

**Tariff Order
For
True Up For the Period FY 2011-12 to FY 2013-14
and Mid Term Review For the period
FY 2014-15 to FY 2018-19
FOR
Himachal Pradesh State Load Despatch Society
(HPSLDS)**



**Himachal Pradesh Electricity Regulatory
Commission**

April 10, 2017

Contents

1	Introduction	9
1.1	Himachal Pradesh Electricity Regulatory Commission	9
1.2	Functions of HPERC	9
1.3	Himachal Pradesh State Load Despatch Society	10
1.4	Multi Year Tariff Framework	12
1.5	Filing of True Up Petition for the Second Control Period (FY 2011-12 to FY 2013-14) and Mid Term Review for Third Control Period (FY 2014-15 to FY 2018-19)	12
2	Summary of the True Up Petition for the 2nd Control Period and Mid-Term Review Petition for 3rd Control Period.....	15
2.1	Introduction.....	15
2.2	Operation & Maintenance Expenses (O&M).....	16
2.3	Capital Expenditure Proposed	22
2.4	Depreciation	22
2.5	Interest Expenses	23
2.6	Interest on Working Capital.....	24
2.7	Return on Equity	26
2.8	Income from Charges.....	27
2.9	True Up of FY 2011-12, FY 2012-13, FY 2013-14 and FY 2014-15.....	28
2.10	Summary of ARR for FY 2015-16 to FY 2018-19	29
3	Responses from Stakeholders.....	31
3.1	Introduction.....	31
3.2	Intra-State ABT mechanism	31
3.3	Contracted Capacity.....	32
3.4	Grid Code	33
3.5	Short-term Open Access Charges	33
3.6	Provisional ARR	34
3.7	Schedule of HEPs	34
3.8	SLDC Charges	34
3.9	Transfer of Asset.....	35
4	True-Up of Aggregate Revenue Requirement (ARR) for the Second Control Period (FY12-FY14)	37
4.1	Background	37
4.2	Operation & Maintenance (O&M) Expenses	38
4.3	Depreciation	40
4.4	Interest & Finance Charges	41
4.5	Interest on working capital	41
4.6	Return on Equity (ROE)	42
4.7	Other Income.....	42
4.8	Aggregate Revenue Requirement (ARR)	43

5	Mid-Term Review of the Aggregate Revenue Requirement (ARR) for the Third Control Period	45
5.1	Approach for Mid-Term Review of the Third Control Period (FY 2014-15 to FY 2018-19)...	45
5.2	ARR for SLDC	47
5.3	Operation & Maintenance (O&M) Expenses	48
5.4	Capital Expenditure	53
5.5	Depreciation	54
5.6	Interest & Finance Charges	54
5.7	Interest on working capital	55
5.8	Return on Equity (ROE)	55
5.9	Other Income.....	56
5.10	Aggregate Revenue Requirement (ARR)	57
5.11	SLDC Charge for FY18 & FY19.....	58

List of Tables

Table 1: Communication with the Petitioner	13
Table 2: List of Newspapers.....	14
Table 3: List of Newspapers for Public Notice	14
Table 4: Employee Expense for FY 12 and FY 13 (Rs. Lacs)	16
Table 5: CPI Calculation	17
Table 6: Projected number of employees for FY 17, FY 18 and FY 19.....	18
Table 7: Actual and Revised estimates of Employee Expenses (Rs. Lacs.)-FY15 to FY19	18
Table 8: Actual A&G Expense for FY 12 and FY 13 (Rs. Lacs)	19
Table 9: WPI Calculation.....	19
Table 10: Actual and Revised estimates of A&G Expenses (Rs. Lacs.)-FY14 to FY19.....	20
Table 11: Actual R&M Expenses (Rs. Lacs.)-FY12 to FY13	20
Table 12: Actual & Revised R&M Expenses (Rs. Lacs.)-FY15 to FY19.....	21
Table 13: Actual of O&M Expenses (Rs. Lacs) for FY12 to FY16	21
Table 14: Revised estimates of O&M Expenses (Rs. Lacs) for FY17, FY18 & FY19	21
Table 15: Revised Estimates of Capital Expenditure Plan (Rs. Lacs).....	22
Table 16: Actual Expenses of Depreciation (Rs. Lacs)- FY 12 & FY 13	22
Table 17: Actual and Revised Expenses of Depreciation (Rs. Lacs)- FY14 to FY19.....	23
Table 18: Revised Estimates of Interest Expenses from FY 17 to FY 19 (Rs. Lacs.)	24
Table 19: Computation of interest rate on Working Capital	25
Table 20: Actual cost of Interest on Working Capital (Rs. Lacs.) from FY12 & FY13	25
Table 21: Computation of interest rate on Working Capital	25
Table 22: Normative Interest on Working Capital for FY14 to FY19 as submitted by Petitioner (Rs. Lacs.).....	25
Table 23: Return on Equity for FY 12 & FY 13	26
Table 24: Actual and Revised Estimates of Return on Equity (Rs. Lacs.) from FY 14 to FY 19 as submitted by Petitioner.....	27
Table 25: Actual Income from Charges (Rs. Lacs.) for FY 12 & FY 13.....	27
Table 26: Actual/ Projected Income from Charges (Rs. Lacs.) at existing tariff for FY17, FY18 and FY19 as submitted by HPLDS	28
Table 27: Summary of proposed Aggregate Revenue Requirement (Rs. Lacs) as per the Audited Accounts for FY 2011-12 & FY 2012-13.....	28
Table 28: Aggregate Revenue Requirement (Rs. Lacs) as per the Audited Accounts for FY 14 & FY15	29
Table 29: Summary of ARR for FY 16, FY17, FY18 & FY19 (Rs. Lacs.)	29
Table 30: Projected Capacity Charges as submitted by HPLDS.....	30
Table 31: Approved Employee Cost for FY 2011-12 to FY 2013-14 (Rs. Lac)	39
Table 32: Approved A&G Expense for Second Control Period (Rs. Lacs)	39
Table 33: Approved R&M cost for Second Control Period (Rs. Lacs)	40
Table 34: Approved O&M costs for Second Control Period (Rs. Lacs)	40
Table 35: Approved Depreciation on HPLDS Assets for Second Control Period (Rs. Lacs)	41
Table 36: Approved Interest on Working Capital for the Second Control Period (Rs. Lacs)	42
Table 37: Approved Other Income for Second Control Period (Rs. Lacs).....	43
Table 38: Trued-up ARR of HPLDS for the Second Control Period (Rs. Lacs).....	43
Table 39: Actual and Revised estimates of Employee Expenses (Rs. Lacs.)-FY15 to FY19 as submitted by Petitioner.....	49
Table 40: Projected No of Employees approved by the Commission for the Third Control Period.....	49
Table 41: Details of Historical CPI as considered by the Commission	50
Table 42: Approved Revised Employee Cost for the Third Control Period (Rs. Lacs)	50
Table 43: A&G Expenses and ULDC Charges Proposed by Petitioner for Third Control Period (Rs. Lacs).....	50
Table 44: WPI Calculation as considered by the Commission	51
Table 45: Revised A&G expense and ULDC charges Approved for Third Control Period (Rs. Lacs) ..	51
Table 46: MYT Approved and Proposed Mid-Term Review R&M cost for Third Control Period (Rs. Lacs).....	52
Table 47: Revised R&M cost Approved for Third Control Period (Rs. Lacs)	52
Table 48: Revised O&M expense Approved for Third Control Period (Rs. Lacs).....	53
Table 49: Capital Expenditure Plan as submitted by the Petitioner (Rs. Lacs)	53

Table 50: Approved Capital Expenditure Plan for the Third Control Period (Rs. Lacs).....	54
Table 51: Revised Depreciation Approved for Third Control Period (Rs. Lacs)	54
Table 52: Revised Depreciation Approved for Third Control Period (Rs. Lacs)	54
Table 53: Revised Interest Expense Approved for Third Control Period (Rs. Lacs)	55
Table 54: Approved Rate of Interest for Working capital Requirement (%).....	55
Table 55: Approved Interest on Working Capital for the Third Control Period (Rs. Lacs)	55
Table 56: Revised Return on Equity Approved for HPLDS for the Third Control Period (Rs. Lacs)	56
Table 57: Projected Income from Other Charges (Rs. Lacs.) as submitted by the Petitioner	56
Table 58: Revised Other Income Approved for Third Control Period (Rs. Lacs).....	57
Table 59: Approved ARR of HPLDS for the Third Control Period (Rs. Lacs)	57
Table 60: Revised ARR Approved for Third Control Period (Rs. Lacs)	58
Table 61: SLDC Charges as Approved by the Commission for FY18 & FY19.....	58

**Before the Himachal Pradesh Electricity Regulatory Commission
At Shimla****Case No. 46 of 2016****CORAM****S.K.B.S. NEGI****In the matter of:**

Filing of True Up for FY 2013-14, FY 2014-15 & Mid-Term Review Petition for Third Control Period FY 2014-15 to FY 2018-19 and determination of SLDC charges under Section 62, 64 and 86 of the Electricity Act, 2003.

And

In the matter of:Himachal Pradesh State Load Despatch Society (HPLDS)**Petitioner****ORDER**

Himachal Pradesh State Load Despatch Society (hereinafter called 'The HPLDS') has filed a Petition with the Himachal Pradesh Electricity Regulatory Commission (hereinafter referred to as 'the Commission' or 'HPERC') for approval of True Up for the Second Control Period (FY 2011-12 to FY 2013-14) and Mid Term Review for Third Control Period (FY 2014-15 to FY 2018-19) under Sections 62, 64 and 86 of the Electricity Act, 2003 (hereinafter referred to as 'the Act'), read with the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011. The Commission scheduled the public hearing for interaction with the Petitioner, interveners, consumers and consumer representatives of various consumer groups on March 04, 2017 at Shimla, 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 trued-up the ARR of the HPLDS for each year of the Second Control Period (FY 2011-12 to FY 2013-14) and revised ARR for each year of the Third Control Period (FY 2014-15 to FY 2018-19) under the Multi Year Tariff framework and approved the Aggregate Revenue Requirements for the Control Period duly taking into account the guidelines laid down in Section 61 of the Act, the National Electricity Policy, the National Tariff Policy and the regulations framed by the Commission.

The Commission, in exercise of the powers vested in it under Section 62 of the Act, orders that the approved Aggregate Revenue Requirement shall come into force w.e.f. 1st April 2017.

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

The Commission further directs the petitioner to upload the tariff order on its website and also informed all the stakeholders within 7 days of the issue of the Tariff Order.

Shimla

(S.K.B.S. Negi)

Dated: 10th April, 2017

Chairman

1 Introduction

1.1 Himachal Pradesh Electricity Regulatory Commission

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

1.2 Functions of HPERC

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

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

sources, a percentage of the total consumption of electricity in the area of a distribution licence;

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

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

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

1.3 Himachal Pradesh State Load Despatch Society

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

distribution lines. Therefore, unlike many other states of the region where the SLDC functions were assigned to the State Transmission Utility, in Himachal Pradesh, SLDC functions continued to remain under HPSEB Ltd.

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

Despatch Centre becomes more important as it is designated as the apex body for the integrated operation of the power system in the state by the Act.

1.4 Multi Year Tariff Framework

1.4.1 The Commission follows the principles of Multi Year Tariff (MYT) for determination of tariffs, in line with the provision of Section 61 of the Act. The Commission had specified the terms and conditions for the determination of tariff in the year 2004, based on the principles as lays down under Section 61 of the Electricity Act 2003.

1.4.2 Thereafter, the Commission had notified the HPERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, HPERC (Terms and Conditions for Determination of Hydro Generation Tariff) Regulations, and HPERC (Terms and Conditions for Determination of Transmission Tariff) Regulations notified in the year 2007 and 2011. The Commission also notified the HPERC (Levy and Collection of Fees and Charges by the State Load Despatch Centre) Regulations, 2011 for levy of charges by the SLDC. The MYT regulations notified in the year 2011 were amended as (First Amendment) Regulations, 2013 on 1st November 2013.

1.4.3 Subsequently, the Commission has issued two Multi-Year Tariff (MYT) Order for HPLDS for the Second Control Period (FY 2011-12 to FY 2013-14) on 5th January, 2013 and thereafter for the Third Control Period (FY 2014-15 to FY 2018-19) on 10th June, 2014.

1.5 Filing of True Up Petition for the Second Control Period (FY 2011-12 to FY 2013-14) and Mid Term Review for Third Control Period (FY 2014-15 to FY 2018-19)

Procedural Background

1.5.1 The Petitioner has filed the application for approval of the True-up of Aggregate Revenue Requirement (ARR) for the Second Control Period (FY 2011-12 to FY 2013-14) and revised ARR for the Third Control Period (FY 2014-15 to FY 2018-19) and determination of SLDC charges for the balance period of the Third Control Period, with the Commission on 3rd December 2016 registered as MA No. 118 of 2016.

- 1.5.2 Deloitte Touche Tohmatsu India Pvt. Ltd. (Deloitte) was appointed as Consultant to assist the Commission in the assessment of the Mid-Term Review Petition filed by the Petitioner for the Third Control Period.
- 1.5.3 Based on preliminary scrutiny of the petition, the Commission vide letter No. HPERC/MYT3/MID-TERM REVIEW/HPSLDS/2016-17-2341-43, directed the Petitioner to submit details regarding first set of deficiencies identified in the petition, which were submitted by the Petitioner vide MA No. 03/2017 dated 09.01.2017. The Commission admitted the Petition vide the interim order on 28.12.2016 for further detailed scrutiny.

Interaction with the Petitioner

- 1.5.4 Since the submission of the Petition, there have been a series of interactions between the Petitioner and the Commission, both written and oral, wherein the Commission sought additional information/clarifications and justifications on various issues, critical for the analysis of the Petition.
- 1.5.5 The Commission conducted a Technical Validation Session (TVS) of the Petition on 03rd March, 2017 in the office of the Commission during which the discrepancies and additional information requirements were highlighted.
- 1.5.6 Based on the detailed scrutiny of the petition, clarifications/ information sought by the Commission from time to time and submission was made by the petitioner in response there to, as detailed hereunder, have been taken on record:

Table 1: Communication with the Petitioner

Sl.	Letter from Commission	Response from Petitioner
1	HPERC/MYT3/MID-TERM REVIEW/HPSLDS/2016-17-2341-43 dated 27.12.2016	Vide MA No. 3/2017 dated 09.01.2017
2	HPERC/MYT3/MID-TERM REVIEW/HPSLDS/2016-17-3259-61 dated 06.03.2017	Vide MA No. 21/2017 dated 10.03.2017

Public Hearings

- 1.5.7 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 2: List of Newspapers

Sl.	Name of News Paper	Date of Publication
1.	The Tribune (English)	03.01.2017
2.	Amar Ujala (Hindi)	03.01.2017
3.	Hindustan Times(English)	04.01.2017
4	Dainik Bhaskar(Hindi)	04.01.2017

1.5.8 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 3: List of Newspapers for Public Notice

Sl.	Name of News Paper	Date of Publication
1.	The Times of India (English)	05.01.2017
2.	Dainik Bhaskar (Hindi)	05.01.2017

1.5.9 The Commission did not receive any comments/ suggestions from the stakeholders by the due date i.e. 31.01.2017

1.5.10 The Commission issued a public notice in the newspapers as mentioned in the Table 2: List of Newspapers to inform the public about the date of public hearing to be held on 28.02.2017 at the Court Room in Shimla, which was later changed to 04.03.2017. The public notice regarding the change in public hearing was published in Hindustan Times(English) and Dainik Bhaskar(Hindi) on dated 18.02.2017.

1.5.11 Consumer representative, officials of HPSEBL and representative from Directorate of Energy, GoHP were present during the hearing. The representative from Directorate of Energy, GoHP submitted written objections which detailed in Chapter 3 of this Order.

2 Summary of the True Up Petition for the 2nd Control Period and Mid-Term Review Petition for 3rd Control Period

2.1 Introduction

2.1.1 This chapter summarizes the highlights of the Petition filed by the HPLDS for True Up for the Second Control Period (FY 2011-12 to FY 2013-14) and Mid Term Review for Third Control Period (FY 2014-15 to FY 2018-19).

2.1.2 The Petition was filed on 3rd December, 2016 which was registered with the Commission as MA No. 118/2016. The Petitioner in its Petition for Mid Term Review for FY15-FY19 has submitted truing-up of FY14 and FY15 and revised projections for FY16 to FY19 in line with the provisions of the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011 read with HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) (First Amendment) Regulations, 2013 (herein after referred to as "HPERC MYT SLDC Regulations". Further, based on the direction of the Commission, the Petitioner also submitted truing-up of the FY13 and FY14 based on audited accounts for the respective years vide additional submission MA no. 125/2016 dated 21.12.2016

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

2.1.4 The Petitioner has computed the ARR for the Third Control Period (FY 2014-15 to FY 2018-19) considering the audited figures for FY 2011-12, FY 2012-13 and FY 2013-14 and HPERC MYT SLDC Regulations.

True Up for FY 2011-12 and FY 2012-13**2.2 Operation & Maintenance Expenses (O&M)****Employee Expenses**

2.2.1 The petitioner has submitted the Total Employee Cost for FY 12 & 13 based on the audited accounts as below:

Table 4: Employee Expense for FY 12 and FY 13 (Rs. Lacs)

Particulars	FY 12	FY 13
No of Employees	15	15
Total Employee Cost	31.20	52.20

2.2.2 For the purpose of projecting the Employees Cost for the Third Control period, the Petitioner has computed the 3yr and 5 yr CPI as calculated in the table given below:

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

Where:

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

2.2.3 The CPI_{inflation} rate is calculated as per the following table:

Table 5: CPI Calculation

FY	CPI Index	Growth in CPI
FY 2015-16	265.00	7.32%
FY 2014-15	246.92	4.63%
FY 2013-14	236.00	9.68%
FY 2012-13	215.17	10.44%
FY 2011-12	194.83	8.39%
5 Year Average Inflation		8.09%
3 Year Average Inflation		7.21%

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

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

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

2.2.4 As per HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) (First Amendment) Regulations, 2013, the higher of the 5 year and 3 year inflation is required to be considered for projection of Employee Expenses. As per the table given above, the 5 year CPI inflation is higher than 3 year CPI inflation and thus, the CPI inflation considered for projection of Employee Expenses is 8.09%.

2.2.5 The petitioner has stated that as per the File No. MPP_B(13)-2/2010-Loose dated 17-05-2016 of Govt of H.P, Department of MPP & Power, additional 43 No. of new posts has been approved for performing the statutory functions of State Load Dispatch Centre under the aegis of Himachal Pradesh Load Dispatch Society (HPLDS). However, the Government of H.P has put a rider that only 21 No. of posts among the 43 No. Sanctioned will be filled based on the exigency of the work in the current year i.e. FY 2016-17. In this context, HPSEBL is already in the process of appointment of personnel on behalf of

HPLDS. Accordingly, the growth (Gn) in number of employees has been considered as below:

Table 6: Projected number of employees for FY 17, FY 18 and FY 19

Particulars	FY15	FY16	FY17	FY18	FY19
Particulars	Actual	Provisional	R.E.	Projected	
Number of Employees	15	15	36	58	58

2.2.6 **Additional Liability on account of 7th Pay Commission** - The Petitioner has submitted that the salary revision of Government employees on account of the recommendations of the 7th Pay Commission is due w.e.f. 01st January 2016. The Petitioner has made a provision of 15% of the salaries and gratuity as the additional liability on account of salary revision due to implementation of 7th Pay Commission's recommendations in FY 2017-18. Further, the arrears of previous years with effect from 1st Jan'16 has also been considered in FY 2017-18 which amounts to around Rs.47.37 Lacs.

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

Table 7: Actual and Revised estimates of Employee Expenses (Rs. Lacs.)-FY15 to FY19

Particulars	FY14	FY 15	FY16	FY17	FY18	FY19
	Actuals	Actuals	Provisional	Revised	Projected	Projected
Salaries (Basic)	45.66	46.07	62.43	161.96	282.04	350.60
DA	38.42	38.77	59.30	153.84	267.90	333.02
Medical Expenses reimbursement	0.32	0.32	0.67	1.74	3.03	3.27
Staff Welfare Expenses	0.00	0.00	0.00	0.00	0.00	0.00
PF Contribution	0.31	0.31	0.66	1.71	2.98	3.22
Any Other Items	0.27	0.27	0.49	1.27	2.21	2.39
Arrears of Previous Year(Impact of 7th Pay Commission)					47.37	
Add: Additional liability in account of 7th Pay commission					82.49	
Grand Total	84.97	85.74	123.55	320.51	688.03	692.50

Administrative and General Expenses and ULDC Charges

2.2.8 The Petitioner has submitted the actual of A&G Expenses for FY 12 & FY13 as tabulated below –

Table 8: Actual A&G Expense for FY 12 and FY 13 (Rs. Lacs)

Particulars	FY 12	FY13
	Actual	Actual
Administration Charges		
Insurance Of Employees, Assets, Legal Insurance	0.04	0.00
Telephone, Postage & Telegram	0.16	0.25
Consultancy Charges	2.98	1.52
Conveyance And Travel	2.19	4.68
Administration Expenses Total (A)	5.38	6.45
Other Charges :-		
Fee And Subscriptions Books And Periodicals	0.01	0.08
Printing And Stationery	0.24	0.63
Advertisement Expenses	0.00	1.90
Miscellaneous Expenses	0.58	9.70
Electricity Charges	0.00	0.00
Any Other Expenses	0.30	0.51
Auditor's Fees	0.00	0.00
Other Charges Total (G)	1.14	12.81
A & G Total	6.52	19.25
ULDC Charges	56.36	4.50

2.2.9 The Petitioner has projected the A&G expenses as per HPERC MYT SLDC Regulations basis on the WPI growth rate. The petitioner has computed the 3 Yr and 5 Yr WPI in the table below. The WPI_{inflation} rate projected for escalation are calculated as per the following table:

Table 9: WPI Calculation

Year	WPI Index	Growth in CPI
FY 2015-16	176.68	-2.69%
FY 2014-15	181.19	2.00%
FY 2013-14	177.64	5.98%
FY 2012-13	167.62	7.35%
FY 2011-12	156.13	8.72%
5 Yr Average Inflation		4.31%
3 Yr Average Inflation		1.83%

2.2.10 The petitioner has projected the ULDC charges using 5 years WPI rate of 4.31%.

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

Table 10: Actual and Revised estimates of A&G Expenses (Rs. Lacs.)-FY14 to FY19

Particulars	FY 14	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Provisional	R.E.	Projected	
Administration Charges						
Insurance Of Employees, Assets, Legal Insurance	0.05	0.00	0.00	0.00	0.00	0.00
Telephone, Postage & Telegram	1.03	0.59	0.62	0.64	0.67	0.70
Consultancy Charges	0.56	5.67	5.91	6.17	6.44	6.71
Conveyance And Travel	7.24	11.32	11.81	12.32	12.85	13.40
Administration Expenses Total (A)	8.88	17.58	18.34	19.13	19.95	20.81
Other Charges :-		0.00				
Fee And Subscriptions Books And Periodicals	0.00	0.00	0.00	0.00	0.00	0.00
Printing And Stationery	0.56	0.49	0.51	0.53	0.56	0.58
Advertisement Expenses	0.03	0.77	0.80	0.84	0.87	0.91
Miscellaneous Expenses	0.62	0.30	0.31	0.33	0.34	0.36
Electricity Charges	1.02	0.00	0.00	0.00	0.00	0.00
Any Other Expenses	0.59	0.04	0.04	0.04	0.05	0.05
Auditor's Fees		0.00	0.00	0.00	0.00	0.00
Other Charges Total (G)	2.82	1.60	1.67	1.74	1.82	1.89
A & G Total	11.69	19.18	20.01	20.87	21.77	22.71
ULDC Charges	101.89	75.22	106.28	110.87	115.64	120.63

Repair and Maintenance Expenses

2.2.12 The petitioner has submitted the actual AMC Charges for FY 2011-12 and FY 2012-13 towards R&M expenses as below:

Table 11: Actual R&M Expenses (Rs. Lacs.)-FY12 to FY13

Particulars	FY 12	FY 13
	Actual	Actual
Total AMC Charges	20.49	15.82
Total R&M Expenses	20.49	15.82

2.2.13 The petitioner has submitted that, at present the assets of SLDC are being handled by HPSEBL and the bill for the same is raised by HPSEBL. This bill

amount has been used to derive the R&M charges. HPSEBL bills 20% of the overall expenses that are incurred by it to its load dispatch Office. The assets of the overall building that houses ULDC equipment and the employee should be handed over to HPLDS from HPSEBL and the full maintenance charges shall be incurred by HPLDS from FY 2017-18. Based on the same, HPLDS has considered 100% expenditure to be incurred by it, post asset transfer.

2.2.14 Further, HPLDS has considered AMC charges of Rs 92.89 Lacs for FY 2017-18 and FY 2018-19.

2.2.15 The actual AMC charges for FY 2013-14, FY 2014-15 provisional AMC charges expenses for FY 2015-16 and the revised estimates of R&M expenses for FY 17, FY18 and FY19 are as given below:

Table 12: Actual & Revised R&M Expenses (Rs. Lacs.)-FY15 to FY19

Particulars	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
	Actual	Actual	Provisional	R.E	Projected	
Total AMC Charges (20% of Overall Expenses)	16.39	7.47	8.13	8.78	-	-
100% of Overall Expenses + ULDC_II Charges	-	-	-	-	136.81	136.81
Total R&M Expenses	16.39	7.47	8.13	8.78	136.81	136.81

2.2.16 The total O&M expense proposed by the Petitioner for FY12 to FY16 has been provided in the table given below:

Table 13: Actual of O&M Expenses (Rs. Lacs) for FY12 to FY16

PARTICULARS	FY 12	FY 13	FY 14	FY 15	FY 16
	Actuals	Actuals	Actuals	Actuals	Actuals
Employee Expenses	31.20	52.20	84.97	96.60	123.55
A&G Expense	6.52	19.25	11.69	19.18	20.01
R&M Expenses	20.49	15.82	16.39	7.47	8.13
Total O&M Expenses	58.21	87.27	113.05	123.25	151.68

2.2.17 The summary of O&M Expenses estimated by the petitioner for FY17 and projected for FY18 and FY19 has been provided in the table given below:

Table 14: Revised estimates of O&M Expenses (Rs. Lacs) for FY17, FY18 & FY19

Particulars	FY17	FY18	FY 19
-------------	------	------	-------

	Approved in MYT Order	Submitted Now	Approved in MYT Order	Submitted Now	Approved in MYT Order	Submitted Now
Employee Expenses	510.23	320.51	560.02	688.03	614.67	692.50
A&G Expense	13.73	20.87	14.90	21.77	16.17	22.71
R&M Expenses	129.39	8.78	129.39	136.81	129.39	136.81
Total O&M Expenses	653.35	350.17	704.31	846.61	760.22	852.02

2.3 Capital Expenditure Proposed

2.3.1 The petitioner is proposing to acquire the energy infrastructure assets set up for SLDC Operations and the buildings that houses three assets, which are currently under HPSEBLs control. HPLDS is considering the cost of SLDC buildings to be transferred from HPSEBL to HPLDS at Rs.121.09 Lacs.

2.3.2 Further, HPLDS is considering the addition in capital expenditure (Furniture and Fixtures, IT equipments) due to significant increase in number of employees. The Proposed Capital Expenditure for FY 17, FY 18 and FY 19 is as follows:

Table 15: Revised Estimates of Capital Expenditure Plan (Rs. Lacs)

Particulars	FY16	FY17	FY18	FY19
	Provisional		Projected	
Assets Transfer from HPSEBL			121.09	
Furniture & Fixtures	3.39	2.65	12.00	4.00
IT Systems	7.87	1.30	6.00	3.00
Grand Total	11.26	3.95	139.09	7.00

2.4 Depreciation

2.4.1 The petitioner has submitted the following depreciation charges for the FY 12 and FY 13:

Table 16: Actual Expenses of Depreciation (Rs. Lacs)- FY 12 & FY 13

Particulars	FY 12	FY13
-------------	-------	------

	Actual	Actual
Depreciation	0	1.94

2.4.2 Based on the Proposed Capital Expenditure Plan, the petitioner has computed the depreciation.

2.4.3 The petitioner has depreciated the office equipment at the rate of 6.33% and building have been depreciated at the rate of 3.34%. The estimated depreciation from FY17 to FY 19 is shown in the following tables:

Table 17: Actual and Revised Expenses of Depreciation (Rs. Lacs)- FY14 to FY19

Particulars	FY 14	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Provisional	R.E.	Projected	
Opening GFA	1.37	0.58	0.26	11.52	15.47	33.47
Addition during the year	-	-	11.26	3.95	18.00	7.00
Closing GFA	0.58	0.26	11.52	15.47	33.47	40.47
Depreciation	0.79	0.32	0.37	0.85	5.59	6.38

2.5 Interest Expenses

2.5.1 The interest expenditure on account of long-term loans depends on the outstanding loan, repayments, and prevailing interest rates on the outstanding loans

2.5.2 The Petitioner has submitted that since there are no outstanding loans for HPLDS as on March 2012 and March 2013. Hence, petitioner has not claimed any Interest Expenses for FY 12 & FY 13.

2.5.3 For the current petition, the Petitioner has estimated the Interest & Finance charges for FY 17, FY 18 and FY 19 as per the following

Interest on new Capex – Interest charges payable for the loans projected to be raised for the capital investment projected for FY17, FY18 and FY19. For the purpose of projecting the ARR for the petition, the Petitioner has considered the proposed capital investment as submitted by the Petitioner and thus, the interest charges for FY17, FY18 and FY19 on account of new loans.

Interest on Normative Working Capital – Projected in accordance with the

MYT Regulations 2011 and its subsequent amendments from time to time. The detailed computation of the same has been provided in the subsequent section.

2.5.4 The petitioner has considered 70% of new capital expenditure as debt and considered the interest rate of 12%.

2.5.5 The petitioner has submitted the Interest and Finance charges as below:

Table 18: Revised Estimates of Interest Expenses from FY 17 to FY 19 (Rs. Lacs.)

Particulars	FY17	FY18	FY19
	R.E.	Projected	
Opening Balance	0.00	2.77	100.13
Receipt	2.77	97.36	4.90
Repayment	0.00	0.00	0.00
Closing Balance	2.77	100.13	105.03
Average Balance	1.38	51.45	102.58
Loan Drawl	2.77	100.13	105.03
Interest Expenses	0.17	6.17	12.31
Interest Rate	12.00%		

2.6 Interest on Working Capital

2.6.1 The petitioner submitted that the estimation of Interest on Working Capital was in line with the section 22 of HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011 and its subsequent amendments, the working capital requirement shall be computed on the Normative Basis. The extract of the MYT Regulations is as given below:

“The working capital shall cover-

- (a) O&M expenses for one month;
- (b) Receivables for two months of the SLDC charges.
- (c) Maintenance spares @ 40% of R&M Expenses for one month;

2.6.2 The petitioner submitted that the computation of Interest rate on Working Capital as below:

Table 19: Computation of interest rate on Working Capital

SBI Base Rate	Values
From 01 st April 2011	13.00%
From 01 st April 2012	14.75%

2.6.3 Based on above, the computation of actual cost of interest on working capital as submitted by Petitioner for FY12 & FY13 is shown below

Table 20: Actual cost of Interest on Working Capital (Rs. Lacs.) from FY12 & FY13

Particulars	FY 12	FY13
	Actual	Actual
O&M expenses for 1 month	4.85	7.27
Receivables equivalent to 2 months SLDC charges	4.29	2.70
Maintenance Spares 40% of the R&M expense for one month	0.68	0.53
Working Capital Requirement	9.83	10.50
Interest on Working Capital	13.00%	14.75%
Interest on working Capital (Rs. Lacs)	1.28	1.55

Table 21: Computation of interest rate on Working Capital

SBI Base Rate	Values
From 05th Oct 15	9.30%
From 08th June 15 till 04th Oct 15	9.70%
From 10th April 15 till 07th June	9.85%
From 01st April 15 to 09th April 15	10.00%
Average SBI Base Rate	9.71%
Effective Interest on Working Capital after adding 350 basis points	13.21%

2.6.4 The table below summarizes the computation of revised estimates of interest on working capital as submitted by the petitioner for FY17 to FY19.

Table 22: Normative Interest on Working Capital for FY14 to FY19 as submitted by Petitioner (Rs. Lacs.)

Particulars	FY 14	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Provisional	R.E	Projected	
O&M expenses for 1 month	9.42	10.27	12.64	29.18	70.55	71.00
Receivables equivalent to 2 months SLDC charges	0.55	0.25	0.27	0.29	4.56	4.56
Maintenance Spares 40% of the R&M expense for one month	14.73	9.89	16.35	49.86	137.24	139.18
Working Capital Requirement	24.69	20.41	29.26	79.33	212.35	214.74

Particulars	FY 14	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Provisional	R.E	Projected	
Interest on Working Capital	13.21%	13.21%	13.21%	13.21%	13.21%	13.21%
Interest on working Capital (Rs. Lacs)	3.26	2.70	3.87	10.48	28.05	28.37

2.7 Return on Equity

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

2.7.2 The petitioner also submitted that the asset transfer from HPSEBL is yet to happen and there has been no infusion of equity in the books of HPLDS.

2.7.3 The following table shows the return on equity claimed by the Petitioner for the FY 12 & FY 13:

Table 23: Return on Equity for FY 12 & FY 13

Particulars	FY 12	FY13
	Actual	Actual
Opening Equity	0	0
Equity Infusion		-
Closing Equity		-
Rate of Return on Equity		-
Return on Equity	0	0

2.7.4 For the purpose of computing the RoE for Control Period FY15-FY19, the Petitioner has considered the equity portion as 30% of the total cost of assets in accordance with section 17 of the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011.

2.7.5 The petitioner has submitted that the asset transfer from HPSEBL is yet to happen and there has been no infusion of equity in the books of HPLDS.

2.7.6 For the purpose of computation of RoE for remaining part of Control Period, the Petitioner has considered the opening equity for the HPLDS for FY 2016-17 as Rs. Nil.

2.7.7 Following table summarizes the revised estimates of return on equity as submitted by HPLDS for FY 2016-17, FY 2017-18 and FY 2018-19:

Table 24: Actual and Revised Estimates of Return on Equity (Rs. Lacs.) from FY 14 to FY 19 as submitted by Petitioner

Particulars	FY 14	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Provisional	R.E.	Projected	
Opening Equity		-	-	0	1.185	42.912
Equity Infusion		-	-	1.185	41.727	2.1
Closing Equity		-	-	1.185	42.912	45.012
Rate of Return on Equity		-	-	23.48%	23.48%	23.48%
Return on Equity		-	-	0.14	5.18	10.32

2.8 Income from Charges

2.8.1 The petitioner submitted that presently, majority of revenue of HPLDS comes from SLDC operating charges of Rs. 2000 per day per transaction (as per No.HPERC/418(V) dated 29th May 2013) that it charges from the Short Term Open Access (STOA) Consumers and one time registration fee of Rs 1 Lacs paid by the customers of HPLDS. HPLDS is also receiving Rs.5000 per NOC per month issued to Open Access Consumers. The petitioner has adjusted these charges from the total ARR value.

2.8.2 The following table shows the income from charges proposed by the petitioner for FY 12 & FY 13:

Table 25: Actual Income from Charges (Rs. Lacs.) for FY 12 & FY 13

Particulars	FY 12	FY13
	Actual	Actual
Registration Fee	0	8.0
SLDC Regular Operating Income	0.12	55.86
SLDC Disbursement	0	15.06
Total	0.12	78.92

2.8.3 The following table shows the Projected Income from Charges (Rs. Lacs.) at existing tariff for FY17, FY18 and FY19.

Table 26: Actual/ Projected Income from Charges (Rs. Lacs.) at existing tariff for FY17, FY18 and FY19 as submitted by HPLDS

Particulars	FY 14	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Provisi onal	R.E.	Project ed	Actual
Registration Fee	6.24	4.97	18.25	18.25	18.25	18.25
SLDC Charges and NOC Charges	59.47	48.48	54.01	60.17	67.03	74.68
Receipts from IEX (Sale of Power from GOHP, HPSEBL, Malana HEP)	64.92	88.68	91.84	95.11	98.50	102.01
Total	130.63	142.13	164.10	173.53	183.79	194.94

2.9 True Up of FY 2011-12, FY 2012-13, FY 2013-14 and FY 2014-15

2.9.1 The table below summarises the Trued up ARR as proposed by the petitioner for FY 2011-12 & FY 2012-13:

Table 27: Summary of proposed Aggregate Revenue Requirement (Rs. Lacs) as per the Audited Accounts for FY 2011-12 & FY 2012-13

Particulars	Summary of ARR	
	FY 2011-12	FY 2012-13
	Actuals	Actuals
Operation & Maintenance Expenses		
- Employee Cost	31.20	52.20
- A&G Cost	6.52	19.25
- R&M Cost	20.49	15.82
ULDC Charges	56.36	4.50
Depreciation	0.00	1.95
Interest & Finance Charges	0	0
Interest on Working Capital	1.28	1.55
Return on Equity Capital	0	0
Total Expenses	115.85	95.27
Less: Income from Charges	0.12	78.92
Less: Grant in aid received	90.00	0.00
Aggregate Revenue Requirement	25.73	16.35

2.9.2 The table below summarises the Trued up ARR as proposed by the petitioner for FY 2013-14 & FY 2014-15:

Table 28: Aggregate Revenue Requirement (Rs. Lacs) as per the Audited Accounts for FY 14 & FY15

Particulars	FY 2013-14	FY 2014-15
	Actual	Actual
Operation & Maintenance Expenses	113.05	123.25
- Employee Cost	84.97	96.60
- A&G Cost	11.69	19.18
- R&M Cost	16.39	7.47
ULDC Charges	101.89	75.22
Depreciation	0.79	0.32
Interest & Finance Charges	0.00	0.00
Interest on Working Capital	3.26	2.70
Return on Equity Capital	0.00	0.00
Total Expenses	218.99	201.49
Less: Income from Charges	130.63	142.13
Aggregate Revenue Requirement	88.36	59.36

2.10 Summary of ARR for FY 2015-16 to FY 2018-19

2.10.1 Summary of revised ARR for FY16 to FY19 as submitted by the Petitioner is as below:

Table 29: Summary of ARR for FY 16, FY17, FY18 & FY19 (Rs. Lacs.)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
	Provisional	Revised Estimate	Projected	Projected
Operation & Maintenance Expenses	151.68	350.17	846.61	852.02
- Employee Cost	123.55	320.51	688.03	692.50
- A&G Cost	20.01	20.87	21.77	22.71
- R&M Cost	8.13	8.78	136.81	136.81
ULDC Charges	106.28	110.87	115.64	120.63
Depreciation	0.37	0.85	5.59	6.38
Interest & Finance Charges	0.00	0.17	6.17	12.31
Interest on Working Capital	3.87	10.48	28.05	28.37
Return on Equity Capital	0.00	0.14	5.18	10.32
Total Expenses	262.20	472.67	1007.25	1030.03
Less: Income from Charges	164.10	173.53	183.79	194.94
Aggregate Revenue Requirement	98.10	299.14	823.46	835.09

2.10.2 The petitioner has calculated SLDC charges based on the proposed capacity handled in the future years.

Table 30: Projected Capacity Charges as submitted by HPLDS

Particulars	FY 2016-17	FY 2017-18	FY 2018-19
	Revised Estimate	Projected	Projected
Total ARR (Rs. Lacs)	299.14	823.46	835.09
Power handled by SLDC (MW)	3457.20	3620.55	3973.37
SLDC Charges (Rs/MW/Month)	721.05	1895.34	1751.43

3 Responses from Stakeholders

3.1 Introduction

3.1.1 The Commission has published a Public Notice inviting the interested parties/stakeholders to file their objections and suggestions on the Petition by 31st January 2017. The Commission, however, did not received any written comments from the stakeholders up to the last date for filing of objections/ comments.

3.1.2 A public hearing was held on 04th March, 2017 at the Commission's Court Room in Shimla where officials of HPSEBL representative from Department of Energy (DoE), GoHP, and consumer representative were present. During the hearing DoE submitted written objections/ comments on the HPLDS petition which has been considered by the Commission. The stakeholder's suggestions/ comments and the Commission's stand on the same are provided below:

3.2 Intra-State ABT mechanism

3.2.1 DoE has submitted that as per National Electricity Policy, Availability Based Tariff (ABT) is to be introduced at State level by April 2006. However, till date Intra ABT mechanism has not been established in Himachal Pradesh, In order to encourage grid discipline by making the pricing of power, frequency dependent, thereby forcing state participants to improve procedure for forecasting, scheduling and load dispatch, and establishment of ABT mechanism is the demand of current time. HPERC may issue necessary directions to HPSLDS to frame the ABT regulations in the state.

Petitioner response

3.2.2 The main bottleneck for establishing ABT mechanism by SLDC is the acute shortage of manpower. More than a period of 5 years has already lapsed

since the formation of HPLDS by at present there is only skeleton staff which is running day to day affairs of society with great difficulty. At present there are only 12 persons in the HPLDS against the requirement of 58 persons. The society is finding great difficulty to undertake the various jobs/works assigned to it due to actue shortage of staff. It is persistent to mention here that the HP Govt. approved and created 43 posts of various categories in HPLDS during May 2016 with the condition that only 21 posts of the 43 created posts shall be filled. However, till date not a single post has been filled even against these 21 posts. In view of the facts narrated above the HPLDS is exploring the possibility of hiring the services of a consultant for establishment of ABT mechanism in the state.

Commission's view

- 3.2.3 The autonomy and operational independence of SLDC is the first and foremost requirement for implementing intra-state ABT in the state of HP. HPERC has requested GoHP through Additional Chief Secretary (Power) to ensure that real time operation of SLDC be handed over to HPLDS from HPSEBL so as to function the SLDC as per the provisions of Electricity Act, 2003.
- 3.2.4 In view of the manpower and infrastructural challenges faced by HPLDS, the Commission expects DoE to intervene and resolve these issues which would lead to smooth functioning of HPLDC and help in resolution of the concerns raised by the DoE as well as lead to overall benefit to the State.
- 3.2.5 As regards the implementation of intra-state ABT mechanism in the state, the petitioner is advised to expeditiously submit suitable need based proposal in this regard.

3.3 Contracted Capacity

- 3.3.1 DoE has submitted that the details of contracted capacity of users under Sr. no. 8 for HPSEBL should be bifurcated into LTOA, own generation, Himurja, HPPCL and various IPPs.

3.3.2 The petitioner has provided the details for contracted capacity of HPSEBL bifurcated in LTOA, own generation, HPPCL and various IPPs owned projects.

3.4 Grid Code

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

Petitioner response

3.4.2 The Petitioner has submitted that it is trying to hire the consultant for establishment of ABT mechanism as well as updation of grid code discipline in view of acute shortage of staff.

Commission's view

3.4.3 The strengthening of HPLDS is immediately required in terms of both infrastructure and manpower as well so as to function it as per the requirement of Electricity Act, 2003. As suggested in para 3.2.4, DoE may also submit its proposal for required changes in the Grid Code.

3.5 Short-term Open Access Charges

3.5.1 DOE has submitted that the short-term open access charges should be minimum Rs. 200/- instead of Rs. 2000/- per day in line with CERC Regulations.

3.5.2 In response to these comments, the petitioner has clarified that the minimum operating charges for NLDC, SLDC are Rs. 2000/- per day and Rs. 1000/- per day respectively in line with the CERC Regulations.

3.6 Provisional ARR

3.6.1 DoE has submitted that the figures for ARR in the petition are on provisional basis which shall be submitted as per final audited accounts.

Petitioner response

3.6.2 The final audited accounts for ARR in the petition has been submitted to the HPERC.

Commission's view

3.6.3 The audited accounts have been used for the purpose of Truing-up of Second Control Period (FY12-FY14) and Mid-Term Review of Third Control Period (FY15-FY19).

3.7 Schedule of HEPs

3.7.1 DoE has submitted that the schedule of HEPs above 5 MW should be available on website for those HEPs whose powers have to be scheduled by SLDC.

Petitioner response

3.7.2 The Petitioner has submitted that the office has established its own website and efforts would be made to upload the schedule of HEPs above 5 MW after establishment of ABT mechanism in the State.

Commission's view

3.7.3 The Commission directs the Petitioner to make available the details of the schedules of the Projects above 5MW on their website at the earliest.

3.8 SLDC Charges

3.8.1 The per MW charges are on higher side, moreover these charges have also to be recovered from the State Transmission Users for using of Intra-State Transmission network.

Petitioner response

3.8.2 The per MW charges are submitted to the Hon'ble Commission as per ARR and will finally be approved by the Hon'ble Commission

Commission's view

3.8.3 The Commission has determined the SLDC charges from long-term open access consumers as detailed in Chapter 5.

3.9 Transfer of Asset

3.9.1 During the Public Hearing, it was highlighted that the complete transfer of assets from HPSEBL to HPLDS should take place in order to have a transparent and independent functioning of HPLDS. The employees of HPSEBL had indicated that the current infrastructure is being utilized by HPSEBL for the monitoring of the own generating stations and is therefore required till a separate control centre, which has already been allowed by the Commission, is operational.

Petitioner response

3.9.2 HPLDS has agreed with the submission and has requested for transfer of the SLDC assets at the earliest for smooth functioning.

Commission's observation

3.9.3 The Commission is of the opinion that for smooth and efficient operation of HPLDS, operational as well as financial independence is needed. For this purpose, the Commission in the MYT Order had clearly directed HPSEBL for transferring the SLDC assets to HPLDS and had approved additional expenditure to HPSEBL for construction of a separate control room. The relevant extract of the Order is as below:

"The assets including Control Room, Data Acquisition and Supervisory Control System (SCADA/EMS) and the other infrastructure available in the Control Room, including Real Time Displays required to carry out SLDC functions shall be transferred to HPLDS. The Commission has provided in principle approval for the transferring of existing SLDC infrastructure to HPLDS which has been considered in this order. However till the

establishment of separate control centre by HPSEBL, the existing infrastructure shall be used by both HPSEBL and HPLDS.

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

- 3.9.4 During the management meeting with HPSEBL, the officials had indicated that the construction of control room is underway and shall be completed by June 2018 post which it shall transfer all assets relating to SLDC function to HPLDS. The Commission directs HPSEBL to ensure timely completion of all activities relating to operationalization of control room and transfer the SLDC assets to HPLDS for effective implementation of SLDC functions in the State of Himachal Pradesh in line with the requirements of Electricity Act, 2003 at the earliest but not later than 30th June, 2018.

4 True-Up of Aggregate Revenue Requirement (ARR) for the Second Control Period (FY12-FY14)

4.1 Background

4.1.1 This Chapter deals with 'Truing up' of ARR of HPLDS for FY 2011-12 to FY 2013-14. The Commission has analysed each of the components of ARR for the Second Control Period in the following sections.

4.1.2 As per the Regulation 14 (1) of Himachal Pradesh Electricity Regulatory Commission (Levy and Collection of Fees and Charges by State Load Despatch Centre) (First Amendment) Regulations, 2013.

*“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**”*

4.1.3 The Petitioner has submitted the Petition for True-Up for Second Control Period (FY 2011-12 to FY 2013-14) based on the audited accounts for the respective period.

- 4.1.4 It is observed that there are significant variations in the approved and actual numbers of the various ARR components due the reason that HPSLDS initiated operations from 17.06.2012 post transfer of few employees from HPSEBL on secondment. Further, the ALDC operations of ALDC facility being housed in the same complex, the necessary assets of SLDC operations are still to be transferred to HPLDS and therefore the expenditure during the Control Period FY12-FY14 has been very low as compared to the approved.
- 4.1.5 Regulation 11 of the HPERC MYT Regulations 2011 provide for the redetermination of base line values in absence of audited accounts:

“11. Determination of base line values -

The baseline values (operating and cost parameters) for the base year of the Control Period shall be determined by the Commission and shall be based on the latest audited accounts, estimate of the actuals for the relevant year, prudence check and other factors considered appropriate by the Commission. The Commission may re-determine the baseline values for the base year based upon the actual audited accounts of the base year”

- 4.1.6 Therefore, for the purpose of truing-up of the Control Period FY12-FY14, the Commission has undertaken detailed review of each ARR parameter based on the audited accounts submitted by the Petitioner and revised the ARR for each year of the Control Period as discussed in the subsequent paragraphs.
- 4.1.7 The Commission also held technical discussions to validate the data submitted by the Petitioner and sought further clarifications on various issues. The Commission has considered all information submitted by the Petitioner as part of the Tariff Petition including responses to various queries raised during the discussions.

4.2 Operation & Maintenance (O&M) Expenses

- 4.2.1 The Commission has examined the submission made by HPLDS with respect to O&M expenses for FY 2011-12 to FY 2013-14. Each component of the O&M expense i.e. employee cost, R&M expense and A&G expense is discussed below:

Employee Expenses

4.2.2 The Commission observes that the petitioner has submitted the total employee cost for the Second Control Period based on the audited annual account for FY 2011-12 to FY 2013-14.

4.2.3 The Commission has examined the employee cost which is significantly lower than the approved employee cost. During the technical validation session, the petitioner submitted that due to no addition in manpower the total employee cost has remained low. Accordingly, the Commission feels appropriate to consider the actual employee cost in line with the audited accounts for truing-up. The revised approved employee cost after true-up for the Second Control Period is given in the table below:

Table 31: Approved Employee Cost for FY 2011-12 to FY 2013-14 (Rs. Lac)

Particulars	As Approved in MYT Order			As submitted by Petitioner			Trued Up		
	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14
Employee Cost	133.77	182.97	236.81	31.20	52.20	84.97	31.20	52.20	84.98

Administrative and General Expenses and ULDC Charges

4.2.4 The Commission has considered the submission of the Petitioner with regard to the A&G and ULDC expenses which are as per the audited accounts.

4.2.5 The trued-up A&G expenses and ULDC charges approved for the Second Control Period is provided in the table below:

Table 32: Approved A&G Expense for Second Control Period (Rs. Lacs)

Particulars	As Approved in MYT Order			As submitted by Petitioner			Trued Up		
	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14
A&G Charges	41.27	45.40	46.21	6.52	19.25	11.69	6.45	19.25	11.67
ULDC Charges	583.79	642.17	799.06	56.36	4.50	101.89	56.36	4.50	101.89

Repair and Maintenance Expenses

4.2.6 The Petitioner has submitted that R&M expenses primarily comprise of AMC charges. Further the petitioner has submitted that the assets of SLDC are being handled by HPSEBL and the bill for the same is raised by HPSEBL based on 20% of the overall expenses that is incurred towards the load dispatch office.

4.2.7 The Commission has analysed the R&M expenses based on the audited accounts of HPLDS and approves the same for truing-up of the Second Control Period. The trued-up R&M expenses for the Second Control Period is provided in the table below:

Table 33: Approved R&M cost for Second Control Period (Rs. Lacs)

Particulars	As Approved in MYT Order			As submitted by Petitioner			Trued Up		
	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14
AMC Charges	1.78	1.96	2.15	20.49	15.82	16.39	20.49	15.82	16.39
OPGW Charges	-	-	-	-	-	-	-	-	0.50
Total R&M Expenses	1.78	1.96	2.15	20.49	15.82	16.39	20.49	15.82	16.89

Total Operation and Maintenance Cost

4.2.8 Based on the above explanation, the total O&M cost approved for truing-up by the Commission for Second Control Period is given in the table below:

Table 34: Approved O&M costs for Second Control Period (Rs. Lacs)

Particulars	As Approved in MYT Order			As submitted by Petitioner			Trued Up		
	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14
Employee Cost	133.77	182.97	236.81	31.20	52.20	84.97	31.20	52.20	84.98
A&G Cost	41.27	45.40	46.21	6.52	19.25	11.69	6.45	19.25	11.67
R&M Cost	1.78	1.96	2.15	20.49	15.82	16.39	20.49	15.82	16.89
Total O&M Cost	176.82	230.33	285.17	58.21	87.27	113.05	58.15	87.27	113.54

4.3 Depreciation

4.3.1 As per the provisions of section 22 of HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011. As per

Appendix II of the regulations the office equipment is depreciated at 6.33% and buildings & civil engineering works (containing plants and equipment) is depreciated at 3.34% with salvage value of 10% of the original cost of the asset.

4.3.2 Based on the schedule of fixed assets submitted by the petitioner, the Commission has computed depreciation for the Second Control Period.

4.3.3 Using the above methodology, the depreciation for HPLDS approved by the Commission for the Second Control Period is shown below:

Table 35: Approved Depreciation on HPLDS Assets for Second Control Period (Rs. Lacs)

Particulars	As Approved in MYT Order			As submitted by Petitioner			Trued Up		
	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14
Opening GFA	-	-	-	-	-	1.37	8.18	8.18	8.18
Addition during the year	-	-	-	-	-	-	-	-	-
Closing GFA	-	-	-	-	-	0.58	8.18	8.18	8.18
Depreciation	-	-	-	-	1.94	0.79	0.27	0.27	0.27

4.4 Interest & Finance Charges

4.4.1 The interest expenditure on account of long-term loans depends on the outstanding loan, repayments, and prevailing interest rates on the outstanding loans. Based on the submission of the Petitioner that there are no outstanding loans for HPLDS during the Second Control Period, the Commission approves Nil Interest & Finance charges towards truing-up of the Second Control Period.

4.5 Interest on working capital

4.5.1 Based on the approved O&M expenses and expected receivables, the Commission approves the working capital requirements and interest on working capital for the Control Period in accordance with regulations 23 of the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011 and its subsequent amendment as follows:

“In sub-regulation (2) of regulation 23 of the said regulations, for the words and figure “Short Term Prime Lending Rate of the State Bank of India as on the 1st April of the relevant year” the words and figures “average Base Rate of State Bank of India for the last six months prior to the filing of the MYT petition plus 350 basis points” shall be substituted.”

4.5.2 The working capital requirement and interest on working capital approved by the Commission for truing-up of Second Control Period is shown in the table below:

Table 36: Approved Interest on Working Capital for the Second Control Period (Rs. Lacs)

Particulars	As Approved in MYT Order			As submitted by Petitioner			Trued Up		
	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14
O&M expenses for 1 month	63.38	72.71	90.35	4.85	7.27	9.42	4.85	7.27	9.46
Maintenance spares @40% of R&M expenses for 1 month	0.06	0.07	0.07	0.68	0.53	14.73	0.68	0.53	0.56
Receivable for 2 months	131.06	150.34	186.83	4.29	2.70	0.55	4.24	2.07	13.92
Total Working capital	194.51	223.12	277.26	9.83	10.50	24.69	9.77	9.87	23.94
Interest on Working capital	25.77	29.56	36.74	1.28	1.55	3.26	1.27	1.46	3.46

4.6 Return on Equity (ROE)

4.6.1 The Commission has approved no amount towards return on equity based on the submission of the Petitioner and pending the asset transfer from HPSEBL.

4.7 Other Income

4.7.1 Other income for HPLDS consists of SLDC Charges paid by the STOA consumers, SLDC Operating Fees, one time registration fee and other charges paid by the users of the SLDC and Receipts from IEX.

4.7.2 The Commission has analysed the submission of Petitioner with regard to the other income. Based on the audited annual accounts of FY 11-12 to FY 13-14, the Commission has worked out the other income. The other income

approved by the Commission for the Second Control Period has been tabulated below:

Table 37: Approved Other Income for Second Control Period (Rs. Lacs)

Particulars	As Approved in MYT Order			As submitted by Petitioner			Trued Up		
	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14
Grant In Aid	-	-	-	90	-	-	90	-	-
Bank Interest	-	-	-	-	-	-	0.52	2.18	5.03
SLDC Operating Fees	-	-	-	0.12	15.06	-	0.12	15.06	-
Registration Fees	-	-	-	-	8.00	6.24	-	8.00	6.24
SLDC Disbursement of STOA	-	-	-	-	55.86	59.47	-	55.86	59.47
Receipts from IEX	-	-	-	-	-	64.92	-	-	64.92
Total	-	-	-	90.12	78.92	130.63	90.64	81.10	135.66

4.8 Aggregate Revenue Requirement (ARR)

4.8.1 The summary of the Aggregate Revenue Requirement (ARR) approved by the Commission for the Second Control Period is given in the table below:

Table 38: Trued-up ARR of HPLDS for the Second Control Period (Rs. Lacs)

Particulars	As Approved in MYT Order			As submitted by Petitioner			Trued Up		
	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14	FY 12	FY 13	FY 14
O&M Cost	176.82	230.33	285.17	58.21	87.27	113.05	58.15	87.27	113.54
Employee Cost	133.77	182.97	236.81	31.20	52.20	84.97	31.2	52.2	84.98
A&G Cost	41.27	45.40	46.21	6.52	19.25	11.69	6.45	19.25	11.67
R&M Cost	1.78	1.96	2.15	20.49	15.82	16.39	20.49	15.82	16.89
ULDC Charges	583.79	642.17	799.06	56.36	4.50	101.89	56.36	4.50	101.89
Depreciation	-	-	-	-	1.94	0.79	0.27	0.27	0.27
Interest & Finance Charges	-	-	-	-	-	-	-	-	-
Interest on Working Capital	25.77	29.56	36.74	1.28	1.55	3.26	1.27	1.46	3.46
Return on Equity	-	-	-	-	-	-	-	-	-
Less: Grant In Aid	-	-	-	90.00	-	-	90.00	-	-
Less: Income from Charges	-	-	-	0.12	78.92	130.63	0.64	81.10	135.66
Aggregate Revenue Requirement	786.38	902.06	1120.97	25.73	16.34	88.36	25.42	12.40	83.50

- 4.8.1 In response to the query of the Commission, the Petitioner has responded that no invoice has been raised towards LTOA consumers i.e. HPSEBL and therefore no revenue is reflected in the audited accounts towards LTOA consumers.
- 4.8.2 The Commission had approved SLDC charges to be recovered from the LTOA consumers in the MYT Order for the Second Control Period. In absence of any recovery made the Commission approves recovery of the total ARR of Rs. 1.21 Cr. from LTOA consumers towards truing-up for Second Control Period (FY12-FY14) at the earliest.

5 Mid-Term Review of the Aggregate Revenue Requirement (ARR) for the Third Control Period

5.1 Approach for Mid-Term Review of the Third Control Period (FY 2014-15 to FY 2018-19)

5.1.1 The Commission has issued a MYT Order for the Control Period FY 2014-15 to FY 2018-19 dated 10th June 2014 based on the various submissions of the Petitioner. Regulation 31 (A) of the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011 stipulates that under the MYT framework, the power system operation company shall be subject to mid-term performance review

A. Mid-term performance review

(1) To ensure smooth implementation of the multiyear tariff (MYT) framework and to address any mid-term changes on account of unexpected outcomes, the Commission shall undertake mid-term review of power system operation company's performance during the control period;

(a) The power system operation company shall make an application for mid-term performance review in accordance with the timelines specified in Appendix-I. The scope of the mid-term performance review shall be a comparison of the actual performance with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges. The power system operation company shall submit to the Commission all information together with audited account statements, extracts of books of account and such other details as the Commission may

require to assess the reasons for and extent of any variation in performance from the approved forecast. The mid-term review shall comprise of the following:

(i) A comparison of the audited performance with the approved forecast for first two financial years of the Control Period, subject to the prudence check including mid-term correction due to any unforeseen circumstances;

(ii) Determination of gains or losses for the first two years of the control period;

(iii) Review of ARR for the balance years of the Control Period in case of any major change in the parameters;

(iv) Review of SLDC tariff on account of modification in ARR for the balance years of the control period.

5.1.2 The Commission vide the MYT Order for HPLDS dated 10.06.2014 had approved the parameters of ARR for each year of the Control Period FY15-FY19. However, in absence of audited accounts of the previous years had to primarily rely upon the submission of the Petitioner in the MYT Petition and the approved ARR in the previous Control Period FY12-FY14.

5.1.3 As also detailed in the previous Chapter for Truing-up of Second Control Period, there are significant variations in the approved and actual numbers of the various ARR components for FY12-FY14. It is understood that the deviations are primarily due delay in initiation of full operations of HPLDS (due to inadequate manpower and non-transfer of necessary assets of SLDC operations which continue to be operated by HPSEBL.

5.1.4 Due to the large deviations, the Commission has approved revised ARR for FY12-FY14 as part of truing-up for the Second Control Period in line with Regulation 11 of the HPERC MYT Regulations 2011 which specify for the redetermination of base line values in absence of availability of audited accounts at the time of issuance of MYT Order.

- 5.1.5 The Commission is therefore of the view that the ARR for each year of the Third Control Period (FY14-FY19) needs to be revised as part of the Mid-term Review considering the large variations in the approved and actual figures and availability of audited accounts for the past years.
- 5.1.6 Therefore, for the purpose of Mid-term Review for the Third Control Period (FY14-FY19), the Commission has undertaken detailed review of each ARR parameter based on the audited accounts submitted by the Petitioner and revised the ARR for each year of the Control Period in accordance with the MYT Tariff Regulations 2011 and amendments thereof.
- 5.1.7 For this purpose, the Commission held technical discussions to validate the data submitted by the Petitioner and sought further clarifications on various issues. The Commission has considered all information submitted by the Petitioner as part of the Tariff Petition including responses to various queries raised during the discussions.
- 5.1.8 The Commission has in this Tariff Order, determined the revised ARR for each year of the Third Control Period and determined the HPLDS tariff for the balance years i.e. FY18 and FY19 based on the energy handled by the Petitioner.
- 5.1.9 The component wise approach adopted by the Commission for revision in approved amounts for various parameter of the ARR is discussed in the following paragraphs:

5.2 ARR for SLDC

- 5.2.1 As per the Himachal Pradesh Electricity Regulatory Commission (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011. The ARR for the SLDC business for each year of the Control Period shall consists of the following items:
- (a) Operation and Maintenance Expenses;
 - (b) Return on Equity;
 - (c) Interest and Finance charges;

- (d) Depreciation; and
- (e) Interest on Working Capital.
- (f) ULDC Charges

5.3 Operation & Maintenance (O&M) Expenses

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

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

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

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

Where -

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

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

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

Employee Expenses

5.3.3 The Petitioner has claimed actual employee expense as per the audited accounts for FY15 and FY16 and has estimated the employee cost for the balance years considered the impact of addition of 43 nos. of new posts and the impact of seventh pay commission revision.

5.3.4 Based on the projections for the addition in employee and seventh pay commission revision, the revised estimates for the employee expenses proposed by HPLDS are as below:

Table 39: Actual and Revised estimates of Employee Expenses (Rs. Lacs.)-FY15 to FY19 as submitted by Petitioner

Particulars	FY 15	FY16	FY17	FY18	FY19
	Actuals	Provisional	Revised	Projected	Projected
Employee Cost	85.74	123.44	320.52	558.16	692.50
Arrears of Previous Year (Impact of 7th Pay Commission)				47.37	
Add: Additional liability on account of 7th Pay commission				82.49	
Grand Total	85.74	123.55	320.51	688.03	692.50

5.3.5 The Commission has observed that no addition of employees has taken place during the FY17 and also considering pendency of transfer of SLDC assets from HPSEBL to HPLDS, the addition of employee may not happen immediately. Therefore, the Commission has considered addition of 10 nos. of employee each year for FY18 and FY19. The revised number of employees considered for the purpose of approving the employee cost is as below:

Table 40: Projected No of Employees approved by the Commission for the Third Control Period

Particulars	FY15	FY16	FY17	FY18	FY19
Opening No of Employees	15	15	15	15	25
Closing No of Employees	15	15	15	25	35
Average No of Employees for the year	15	15	15	20	30

5.3.1 The Commission has considered the actual employee cost for FY15 and FY16 as per the audited accounts as the same are substantially lower than the employee cost approved in the MYT Order of HPLDS. Further, the Commission has applied the formula approved in the MYT Tariff Regulations for approving the employee cost for the balance years. However, if the

HPLDS is strengthened by way of addition of more employees then the same shall be allowed and employee cost shall be trued up at the end of the control period after exercising prudence check by the Commission.

5.3.2 The CPI inflation of 8.09% has been considered for projection of employee expenses based on the table below:

Table 41: Details of Historical CPI as considered by the Commission

Year	CPI	% Increase
2015-2016	265.00	5.65%
2014-2015	250.83	6.29%
2013-2014	236.00	9.68%
2012-2013	215.17	10.44%
2011-2012	194.83	8.39%
5 Year Average Inflation		8.09%
3 Year Average Inflation		7.21%

5.3.3 With regard to additional liability on account of impact of 7th Pay Commission, the Commission shall consider the same at the time of truing-up at the end of the Third Control Period.

5.3.4 Accordingly, the revised employee cost approved by the Commission for each year of the Third Control Period is as per table below:

Table 42: Approved Revised Employee Cost for the Third Control Period (Rs. Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
As Approved in MYT Order	252.86	464.87	510.23	560.02	614.67
As submitted by Petitioner	96.60	123.55	320.51	688.03	692.50
Revised Approved	96.60	116.44	123.82	178.45	289.33

Administrative and General Expenses and ULDC Charges

5.3.5 The A&G and ULDC Expenses projected by the Petitioner for the Third Control Period are as below:

Table 43: A&G Expenses and ULDC Charges Proposed by Petitioner for Third Control Period (Rs. Lacs)

Particulars	FY15	FY16	FY17	FY18	FY19
A & G Total	19.18	20.01	20.87	21.77	22.71
ULDC Charges	75.22	106.28	110.87	115.64	120.63

5.3.6 It is observed that the A&G expense of the Petitioner are not consistent due to non-operationalization of the complete SLDC functions. Similarly the Commission had approved the total ULDC charges payable to PGCIL in the ARR of the HPLDS considering that the SLDC assets would be transferred to HPLDS. In absence of the total control over the operations of SLDC, there are large differences in the approved and actual numbers for FY15 & FY16.

5.3.7 Therefore, the Commission has approved the actual A&G expense & ULDC charges for FY15 & FY16 based on the accounts of HPLDS and has projected the A&G expense & ULDC charges for the balance years based on the actuals for FY15 & FY16 and provisions of the MYT Tariff Regulations 2011. An escalation rate equivalent to WPI inflation of 4.36% has been considered as per the table below:

Table 44: WPI Calculation as considered by the Commission

Year	WPI	% Increase
2015-2016	176.67	-2.49%
2014-2015	181.19	2.00%
2013-2014	177.64	5.98%
2012-2013	167.62	7.36%
2011-2012	156.13	8.94%
5 Year Average Inflation		4.36%
3 Year Average Inflation		1.83%

5.3.8 The approved A&G expenses and ULDC Charges for the Third Control Period is provided in the table below:

Table 45: Revised A&G expense and ULDC charges Approved for Third Control Period (Rs. Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
As Approved in MYT Order					
Total A&G Expenses	11.59	12.66	13.73	14.90	16.17
Total ULDC Charges	506.28	525.51	529.03	246.93	46.92
As submitted by Petitioner					
Total A&G Expenses	19.18	20.01	20.87	21.77	22.71
Total ULDC Charges	75.22	106.28	110.87	115.64	120.63
Revised Approved					
Total A&G Expenses	21.95	12.52	16.75	17.48	18.24
Total ULDC Charges	75.22	44.26	46.19	48.20	50.30

Repair and Maintenance Expenses

5.3.9 The approved and revised R&M expenses proposed by the Petitioner in the Mid-term Review Petition for the Third Control Period are as follows:

Table 46: MYT Approved and Proposed Mid-Term Review R&M cost for Third Control Period (Rs. Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Approved in MYT Order	122.75	129.39	129.39	129.39	129.39
Proposed in Mid-Term Review	7.47	8.13	8.78	136.81	136.81

5.3.10 The Petitioner has cited non-transfer of SLDC assets by HPSEBL as the reason for very low R&M expense for FY15, FY16 & FY17. The petitioner has submitted that presently the assets of SLDC are being handled by HPSEBL and HPSEBL is billing 20% of the overall R&M expenses towards the SLDC assets to HPLDS. For the projections of FY18 & FY19, HPLDS has considered that the SLDC assets shall be handed over to HPLDS and the full maintenance charges shall be incurred by HPLDS from FY18 onwards and accordingly 100% R&M expenditure has been considered for the balance period. Further, HPLDS has considered AMC charges of Rs 92.89 Lacs for FY 2017-18 and FY 2018-19.

5.3.11 In the MYT Order, the Commission had considered the total R&M expense to be borne by HPLDS based on the assumption that the SLDC asset shall be transferred to HPLDS. Pending the transfer of these assets, the Commission feels it prudent to approve the actual R&M expense based on the audited accounts for FY15 & FY16 and revised projections for the balance years of the Control Period as per the provisions of the MYT Tariff Regulations 2011.

5.3.12 Using the above methodology, the Commission approves the following revised R&M expenses for the Third Control Period:

Table 47: Revised R&M cost Approved for Third Control Period (Rs. Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Approved in MYT Order	122.75	129.39	129.39	129.39	129.39
Proposed in Mid-Term Review	7.47	8.13	8.78	136.81	136.81
Revised Approved R&M Expense	7.48	15.87	16.56	17.28	18.04

Total Operation and Maintenance Cost

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

Table 48: Revised O&M expense Approved for Third Control Period (Rs. Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Employee Cost	96.60	116.44	123.82	178.45	289.33
A&G Cost	21.95	12.52	16.75	17.48	18.24
ULDC Cost	75.22	44.26	46.19	48.20	50.30
R&M Cost	7.48	15.87	16.56	17.28	18.04
Total O&M Cost	201.55	189.09	203.33	261.42	375.91

5.4 Capital Expenditure

5.4.1 The petitioner is proposing to acquire the energy infrastructure assets set up for SLDC Operations and the buildings that houses three assets, which are currently under HPSEBL's control. HPLDS in its submission has considered the cost of SLDC buildings to be transferred from HPSEBL at Rs.121.09 Lacs. Further, HPLDS has also considered the addition in capital expenditure (Furniture and Fixtures, IT equipment) due to significant increase in number of employees. The actual capital expenditure for FY15 & FY16 and proposed capital expenditure for FY17, FY18 and FY19 is as follows:

Table 49: Capital Expenditure Plan as submitted by the Petitioner (Rs. Lacs)

Particulars	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Projected		
Assets Transfer from HPSEBL	-			121.09	
Furniture & Fixtures	-	3.39	2.65	12.00	4.00
IT Systems	-	7.87	1.30	6.00	3.00
Grand Total	-	11.26	3.95	139.09	7.00

5.4.2 The Commission finds it prudent not to consider any major capitalization towards the proposed transfer of SLDC assets from HPSEBL to HPLDS as the same may lead to over projections and shall therefore consider the same at the time of truing-up at the end of the Third Control Period. The actual addition for FY15 & FY16 has been considered and projections for minor

capital expenditure towards furniture and fixtures are being approved as provided in table below:

Table 50: Approved Capital Expenditure Plan for the Third Control Period (Rs. Lacs)

Particulars	FY15	FY16	FY17	FY18	FY19
Furniture & Fixtures	-	7.87	2.65	12.00	4.00
IT Systems	-	3.39	1.30	6.00	3.00
Grand Total	-	11.26	3.95	18.00	7.00

5.5 Depreciation

5.5.1 Based on the approved capital expenditure and opening assets, the Commission has worked out the depreciation based on the depreciation rates provided in the MYT Regulations 2011. The approved depreciation for the Third Control Period is as below:

Table 51: Revised Depreciation Approved for Third Control Period (Rs. Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Opening GFA	8.18	8.18	19.44	23.39	41.39
Addition during the year	-	11.26	3.95	18.00	7.00
Closing GFA	8.18	19.44	23.39	41.39	48.39
Depreciation	0.27	0.33	0.41	0.53	0.68

5.5.2 The revised depreciation approved for the Third Control Period as against the previously approved and proposed depreciation is provided in table below:

Table 52: Revised Depreciation Approved for Third Control Period (Rs. Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Approved in MYT Order	1.82	3.64	3.64	3.64	3.64
Proposed in Mid-Term Review	0.32	0.37	0.85	5.59	6.38
Revised Approved	0.27	0.33	0.41	0.53	0.68

5.6 Interest & Finance Charges

5.6.1 The Commission has considered the normative debt-equity funding of 70%:30% as per the proposal of HPLDS Interest rate of 12% have been considered for computation of interest and finance charges. The revised

approved interest and finance charges by the Commission is provided in table below:

Table 53: Revised Interest Expense Approved for Third Control Period (Rs. Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Approved in MYT Order	5.09	10.17	10.17	9.83	9.15
Proposed in Mid-Term Review	-	-	0.17	6.17	12.31
Revised Approved	-	0.43	0.95	1.67	2.41

5.7 Interest on working capital

5.7.1 Based on the approved O&M expenses and expected receivables, the Commission approves the revised working capital requirements and interest on working Capital for the Control Period in accordance with Regulations 23 of the HPERC MYT Tariff Regulations 2011 and its subsequent amendment as provided in table below:

Table 54: Approved Rate of Interest for Working capital Requirement (%)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
SBI Base rate (%)	10.00%	10.00%	9.30%	9.30%	9.30%
Rate of Interest (Base rate + 350 basis point)	13.5%	13.5%	12.8%	12.8%	12.8%

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

Table 55: Approved Interest on Working Capital for the Third Control Period (Rs. Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
O&M expenses for 1 month	10.50	12.07	13.09	17.77	27.13
Maintenance spares @40% of R&M expenses for 1 month	0.25	0.53	0.55	0.58	0.60
Receivable for 2 months	9.33	0.00	5.19	15.41	35.37
Total Working capital	20.08	12.60	18.84	33.76	63.10
Interest on Working capital	2.71	1.70	2.41	4.32	8.08

5.8 Return on Equity (ROE)

5.8.1 The Commission has considered the balance 30% towards normative equity towards the approved capitalization.

5.8.2 Regulation 20 of the HPERC (Levy and Collection of Fees and Charges by State Load Despatch Centre) Regulations, 2011 specifies the rate of return as 23.481% for a power System Operation Company. However, in the absence of any document supporting the tax liability of the petitioner, the Commission approves the RoE at the rate of 15.50%. The revised return on equity approved for the Third Control Period is as shown below:

Table 56: Revised Return on Equity Approved for HPLDS for the Third Control Period (Rs. Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Opening Balance (Equity)	0.00	0.00	3.38	4.56	9.96
Addition	0.00	3.38	1.19	5.40	2.10
Closing Balance (Equity)	0.00	3.38	4.56	9.96	12.06
Average Equity	0.00	1.69	3.97	7.26	11.01
ROE	0.00	0.26	0.62	1.13	1.71

5.9 Other Income

5.9.1 The petitioner has submitted that presently, majority of revenue of HPLDS comes from SLDC operating charges of Rs. 2000 per day per transaction (as per No. HPERC/418(V) dated 29th May 2013) that it charges from the Short Term Open Access (STOA) Consumers and one time registration fee of Rs. 1 Lacs paid by the customers of HPLDS. HPLDS is also receiving Rs. 5000 per NOC per month issued to open access consumers. The actual amount received towards these charges for FY15 & FY16 and the submission of Petitioner for the balance years are as provided in the table below:

Table 57: Projected Income from Other Charges (Rs. Lacs.) as submitted by the Petitioner

Particulars	FY15	FY16	FY17	FY18	FY19
	Actual	Actual	Estimate	Proj.	Proj.
Registration Fee	4.97	18.25	18.25	18.25	18.25
SLDC Charges and NOC Charges	48.48	54.01	60.17	67.03	74.68
Receipts from IEX (Sale of Power from GOHP, HPSEBL, Malana HEP)	88.68	91.84	95.11	98.50	102.01
Total	142.13	164.10	173.53	183.79	194.94

5.9.2 The Commission has analysed the submission of the Petitioner and has considered the actual other income as per the audited annual accounts of

FY15 and FY16. Further, the Commission has projected the Other Charges for the balance years (i.e. FY17 to FY19) based on the average income from Other Charges over the last three years as provided in the table below:

Table 58: Revised Other Income Approved for Third Control Period (Rs. Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Approved in MYT Order	90.60	97.90	105.20	112.50	119.80
Proposed in Mid-Term Review	142.13	164.10	173.53	183.79	194.94
Revised Approved	148.25	245.82	176.58	176.58	176.58

5.10 Aggregate Revenue Requirement (ARR)

5.10.1 The summary of the revised ARR approved by the Commission for the Third Control Period is given in the table below:

Table 59: Approved ARR of HPLDS for the Third Control Period (Rs. Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
O&M Cost	126.03	144.83	157.14	213.22	325.61
Employee Cost	96.6	116.44	123.82	178.45	289.33
A&G Cost	21.95	12.52	16.75	17.48	18.24
R&M Cost	7.48	15.87	16.56	17.28	18.04
ULDC Charges	75.22	44.26	46.19	48.20	50.30
Depreciation	0.27	0.33	0.41	0.53	0.68
Interest & Finance Charges	-	0.43	0.95	1.67	2.41
Interest on Working Capital Requirement	2.71	1.70	2.41	4.32	8.08
Return on Equity	0	0.26	0.62	1.13	1.71
Less: Income from Charges	148.25	245.82	176.58	176.58	176.58
Aggregate Revenue Requirement	55.99	(54.01)	31.14	92.49	212.21

5.10.2 It is observed that the HPLDS has recovered large amount of income from STOA charges resulting in a negative ARR for FY16 of Rs. 54.01 Lacs. The Commission directs the Petitioner to deposit this amount in a separate fund which shall be utilized towards payment of assets transferred from HPSEBL. The fund amounting Rs. 54.01 Lacs will be treated as grant/consumers contribution and, therefore, will not be admissible for depreciation and any other interest/return.

5.10.3 A comparison of the ARR approved in the MYT Order, Petitioner submission and revised approved by the Commission for the Third Control Period is provided in the Table below:

Table 60: Revised ARR Approved for Third Control Period (Rs. Lacs)

Particulars	FY 15	FY 16	FY 17	FY 18	FY 19
Approved in MYT Order	837.39	1,088.21	1,132.35	888.75	733.87
Proposed in Mid-Term Review	59.36	98.10	299.14	823.46	835.09
Revised Approved	55.99	(55.25)	31.14	92.49	212.21

5.11 SLDC Charge for FY18 & FY19

5.11.1 The Commission has analysed the submission of HPLDS with regard to the SLDC Charges in details. Based on the details of power handled figures provided by the Petitioner, the SLDC Charges to be recovered from long-term open access consumers has been worked out by the Commission as below:

Table 61: SLDC Charges as Approved by the Commission for FY18 & FY19

Particulars	FY18	FY19
Total ARR (Rs. Lacs)	92.49	212.21
Power handled by SLDC (MW)	3620.55	3973.37
SLDC Charges (Rs/MW/Month)	212.88	445.07