	Disaster Recovery System/ Back Up	40.00	-	40.00	-
14	Staff Quarters for HPSLDC staff	1000.00	-	600.00	400.00
15	Fire Alarm/Fire Fighting System for proposed additional building	7.00	-	7.00	-
16	3-Phase, 400 Volt, 75 KV A Diesel Generator Set	15.00	-	15.00	-

Sr. No.	Schemes	Estimated Budget (Rs. Lakh)	Revised Capitalization		
			FY 2021-22 Proposed	FY 2022-23 Proposed	FY 2023-24 Proposed
17	Air Conditioning Systems	10.00	-	10.00	-
18	Purchase of new vehicle	12.00	12.00	-	-
19	**Total**	**3480.63**	**1,161.63**	**1,544.00**	**775.00**

Financing Plan

3.1.1 The Petitioner has submitted that most of the SLDC schemes are funded through grants or through internal sources. However, HPSLDC being independent entity can avail separate loan for executing various schemes, wherever grants are not sufficient to fund the entire capex scheme of SLDC. HPSLDC has proposed the following mix of financing plan for the 4th Control Period.:

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

Particulars	4th MYT CP
Grant	Schemes like SAMAST, URTDSM/WAMS, State PFDC
Normative loan (70%)	Other Schemes proposed for 4thControl Period
Normative Equity (30%)	

REVISED ARR PROJECTIONS FOR FY 2021-22, FY 2022-23 & FY 2023-24

3.2 O&M Expenses

3.2.1 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 provisional figures of FY 2020-21 as the base year on which appropriate escalation factor as prescribed under the amended provisions has been considered. The components wise O&M expenses proposed by the Petitioner are detailed below.

Employee Expenses

3.2.2 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:

"EMPn = [(EMPn-1) x (1+Gn) x (CPI inflation)] + Provision (Emp) +HRDn

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;

'EMPn-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;

'Gn' - is a growth factor for the nth year. Value of Gn 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;

'HRDn' - 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."

3.2.3 The Petitioner has calculated CPI growth rate for 3 years and 5 years as tabulated below:

Table 22: CPI Calculation for FY22 to FY24 Control Period

Financial Year	Average CPI	% Increase
2014-2015	251	6.29%
2015-2016	265	5.65%
2016-2017	276	4.12%
2017-2018	284	3.08%
2018-2019	284	0.00%
2019-2020	300	5.45%
5 Year Average Inflation		**3.66%**
3 Year Average Inflation		**2.84%**

3.2.4 The Petitioner has mentioned that the actual number of employees up to December 2020 is 53 (Regular + Contractual) and has projected that the same would increase to approved strength of 69 till FY 2023-24. Thus, the Petitioner has computed the growth factor (Gn) based on growth in present number of employees at 53, to projected strength at 69.

3.2.5 The Petitioner has proposed training expenses of Rs. 11 Lakh for each year and additional expenses of Rs. 7.20 Lakh towards Certificate Linked Incentive for the Regular Employees who qualifies the appropriate certificate course for the FY 2021-22 to FY 2023-24 as part of employee cost.

3.2.6 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 2021-22 to FY 2023-24 as below:

Table 23: Proposed Employee Expenses for FY22 to FY24 (Rs. Lakh)

Particulars	FY 22	FY 23	FY 24
Employee Expenses Projected	482.40	500.05	518.35
Training Expenses	11.00	11.00	11.00
Certificate Linked Incentive	7.20	7.20	7.20
Grand Total	**500.60**	**518.25**	**536.55**

A&G Expenses

3.2.7 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&Gn = [(A&Gn-1) x (WPI inflation)] + 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."

3.2.8 The Petitioner has calculated WPI growth rate for 3 years and 5 years as tabulated below:

Table 24: WPI Calculation for FY22 to FY24 Control Period

Financial Year	Average CPI	% Increase
2014-2015	114	1.26%
2015-2016	110	-3.68%
2016-2017	112	1.76%
2017-2018	115	2.92%
2018-2019	120	4.28%
2019-2020	122	1.68%
5 Year Average Inflation		**1.39%**
3 Year Average Inflation		**2.96%**

3.2.9 The Petitioner has considered the WPI inflation of 2.96%. Further, the Petitioner has considered the expenditure towards the Renewal of M&S Contract for PSS/E User License of Rs. 2.20 Lakh for each year in addition to normal A&G Expenditure as projected through methodology as mentioned above. The A&G expenses projected by the Petitioner for FY 2021-22 to FY 2023-24 are summarized below.

Table 25: Proposed A&G Expenses for FY22 to FY24 (Rs. Lakh)

Particulars	FY 22	FY 23	FY 24
A&G expense	92.23	97.16	102.23

R&M Expenses

3.2.10 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&Mn = K x GFAn

Where,

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

'R&Mn' – 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."

3.2.11 The Petitioner has mentioned that the K factor cannot be derived from the past R&M expenses and GFA as it does not reflect the correct trend due to the significant one-time expenditure booked under the R&M Expenses in FY 2019-20 and FY 2020-21 on account of transfer of assets from HPSEBL. Thus, the petitioner has considered K factor of 2% on ad hoc basis for projection of R&M expenses.

3.2.12 In addition to the projected R&M expenses the Petitioner has claimed the AMC Charges covered as part of the SAMAST Scheme on prorate basis for FY 2021-22 to FY 2023-24. Total R&M cost submitted by the Petitioner for FY 2021-22 to FY 2023-24 is tabulated below:

Table 26: Proposed R&M Expenses for FY22 to FY24 (Rs. Lakh)

Particulars	FY 22	FY 23	FY 24
R&M Projected	9.62	19.14	24.47
AMC for Integrated IT solution and Software application	24.72	37.09	12.36
AMC SAMAST (Towards LOA3)	-	37.60	7.46
Total R&M Expenses	**34.34**	**93.83**	**44.30**

3.3 Depreciation

3.3.1 For working out depreciation for the FY 2021-22 to FY 2023-24, the Petitioner has considered the proposed revised 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.

3.3.2 The Petitioner has mentioned that it has awarded three letters of awards and issued a letter of Intent to vendors of Rs. 604 Lakh, for the remaining scope of work under SAMAST scheme. Further, the Petitioner also mentioned that out of Rs. 604 Lakh, Rs. 73.37 Lakh is annual maintenance contract charge and the remaining Rs. 530.34 Lakh shall be arranged from different sources of funds which will be capitalized. Out of Rs. 530.34 Lakh, Rs. 296.43 Lakh shall be funded through GoI PSDF and the same shall not be considered for depreciation.

3.3.3 The Petitioner has submitted that in accordance with the Regulation 13 (A) of the HPERC MYT SLDC Regulations, 2011, it hasn't claimed any depreciation for the addition of assets under the schemes funded by grants, to the extent of grants allowed.

3.3.4 The depreciation for FY 2021-22 to FY 2023-24 has been computed as per the depreciation rates prescribed in the HPERC MYT Regulations as below:

Table 27: Capitalization, funding pattern & Depreciation proposed for FY22 to FY24 (Rs. Lakh)

Particulars	FY 22	FY 23	FY 24
Depreciation	28.17	56.21	79.20

3.4 Interest and Financing Charges

3.4.1 The Petitioner has proposed Interest & Finance charges based on the proposed revised capital expenditure plan for the entire Control Period and the existing loans. The closing normative debt of FY 2020-21 was considered as the opening normative debt for FY 2021-22 and in similar approach for the subsequent years.

3.4.2 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 9.75% as per Regulation 21(2) of the HPERC MYT SLDC Regulations, 2011 and its subsequent amendments.

3.4.3 The interest expenses worked in accordance with methodology mentioned above for FY 2021-22 to FY 2023-24 are as under:

Table 28: Proposed Interest on loan for FY22 to FY24 (Rs Lakh)

Particulars	FY 22	FY 23	FY 24
Debt at the beginning of the year	209.48	446.05	889.64
Capitalization during the year	378.20	714.00	400.00
Debt portion of the Capitalization during the year	264.74	499.80	280.00
Repayment of Loan	28.17	56.21	79.20
Closing Loan	446.05	889.64	1,090.44
Rate of Interest	9.75%	9.75%	9.75%
Interest on Loan	**20.42**	**43.49**	**86.74**

3.5 Return on Equity

3.5.1 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 the closing equity of FY 2020-21 as the opening equity for FY 2021-22, and in similar approach for the subsequent years.

3.5.2 The Petitioner in accordance with Regulation 17 of the HPERC MYT SLDC Regulations, 2011 has considered 30% as the equity portion for the addition of assets during the year. As per Regulation 20 of the MYT Regulations, the base rate for Return on Equity (RoE) has been computed as 24.74% after considering the base rate as 15.50% and Income Tax rate as Corporate Tax Rate at 37.34%, for the respective years.

3.5.3 The return on equity proposed by the Petitioner for the third Control Period is summarized below:

Table 29: Proposed ROE for FY22 to FY24 (Rs Lakh)

Particulars	FY 22	FY 23	FY 24
Regulatory Equity at the beginning of the year	103.49	216.95	431.15
Capitalization during the year	378.20	714.00	400.00
Equity Portion during the year	113.46	214.20	120.00
Regulatory Equity at the end of the year	216.95	431.15	551.15
Average Equity	160.22	324.05	491.15
Rate of Return on Equity	24.74%	24.74%	24.74%
Return on Equity (RoE)	**39.63**	**80.16**	**121.49**

3.6 Interest on Working Capital

3.6.1 The Petitioner has proposed an interest rate of 10.75% 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 30: Proposed Interest on Working Capital for FY22 to FY24 (Rs Lakh)

Particulars	FY 22	FY 23	FY 24
O&M Expenses for 1 Month	52.26	59.10	56.92
2 Months Receivables	138.01	122.21	135.98
Maintenance Spares @ 15% of O&M Expenses for 1 month	7.84	8.87	8.54
Total Working Capital Requirement	198.11	190.17	201.44
Rate of IoWC (%)	10.75%	10.75%	10.75%
Interest on Working Capital	**21.30**	**20.44**	**21.65**

3.7 ULDC Charges

3.7.1 The Petitioner has claimed the outstanding ex-works cost pertaining to ULDC II scheme in FY 2020-21. Thus, the Petitioner has claimed only AMC Charges and Insurance charges as per the prevailing contract with the agencies for FY 2021-22 to FY 2023-24

3.7.2 The estimated ULDC charges as projected by HPSLDC for FY 2021-22 to FY 2023-24 are summarized below:

Table 31: Proposed ULDC Charges for FY22 to FY24

Particulars	FY22	FY23	FY24
AMC Charges	10.63	10.63	10.63
Insurance	0.20	0.20	0.20
Total ULDC Charges	**10.83**	**10.83**	**10.83**

3.7.3 Additionally, the Petitioner also requested for allowance of the actual Ex-works cost incurred during the respective year at the time of True-up as per the expenses booked in the Annual Audited Accounts of the respective years

3.8 RLDC Fees and Charges

3.8.1 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.

3.8.2 Further in accordance with Regulation 10(8) of CERC (Fee and Charges of Regional Load Dispatch Centre and other related matters) Regulation, 2019 and the latest bill issued in the month of March 2021, the Petitioner has made revised estimation of NLDC Fee for FY 2021-22 as Rs 80.50 Lakh per annum and for FY 2022-23 and FY 2023-24 as Rs. 85.00 Lakh per annum.

Table 32: Proposed RLDC Fees & Charges for FY22 to FY24

Particulars	FY22	FY23	FY24
NLDC Fee and Charges	80.50	85.00	85.00

3.9 LDCD Funds

3.9.1 The Petitioner has stated that Petitioner has created the LDCD Fund in FY 2018-19 and proposed to deposit the recovery against such ARR expenses (such as depreciation, RoE & Interest on Loan) in the LDCD Fund.

3.9.2 The estimated LDCD funds as projected by HPSLDC for FY 2021-22 to FY 2023-24 are summarized below:

Table 33: Proposed LDCD Fund for FY22 to FY24

Particulars	2022	2023	2024
Opening Balance	164.34	252.57	432.43
Addition of Past period Surplus	-	-	-
Addition of yearly deposits	88.23	179.86	287.43
Depreciation	28.17	56.21	79.20
Interest on Loan	20.42	43.49	86.74
RoE	39.63	80.16	121.49
Closing Balance	**252.57**	**432.43**	**719.86**

3.10 Income from SLDC Charges

3.10.1 The Petitioner has considered the income received from POSOCO, SLDC charges recovered from its LTOA & MTOA customers, NOC fee and Registration fee in FY 2019-20 for the purpose of projections of Income from SLDC operations from FY 2021-22 to FY 2023-24. The Petitioner has considered other income at Rs. 10.00 Lakh for ensuing years based on the "Other Income" submitted in the provisional truing up in FY 2020-21. The estimated Income from SLDC charges as projected by HPSLDC is summarized below:

Table 34: Proposed Income from SLDC Charges for FY22-FY24 (Rs Lakh)

Particulars	FY 22	FY 23	FY 24
Income from SLDC Operations	262.14	262.14	262.14
Income from Investments (Bank)	10.00	10.00	10.00

3.11 ARR Summary from FY 2021-22 to FY 2023-24

3.11.1 The Petitioner's submission of ARR for the fourth Control Period i.e. FY 2021-22 to FY 2023-24 has been summarized below:

Table 35: Proposed Annual Revenue Requirement for FY22 to FY24 (Rs Lakh)

Particulars	FY 22		FY 23		FY 24	
	Approved	Proposed	Approved	Proposed	Approved	Proposed
O&M Expenses	**873.70**	**627.17**	**932.70**	**709.24**	**966.30**	**683.08**
R&M Expenses	10.00	34.34	10.00	93.83	10.00	44.30
A&G Expenses	81.60	92.23	95.80	97.16	82.10	102.23
Employee Expenses	782.10	500.60	826.90	518.25	874.20	536.55
Depreciation	59.90	28.17	100.40	56.21	134.80	79.20
Interest and Finance Charges	32.00	20.42	51.00	43.49	62.00	86.74
Return on Equity	25.30	39.63	42.60	80.16	57.40	121.49
Interest on Working Capital	26.20	21.30	29.00	20.44	31.10	21.65
Income Tax	-	-	-	-	-	-
ULDC I/II Charges (Revised after asset transfer)	21.11	10.83	0.55	10.83	0.55	10.83
RLDC Fee & Charges (To be paid to the NRLDC in respect of HP State)	88.80	80.50	88.80	85.00	88.80	85.00
Gross ARR	**1,127.01**	**828.03**	**1,245.05**	**1,005.37**	**1,340.95**	**1,088.00**
Less: Income from SLDC Operations (POSOCO & SLDC Fees)	211.53	262.14	211.53	262.14	211.53	262.14
Less: Income from Investments (Bank)	10.00	10.00	10.00	10.00	10.00	10.00
Net ARR	**905.48**	**555.89**	**1,023.52**	**733.23**	**1,119.42**	**815.86**
Cumulative Revenue Gap/(Surplus) of FY 19 & FY 20	-	49.04	-	-	-	-

Particulars	FY 22		FY 23		FY 24	
	Approved	Proposed	Approved	Proposed	Approved	Proposed
Net ARR Post Impact of Revenue Gap and Surplus	**905.48**	**604.93**	**1,023.52**	**733.23**	**1,119.42**	**815.86**

3.12 Determination of SLDC Fees & Charges

3.12.1 The Petitioner has projected the contracted capacity (MW) for the State of Himachal Pradesh considering a growth factor of 3.5% for the ensuing years.

3.12.2 The Petitioner has projected the SLDC Fees & Charges in accordance with the Regulation 29 of the HPERC MYT Regulation, 2011 and its subsequent amendments as follows:

Table 36: SLDC Charges proposed for FY 22 to FY 24 (Rs Lakh)

Particulars	FY 22	FY 23	FY 24
Total ARR (Rs. Lakh)	604.93	733.23	815.86
Power Handled by SLDC (MW)	3,359.61	3,477.20	3,598.90
SLDC Charges Equivalent (Rs/ MW/ Month)	**1,500.50**	**1,757.24**	**1,889.15**

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 of FY 2018-19 and FY 2019-20, Provisional True-up of FY 2020-21 and revised ARR from FY 2021-22 to FY 2023-24, two stakeholders i.e. HPSEBL and Consumer Representative, filed their suggestions/ objections in writing.

4.1.2 The public hearing was held on 22nd June 2021 at the Commission's Court Room in Shimla. The list of stakeholders are as follows:

Table 37: List of Stakeholders

Sl.	Objector	Address
1.	HP State Electricity Board Ltd.	Vidyut Bhawan, Shimla-04
2.	Sh. Ramesh Chauhan, Consumer Representative	Himanshu Cottage, Cementry road, Sanjauli, Shimla, HP

4.1.3 A presentation was made by 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 HPSLDC as a separate entity

Stakeholder's comments

4.2.1 Mr. Ramesh Chauhan has submitted that in most of the States, SLDCs are under the management of Transmission Corporations whereas only in HP, HPSLDC is a separate entity. Further, Mr. Ramesh Chauhan has requested to bring HPSLDC under the administrative control of the HP Power Transmission Corporation Ltd which will facilitate better cadre control of the manpower as well as enhance the operational efficiency with better co-ordination and will free the present entity from the monopolistic environment.

4.2.2 Mr. Ramesh Chauhan further submitted that there is no need for a separate Law officer for HPSLDC and the same can be met through standing counsel mostly appointed by the State Govt. Further, Mr. Ramesh Chauhan is of the view that if brought under the administrative control of HPPTCL, the other unnecessary staff such as electrician, plumber etc. can be deployed from the cadre strength of HPPTCL, as and when required.

Petitioner's reply

4.2.3 The Petitioner submitted that Electricity Act, 2003 provides that the SLDCs and state transmission utilities (STUs) should not engage in the business of trading and due to this in number of states SLDCs are not able to function in a non-discriminatory manner. Moreover, there is a broad consensus presently that SLDCs in most of the states are not able to function impartially because SLDCs are not insulated from conflicting commercial interests of the state government owned distribution utilities and trading companies on the one hand and open access consumers and privately owned generators on the other hand.

4.2.4 The Petitioner submitted that 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 Commission has imparted directions to HPSEB Ltd. to take steps to ring fence SLDC, and grant it functional autonomy.

4.2.5 Further, 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 in the Himachal Pradesh State Load Despatch Centre with effect from the year 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 the year 2012.

4.2.6 Moreover, Govt. of HP vide its Notification No. MPP-F (10)-21/ 2018, dated: 14.08.2018 has ordered that the HPSLDC, hereinafter, shall function independently as a Society and shall report directly to the State Government.

4.2.7 With reference to presence of a separate law officer, the Petitioner submitted that HPSLDC being an independent entity needs a Law officer for dealing with Law issues/ cases pertaining to the HPSLDC in a time bound manner. Further, the Petitioner has also mentioned that a Law Officer is responsible for monitoring all legal affairs within HPSLDC, who will handle both internal and external legal concerns, and is tasked with doing everything in his power to keep the SLDC out of legal matters/ issues.

Commission's views

4.2.8 The Commission does not concur with the views expressed by the stakeholder with regard to bringing the SLDC under administrative control of a Transmission company. In line with the principles and provisions of the Electricity Act 2003, the SLDC is required to function independently. Also, functional and operational autonomy was a key recommendation of Girish Pradhan Committee's report on "Ring Fencing" of SLDC. In Himachal Pradesh, this has been achieved by having a separate SLDC company and bringing it under the transmission company would lead to undoing the process of reforms in the electricity sector.

4.2.9 Regarding posting of a separate Law Officer in HPSLDC, the Commission agree partly to the reply of the petitioner. However, the petitioner is directed to find the possibility of outsourcing the legal services on case to case basis.

4.3 Employee Expenses& Manpower Requirements

Stakeholder's comments

4.3.1 Mr. Ramesh Chauhan has submitted that nowhere in the Country except in Himachal Pradesh, State SLDCs top position is manned by the MD but at most a person of Chief Engineer rank is heading the organization. Whereas in Himachal Pradesh, the HPSLDC is manned by the MD putting unnecessary burden on the consumers of the State. Thus, Mr. Ramesh Chauhan is of the view that bringing HPSLDC under HPPTCL will resolve this anomaly.

Petitioner's reply

4.3.2 The Petitioner submitted that in order to ensure that HPSLDC 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. Also Govt. of Himachal Pradesh vide notification No MPP-B(13)-16/2018 dated 14.11.2018, established the State Load Despatch Centre as an independent Authority and re-constituted the General Body and Executive Committee of HPSLDC, whereas the MD, HPSLDC is the member of the above mentioned committees.

4.3.3 As HPSLDC is an independent Authority, hence there is a need of Managing Director which is equivalent to the post of Director level for smooth functioning of SLDC. In view of above, a separate post of the Managing Director was proposed.

Commission's views

4.3.4 The Commission agrees to the submission of the Petitioner partly. The Commission is of the view that there may not have been felt the need of MD in most of the States as the SLDC's in these States are under the control of respective STUs and the STUs are already having MDs. So, there can not be two MD's within the same Organization. However, with respect to overall manpower of HPSLDC, the Commission has reviewed the current manpower numbers and has directed the Petitioner to focus on improving its operational efficiencies to judiciously employ manpower and limit further additions.

Stakeholder's comments

4.3.5 Mr. Ramesh Chauhan has submitted that with respect to the comparison with neighboring and almost equivalent state of Uttarakhand, the staff requirement at the Uttarakhand SLDC is quite low as compared to that of HPSLDC. In Uttarakhand, the State SLDC is manned by only 37 persons whereas in Himachal Pradesh it has a huge staff. Mr. Ramesh Chauhan is of the view that such extra manpower put extra burden on consumers.

4.3.6 Mr. Ramesh Chauhan has further submitted that the SCADA staff data or supporting staff data is not available on public domain which is in the range of 10 plus persons. However, the staff strength at state SLDC is quite high as compared to even other larger states like Uttar Pradesh, Haryana, Delhi, and Gujarat etc. in comparison to consumers served.

4.3.7 Mr. Ramesh Chauhan has also pointed that a total of 9 Nos. of Sr XENs posts have been proposed and approved, which is quite high and other State SLDCs are run by maximum 4 to 5 persons only. Mr. Ramesh Chauhan has requested the Commission to reduce the manpower requirement with respect to the post of Sr XENs.

Petitioner's reply

4.3.8 The Petitioner submitted that by taking into the cognizance of the recommendations of CABIL report and with a vision of strengthening its competency to run the State's System Operations in a most reliable and efficient manner, HPSLDC has proposed 69 Nos. of employees of different categories for the entire 4th MYT Control Period. The proposal was discussed and duly approved by 8th GBM of HPSLDC. Further, the Petitioner also mentions that 69 Nos strength of men power has been approved in the ARR of HPSLDC dated 29.06.2019 by HPERC.

4.3.9 Moreover, the Petitioner with reference to a query has also mentioned that the employee strength of SLDC Uttarakhand and SLDC Uttar Pradesh as mentioned as 37 Nos and 30 Nos respectively is not correct., The actual sanctioned employee strength in respect of SLDC Uttarakhand is 51 Nos and SLDC Uttar Pradesh is 287 Nos as per detail provided by the respective SLDC, Which is in contradictory to the mentioned query raised by the Consumer representative.

4.3.10 With reference to SCADA staff, the Petitioner submitted that the number of personnel in real-time needs to be enhanced to ensure adequate strength in the control room round-the-clock after considering entitled leaves, public holidays, festivals, business travel, training, special assignments.

4.3.11 In view of above the Petitioner is of the view that 69 Nos employee strength of HPSLDC is justified to run the States System Operation in a most reliable and efficient manner.

Commission's views

4.3.12 It is vital that the state SLDC has adequate manpower to manage power scheduling and monitoring in an effective manner. However, at the same time it is necessary that only required number of employees are recruited and work is carried out in an efficient manner, which would also limit any unnecessary expense.

4.3.13 Based on the comments of the stakeholder as well as response of the Petitioner, the Commission feels that the Petitioner has recently taken over the functions of SLDC from HPSEBL and should initially focus on streamlining its activities and procedures. As also discussed in Chapter 7, the Commission has limited the employee strength at current level for the balance Control Period. The Petitioner may undertake separate approval from the Commission for additional manpower requirement.

4.4 Carrying Cost

Stakeholder's comments

4.4.1 HPSEBL has submitted that in its filing of the True up of FY2018-19 of 3rd MYT Control period and True up of FY2019-20, FY2020-21 of the 4th Control Period, the provisions of the Regulation 14 (5) of HPERC (Levy and Collection of Fees and Charges by SLDC) (Second Amendment) Regulations'2018 regarding carrying cost on the True-up ARR Revenue Gaps/ Revenue Surpluses have not been considered.

4.4.2 HPSEBL further submits that the regulation is applicable w.e.f. 22.11.2018 onwards. The Stakeholder humbly requests the Commission to consider this aspect of carrying cost while approving the True-up of FY2018-19 of 3rd MYT Control period and True up of FY2019-20, FY2020-21 of the 4th Control Period.

Petitioner's reply

4.4.3 The Petitioner submitted that these aspects of carrying cost/ holding cost on Revenue Gaps/ Revenue Surpluses for FY 2014-15, FY 2015-16, FY 2016-17 and FY 2017-18 were proposed in its 4th Control Period MYT petition, as shown in Table: 32 of MYT Order dated 29.06.2019.

4.4.4 Further, the Petitioner has mentioned that the Commission in its 4th Control Period MYT Order of HPSLDC, dated 29.06.2019 had not considered this aspect of carrying cost/ holding cost on Revenue Gaps/ Revenue Surpluses while approving.

4.4.5 Therefore, in line with the procedure followed by the Commission in its last

MYT Order, the Petitioner in its present petition has also not considered the carrying cost/ holding cost aspect on Revenue Gaps/ Revenue Surpluses for FY 2018-19, FY2019-20 and FY2020-21.

Commission's views

4.4.6 The Commission has calculated carrying cost on revenue surplus/gap generated in true-up years (FY 2018-19 and FY 2019-20) which is covered under Chapter 5 of this Order.

4.5 LDCD Fund

Stakeholder's comments

4.5.1 HPSEBL has submitted that the Commission in MYT Order for HPSLDC dated 29.06.2019, at para 7.13.3, has approved the creation of Load Despatch Centre Development Fund (LDCD fund). In this fund, the amount against the approved charges on account of return on equity, interest on loan, depreciation shall be deposited by HPSLDC. The other specific provisions with respect to the operating the LDC development fund by HPSLDC have also been given in the same para 7.13.3.

4.5.2 HPSEBL further submitted that in the submissions of HPSLDC, net ARR for FY2018-19 is revenue surplus to the tune of Rs. 144.89 lakh. This surplus of Rs. 144.89 lakh (which include income from SLDC Operations to the tune of Rs. 512.43 lakh & income from investments to the tune of Rs. 54.34 lakh) of FY2018-19 has been shown adjusted in the ARR of FY2021-22 by HPSLDC without complying to the para 7.13.3 of the HPSLDC MYT Order dated 29.06.2019.

4.5.3 HPSEBL pointed that surpluses of Rs. 144.89 lakh of FY2018-19 include the amount of return on equity, depreciation, interest on loan, total amounting to Rs. 3.54 lakh. HPSEBL suggested that amount of Rs. 3.54 lakh may be excluded from the surplus of FY2018-19 & requested the Commission to direct HPSLDC to comply the provisions for the maintenance of LDCD fund.

4.5.4 HPSEBL has further submitted that the Net ARR for FY2019-20 is Rs. 193.93 lakh which includes the amount on account of return on equity, interest on loan, depreciation to the tune of Rs. 22.04 lakh. The stakeholder is of the view that HPSLDC needs to deposit the above-mentioned amount in the LDCD fund in compliance to the para 7.13.3 of the HPSLDC MYT Order dated 29.06.2019. Thus, HPSEBL humbly requests the Commission to direct HPSLDC to deposit the amounts specific to aforementioned accounts in the LDCD fund.

Petitioner's reply

4.5.5 The Petitioner submitted that in compliance to the directions of the Commission, the Petitioner had created the requisite LDCD Fund and deposited the past period surplus as well as yearly recovered expenses. The Petitioner further submits that the above funds were deposited in savings account of State Bank of India, Totu, Shimla, which offers interest rate of

2.70% per year.

4.5.6 Moreover, the Petitioner also mentioned that the other specific provisions with respect to the operating of the LDC development fund by HPSLDC as given in the same para 7.13.3 was that any asset created by the HPSLDC 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.

4.5.7 The Petitioner has also highlighted that it has not created any assets out of the money deposited into the LDCD Fund for FY 2018-19. Therefore, the concept of excluding surplus amount of Rs. 3.54 lakh corresponding to return on equity, depreciation, interest on loan from the total ARR is incorrect.

Commission's views

4.5.8 The Commission has reviewed the previous balances of LDCD fund and additions based on truing-up for FY 2018-19 and FY 2019-20, as well as revised projection for depreciation, interest on loan and ROE. Based on the same, revised balances for LDCD fund has been computed in Chapter 5 and 7 of this Order. The Petitioner is required to ensure that the same are deposited in the LDCD fund.

4.6 SLDC Charges

Stakeholder's comments

4.6.1 HPSEBL has submitted that during FY2020-21, HPSLDC has submitted the SLDC charges bills on monthly basis on the contracted capacity of HPSEBL including capacity addition during the respective month for the period from April 2020 to December 2020 in line with the approved ARR for HPSLDC for FY2020-21. However, HPSLDC revised the bills for SLDC charges for the period of April 2020 to December 2020 on its own reworked ARR in contradiction to the approved ARR by the Commission. Further, for the period January 2021 to March 2021 SLDC charges bills were not in consonance with approved ARR for FY 2020-21.

Petitioner's reply

4.6.2 The Petitioner submitted that HPSLDC had revised the bills for SLDC charges for the period of April 2020 to March 2021 on revised and reworked ARR strictly as per the Interim Order passed by the Commission vide No. 3337, dated: 26.03.2021.Moreover, after the revision of the SLDC charges bills in respect of the LTOA customers of the HPSLDC for the period mentioned as above, a financial burden on the LTOA customers has been reduced by an amount of Rs. 165.23 Lakh for FY 2020-21.

4.6.3 Further, the Petitioner mentions that there is no contradiction as HPSLDC has submitted the SLDC charges bills on monthly basis on the contracted capacity of HPSEBL including capacity addition during the respective month for the period from April 2020 to December 2020 in line with the approved ARR/Interim Order passed by the Commission vide No. 3337, dated:

26.03.2021.

Commission's views

4.6.4 The Commission notes that the Petitioner has billed the Long-Term Open Access consumers as per rates determined by the Commission through its interim Order dated 26th March 2021 in overall interest of all the stakeholders. The revised SLDC charges have also benefitted HPSEBL on account of reduced SLDC charges.

Stakeholder's comments

4.6.5 HPSEBL has submitted that the contracted capacity of HPSEBL on month-to-month basis varies on account of capacity addition on commissioning of new SHPs who are selling power to HPSEBL or diversion of GoHP Free Power entitlement in Interstate projects (NHPC, NTPC & SJVNL) on requisition basis to meet the demand of the State. Whenever, GoHP free power is diverted by DoE, GoHP to HPSEBL, the HPSLDC charges are payable by HPSEBL to HPSLDC, however for this power the SLDC charges bills are not being raised by HPSLDC on HPSEBL and it is left to the DOE and HPSEBL to settle the SLDC charges at their end.

4.6.6 HPSEBL pointed that Regulation 29 (5) of the HPERC (Levy and Collection of Fees and Charges by SLDC) Regulations 2011, provides that the State Load Despatch Centre charges payable by users shall be determined by the Commission in accordance with the following formula:

SLDC charges = SLDC ARR/total contracted capacity (MW) x Contracted capacity of User (MW)

4.6.7 Further, HPSEBL also mentioned that Regulation 25 (1) of the HPERC (Levy and Collection of Fees and Charges by SLDC) Regulations 2011 provides for billing & payment of charges wherein the bills shall be raised on monthly basis by Power System Operating Company / SLDC in accordance with these regulations, and payments shall be made by the users directly to the Power System Operating Company / SLDC.

4.6.8 Therefore, HPSEBL requested the Commission for appropriate direction to the HPSLDC on the SLDC charges billing on LTOA/Medium Term Customers based on the actual monthly contracted capacity.

Petitioner's reply

4.6.9 The Petitioner submitted that HPSLDC is raising the monthly SLDC charges bills to the HPSEBL and DOE, GoHP and other LTOA customers on the basis of the actual power handled by the HPSLDC in respect of respective customers for a particular month on the basis of rate approved by the Commission i.e. Rs/MW/month for a particular financial year.

4.6.10 HPSLDC further mentions that as pointed out by the HPSEBL, the HPSLDC will raise the SLDC charges bills towards the diverted portion of free power of DOE, GoHP to the HPSEBL in favour of the HPSEBL in future.

4.6.11 HPSLDC also requested to HPSEBL that a prior intimation of the diversion of quantum of power along with duration of such diverted quantum may be conveyed to the HPSLDC well before 15 days of such diversion, so that the desired necessary action could be taken.

Commission's views

4.6.12 The Petitioner should undertake suitable steps for proper invoicing from long-term/ medium-term customers.

4.7 Income from SLDC operations

Stakeholder's comments

4.7.1 HPSEBL has submitted that HPSLDC in its submissions has sought downward revision of their ARR pertaining to FY2021-22, FY2022-23 & FY2023-24 in the Mid Term Review with respect to the approved figures in the 4th MYT Order dated 29.06.2019.

4.7.2 The Stakeholder has further mentioned that the major changes are in the employee expenses under the O&M Expenditure and increase in Income from SLDC operations. The income from SLDC operation has been shown as Rs. 262.14 lakh during the period of review for FY22 to FY24 whereas actual income from SLDC operations during the period of True up of FY20 & FY21 is Rs. 739.97 lakh & Rs. 987.68 lakh respectively.

4.7.3 HPSEBL requested the Commission to seek clarification from HPSLDC for projecting the lower value of income from SLDC operation from the actual trends in this regard.

Petitioner's reply

4.7.4 The Petitioner submitted that the Employee expense under O&M expense for FY 2021-22 is calculated on the provisional trued-up value of employee expense for FY 2020-21 with almost 30% increase in No. of Employees and considering 5-year Average CPI index. Similarly, the Employee expense for FY2022-23 & FY2023-24 is calculated on the previous year's Employee expense. Therefore, there is a downward revision of Employee expense as compared to the approved employee expenses in MYT Order dated:29.06.2019 pertaining to FY2021-22, FY2022-23 & FY2023-24.

4.7.5 Further, the Petitioner has considered Income from SLDC operations for FY2021-22, FY2022-23 & FY2023-24 as per the Trued-up value for FY 2019-20 corresponding to Income from POSOCO, SLDC operating charges, NOC fees, and Income from Registration fees, Income from investments (Banks) only. However, LTOA income like Income from DOE, GoHP, Income from HPSEBL and Income from other LTOA customers has not been considered in projections because LTOA charges are calculated considering Revenue and expenses.

4.7.6 Therefore, there is a downward revision of Income from SLDC operations in FY2021-22, FY2022-23 & FY2023-24.

Commission's views

4.7.7 The working with respect to employee cost has been detailed in Chapter 7 of this Order. Further, the Commission concurs with the response provided by the Petitioner with respect to projection of SLDC charges.

4.8 R&M Expenses

Stakeholder's comments

4.8.1 HPSEBL has submitted that the R&M expenses for FY2019-20 are high i.e. Rs. 245.95 lakh in comparison to the previous year R&M expenses which were to the tune of Rs. 67.13 lakh. Further, the Stakeholder has mentioned that HPSLDC has also paid income tax for FY2019-20.

4.8.2 HPSEBL humbly requests the Commission to seek justifications of above before approving the actual amount.

Petitioner's reply

4.8.3 The Petitioner submitted that these expenditures are accounted mainly due to the Building Repairs & Refurbishment and consideration of expenditure towards implementation of an Integrated IT Solution/ Software Applications as a Revenue Expenses in the respective years in compliance to the approval conveyed by the Commission vide letter No. 2287, dated: 06.12.2019

4.8.4 The Petitioner requested the Commission to treat these expenses as a one-time expense and approve the actual claims towards such expenses in FY 2019-20.

Commission's views

4.8.5 The Commission has examined R&M expenditure in detail and has also sought queries from HPSLDC regarding justification of such expenditure. The Commission has independently analysed the claim of the Petitioner with regard to R&M expense for FY 2019-20 as detailed out in Chapters 5.

Stakeholder's comments

4.8.6 HPSEBL has submitted that it has handed over the SLDC building including assets worth to the tune of Rs. 2.90 Crore to HPSLDC on 13.06.2019, however the possession of assets has been taken by HPSLDC in April 2019. However, the impact of assets transferred from HPSEBL to HPSLDC in FY2019-20 worth Rs. 2.90 Crore on Gross Fixed Assets (GFA) in the ARR has not been shown by HPSLDC.

4.8.7 HPSEBL humbly requests the Commission to consider the impact of transferred assets to HPSLDC in their GFA addition and HPSLDC ARR for FY2019-20 and may be Trued-up accordingly.

Petitioner's reply

4.8.8 The Petitioner submitted that there is a GFA addition of Rs. 283.79 Lakh (Post Decapitalization of 6.07 Lakh from the Original Asset Transfer of Rs. 289.00 Lakh, as per Note-5 of FY 2019-20 Audited Accounts), due to the transfer of Building Assets to HPSLDC from HPSEBL at the depreciated value. In addition, the details GFA addition with respect to building asset transfer is also provided in the Annual Audited Accounts of FY 2019-20.

4.8.9 Moreover, the Petitioner would also like to highlight that, the building assets transferred from HPSEBL needs reconciliation, since there are some identified assets other than HPSLDC building, which does not form the part of building assets but have been considered in the entire assets transferred value of Rs. 289.00 Lakh.

Commission's views

4.8.10 Scrutiny of the accounts of HPSLDC provides for mentioned amount towards transfer of assets in the gross fixed assets for FY 2019-20. However, the significant increase in asset value from Rs. 121 lakh as envisaged to be transferred from HPSEBL earlier to Rs. 283 lakh remains unexplained. Also, it is observed that the asset amount is under reconciliation. Therefore, the Commission has continued with the amount of Rs. 121 lakh towards assets transferred in this Order. The Petitioner is directed to resolve the discrepancy with regard to the cost of transferred asset and provide justifications for increased costs along with adequate supporting documents in the subsequent filing.

5 TRUE-UP OF AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2018-19 & FY 2019-20 AND PROVISIONAL TRUE-UP FOR FY 2020-21

5.1 Background

5.1.1 HPSLDC has submitted true-up of FY 2018-19 of 3rd MYT Control Period, FY 2019-20 of 4th MYT Control Period and Provisional True-up of FY 2020-21 of 4th MYT Control Period. Audited annual accounts for FY 2018-19 and FY 2019-20 and provisional accounts of FY 2020-21 (upto Q3) have been submitted by the Petitioner in support of their claim.

5.1.2 As per the HPERC MYT SLDC 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 In the current Petition, the Petitioner has submitted for final true-up of FY 2018-19 to FY 2019-20 based on audited accounts along with provisional true-up of FY 2020-21.

5.1.4 For purpose of truing-up of FY 2018-19 and FY 2019-20, 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 2018-19 to FY 2019-20 in line with the HPERC MYT SLDC Regulations 2011, considering all the information, data submissions and necessary clarifications submitted by the SLDC as well as views expressed by stakeholders.

5.1.5 It is observed that provisions of the HPERC MYT SLDC Regulations 2011 do not provide for provisional true-up. Also, it is observed that the Petitioner has provided provisional accounts for 9 months period only. Therefore, any provisional true-up for FY 2020-21 cannot be undertaken. However, in view of actual numbers for FY 2018-19 and FY 2019-20, the Commission has carried out revision of ARR parameters for balance Control Period, including FY 2020-21, as part of the Mid-Term Review which is covered in the subsequent Chapter.

5.1.6 In MYT Order dated 29th June 2019 for fourth Control Period (FY 20 to FY 24), the Commission had observed that HPSLDC shall be initiating complete and independent operations from FY 2019-20 onwards, post transfer of SLDC infrastructure from the HPSEBL. Considering that the SLDC functions were being undertaken by HPSEBL and was later transferred to HPSLDC, the Commission had indicated that the adequacy of various expenditure specific to SLDC function could only be evaluated once HPSLDC comes in full operations for a couple of years and thereafter it shall be able to determine the ARR parameters with more certainty. Therefore, the Commission had allowed provisional amounts under several ARR parameters to account for expenditure which were unidentified.

5.1.7 For true-up of FY 2018-19 and FY 2019-20, the Commission has adopted a relaxed approach and trued-up various items based on the actual expenditure for respective years along with adequate prudence check.

5.1.8 The following sections details the methodology adopted by the Commission for truing-up of various parameters of the ARR for FY 2018-19 to FY 2019-20of HPSLDC.

5.2 Operation & Maintenance (O&M) Expenses

5.2.1 The Commission in its Mid-Term Review (MTR) Order dated 10th April 2017 had approved O&M Expenditure for FY 2018-19 on the basis of actual figures till FY 2015-16 and as per formula provided in the HPERC MYT SLDC Regulations, 2011. Subsequently, in MYT Order dated 29th June 2019 for fourth Control Period (FY 20 to FY 24), the Commission had approved the O&M expenses of HPSLDC considering the fact that HPSLDC shall be initiating complete and independent operations from FY 2019-20 onwards subsequent to the transfer of SLDC infrastructure from the HPSEBL.

5.2.2 As the SLDC infrastructure has been transferred from HPSEBL in the years under consideration for True-up, the Commission has considered their impact for purpose of True-up as well as Mid-Term Review. On the same line, the Commission has also considered actual addition in employees and its impact on employee cost.

5.2.3 In line with the above, the Commission has examined the submissions made by HPSLDC with respect to components of O&M expenses for FY 2018-19 to FY 2019-20 with the audited accounts as discussed below:

A) Employee Expenses

5.2.4 The Petitioner has claimed the actual employee expenses for FY 2018-19 to FY 2019-20 based on the audited annual account for these years. The Commission in its Mid-Term Review Order dated 10th April 2017 had approved employee cost for FY 2018-19 based on past trends. In its Order, the Commission had clarified changes on account of employee addition shall be considered at the time of truing-up. Accordingly, the Commission feels it appropriate to approve actual employee cost for FY 2018-19.

5.2.5 For FY 2019-20, the Commission in its MYT Order had approved the proposal of Petitioner for addition in employees for smooth functioning of SLDC. However, it is observed that actual employee cost for FY 2019-20 is lower than value approved in MYT Order due to lower employee addition as compared to approved value. Therefore, the Commission approves actual employee cost for the purpose of truing-up for FY 2019-20.

5.2.6 Further, it was observed that the Petitioner had considered training expense as part of employee cost for FY 2019-20 despite the amount being categorised under A&G expenditure in the audited accounts of respective year. Since training expense forms part of A&G expense, the Commission deems it appropriate to treat training expense as sub-component of A&G Expense.

5.2.7 Accordingly, the employee cost approved by the Commission for true-up of FY 2018-19 to FY 2019-20 is summarised in the table below:

Table 38: Approved Employee Expenses for FY 19 and FY 20 (Rs. Lakh)

Particulars	FY19	FY20
As Approved in MTR/MYT order	289.33	116.44
As submitted by Petitioner	306.62	321.38
Approved in True-up	**306.62**	**311.71**

B) A&G Expenses

5.2.8 The Petitioner has proposed the A&G expenses for FY 2018-19 and FY 2019-20 as per the actual expenses booked under the annual audited accounts for the respective years.

5.2.9 The Commission notes that the Petitioner has initiated some of the SLDC function from FY 2018-19 resulting in increase in A&G expenses. Since the earlier approved A&G expense for FY 2018-19 were based on actual figures for FY15 & FY16, the Commission feels it appropriate to approve actual A&G expenditure for FY 2018-19.

5.2.10 For FY 2019-20, the Commission had partly approved A&G expense based on historic cost and provided additional provision to cover for other expenses including:

- Petition filing fee, Advertisement charges and Consultancy charges.
- Database licensee for workstation, water charges, security, housekeeping, municipal corporation tax, SSL certificate cost, AMC Cyberoam, helper and other subscription and membership fees.

5.2.11 The actual A&G expense for FY 2019-20 as per audited accounts is Rs. 90.17 lakh as against approved of Rs. 80.11 lakh. Based on scrutiny of elements of A&G expense, an amount of Rs. 23.72 lakh is recorded as "TDS written off" under A&G expense. In response to the query, the Petitioner submitted that the amount was lying in the books of accounts of HPSLDC as a debit balance under current assets in previous years and while reconciling the books of accounts, the Petitioner found that no such amount was pending with tax authorities and hence, the same was written off to P&L Account during FY 2019-20.

5.2.12 The Commission has therefore, excluded the TDS written off as part of A&G expenditure as no actual expenditure is involved. Additionally, the Commission has allowed training expense as already included under A&G expenditure in the audited accounts.

5.2.13 Based on the above, the trued-up A&G expenses approved by the Commission for FY 2018-19 to FY 2019-20 is summarised in the table below-

Table 39: Approved A&G Expenses for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
As Approved in MTR/MYT order	18.24	80.11

Particulars	FY19	FY20
As submitted by Petitioner	31.26	80.50
Approved in True-up	**31.26**	**66.40**

C) R&M Expenses

5.2.14 The Petitioner has submitted the R&M expense for FY 2018-19 to FY 2019-20 as per the audited accounts of respective years.

5.2.15 The Commission in its Mid-Term Review Order dated 10th April 2017 had approved R&M Expenditure for FY 2018-19 based on historic costs and provisions of the MYT Tariff Regulations 2011. Further, in MYT Order for fourth Control Period, the Commission had approved annual R&M expenditure of Rs. 10 lakh provisionally for each year of Control Period in absence of adequate base data. The same was to be reviewed based on the actual expenditure during the initial years during the Mid-term review.

5.2.16 For FY 2018-19, it is observed that an amount of Rs. 64.74 lakh is reflected towards 20% share towards R&M expenses payable to HPSEBL. In response to a query, the Petitioner submitted that a provision of Rs. 64.74 lakh was made while finalizing the annual accounts of HPSLDC for FY 2018-19. Further, the Petitioner has clarified that since no invoice was raised against 20% repair and maintenance charges for FY 2018-19, HPSLDC has not paid any amount against this provision during FY 2018-19 and 2019-20. However, in FY 2020-21, the Petitioner has paid an amount of Rs. 10,97,931 against this provision based on the invoice raised by HPSEBL. Since, the amount of Rs. 64.74 lakh is merely a provision under the R&M expense, the Commission has not considered the same under approved R&M expense and shall allow the actual payment made in subsequent years.

5.2.17 For FY 2019-120, an amount of Rs. 245.94 lakh is recorded under R&M expenses. It is observed that the Petitioner has sought Rs 67.21 lakh in FY 2019-20 for R&M of office, fixture and maintenance while an amount of Rs. 46.28 lakh has been sought towards R&M of old building transferred from HPSEBL. The Petitioner has claimed that these activities and related expenditure were approved in the 10th General Body Meeting of the Petitioner. The Petitioner has cited Cost Accounting Standard on Repairs and Maintenance Cost (CAS-12) issued by Institute of Cost Accountants of India (ICMAI) to justify that the expense incurred are of the nature of R&M expenditure and requested the Commission to approve the same under R&M expense.

5.2.18 Further, the Petitioner has submitted that in order to implement the Intra-State Deviation Settlement Mechanism, it had awarded the work related to implementation of integrated IT Solution/ Software Applications of Rs. 247.23 Lakh to a software development firm selected through a e-tendering process on 15th March 2019. Since the awarded work was prior to the approval of the Central PSDF, the funding of Rs. 247.23 Lakh was not considered under the Central PSDF grant. The Petitioner had made certain payments against the said work post approval of the Commission which have been recorded under R&M expense (revenue expenditure). In this regard, the Petitioner has submitted the following:

"3.2.16.Petitioner, vide its letter no. HPSLDC/ SLDC-17/ MYT/ 2018-19-285, dated 17th May 2019 apprised the Hon'ble Commission regarding the aforementioned issue of non-approval of the Central Grant by the Ministry of Power in respect of award of work for development of an Integrated IT Solution/ Software Applications issued prior to the sanction of the Central Grant.

In addition, Petitioner also highlighted the Commission that, in order to implement the Intra-State Deviation Settlement Mechanism in true spirit, Petitioner had awarded the work related to implementation of above-mentioned integrated IT Solution/ Software Applications of Rs. 247.23 Lakhs to a software development firm selected through a fair E-tendering process on 15th March 2019.

As mentioned in para 1.2.16., since the awarded work was prior to the approval of the Central PSDF, the funding of Rs. 247.23 Lakhs was not considered under the Central PSDF grant. Petitioner, therefore requested the Hon'ble Commission to allow the expenditure to be incurred towards 60% of the total awarded work i.e., 148.00 Lakhs from the Load Despatch Centre Development (LDCD) Fund.

3.2.17. In response to the submission of the Petitioner, the Commission's vide letter no. HPERC-II (1)-25-DSM/ 2019-2287, dated 6th December 2019, had approved Rs. 69.00 Lakhs out of the total requested expenditure of Rs. 148.00 Lakhs from the State PSDF as a stop gap arrangement, with a condition of recouping the same to the State PSDF account through the surpluses of the HPSLDC.

The Commission further suggested HPSLDC to use its surplus of FY 2019-20 for meeting its remaining outstanding cost of Rs. 79.61 Lakhs. Petitioner thus infused Rs. 79.61 Lakhs corresponding to the remaining outstanding amount of Rs. 148.34 Lakhs from its reserves and surplus of FY 2019-20.

3.2.18. The Hon'ble Commission through its letter referred to as above also allowed the utilization of State PSDF for the subsequent installments towards the awarded work of Rs. 247.23 Lakhs on the similar conditions. The Commission letter dated 6th December 2019 is enclosed as Annexure-H to this Petition.

3.2.19. Subsequently, another amount of Rs. 24.72 Lakhs (10% of the awarded value) out of the 247.23 Lakhs was to be paid by Petitioner in FY 2020-21, where Petitioner in lines with the Hon'ble Commission's approval through its letter dated 6th December 2019 utilized Rs. 22.73 Lakhs from the State PSDF as a stop gap arrangement and infused the remaining 1.99 Lakhs from its reserves and surplus of FY 2020-21.

3.2.20. Thus, Petitioner has booked Rs. 79.61 Lakhs and Rs. 1.99 Lakhs as the Revenue Expenditure in FY 2019-20 and FY 2020-21, respectively. In addition, since the funds utilized from the State PSDF are to be recouped from the Petitioner's surpluses, which is similar of claiming expenses as part of ARR. Petitioner has considered a total lump sum of Rs. 91.73 Lakhs as a revenue expenditure in FY 2020 21.

3.2.21. Petitioner therefore humbly submits the Hon'ble Commission that, instead of capitalizing the entire expenditure of Rs. 247.23 Lakhs towards SAMAST scheme, the same has now been considered as part of Revenue Expenditure i.e., R&M Expenses for the respective years."

5.2.19 Therefore, the Petitioner has claimed an amount of Rs 79.34 lakh as R&M expense in FY 2019-20.

5.2.20 The Commissions ought further clarifications for incorrect recording of capital expenditure as revenue expenditure for which the Petitioner was unable to provide adequate justification. It is observed that both expenditures i.e. R&M of Building as well as Expenditure for Software procurement are of capex nature and cannot be considered under revenue expenditure (R&M expense) as proposed by the Petitioner.

5.2.21 In view of the fact that the amount has already been recorded in audited accounts of FY 2019-20 under revenue expenditure, the Commission approves a one-time allowance under the ARR for recovery of this amount. **However, the Petitioner is directed to consider all future expenditure including recouping of State PSDF fund (expenditure towards IT solution/ software) during FY 2020-21 to be accounted properly in line with the accounting principles.**

5.2.22 The trued-up R&M expenses for FY 2018-19 and FY 2019-20 is summarised in the table below:

Table 40: Approved R&M Expenses for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
As Approved in MTR/MYT order	18.04	10.00
As submitted by Petitioner	67.13	245.95
Approved R&M	**2.39**	**53.11**
One-time Charge for renovation of old office/building and SAMAST software procurement	**-**	**192.84**

D) Total O&M Charges

5.2.23 Based on the above approved components of O&M expense, the total trued-up O&M expense approved for FY 2018-19 to FY 2019-20 is provided in table below:

Table 41: Approved O&M Expenses for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
Employee Expense	306.62	311.71
A&G Expense	31.26	66.40
R&M expense	2.39	53.11
Total O&M Expense	**340.27**	**431.22**
One-time Charge for renovation of old office/building and SAMAST software procurement	**-**	**192.84**

5.3 ULDC Charges

5.3.1 The Petitioner has submitted that physical asset transfer from HPSEBL to itself was materialized in FY 2019-20. Thus, the claim of ULDC charges by the Petitioner in FY 2018-19 will be only 20% of the annual ULDC Charges, whereas in FY 2019-20 HPSLDC has paid 87.41% of the annual Ex-Works Cost under ULDC scheme and 88.41% of the annual ULDC AMC Cost.

5.3.2 The Commission has considered 'Nil' ULDC charges for FY 2018-19 and Rs 137.57 lakh for FY 2019-20 as per the claim of the Petitioner and as also reflected in the audited accounts of respective years.

Table 42: Approved ULDC charges for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
ULDC I/II Charges	**0.00**	**137.57**

5.4 RLDC Fees & Charges

5.4.1 The Petitioner has submitted 'Nil' RLDC charges for FY 2018-19 and Rs. 77.59 lakh for FY 2019-20 as against approved value of Rs. 88.40 lakh for FY 2019-20 in MYT Order dated 29th June 2019. The Commission observes that the same is as per audited accounts for respective years and hence approves the amount in true-up of respective years as below:

Table 43: Approved RLDC Fees and charges for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
ULDC I/II Charges	**0.00**	**77.59**

5.5 Capital Expenditure

5.5.1 With respect to opening Gross Fixed Assets (GFA), it is observed that as per audited account of FY 2018-19, the opening GFA stands at Rs. 16.45 lakh in comparison with Rs. 21.31 lakh as approved closing GFA for FY 2017-18. The Commission notes that the accounts for previous years were not being prepared as per Companies Act. However, the accounts submitted for FY 2018-19 onwards are in compliance to Companies Act. Accordingly, the Commission feels it appropriate to consider the opening GFA of Rs. 16.45 lakh for FY 2018-19 as per audited accounts and also pro-rate the equity and normative debt balances for FY 2018-19.

5.5.2 As per audited accounts, the Petitioner has incurred capitalization at Rs 15.1 lakh primarily towards computers, printers and other IT equipment.

5.5.3 In the MYT Order dated 29th June 2019, the Commission had considered the capex of Rs. 997.5 lakh and Rs. 322.51 lakh towards capitalization during FY 2019-20. However, it is observed that the actual capitalization as submitted by the Petitioner on basis of its audited accounts stand at Rs. 283.79 lakh. The actual capitalization of Rs 283.79 lakh is towards the transfer of SLDC assets from HPSEBL including building and other assets and does not include any other expenditure towards the schemes approved in the MYT Order dated 19th June 2019.

5.5.4 The Commission sought detailed clarification regarding the original cost and funding of the building transferred to HPSLDC from HPSEBL along with the GoHP letter on basis of which the transfer of asset was made. The Petitioner in its reply submitted documents regarding original cost and funding of the building along with correspondence with GoHP regarding transfer of the building from HPSEBL to HPSLDC. Also, the Petitioner submitted an invoice raised by HPSEBL for transfer of the building claiming an amount of Rs. 283.79 lakh. With regard to the transferred assets, the Petitioner has stated the following:

"3.3.2. Moreover, Petitioner would also like to highlight that, the building assets transferred from HPSEBL needs reconciliation, since there are some identified assets other than HPSLDC building, which does not form the part of building assets but have been considered in the entire assets transferred value of Rs. 289.00 Lakhs. The matter of need for reconciliation of the books of accounts with the HPSEBL was also discussed and deliberated in the 10th General Body Meeting of HP Load Despatch Society vide Item No. A-3.4. Copy of minutes of meeting of the 10th GBM is enclosed herewith as Annexure-F.

3.3.3. In present Petition, entire assets value has been capitalized into the books of FY 2019-20 and accordingly Petitioner have claimed the related expenses which are covered subsequent chapters of this Petition. Thus, Petitioner humbly requests the Hon'ble Commission to allow the reconciled value of the transferred of assets, if any, as and when the entire reconciliation activity is completed."

5.5.5 It is observed that an asset value of Rs. 121 lakh was envisaged to be transferred from HPSEBL earlier. The increased amount of asset remains unexplained and the same is also under reconciliation with HPSEBL. Therefore, the Commission feels it prudent to continue with Rs. 121 lakh as envisaged earlier. The Petitioner is directed to resolve the discrepancy with regard to the cost of transferred asset and provide justifications for increased costs along with adequate supporting documents in the subsequent filing.

5.5.6 Further, it is observed that GoHP in the said letter regarding transfer of the building has not specified any payment against such transfer. In support of the claim for payment against the transferred asset, the Petitioner has provided an invoice of HPSEBL. However, no Government Order or approvals have been placed for endorsing payment against the transferred assets. Accordingly, the Commission has not considered any debt or equity corresponding to the transferred assets and accordingly no depreciation has been provided corresponding to these assets. The Commission shall undertake a decision in this regard post finalization of the transfer and availability of adequate documents including approvals, appropriate documents with respect to funding, etc.

5.5.7 Based on the above, the Commission considers it prudent to allow the capitalisation for FY 2018-19 based on audited accounts and provisional amount of Rs. 121 lakh against the transferred assets for FY 2019-20.Corresponding to the capitalization for FY 2018-19, normative Debt: Equity of 70:30 has been considered as per the HPERC MYT SLDC Regulations 2011 while for transferred assets the same has been considered to be funded through grant. The approved capitalisation for FY 2018-19 and FY 2019-20 along with funding details is provided in the table below.

Table 44: Approved Capitalization for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
As Approved in MTR/MYT order	7.00	322.51
As submitted by Petitioner	15.10	283.79
Approved Capitalisation	**15.10**	**121.00**
Grant	-	*121.00*
Debt (70%)	*10.57*	*0.00*
Equity (30%)	*4.53*	*0.00*

5.6 Depreciation

5.6.1 The depreciation claimed by the Petitioner for FY 2018-19 to FY 2019-20 as per its audited accounts vis-à-vis depreciation approved in MTR Order of third Control Period and MYT Order of fourth Control Period of SLDC is summarised in the table below:

Table 45: Depreciation proposed for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
As Approved in MTR/MYT order	0.68	9.19

Particulars	FY19	FY20
As submitted by Petitioner	2.22	12.87

5.6.2 In response to one of the queries raised by the Commission with respect to computation of depreciation in accordance with Regulation 22 (4) of HPERC MYT SLDC Regulations 2011, the Petitioner submitted that it has considered capitalization for relevant years for calculating depreciation.

5.6.3 The Commission has considered the depreciation rates and asset category for arriving at the depreciation for each year. Since detailed working of depreciation in line with the Commission followed methodology was provided, the Commission has considered the depreciation as approved in the accounts for FY 2018-19.

5.6.4 However, for FY 2019-20, the Commission has excluded the provisional amount of Rs. 121 lakh for computation of depreciation and has arrived at the approved depreciation. The approved depreciation considered for the purpose of true-up is summarized below:

Table 46: Approved Depreciation for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
Opening GFA	16.45	31.54
Addition during the year	15.10	-
Closing GFA	31.54	31.54
Depreciation	**2.29**	**4.59**

5.7 Interest and Finance Charges

5.7.1 It was observed that the Petitioner had initially submitted opening debt balance of Rs. 3.57 Lakh for FY 2018-19 as against the approved value of Rs. 3.09 lakh as closing debt of FY 2017-18 in MYT Order dated 29th June 2019. However, in response to a query, the Petitioner clarified that the same was due to clerical mistake and submitted revised calculation for FY 2018-19 to FY 2019-20 for truing-up based on the proposed capitalisation as summarised in the table below-

Table 47: Interest and Finance charges proposed for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
As Approved in MTR/MYT order	2.41	4.18
As submitted by Petitioner	0.31	1.21

5.7.2 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.

5.7.3 The Commission has also pro-rated the opening debt for FY 2018-19 in view of the revision in GFA as discussed in the section 5.5. Accordingly, the Commission has considered an opening debt of Rs. 2.39 lakh for FY 2018-19.

5.7.4 For the purpose of the approving interest on normative loans for FY 2018-19 to FY 2019-20, the Commission has considered the average of opening and closing normative loans after providing for repayment equivalent to the depreciation for the respective years.

5.7.5 In absence of any loans availed by HPSLDC, the Commission has considered interest rate of 10.15% and 10.55% for FY 2018-19 and FY 2019-20 respectively based on the 1 Year SBI MCLR + 200 Basis Points for the respective years in line with the HPERC MYT SLDC Regulations 2011.

5.7.6 Based on the above, the approved Interest & Finance charges towards truing-up for FY 2018-19 to FY 2019-20 are tabulated below:

Table 48: Approved Interest and Finance charges for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
Debt at the beginning of the year	2.39	10.66
Debt portion for Capitalisation during the FY	10.57	0.00
Repayment of Loan*	2.29	4.59
Closing Loan	10.66	6.07
Average Loan	6.52	8.36
Rate of Interest	10.15%	10.55%
Interest on Loan	**0.66**	**0.88**

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

5.8 Return on Equity

5.8.1 The details of Return on Equity approved for FY 2018-19 and FY 2019-20 vis-a-vis the amount claimed by the Petitioner in truing-up is provided in the table below:

Table 49: Proposed Return on Equity for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
As Approved in MTR/MYT order	1.71	3.56
As submitted by Petitioner	0.96	7.91

5.8.2 The opening equity for FY 2018-19 has been pro-rated based on reduced opening assets as per audited accounts. Accordingly, the Commission has considered opening equity of Rs. 3.04 lakh for FY 2018-19.

5.8.3 The Commission has considered normative equity equivalent to 30% of the approved capitalisation for the period FY 2018-19 and FY 2019-20and applied RoE @15.50% as summarised below:

Table 50: Approved Return on Equity for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
Opening Equity	3.04	7.57
Equity Portion during the year	4.53	0.00
Closing Equity	7.57	7.57
Average Equity	5.31	7.57
Rate of Return on Equity	15.50%	15.50%
Return on Equity (RoE)	**0.82**	**1.17**

5.9 Interest on Working Capital

5.9.1 The Commission has examined the submissions made by the Petitioner and has computed the working capital requirement for FY 2018-19 and FY 2019-20 in accordance with Regulations 23 of the HPERC MYT SLDC Regulations 2011.

5.9.2 Rate of interest on working capital has been considered as SBI MCLR as applicable on 1st April of relevant year plus 300 basis points in line with the provisions of second amendment to HPERC MYT SLDC Regulations 2011 for approving interest on working capital. The approved working capital requirement and interest on working capital towards truing-up for FY 2018-19 and FY 2019-20 is summarised in the table below:

Table 51: Approved Interest on Working Capital for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
O&M expenses for 1 month	28.36	35.93
Maintenance spares (@15% of O&M for 1 month)	4.25	5.39
Receivable for 2 months	35.37	79.64
Total Working Capital Requirement	**67.98**	**120.96**
Rate of IoWC (%)	11.15%	11.55%
Interest on Working Capital	**7.58**	**13.97**

5.10 Other Income

5.10.1 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 Power Exchanges. 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.

5.10.2 Based on the audited annual accounts of FY2018-19 to FY 2019-20, 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 2018-19 to FY 2019-20 for the purpose of true-up is detailed below:

Table 52: Approved Other Income for FY19 to FY20 (Rs. Lakh)

Particulars	FY19	FY20
A) SLDC Related Income		

Particulars	FY19	FY20
Registration Fees	3.00	5.00
NOC Fees	10.85	13.40
*SLDC Charges**	70.83	89.12
Other Receipts from POSOCO	215.54	154.62
Sub-Total	**300.22**	**262.14**
B) Other Incomes		
Income from Banks	0.77	1.82
Others	53.57	26.83
Total Other Income- (A-B+C)	**354.56**	**290.79**

*Net of HPSEBL wheeling and STU charges

5.11 Income Tax Charges

5.11.1 The Petitioner has claimed an amount of Rs. 51.84 lakh towards income tax for FY 2019-20. The Commission has analysed the Income Tax Return for FY 2018-19 and FY 2019-20 and observed that the tax liability for FY 2018-19 is Nil while the tax liability for FY 2019-20 is Rs 51.84 lakh as per audited accounts. However, based on scrutiny of tax return it is observed that the Petitioner was also required to pay interest due to delayed payment of income tax amounting to Rs. 4.27 lakh. The Commission has disallowed the interest paid on income tax by the Petitioner as the same is due to laxity on part of the Petitioner and should not be passed on to the consumers. The Commission approve the actual tax paid of Rs. 48.50 lakh as part of truing-up for FY 2019-20.

5.12 Prior Period Adjustment

5.12.1 A negative amount of Rs. 166.43 lakh is recorded as prior period adjustment in FY 2018-19 and an amount of Rs. 245.95 lakh is recorded as prior period adjustment in FY 2019-20. The amounts were reflected as excess income booked, Income from SLDC LTOA prior period, etc. Based on the details provided by the Petitioner, it is observed that the amounts were primarily relating to recovery or adjustment of income with respect to past years which have already been considered by the Commission in previous true-up exercises. Therefore, the prior period amounthave not been considered under the true-up for FY 2018-19 and FY 2019-20.

5.13 ARR Summary from FY 2018-19 to FY 2019-20

5.13.1 The summary of the ARR approved by the Commission for truing-up of FY 2018-19 to FY 2019-20 is summarised in the table below:

Table 53: Approved ARR for FY19 and FY20(Rs. Lakh)

Particulars	FY19			FY20		
	MTR approved	Petition	Approved (True-up)	MYT approved	Petition	Approved (True-up)
O&M Cost	325.61	405.02	340.27	509.91	647.83	431.22

Particulars	FY19			FY20		
	MTR approved	Petition	Approved (True-up)	MYT approved	Petition	Approved (True-up)
Employee Cost	289.33	306.62	306.62	419.80	321.38	311.71
A&G Cost	18.24	31.26	31.26	80.11	80.50	66.40
R&M Cost	18.04	67.13	2.39	10.00	245.95	53.11
ULDC Charges	50.30	-	-	102.97	137.57	137.57
			-	88.80	77.59	77.59
Depreciation	0.68	2.22	2.29	9.19	12.87	4.59
Interest & Finance Charges	2.41	0.31*	0.66	4.18	1.21*	0.88
Interest on Working Capital Requirement	8.08	13.31	7.58	14.96	25.70*	13.97
Return on Equity	1.71	0.96	0.82	3.56	7.91	1.17
Income Tax				-	51.84	48.50
Other One-time expenditure			-	-		192.84
Aggregate Revenue Requirement	**388.79**	**421.82**	**351.63**	**733.58**	**962.51**	**908.34**
Other Income	176.58	354.56	354.56	221.53	290.79	290.79
Net ARR	**212.21**	**67.26**	**(2.94)**	**512.05**	**671.72**	**617.55**

**Corrected in reply to Data Gaps*

5.14 Revenue from LTOA

5.14.1 The revenue generated by the Petitioner through levy of LTOA in FY 2018-19 and FY 2019-20 as per audited account is tabulated below:

Table 54: Revenue considered from LTOA Consumers for FY19 to FY20(Rs. Lakh)

Particulars	FY19	FY20
Revenue from LTOA	**212.21**	**477.83**

5.15 Revenue Surplus/ Gap

5.15.1 Based on the trued-up ARR and revenue approved HPSLDC for the period FY 2018-19 to FY 2019-20, the approved revenue surplus/ gap is summarized below:

Table 51: Approved Revenue Gap for FY19 to FY20 (Rs. Lakh)

Particulars	FY19			FY20		
	MTR approved	Petition	Approved (True-up)	MYT approved	Petition	Approved (True-up)
Net ARR	**212.21**	**67.26**	**(2.94)**	**512.05**	**671.72**	**617.55**
Revenue from SLDC Operation						
Revenue from LTOA	212.21	212.21	212.21	512.05	477.83	477.83

Particulars	FY19			FY20		
	MTR approved	Petition	Approved (True-up)	MYT approved	Petition	Approved (True-up)
Surplus/ (Gap)	**-**	**144.95**	**215.15**	**-**	**(193.89)**	**(139.72)**

5.15.2 As per the above table, it is observed that HPSLDC has a cumulative revenue gap of Rs. 75.43 lakh for the period FY 2018-19 to FY 2019-20.

5.16 Carrying Cost

5.16.1 As per Regulation 14(5) introduced through second amendment, in case approved true-up of any year for SLDC is over and above that approved in the Tariff Order for that year, the SLDC shall be entitled to a carrying cost at one (1) Year weighted average State Bank of India (SBI) MCLR plus 300 basis points and for any true-up resulting in less than that approved in the Tariff Order for that year, the carrying cost shall be recovered at the same rate.

5.16.2 Accordingly, the Carrying Cost on Revenue Surplus/Gap has been calculated as below:

Table 51: Carrying Cost for True-up Years (Rs. Lakh)

Particulars	FY 19	FY 20
Opening Surplus/(Gap)	-	227.40
Annual Surplus/(Gap) Generated	215.15	-139.72
Closing Surplus/(Gap)	215.15	87.68
Rate of Carrying Cost	11.39%	11.16%
Carrying Cost on Opening Surplus/(Gap)	12.25	17.58
Closing Surplus/(Gap) including carrying cost	**227.40**	**105.26**

5.17 LDCD Funds

5.17.1 The Commission in its previous MYT Order dated 29 June 2019, allowed the creation of LDCD fund, where the Commission directed Petitioner to deposit the amount of Rs. 14.51 Lakh as surplus till FY 19 also surplus of Rs. 90.18 Lakh on account of True-up for (FY 15- FY 18) within three months of the issuance of the MYT Order. In addition, the Commission also directed Petitioner to deposit the amount recovered towards depreciation, Interest on Loan & RoE for the respective years.

5.17.2 The Petitioner has submitted that it has deposited the requisite past period surplus as well as yearly recovered expenses as per the direction of the Commission. The Commission has revisited the calculation of LDCD fund based on true-up approved for FY 2018-19 and FY 2019-20.

5.17.3 In view of the low amount of interest amount mentioned against the LDCD funds by the Petitioner, the Commission sough clarification from the Petitioner. The Petitioner in its response clarified that the amount of LDCD funds are lying in State Bank of India saving account and earning interest of less than 3%. Accordingly, the Commission suggests the Petitioner to consider the prospects of earning higher rate of interest by opening fixed deposits against the same.

5.17.4 Based on the truing-up of FY 2018-19 and FY 2019-20, the approved LDCD funds are as below:

Table 55: LDC Development Fund Approved till FY 20 (Rs Lakh)

Particulars	FY19	FY20
Opening of LDC Development Fund	9.91	13.62
Addition during the year		
Surplus on account of True-up (FY15-FY18)		90.18
Depreciation	2.29	4.59
Interest on Loan	0.66	0.88
Return on Equity	0.82	1.17
Utilisation for Capital Expenses	-	-
Interest earned on LDCD funds	-	0.23
Closing of LDC Development Fund	**13.69**	**110.74**

5.17.5 The above balance has been carried forward in the subsequent Chapter for computing the future balance of LDC Development fund from FY 2020-21 onwards.

6 ANALYSIS OF THE CAPITAL EXPENDITURE FOR MID-TERM REVIEW PERIOD

6.1 Background

6.1.1 In the MYT Order for fourth Control Period FY 2019-20 to FY 2023-24 for HPSLDC, the Commission had approved a capital expenditure of Rs. 2955 lakh details of which are as below:

Table 56: Summary of approved Capital expenditure for fourth Control Period (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	-	-	-
Offline Systems	-	20	5	-	-
Infrastructure Development	100	100	100	100	100
Total	**997.5**	**1017.5**	**380**	**410**	**150**

6.1.2 In the Mid-term Review Petition, HPSLDC has submitted a revised capex plan amounting to Rs. 3,480.63 lakh for the period FY 2020-21 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.

6.1.3 The Petitioner has categorised the year-wise capital expenditure for the balance period of fourth Control Period under five broad heads. The summary of the scheme wise capital expenditure proposed is summarised below.

Table 57: Summary of revised Capital expenditure proposed for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
Enhancement of Real Time Data Acquisition System	0.00	0.00	25.00	25.00
Scheme Proposed Under State PSDF	0.00	487.00	705.00	350.00
Energy Accounting Systems	530.63	100.00	0.00	0.00
Offline Systems	0.00	0.00	5.00	0.00
Infrastructure Development	2.50	741.50	509.00	0.00

Particulars	FY21	FY22	FY23	FY24
Total	**533.13**	**1328.50**	**1244.00**	**375.00**

6.1.4 The Commission has scrutinized the revised capital expenditure plan submitted by the Petitioner for remaining years of fourth Control Period in detail. The Commission has also raised queries and clarifications from the Petitioner regarding new capex works proposed in the Petition (which were not approved under the MYT Order); capex works for which new funding sources have been proposed and schemes where significant escalation of cost has been proposed (from earlier approved values). Based on responses of the Petitioner and adequate prudence check, the Commission has approved the capex plan for the balance period (FY21-FY24). Each of the proposed scheme is discussed below:

6.1.5 **Enhancement of Real Time Data Acquisition System**: In MYT Order dated 29th June 2019, the Commission had approved capital expenditure of Rs. 885 lakh under this scheme head. However, in present Petition, the Petitioner has not proposed some elements of the schemes approved in the MYT Order and has shifted some of the works such as 'Cyber Security and Data security' and Backup Control Centre/Sub-LDC' to other scheme head. It has only retained works to be carried under URTDSM under this scheme-head. The Commission observes that the details of the work hasn't been finalised yet, however, the scheme is to be financed from central government funds. Accordingly, the Commission approves capital expenditure towards URTDSM as proposed by the Petitioner with the condition that the cost would be financed by funds from central government/agencies.

6.1.6 **Scheme Proposed under PSDF:** The Commission observes that the Petitioner has introduces a new scheme head of 'Scheme Proposed Under PSDF' and has transferred capex works which were proposed to be incurred under 'Enhancement of RTDAS' and 'Offline System' to the new scheme head along with three new capex works. On enquiring for the reason for the proposed shift and whether the Petitioner has taken any approvals from competent authority for usage of funds from State PSDF before proposing these schemes to be financed by PSDF, HPSLDS provided reference to the Commission's letter dated 06th August 2020 where-in the Commission had approved usage of PSDF funds towards certain capex works.

6.1.7 On due-diligence of the referred letter, the Commission has arrived at conclusion that the in-principal approval for usage of State PSDF was provided for supply and installation of MDAS 8 port and 16-port network switches and DCUs which has not been proposed under the scheme head. Further, no DPR or other supporting documents have been submitted by the Petitioner for the following capex works under this scheme head:

- Implementation of ADMS in HP as per mandate of IEGC
- 'Development of Software for demand Forecasting
- Replacement and upgradation of existing SCADA & EMS system, as proposed by the POSOCO for NR.

6.1.8 In absence of clarity on the works to be undertaken and appropriate supporting documents, the Commission has not considered the proposed works under the revised capex approval in this Order. The Petitioner is directed to submit DPR and other approval for these schemes and take separate approval from the Commission before initiating these schemes.

6.1.9 Further, the Commission has analysed that some of the works proposed under the scheme head such as 'Cyber Security and Data security', Backup Control Centre/Sub-LDC' and 'Data Warehouse and Mining facility' were already approved under different scheme heads. The Commission also observed that the Petitioner has proposed escalated costs for these approved works. In its reply to the queries of the Commission regarding cost escalation of data warehouse and mining facility, the Petitioner has stated that due to increase in complexity in power systems, implementation of SAMAST framework in HP and exchange of data between SCADA and web portal of HPSLDC, more sophisticated solutions were required. This had led to major change in the scope of work as such cost of data warehouse and mining facility has been increased.

6.1.10 Based on the responses and justification provided by the Petitioner, the Commission provisionally approved the escalated capital expenditure for mentioned capex works. However, the Commission has observed that the Petitioner has proposed most of the capex and capitalization in FY 2022-23. Based on the past experience of the Petitioner in implementation of various schemes, the Commission has spread the capex and corresponding capitalization for both these capex works in FY 2022-23 and FY 2023-24.

6.1.11 **Energy Accounting Systems:** The Commission has also examined the details submitted by the Petitioner under this scheme head along with the relevant DPR and observes that the proposed capital expenditure is lower than the approved value of Rs. 772.30 lakh in the MYT Order dated 29th June 2019. Based on the submission and supporting documents, it is observed that the Petitioner has awarded three Letters of Award (LoA) towards the work under this scheme and is also about to issue LoI for remaining work. The Commission, accordingly, approves the capital expenditure proposed by the Petitioner under this scheme-head.

6.1.12 **Offline Systems:** The Commission observes that works proposed towards 'Data warehousing and mining facility' under this scheme-head has been shifted to other system head. It is observed that capex for remaining work i.e scheduling application software has also been reduced from Rs 20 lakh as approved in MYT Order dated 29th June 2019 to Rs. 5 lakh. The Petitioner has submitted that the present Scheduling software which was developed by HPSLDC needs improvement/ up-gradation to ensure integration of infirm RE sources. In view of the submissions, the Commission approves the capital expenditure proposed by the Petitioner under this scheme.

6.1.13 **Infrastructure Development:** This proposed scheme covers various works towards procurement of facilities for staff, renovation and modernization of office building and procurement of software solution for E-office. The

Commission observes that the Petitioner has submitted DPR for only 4 nos. of works under which a capex of Rs. 64.5 lakh is proposed to be incurred from FY 2021-22 onwards. The schemes are elaborated here-under:

- **Addition and alteration of office building:** The Commission observes that the Petitioner has requested for addition and alteration in official building for an amount of Rs. 53 lakh. It is observed that the Petitioner has already undertaken significant expenditure for improvement of transferred building during FY 2019-20 which has been approved as one-time expense by the Commission in FY 2019-20. The Petitioner should ensure that no wasteful and unnecessary expenditure is undertaken on this account and provide details of work carried out earlier and under the proposed work. The Petitioner is required to provide the details of works carried out at the time of truing-up.
- **Construction of rain-water harvesting storage Tank:** Considering environmental benefits, the Commission provisionally approves the scheme on basis of its DPR at proposed cost. However, the Petitioner should ensure that construction of the same is in line with applicable standards and ensure maintenance and functioning of the tank.
- **Installation and commissioning of 20 Kwp grid connected solar roof top plant:** The Commission provisionally approves the scheme on basis of proposed DPR cost.
- **Installation and commissioning of automatic weather station (AWS):** The Petitioner hasn't submitted any cost towards the same. Further, the Commission is of the view that the Petitioner would be better placed if it tie-up with external weather agencies instead of setting up its own. Therefore, the Commission currently disallows the capital cost proposed towards weather station and directs the Petitioner to evaluate tie-up with external agencies and take prior approval of the Commission regarding the same.

6.1.14 Further, the Petitioner has proposed Rs 2.5 lakh as capital expenditure for FY 2020-21 under the scheme head. In MYT Order dated 29th June 2019, in absence of firm plans and supporting DPR, the Commission had approved a notional amount of Rs 100 Lakh per annum towards the capital expenditure proposed under Infrastructural development scheme. It is observed that within two years of the present Control Period, the Petitioner has incurred very limited cost (Rs. 2.5 lakh) under this scheme head. In view of the same, the Commission approves annual capex of Rs. 50.00 lakh towards various works 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 submit DPR and other supporting documents to the Commission for approval before implementation of the works.

6.1.15 The Petitioner submitted that it had made a request to the HIMUDA (HP Housing & Urban Development Authority) for preparing a DPR for the purpose of staff quarters. Based on a preliminary project report, the estimated cost of the staff quarter will be 1529.88 lakh, against which the Petitioner has provisionally claimed Rs 1000 Lakh. In view of the significant cost involved with respect to the new staff quarters, the Commission directs the Petitioner to evaluate alternate options instead of incurring such high capital cost. The Petitioner after evaluation of alternate options, should submit a report to the Commission for approval. Accordingly, the cost of staff quarters has been excluded from the approved capital cost.

6.1.16 **Expenditure towards IT solutions/ software:** As already detailed in Para 5.2.18, the Petitioner has undertaken expenditure of Rs. 91.73 Lakh from PSDF fund based on the approval of Commission and was recouped in FY 2020-21. Since the expense is of capital nature, the Commission is approving the cost of Rs. 91.73 Lakh under the capex plan for FY 2020-21.

6.1.17 Based on the above observations and considerations, the capex approved by the Commission under the Mid-term Review is summarized below:

Table 58: Approved Capital expenditure for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
Enhancement of Real Time Data Acquisition System	0.00	0.00	25.00	25.00
Scheme Proposed Under State PSDF	0.00	40.00	205.00	250.00
Energy Accounting Systems	530.63	100.00	0.00	0.00
Offline Systems	0.00	0.00	5.00	0.00
Infrastructure Development	2.50	50.00	50.00	50.00
Integrated IT Solution (recouping of State PSDF)	91.73	-	-	-
Total	**624.86**	**190.00**	**285.00**	**325.00**

6.2 Capitalization

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

Table 59: Summary of Revised Proposed Capitalization for FY21 to FY24 (Rs. Lakh)

Sl.	Schemes	Phasing (Capitalisation)			
		FY21	FY22	FY23	FY24
A	**Enhancement of Real Time Data Acquisition System**	**-**	**-**	**25.00**	**25.00**
1	URTDSM	-	-	25.00	25.00
B	**Schemes proposed Under State PSDF**		**487.00**	**705.00**	**350.00**
1	Cyber security and Data security	-	40.00		
2	Backup Control Centre/Sub-LDC	-	-	200.00	50.00
3	Implementation of ADMS in HP as per mandate of IEGC	-	235.00	-	-
4	Development of Software for demand Forecasting	-	212.00	-	-

Sl.	Schemes	Phasing (Capitalisation)			
		FY21	FY22	FY23	FY24
5	Replacement and upgradation of existing SCADA & EMS system, as proposed by the POSOCO for NR.	-	-	300.00	300.00
6	Data warehousing and mining facility	-	-	205.00	-
B	**Energy Accounting Systems**	-	**530.63**	**100.00**	**-**
1	SAMAST		530.63	100.00	-
C	**Offline Systems**	**-**	**-**	**5.00**	**-**
1	Data warehousing and mining facility	-	-	-	-
2	Scheduling application Software	-	-	5.00	-
D	**Infrastructure Development**	**-**	**144.00**	**709.00**	**400.00**
1	Additional & Alteration of Office Building		53.00		
2	Construction of rain water harvesting storage tank		3.50		
3	Installation and commissioning of Kwp grid connected solar roof top plant		8.00		
4	Installation and commissioning of automatic weather station (AWS)		2.50		
5	Office Equipments (PCs, Printers, Laptop, Photocopier, Routers, LAN Components, Cables, switches etc.)			7.00	
6	SLDC's Website Upgradation			5.00	
7	Procurement of Software solution for E-Office		15.00		
8	Construction of Compound Wall		10.00		
9	Conference Room in the proposed additional building		15.00	10.00	
10	CCTV, Security System, Audio Recording in the proposed additional building		10.00		
11	Furniture for Office (For proposed additional building)		15.00		
12	Staff Recreation & Rejuvination Facilities				
13	-Cafeteria/Pantry			10.00	
14	-Gymnasium			5.00	
15	Disaster Recovery System/ Back Up			40.00	
16	Staff Quarters for HPSLDC staff			600.00	400.00
17	Fire Alarm/Fire Fighting System for proposed additional building			7.00	
18	3-Phase, 400 Volt, 75 KVA Diesel Generator Set			15.00	
19	HVAC - Centralised/ Split Air Conditioners (For the proposed addl. Building)			10.00	
20	Purchase of new vehicle after condemnation of old and outlived vehicle		12.00		
	Total CAPEX	**-**	**1161.63**	**1544.00**	**775.00**

6.2.2 The Commission has examined the submissions made by the Petitioner with respect to capitalization and has arrived at the conclusion that for approved capex works under scheme heads such as 'Enhancement of RTDAS', 'Schemes under State PSDF' and 'Offline Systems' the capitalization has been assumed in the same year in which capex has been incurred. Similarly, in capex works proposed under 'Infrastructure Development' head all but one scheme has been proposed to be capitalized in similar manner. In view of small nature of work proposed under these scheme heads, the Commission approves the proposed capitalization.

6.2.3 In case of works proposed under 'Energy Accounting System-SAMAST', capitalization has been proposed one year after the capex has been incurred. The Commission after undertaking review of LoA issued and status of works, approves the same. Also, as discussed above, the Commission has spread the capex and corresponding capitalization of 'Schemes under State PSDF' in FY 2022-23 and FY 2023-24.

6.2.4 Further, the Commission observes that the Petitioner has not proposed any capitalization against any of the mentioned scheme for FY 2020-21. However, under miscellaneous headings it has proposed capitalization of Rs. 32.96 lakh for which no specific details have been provided. Since the same is based on actual and subject to true-up, the Commission has provisionally considered the amount under capitalization during FY 2020-21.

6.2.5 Further, the proposed expenditure of Rs 91.73 lakh towards recouping of PSDF (expenditure towards Integrated IT solution) in FY 2020-21, which has been covered under R&M expense, has been considered by the Commission under capital expenditure. Accordingly, the amount has been reflected under FY 2020-21 capitalization under scheme head 'Energy Accounting System-SAMAST'.

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

Table 60: Approved Capitalization for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
Enhancement of Real Time Data Acquisition System	0.00	0.00	25.00	25.00
Schemes under State PSDF	0.00	40.00	205.00	250.00
Energy Accounting Systems- SAMAST	91.73	530.63	100.00	0.00
Offline Systems	0.00	0.00	5.00	0.00
Infrastructure Development	0.00	50.00	50.00	50.00
Miscellaneous	32.96	0.00	0.00	0.00
Total	**124.69**	**620.63**	**385.00**	**325.00**

6.3 Funding of Proposed schemes

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

Table 61: Summary of Proposed Funding of schemes for FY21 to FY24 (Rs. Lakh)

Route	Debt	Equity	Remarks
Grant	-	-	Schemes like SAMAST*, URTDSM/WAMS, State PSDF
Normative loan & Equity	70% (norm)	30% (norm)	Other Schemes proposed for 4th Control Period

**For SAMAST scheme approval for 100% Grant has been sought from MoP. However, pending approval of the funding, for the purpose of MYT Projection, only Rs. 397.68 Lakh of SAMAST works are considered to be funded through grants and rest based on normative loan and equity*

6.3.2 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.

II. **Schemes under State PSDF:** As per contours approved for the fund, no depreciation, interest on debt and RoE would be allowed for capital expenditure financed from this fund. Therefore, works proposed from this fund has been considered as grant. However, the petitioner is directed to take prior approval of State PSDF committee for utilising any capital from this fund.

III. **Energy Accounting Systems:** The Commission on 27th September 2018 has accorded in-principle approval on SAMAST with 100% grant funding from MOP. However, in Petition the Petitioner the submitted that pending approval of the funding, for the purpose of MYT Projection, only Rs. 397.68 Lakh of SAMAST works are considered to be funded through grants and rest based on normative loan and equity. The same is being considered provisionally by the Commission for funding of capex work under the scheme.

The Commission notices that Ministry of Power has approved Rs 811.48 lakh as Central Grant component for SAMAST for HPSLDC while the proposed expenditure is of Rs. 397.68 Lakh only. Considering a significant balance amount is available in form of grants, the Petitioner should endeavour to utilize the available funds towards schemes which are currently proposed to be funded from debt and equity. The Petitioner should ensure that in interest of consumers it should utilize all amount from Central PSDF

IV. **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 HPERC MYT SLDC Regulations 2011.

V. **Infrastructure Development:** For funding of works under this scheme, the Commission finds it prudent to allow the proposed normative debt: equity of 70:30.

6.3.3 The financing plan for the approved capital expenditure for the Control Period is summarised in the table below:

Table 62: Approved Funding for fourth Control Period

Schemes	Approved Funding
Enhancement of Real Time Data Acquisition System (URTDSM)	Grant- 100%
Schemes under State PSDF	Grant- 100%
Integrated IT solution (Recouping of PSDF for SAMAST in FY 2020-21)	Grant- 100%
Energy Accounting Systems- SAMAST (except Rs. 397.68 Lakh)	Debt-70%; Equity- 30%
SAMAST Scheme (Rs. 397.68 Lakh)	Grant- 100%
Offline Systems	Debt-70%; Equity- 30%
Infrastructure Development	Debt-70%; Equity- 30%
Miscellaneous	Debt-70%; Equity- 30%

6.3.4 The Petitioner is required to take prior approval of the Commission before implementation of the approved capital expenditure.

6.3.5 Based on the approved capitalisation, the financing plan approved by the Commission for the balance Control Period is summarised in the table below:

Table 63: Approved Year-wise Funding for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
Debt	23.07	128.07	38.50	35.00
Equity	9.89	54.89	16.50	15.00
Grant	91.73	437.68	330.00	275.00
Total	**124.69**	**620.63**	**385.00**	**325.00**

7 Analysis of the MYT Tariff Petition for the fourth Control Period

7.1 Background

7.1.1 HPSLDC has submitted this petition for Mid-Term Review of Aggregate Revenue Requirement (ARR) for remaining period of fourth Control Period for FY 2021-22, FY 2022-23, and FY 2023-24 in line with the provisions of the HPERC MYT SLDC Regulations, 2011.

7.1.2 The Petitioner had also submitted provisional True-up for FY 2020-21 based on provisional account of 9 months. However, in absence of full year actuals and absence of provisional truing-up in HPERC MYT SLDC Regulations 2011, the Commission feels it appropriate to provide revised ARR for FY 2020-21 instead of provisional true-up. Accordingly, the Commission has included Mid-Term Review of ARR for FY 2020-21 on similar principles as for FY 2021-22, FY 2022-23, and FY 2023-24. However, while doing so the Commission has considered actual data for of first 9 months where-ever appropriate for FY 2020-21.

7.1.3 The Commission while approving the revised ARR has considered the provisions of MYT Regulations and the audited Annual Accounts of FY 2018-19 and FY 2019-20 for the revising projections for FY 2020-21 to FY 2023-24 and also revised capital expenditure, capitalization and funding plan as approved in previous Chapter.

7.1.4 In the MYT Order dated 29th June 2019 for fourth Control Period (FY 20 to FY 24), the Commission had 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. In view of the fact that the operations of SLDC was being undertaken by HPSEBL earlier, the actual expenditure towards SLDC function could not be ascertained suitably. However, the Commission based on past data and information regarding various expenses submitted by the Petitioner had tentatively approved the ARR components for the fourth Control Period in the MYT Order.

7.1.5 As actual information for FY 2018-19 and FY 2019-20 is available along with provisional numbers for nine months of FY 2020-21, the Commission feels it appropriate to review the ARR parameters of HPSLDC for the balance years of the fourth Control Period.

7.1.6 In this Chapter, the Commission has detailed the methodology for computing each component of the revised ARR including O&M expenses, interest and finance charges, depreciation, return on equity, working capital requirement, etc. for approving the total ARR for remaining years of fourth Control Period i.e. FY 2020-21to 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 2011and 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 remaining period of 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 55 (end of FY 2019-20) to 69 by the end of Control Period considering the transfer of SLDC assets from HPSEBL. The revised employee expense submitted by the Petitioner is tabulated below:

Table 64: Proposed Employee Expenses for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
Employee salary	357.45	482.40	500.05	518.35
HRD (incentive scheme, special allowance to experienced)	-	7.20	7.20	7.20
Provisions (Training Expense & Capacity Building)	0.18	11.00	11.00	11.00
Total Employee Expense	**357.63**	**500.60**	**518.25**	**536.55**

7.2.1 Based on the submissions, it was 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 and considering the difference between their salaries, the Commission deems it appropriate to compute the employee expenses for regular and outsourced employees separately. Based on the queries of the Commission, the Petitioner submitted the details with respect to regular employees and contractual employees for each year.

7.2.2 The Commission observes that the Petitioner has proposed increase in number of employees from existing 53 (end of FY 2020-21) to 69 as on end of the Control Period. The proposed increased in number of employees have been objected by few stakeholders. It is observed that few states like Uttarakhand and Bihar have equivalent or fewer numbers of employees in their SLDC function. In view of the fact that the Petitioner has recently taken over the functions of SLDC from HPSEBL, the Commission feels that it should focus on streamlining its activities and procedures following which an adequate requirement of employees may be ascertained.

7.2.3 Accordingly, the Commission has approved the existing level of employee strength of the balance Control Period and no increase in number of employees has been approved from FY 2021-22 onwards. Addition on account of retirement of existing manpower has been considered for projecting employee cost. The Petitioner is directed to evaluate adoption of technology to limit and reduce the manpower. Proposal for such technological implementation can be submitted to Commission for approval. Further, in case addition of manpower is unavoidable, the Petitioner may undertake separate approval from the Commission by providing justification for such additional manpower requirement.

7.2.4 For approving the employee cost (separately for regular and contractual employees) for remaining FYs of Control Period, the Commission has applied the formula provided in the HPERC MYT SLDC Regulations, 2011 as mentioned below-

"EMPn = [(EMPn-1) x (1+Gn) x (CPI inflation)] + Provision (Emp) +HRDn

7.2.5 In order to compute 'EMPn-1', the Petitioner has considered the employee expenses of regular and outsourced employees for FY 2019-20 as the base and has escalated the same with the CPI inflation and employee growth rate as submitted by the Petitioner for respective employee type.

7.2.6 The Commission has considered the CPI inflation of 5.35% 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
FY 2014-15	250.83	
FY 2015-16	265.00	5.65%
FY 2016-17	275.92	4.12%
FY 2017-18	284.42	3.08%

Year	CPI	% Increase
FY 2018-19	299.42	4.12%
FY 2019-20	322.50	5.65%
5 Year Average Inflation		**5.17%**
3 Year Average Inflation		**5.35%**

7.2.7 Additionally, the Commission has considered a provisional amount Rs. 7.20 Lakh per annum towards incentive schemes for employees towards their capacity building. As training expense is already included as part of A&G expense in FY 2019-20, the Commission has not approved any amount separately for training expense under the head of employee cost. Thus, the total approved employee expenses of HPSLDC for remaining years of fourth Control Period is detailed below:

Table 66: Approved Employee Expenses for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
Employee expenses Regular	289.59	300.25	316.32	333.26
Employee expenses-outsourced	78.61	80.98	85.32	89.88
Incentive schemes for employees		7.20	7.20	7.20
Total Employee Expense	**368.20**	**388.43**	**408.84**	**430.34**

B) A&G Expense

7.2.8 The Commission observes that the Petitioner had proposed A&G expenses without taking into consideration various one-time line items which were allowed as per part of A&G expenditure in its MYT Order. Only renewal of M&S contract for PSS/E User License amounting to Rs. 2.2 lakh/annum has been projected as an additional expenditure.

7.2.9 The revised A&G expenses for remaining period of fourth Control Period as submitted by the Petitioner is tabulated below.

Table 67: Proposed A&G Expenses for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
A&G expenses	87.44	92.23	97.16	102.23

7.2.10 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&Gn = [(A&Gn-1) x (WPI inflation)] + Provision (A&G)

7.2.11 The actual A&G expense for base year i.e. FY 2019-20 has been escalated with the WPI inflation of 2.96%, being the higher 5 years and 3 years average WPI inflation rate, for projecting the A&G expense for remaining years of fourth Control Period. The WPI inflation considered is provided in table below:

Table 68: Details of Historical WPI as considered by the Commission

Year	WPI	% Increase
FY 2014-15	113.88	
FY 2015-16	109.68	-3.68%
FY 2016-17	111.62	1.76%
FY 2017-18	114.88	2.92%
FY 2018-19	119.79	4.28%
FY 2019-20	121.80	1.68%
5 Year Average Inflation		**1.39%**
3 Year Average Inflation		**2.96%**

7.2.12 While the Petitioner had separately included training expense as part of employee expense and projected the same separately, it is observed that the training expense is included in the base year A&G expense as per audited accounts. Therefore, while projecting the A&G Expenditure on the basis of HPERC MYT SLDC Regulations 2011, training expenditure has already been considered for subsequent years and therefore no separate approval is required against the same.

7.2.13 In addition to the regular A&G expense approved as per the HPERC MYT SLDC Regulations, 2011, the Commission has considered additional provision towards renewal of M&S contract for PSS/E User License amounting to Rs. 2.2 lakh/annum as submitted by the Petitioner from FY 22 onwards.

7.2.14 The above-mentioned provisional amount provided in the A&G expense shall be trued-up as per actual at the end of Control Period.

7.2.15 Based on the discussions above, the approved A&G expenses for the fourth Control Period is summarized below:

Table 69: Approved A&G Expenses for FY20 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
A&G expenses	68.37	70.39	72.47	74.62
Add: Renewal of M&S contract	-	2.20	2.20	2.20
Total A&G expenses	**68.37**	**72.59**	**74.67**	**76.82**

C) R&M Expense

7.2.16 The Petitioner has further submitted that due to significant one-time expenditure booked under the R&M Expenses in FY 2019-20 and FY 2020-21, calculation of the K factor on actual values may not be correct. Hence, using inference from past trend may not be the right approach. The Petitioner has proposed a k-factor of 2.0% for projecting the R&M expenses for remaining years of fourth Control Period in the Petition.

7.2.17 The Petitioner has also proposed the cost to be incurred towards AMC in respect of works carried out under SAMAST framework under the R&M expenditures for FY 2021-22 to FY 2023-24. The Petitioner has considered such expense over and above the R&M expenditure which were arrived by applying 'K-factor' on average GFA of relevant FY.

7.2.18 Based on the submission made by the Petitioner, the Commission observed that due to low asset base and lack of adequate information with respect to R&M expenses, it may not be prudent to project 'K-factor' on basis of historic numbers. Therefore, the Commission has continued its approach of approving a nominal value of R&M expense of Rs. 10 lakh in line with the MYT Order for fourth Control Period. Any deviations, shall be trued-up based on audited accounts and prudence check.

7.2.19 The Petitioner has submitted that in FY 2020-21 it has paid an amount of Rs. 10,97,931 and another bill of Rs. 7,93,567 towards repairs and maintenance charges payable to HPSEBL for past period. Since the provisional amount of Rs. 64.74 lakh was disallowed by the Commission under true-up for FY 2018-19, the actual payment of Rs. 18.91 lakh has been provisionally considered under R&M expense for FY 2020-21 as per the submission of the Petitioner. Further, as submitted by the Petitioner in its reply to the Commission, O&M of assets created under SAMAST framework is not funded by Central PSDF and SLDC's have to rely on their own funds. Additionally, these AMCs are completely new expenditures as the related modules are being installed for the first time. Keeping in view the same, the Commission approves AMC projected to be incurred towards AMC of different SAMAST components.

7.2.20 Based on the above discussion, R&M expenditure approved under the Mid-term Review is as tabulated below:

Table 70: Approved R&M Expenses for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
General R&M expenses	10.00	10.00	10.00	10.00
AMC for integrated IT solution		24.72	37.09	12.36
AMC SAMAST (LOA3)			37.60	7.46
Payment to HPSEBL towards past period expense	18.91			
Total R&M Expenditure	**28.91**	**34.72**	**84.69**	**29.82**

O&M Expenses

7.2.21 The O&M expenses approved by the Commission under the Mid-term Review for remaining years of fourth Control Period are as shown in the table below:

Table 71: Approved O&M Expenses for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
Employee Expenses	368.20	388.43	408.84	430.34
A&G expenses	68.37	72.59	74.67	76.82
R&M Expenses	28.91	34.72	84.69	29.82
Total O&M Expenses	**465.48**	**495.74**	**568.20**	**536.98**

7.3 ULDC Charges

7.3.1 The Petitioner has submitted that, the total Ex-works cost of ULDC II scheme is 501 Lakh, and it has made a total repayment of 478 Lakh by Dec'2020 to PowerGrid. Thus, Petitioner has considered only the remaining outstanding ex-works cost of Rs. 23 Lakh in Q4 of FY 2020-21 (along with actual payments made in first 3 quarters of the FY). For FY 2021-22 to FY 2023-24, the Petitioner has claimed AMC charges and Insurance charges as per the prevailing contract with the agencies.

7.3.2 In addition, the Petitioner has requested PGCIL to provide the details of the outstanding balance as on date of the ex-works cost. The Petitioner has requested the Commission to allow any claims towards any outstanding amount for the additional ULDC Charges in the subsequent years based on the intimation from PGCIL.

7.3.3 The ULDC charges along with the AMC as well as insurance cost for FY 2020-21 to FY 2023-24 as proposed by the Petitioner is tabulated below.

Table 72: Revised Proposed ULDC charges for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
Ex Work Charges+ AMC Charges	62.56	-	-	-
ULDC Charges -AMC	-	10.63	10.63	10.63
ULDC Insurance	-	0.20	0.20	0.20
Total ULDC II Charges	**62.56**	**10.83**	**10.83**	**10.83**

7.3.4 The Commission has examined the submission made by the Petitioner regarding payment of ULDC related charges during remaining years of Control Period. It is noted that the expense is paid directly towards the ULDC charges and the Petitioner has paid all ULDC ex-works charges till FY 2020-21 and only AMC and insurance charges are remaining to be paid FY 2020-22 onwards. Therefore, the Commission finds it appropriate to approve the ULDC charges as submitted by the Petitioner in the table below:

Table 73: Approved ULDC charges for FY21 to FY24(Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
ULDC I/II Charges	62.56	-	-	-
AMC charges	-	10.63	10.63	10.63
Insurance	-	0.20	0.20	0.20
Total ULDC charges	**62.56**	**10.83**	**10.83**	**10.83**

7.4 RLDC fees and Charges

7.4.1 The Petitioner has submitted that on basis of Regulation 10(8) of CERC (Fee and Charges of Regional Load Dispatch Centre and other related matters) Regulation, 2019 and the latest bill issued in the month of March 2021, it has revised its estimate of NLDC Fee for FY 2020-21 at Rs. 69.91 lakh/annum; for FY 2021-22 at Rs 80.50 lakh/annum and for FY 2022-23 and FY 2023-24 at Rs. 85.00 Lakh/annum.

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.

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

Table 74: Approved RLDC fees and charges for FY20 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
RLDC fees and charges	**69.91**	**80.50**	**85.00**	**85.00**

7.5 Depreciation

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

7.5.2 Based on the approved capitalization for each year as part of revised 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 weighted average depreciation rate of 8.84% based on depreciation rate for various components.

7.5.3 In line with the provisions of HPERC MYT SLDC 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 75: Approved Depreciation for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
Opening Assets (net of grant)	223.61	256.57	439.52	494.52
Asset addition (excluding assets funded through grants)	32.96	182.95	55.00	50.00
Closing Asset	256.57	439.52	494.52	544.52
Weighted Average Depreciation rate	9.08%	9.08%	9.08%	9.08%
Total Depreciation	**21.80**	**31.61**	**42.41**	**47.18**

7.6 Interest and Finance Charges

7.6.1 The Commission has considered the opening loan balance for FY 2020-21 as Rs.6.26lakhbased on closing debt balance for FY 2019-20 in True-up.

7.6.2 Also, the loan addition during remaining years of the fourth Control Period has been considered in line with funding plan for capitalized assets approved as part of the revised capitalization balance in previous Chapter. While considering capitalization, the Commission has excluded assets which have been capitalized from grants or funds such as PSDF/LDCD or consumer contribution. Normative repayment equivalent to the depreciation for the respective year has been considered for computing the opening and closing loan balances.

7.6.3 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 9.75% for FY 2020-21 and 9.00% for remaining years, based on SBI MCLR as on 1st April 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 76: Approved Interest and Finance charges for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
Debt at the beginning of the year	6.07	7.34	103.80	99.89
Debt portion of the annual Capitalisation	23.07	128.07	38.50	35.00
Repayment of Loan	21.80	31.61	42.41	47.18
Closing Loan	7.34	103.80	99.89	87.71
Average Loan	6.70	55.57	101.84	93.80
Rate of Interest	9.75%	9.00%	9.00%	9.00%
Interest on Loan	**0.65**	**5.00**	**9.17**	**8.44**

7.7 Return on Equity

7.7.1 The Commission has considered the estimated closing equity of Rs. 7.57 lakh for FY 2019-20 as approved in True-up as opening equity for FY 2020-21 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 @24.74% for after considering the base rate as 15.50% and Income Tax rate as 37.34% derived from the actual tax paid in FY 2019-20. However, the Commission has considered rate of return on equity @15.50%and any tax liability arising on the Petitioner during remaining years of 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 remaining years of fourth Control Period is summarised in the table below:

Table 77: Approved Return on Equity for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
Regulatory Equity at the beginning of FY	7.57	17.46	72.34	88.84
Equity Portion addition during the year	9.89	54.89	16.50	15.00
Regulatory Equity at the end of FY	17.46	72.34	88.84	103.84
Average Equity	12.51	44.90	80.59	96.34
Rate of Return on Equity	15.50%	15.50%	15.50%	15.50%
Return on Equity (RoE)	**1.94**	**6.96**	**12.49**	**14.93**

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 10.75 % based on SBI MCLR as on 1st April 2020 (i.e. 7.75%) plus300 basis points for FY 2020-21 and at 10.00% for remaining years based on SBI MCLR as on 1st April 2021 (i.e. 7%) plus 300 basis points; as per the provisions of the HPERC MYT SLDC 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 78: Approved Interest on Working Capital for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
O&M Expenses for 1 Month	38.79	41.31	47.35	44.75
2 Months Receivables	5.82	6.20	7.10	6.71
Maintenance Spares @ 15% of O&M Expenses for 1 month	88.45	58.12	74.76	70.51
Total Working Capital Requirement	**133.05**	**105.63**	**129.21**	**121.97**
Rate of IoWC (%)	10.75%	10.00%	10.00%	10.00%
Interest on Working Capital	**14.30**	**10.56**	**12.92**	**12.20**

7.9 Income from STOA and other charges

7.9.1 The Petitioner has considered the average income received from POSOCO, SLDC charges recovered from its LTOA & MTOA customers, NOC fee and Registration fee in FY 2018-19 and 2019-20 for projection of Income from SLDC operations in the ensuing years (FY 21 to F24).For other Income, Petitioner has considered Rs. 10.00 Lakh for ensuing years based on the "Other Income" submitted by the petitioner in the provisional truing up in FY 2020-21.

7.9.2 The Petitioner had 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 had proposed to clear all the past liability with HPSEBL & STU as part of independent operation of HPSLDC and utilise the fixed deposit to reimburse the amount to HPSEBL & STU. Therefore, no income with respect to interest will accrue to HPSLDC in future years. Further, the Commission observes that on the basis of 9 months provisional accounts for FY 2020-21, the Petitioner has estimated Rs. 10.19 lakh as income from investment.

7.9.3 Accordingly, the Commission has considered an amount of Rs. 10 lakh each year during remaining years of the fourth Control Period towards interest from bank deposits and investments.

7.9.4 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 remaining years of the fourth Control Period are as below:

Table 79: Approved Income from STOA and other charges for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
Income from SLDC Operation	281.18	281.18	281.18	281.18
Other Income	1.30	1.30	1.30	1.30
Income from Investments (Bank)	10.19	10.00	10.00	10.00
Total Income	**292.67**	**292.48**	**292.48**	**292.48**

7.10 ARR Summary for remaining years of the fourth Control Period

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

Table 80: Proposed ARR for FY21 to FY24 (Rs. Lakh)

Particulars	FY21	FY22	FY23	FY24
O&M Cost	632.87	627.17	709.24	683.08
Employee Cost	357.63	500.60	518.25	536.55
A&G Cost	87.44	92.23	97.16	102.23
R&M Cost	187.80	34.34	93.83	44.30

Particulars	FY21	FY22	FY23	FY24
ULDC Charges	62.56	10.83	10.83	10.83
RLDC Fee and charges	69.91	80.5	85.0	85.0
Depreciation	11.30	28.17	56.21	79.20
Interest & Finance Charges	19.23*	20.38*	43.44*	86.69*
Interest on Working Capital	21.44	21.30	20.44	21.65
Return on Equity	15.28	39.63	80.16	121.49
Aggregate Revenue Requirement	**832.59**	**827.97**	**1,005.33**	**1,087.95**
Income from SLDC	299.98	272.14	272.14	272.14
Net ARR	**532.61**	**555.84**	**733.19**	**815.81**
Cumulative Revenue Gap		**48.94**		
Net ARR Post impact of Revenue Gap		**604.78**	**733.19**	**815.81**

** Revised in reply to data gaps*

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

Particulars	FY21	FY22	FY23	FY24
O&M Cost	465.48	495.74	568.20	536.98
Employee Cost	368.20	388.43	408.84	430.34
A&G Cost	68.37	72.59	74.67	76.82
R&M Cost	28.91	34.72	84.69	29.82
ULDC Charges	62.56	10.83	10.83	10.83
RLDC Fee and charges	69.91	80.50	85.00	85.00
Depreciation	21.80	31.61	42.41	47.18
Interest & Finance Charges	0.65	5.00	9.17	8.44
Interest on Working Capital	14.30	10.56	12.92	12.20
Return on Equity	1.94	6.96	12.49	14.93
Aggregate Revenue Requirement	**636.65**	**641.20**	**741.02**	**715.56**
Other Income- Bank charges	292.67	292.48	292.48	292.48
Net ARR	**343.98**	**348.73**	**448.55**	**423.08**
Cumulative Revenue Surplus/Gap	105.26			
Income collected from LTOA/ MTOA customers in FY 2020-21	530.68*			
Net ARR Post impact of Revenue Surplus / (Gap)	**291.96**			

**The above revenue has been estimated based on the SLDC charges approved by the Interim Order dated 26.03.2021 and monthly capacity handled by HPSLDC*

7.11 SLDC Charges for remaining period of fourth Control Period

7.11.1 The Petitioner proposed the SLDC charges for remaining period of fourth Control Period (starting from FY 2021-22) as tabulated below:

Table 82: SLDC Charges as proposed by the Petitioner

Particulars	FY22	FY23	FY24
Total ARR (Rs. Lakh)	604.93	733.23	815.86
Power handled by SLDC (MW)	3,359.61	3,477.20	3,598.90
SLDC Charges(Rs/MW/Month)	**1,500.50**	**1,757.24**	**1,889.15**

7.11.2 The Petitioner has considered the growth factor of the Contracted Capacity (MW) for the state at 3.5% year over year basis for the ensuing years for projecting power to be handled by it and for determination of SLDC charges

7.11.3 With regard to power handled, the Commission sought information from the Petitioner regarding break-up of total capacities of HPSEBL, GoHP power, other generators. The Petitioner submitted that it handled 3335.61 MW during the month of January-2021 which has increased to 3,364.51 MW during April and May 2022.

7.11.4 Based on the submission of the Petitioner, the Commission has considered the last power handled by HPSLDC for FY 2021-22 and thereafter has escalated at 3.5% year over year. 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 83: SLDC Charges Approved by the Commission

Particulars	FY22	FY23	FY24
Total net ARR (Rs. Lakh)	348.73	448.55	423.08
Power handled by SLDC (MW)	3,364.51	3,482.27	3,604.15
SLDC Charges (Rs/MW/Month)	**863.74**	**1,073.41**	**978.23**

7.11.5 Approved SLDC charges for long-term and medium-term open access customers shall be applicable from 1st April 2021. The arrears, if any, from the customers for the months of April 2021, May 2021 and June 2021 shall be adjusted in equal instalments in the invoices for next three months of FY 2021-22.

7.12 SLDC Fees

7.12.1 The Petitioner has proposed no changes in various fees and charges such as registration fees, NOC fees, etc.

7.12.2 The Commission has therefore continued the applicable charges until further notice.

7.13 LDC Development Fund

7.13.1 In MYT Order, the Commission directed the Petitioner to create and maintain a separate fund called LDC Development Fund (LDCD Fund). The Commission further ordered that approved charges on account of return on equity, interest on loan, depreciation shall be deposited into the LDCD fund. 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.

7.13.2 Based on the truing-up of FY 2018-19 and FY 2019-20 conducted in this Order, the Commission has approved Rs. 110.57 lakh as closing value of LDCD funds till FY 2019-20.

7.13.3 Further, a surplus amount of Rs. 291.96 lakh is available with HPSLDC based on the surplus amount post true-up for FY 2018-19 to FY 2019-20 and review of ARR for FY 2020-21 as detailed in above sections. The Petitioner is directed to deposit the surplus amount within one month from issuance of this Order in the LDCD fund.

7.13.4 The LDCD fund approved for remaining years of fourth Control Period is summarized in table below:

Table 84: LDC Development Fund Approved for FY22 to FY24 (Rs Lakh)

Particulars	FY21	FY22	FY23	FY24
Opening of LDC Development Fund	110.57	135.14	470.66	534.73
Addition during the year:				
Surplus on account of True-up (FY19-FY20)		291.96		
Depreciation	21.80	31.61	42.41	47.18
Interest on Loan	0.65	5.00	9.17	8.44
Return on Equity	1.94	6.96	12.49	14.93
Utilisation for Capital Expenses	-	-	-	-
Closing of LDC Development Fund	**135.14**	**470.66**	**534.73**	**605.28**

8 DIRECTIVES

8.1 Background

8.1.1 The Commission had issued directions and advisories to HPSLDC in the MYT Order for the fourth Control Period against which the Petitioner has submitted a directive compliance report as a part of the MTR Petition.

8.1.2 The following table summarizes the compliance status of the directives:

Table 85: Compliance to Directives

Sl.	Title	Directive	Petitioner submission	Commission's view
1.	8.1 Strengthening of bookkeeping 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 bookkeeping 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.	The Petitioner has submitted that that from April 2019, it has adopted new Bookkeeping & Accounting standards as per Indian Accounting Standard	While the Commission appreciates submission of audited accounts for FY 2018-19 and FY 2019-20 on commercial basis for truing-up, it is also observed that the Petitioner has considered expenditure of capex nature under revenue expenditure. The Petitioner is directed to rectify such incorrect bookings in future.

Sl.	Title	Directive	Petitioner submission	Commission's view
		8.1.3 The Petitioner is directed to undertake adequate steps and deploy experienced resources for the purpose of bookkeeping. 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.		
2.	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	The Petitioner has submitted that as per Commission's directive, it will always seek prior approval before investing in any of the provisionally approved CAPEX schemes over the 4th Control period.	The Commission has observed that several schemes proposed by the Petitioner in the MTR are without any DPR and cost benefit analysis. The Petitioner is directed to submit DPR, cost-benefit analysis, etc. and undertake prior approval of the Commission before implementation of the schemes approved in this Order.
3.	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.	The Petitioner has submitted training calendar as part of instant Petition. Further it has also elaborated intended impact of the training in response to query of the Commission.	Compliance noted.
4.	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	The Petitioner has submitted that its General body in its 9th GBM, after due deliberation approved the proposed certification course for becoming eligible for incentive	It is observed that the Petitioner has not submitted the incentive scheme for approval of the Commission. The Petitioner is directed to submit the same within

Sl.	Title	Directive	Petitioner submission	Commission's view
		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.	scheme. HPSLDC further submits that it shall adopt recommendation laid under Chapter 11 of the CABIL Report.	three months of issuance of this Order and seek approval of the Commission.
5	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.	The Petitioner has submitted that the employee strength approved by the Commission in MYT order was placed before General body in its 9th GBM, and after due deliberation, the board have decided to approve the revised employee strength for HPSLDC.	In view of the fact that the Petitioner has recently taken over the functions of SLDC from HPSEBL, the Commission feels that it should initially focus on streamlining its activities and procedures following which an assessment of additional employees can be made. In this Order, the Commission has capped the existing level of employee strength of the Petitioner for the Control Period and no increase in number of employees has been approved from FY 2021-22 onwards. In case of exigency the Petitioner may undertake separate approval from the Commission by providing adequate justification.
6	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	HPSLDC submitted that the arrears on monthly SLDC charges have been realized from HPSEBL whereas the same amounting to	The Commission notes the submission of the Petitioner. The Commission observes that both DoE and HPSLDC are under the

Sl.	Title	Directive	Petitioner submission	Commission's view
		Petitioner in one 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.	Rs. 73.50 lakh from DOE (GoHP) is still to be recovered. The Petitioner also pointed that a sum of Rs. 50 Lakh has been deposited by DoE, GoHP and the remaining amount is to be recovered. HPSLDC requested the Commission to direct DoE GoHP to clear the outstanding liabilities. The Petition further submitted that from April 2019, proper invoices are being raised to HPSEBL and DOE and no default in payment by LTA customers has been observed.	administrative control of GoHP. Therefore, the Commission feels that the Petitioner should pursue the matter of outstanding dues with relevant authorities in GoHP and may initiate action as deemed fit.
7	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 is30.06.2019. 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	The Petitioner has submitted that, details of drawl/injection schedule of state-owned generators, OA generators and consumers are available on the website. Further details of accounting, computation, and recovery of various SLDC charges is available on SAMAST portal of HPSLDC and methodology of calculation UI bills has also been made available on the website.	The Commission notes the compliance of the Petitioner

Sl.	Title	Directive	Petitioner submission	Commission's view
		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 theconsumers. 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	8.8 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.	The Petitioner has submitted that separate account for the Load Dispatch Centre Development Fund has been created on 06.09.2019 in the State Bank of India, Totu Branch, Shimla.	The Commission notes the compliance of the Petitioner and further directs the Petitioner to deposit additional amounts as approved in this Order.
9	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.	The Petitioner has submitted that, a sum of Rs. 121.85 Lakh has already been deposited in the LDCD fund and it has also submitted account statement to the Commission.	Compliance noted.
10	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 SubGroup (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.	HPSLDC submitted that, as per Commission letter dated 06.12.2019 a payment of Rs 148. 34 Lakh has been made to M/s Kreate Technologies LLP (i.e. 60 % of the awarded amount of Rs. 247.23 Lakh). Also, in respect to other components of SAMAST scheme, DPR on the Scheme for Implementation of SAMAST Framework in HP has finally been approved in the 15th meeting of Monitoring Committee of PSDF	Based on the scheme-wise information, it is observed that the Petitioner had to carry out work towards installation of integrated software from its own fund, and CEA has disapproved funding for the works towards installation of integrated software.

Sl.	Title	Directive	Petitioner submission	Commission's view
		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.		
11	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.	The Petitioner submitted that, details of energy drawn/ injected by the open access consumers/ generators, for 4th quarter of FY 19-20 (January 2020 to March 2020) has been submitted vide letter of even No 11010 dated 31.03.2020. The latest details energy drawn/ injected in respect of OA Consumers and Generators is enclosed at Annexure-Q to this Petition.	The Commission notes the submission of the Petitioner and further directs it to submit quarterly details of energy drawn/ injected by open access consumers/ generators within one month of close of the corresponding quarter.

8.2 New DIRECTIVES

Re-Consideration of Staff Quarter for HPSLDC employees

8.2.1 It is observed that the Petitioner has proposed staff quarter for its employees at a cost of Rs. 1000 lakh, which would put undue pressure on the consumers of the state in form of additional tariff. Further, the same is in preliminary stages as no land has been identified for the same.

8.2.2 Hence, the Petitioner is directed to consider alternate options for the same which should be in consonance with applicable policy of GoHP regarding employee benefits.

Posting of Law Officer

8.2.3 Stakeholders have objected to HPSLDC for posting a separate Law officer for its own requirement. The Commission is also of the opinion that provided small size of HPSLDC, a separate law officer may not be in best interest of consumers.

8.2.4 Accordingly, the Commission directs the Petitioner to move a proposal to utilize services of legal counsel appointed by state government or outsource legal services on case to case basis. The Commission should be apprised on final decision taken on the proposal before 3 months from date of issue of this Order.

Additional Manpower

8.2.5 The Petitioner is directed to evaluate adoption of technology to limit and reduce the manpower. Proposal for such technological implementation can be submitted to Commission for approval. In case of exigency, the Petitioner may undertake separate approval from the Commission by providing adequate justification.