

GUJARAT ELECTRICITY REGULATORY COMMISSION



Tariff Order:

Truing up for FY 2017-18

and

Mid-Term Review of Aggregate Revenue Requirement for
FY 2019-20 to FY 2020-21

and

Determination of SLDC Fees & Charges for FY 2019-20

For

State Load Despatch Centre (SLDC)

Case No.1758 of 2018

24th April, 2019

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सत्यमेव जयते

**GUJARAT ELECTRICITY REGULATORY COMMISSION
(GERC)**

GANDHINAGAR

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ABBREVIATIONS

| | |
|----------------|---|
| A&G | Administrative and General Expenses |
| ARR | Aggregate Revenue Requirement |
| CAPEX | Capital Expenditure |
| CERC | Central Electricity Regulatory Commission |
| Control Period | FY 2016-17 to FY 2020-21 |
| DGVCL | Dakshin Gujarat Vij Company Limited |
| DISCOM | Distribution Company |
| EA | Electricity Act, 2003 |
| FY | Financial Year |
| GEB | Gujarat Electricity Board |
| GERC | Gujarat Electricity Regulatory Commission |
| GETCO | Gujarat Energy Transmission Corporation Limited |
| GFA | Gross Fixed Assets |
| GoG | Government of Gujarat |
| GSECL | Gujarat State Electricity Corporation Limited |
| GUVNL | Gujarat Urja Vikas Nigam Limited |
| MGVCL | Madhya Gujarat Vij Company Limited |
| MTR | Mid-Term Review |
| MW | Mega Watt |
| MYT | Multi-Year Tariff |
| O&M | Operations & Maintenance |
| PGCIL | Power Grid Corporation of India Limited |
| PGVCL | Paschim Gujarat Vij Company Limited |
| PPA | Power Purchase Agreement |
| R&M | Repairs and Maintenance |
| RLDC | Regional Load Dispatch Centre |
| SBI | State Bank of India |
| SCADA | Supervisory Control and Data Acquisition |
| SLDC | State Load Dispatch Centre |
| UGVCL | Uttar Gujarat Vij Company Limited |
| ULDC | Unified Load Despatch and Communication |
| WAM | Wide Area Measurement |
| WRLDC | Western Regional Load Dispatch Centre |
| WRPC | Western Region Power Committee |



**Before the Gujarat Electricity Regulatory Commission at
Gandhinagar**

Case No. 1758/2018

24th April, 2019

CORAM

Shri Anand Kumar, Chairman
Shri K. M. Shringarpure, Member
Shri P. J. Thakkar, Member

ORDER



1 Background and Brief History

1.1 Background

State Load Dispatch Centre (hereinafter referred to as “SLDC” or the “Petitioner”) has on 30th November, 2018 filed the present petition under Section 62 of the Electricity Act, 2003, read with Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016 for the Truing up of FY 2017-18 and Mid-Term Review of ARR for FY 2019-20 to FY 2020-21 and Determination of SLDC Fees and Charges for FY 2019-20.

Gujarat Electricity Regulatory Commission notified the GERC (Multi-Year Tariff) Regulations, 2016 on 29th March, 2016 which is applicable for determination of tariff in all cases covered under the Regulations from 1st April, 2016 onwards. Regulation 17.2 (c) of the GERC (Multi-Year Tariff) Regulations, 2016 provides for submission of detailed application comprising of truing up for FY 2017-18, modification of the ARR for the remaining years of the control period, revenue from the sale of power at existing tariffs and charges for the ensuing year (FY 2019-20), revenue gap or revenue surplus for the ensuing year calculated based on Aggregate Revenue Requirement approved in the MYT Order and truing up for the previous year (FY 2017-18), application for determination of tariff for the ensuing year (FY 2019-20) to be carried out under GERC (Multi-Year Tariff) Regulations, 2016 and amendments thereof from time to time.

After technical validation of the petition, it was registered on 4th December, 2018 and as provided under Regulation 29.1 of the GERC (MYT) Regulations, 2016, the Commission has proceeded with this tariff order.

1.2 State Load Dispatch Centre (SLDC)

Government of Gujarat unbundled and restructured the Gujarat Electricity Board with effect from 1st April, 2005. The Generation, Transmission and Distribution businesses of the erstwhile Gujarat Electricity Board were transferred to seven successor companies as listed below:

- Gujarat State Electricity Corporation Limited (GSECL) - A Generation Company.
- Gujarat Energy Transmission Corporation Limited (GETCO) - A Transmission Company

Four Distribution Companies:

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- Dakshin Gujarat Vij Company Limited (DGVCL)
- Madhya Gujarat Vij Company Limited (MGVCL)
- Uttar Gujarat Vij Company Limited (UGVCL)
- Paschim Gujarat Vij Company Limited (PGVCL) and
- Gujarat Urja Vikas Nigam Limited (GUVNL) – A Holding Company of above named six subsidiary companies, responsible for bulk purchase of electricity from various sources and bulk supply to Distribution Companies.

The transmission assets of the erstwhile Gujarat Electricity Board, including the assets related to the State Load Dispatch Centre, were transferred to the newly created entity, GETCO. However, Government of India, Ministry of Power, has initiated steps to de-link the National and Regional / State Load Dispatch Centre, from the Central Transmission Utility (CTU) / State Transmission Utility (STU).

Section 31 (1) of the Electricity Act, 2003, requires the State Government to establish a separate State Load Dispatch Centre (SLDC). Section 31 (2) of the Electricity Act provides that the SLDC shall be operated by a Government company / authority / corporation constituted under any State Act and until such company / authority / corporation is notified by the State Government, the State Transmission Utility (STU) would operate the SLDC. Accordingly, in the State of Gujarat, the STU, viz., Gujarat Energy Transmission Corporation Limited (GETCO), has so far been operating the SLDC.

SLDC - Gujarat has participated into Unified Load Dispatch and Communication Scheme (herein after called as ULDC) approved by Central Electricity Authority for western region. Under this scheme, SLDC Jambuva has been shifted to SLDC Gotri from 6th July 2005 and commenced operation of three Sub-SLDCs at Gandhinagar, Jambuva and Jetpur.

In pursuance to Government of India initiatives to de-link the operation of SLDC from STU, the Commission, in its Tariff Order dated 17th January, 2009, directed that GETCO may file a separate ARR for SLDC from FY 2009-10. The Commission had directed that GETCO should initiate action to compile the data for filing a separate ARR petition for SLDC for FY 2009-10. As per directives of the Commission, SLDC filed its first ARR Petition for the FY 2009-10.



1.3 Commission's Order for tariff of FY 2017-18

The Petitioner filed its petition for Truing up for FY 2015-16, Approval of Final ARR for FY 2016-17, Approval of Multi-Year ARR for FY 2016-17 to FY 2020-21 and Determination of tariff for FY 2017-18 on 30th November, 2016. The petition was registered on 3rd December, 2016 (Case No. 1621 of 2016). The Commission vide order dated 31st March, 2017 approved Truing up for FY 2015-16, Final ARR for FY 2016-17, Multi-Year ARR for FY 2016-17 to FY 2020-21 and determined the tariff for FY 2017-18.

1.4 Commission's Order for approval of True up for FY 2016-17 and Determination of Tariff for FY 2018-19

The Petitioner filed its petition for truing up for FY 2016-17 and determination of tariff for FY 2018-19 on 30th November, 2017. The petition was registered on 11th December, 2017 (under Case No. 1691 of 2017). The Commission vide order dated 31st March, 2018 approved the truing up for FY 2016-17 and determined the tariff for FY 2018-19.

1.5 Background of the present petition

The Commission has notified the GERC (MYT) Regulations, 2016 for the control period of FY 2016-17 to FY 2020-21. Regulation 16.2 (iii) of the GERC (MYT) Regulations, 2016 provides for the truing up of previous year's expenses and revenue based on audited accounts vis-à-vis the approved forecast and categorization of variation in performance as those caused by factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (uncontrollable factors).

Regulation 16.2 (vi) of the GERC (MYT) Regulations, 2016 provides for annual determination of tariff for the Generating Company, Transmission Licensee, SLDC, Distribution Wires Business and Retail Supply Business, for each financial year, within the Control Period, based on the approved forecast and results of the truing up exercise.

1.6 Registration of the Current Petition and Public Hearing Process

The Petitioner submitted the current Petition for Truing up of FY 2017-18, Mid-Term Review of ARR for FY 2019-20 to FY 2020-21 and Determination of SLDC Fees and Charges for FY 2019-20 on 30th November, 2018. After technical validation of the petition, it was registered



on 4th December, 2018 (Case No. 1758 of 2018) and as provided under Regulation 29.1 of the GERC (MYT) Regulations, 2016, the Commission has proceeded with this tariff order.

In accordance with Section 64 of the Electricity Act, 2003, SLDC was directed to publish its application in the newspapers to ensure public participation.

The Public Notice, inviting objections / suggestions from its stakeholders on the truing up and tariff determination petition filed by it, was published in the following newspapers:

Table 1.1 : List of Newspapers

| Sr. No. | Name of the Newspaper | Language | Date of publication |
|---------|-----------------------|----------|---------------------|
| 1 | The Indian Express | English | 11.12.2018 |
| 2 | Gujarat Samachar | Gujarati | 11.12.2018 |

The Petitioner also placed the public notice and the petition on its website (www.sldcguj.com), for inviting objections and suggestions. The interested parties/stakeholders were asked to file their objections / suggestions on the petition on or before 10th January, 2019.

The Commission also placed the petition and additional details received from the Petitioner on its website (www.gercin.org) for information and study of all the stakeholders.

The Commission received objections / suggestions from consumers / consumer organizations as shown in Table below. The Commission examined the objections / suggestions received from the stakeholders and fixed the date for public hearing for the petition on 6th February, 2019 at the Commission's office at Gandhinagar and subsequently a communication was sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission.

The Commission also issued a notice for public hearing in the following newspapers in order to solicit wider participation by the stakeholders:

Table 1.2 : List of Newspapers

| Sr. No. | Name of the Newspaper | Language | Date of publication |
|---------|-----------------------|----------|---------------------|
| 1 | DNA | English | 01.02.2019 |
| 2 | Gujarat Samachar | Gujarati | 01.02.2019 |
| 3 | Sandesh | Gujarati | 01.02.2019 |



The status of stakeholders who submitted their written suggestion / objections, those who remained present in public hearing, those who could not attend the public hearing and those who made oral submissions is given in the Table below:

| Sr. No. | Name of Stakeholders | Written Submission | Present on 06.02.2018 | Oral Submission |
|----------------|------------------------------------|---------------------------|------------------------------|------------------------|
| 1. | Laghu Udyog Bharti - Gujarat | Yes | Yes | Yes |
| 2. | Utility Users' Welfare Association | Yes | Yes | Yes |

Details of the issues raised by the objectors in their submissions on the petition, along with the response of SLDC and the Commission's views on the response, are given in Chapter 3.

1.7 Contents of the Order

The order is divided into **Seven Chapters**, as under:

1. The **First Chapter** provides the background of the Petitioner, the petition and details of the public hearing process and the approach adopted for this order.
2. The **Second Chapter** outlines the summary of SLDC's petition.
3. The **Third Chapter** provides a brief account of the public hearing process, including the objections raised by various stakeholders, SLDC's response and the Commission's views on the response.
4. The **Fourth Chapter** deals with the Truing up for FY 2017-18.
5. The **Fifth Chapter** deals with the Mid-Term Review of ARR for FY 2019-20 and FY 2020-21.
6. The **Sixth Chapter** deals with the determination of SLDC Fees and Charges for FY 2019-20.
7. The **Seventh Chapter** deals with the compliance of directives.

1.8 Approach of this Order

The GERC (Multi-Year Tariff) Regulations, 2016 provide for Truing up of the previous year, modification of the ARR for the remaining years of the control period and determination of Tariff for the ensuing year.



SLDC has approached the Commission with the present petition for Truing up of FY 2017-18, Mid-Term Review of ARR for FY 2019-20 and FY 2020-21 and determination of SLDC Fees and Charges for FY 2019-20.

The Commission has undertaken Truing up for FY 2017-18, based on the submissions of the Petitioner. The Commission has undertaken the computation of gains and losses for the FY 2017-18, based on the audited annual accounts.

While Truing up of FY 2017-18, the Commission has been primarily guided by the following principles:

- Controllable parameters have been considered at the level approved under the MYT Order, unless the Commission considers that there are valid reasons for revision of the same.
- Uncontrollable parameters have been revised, based on the actual performance observed.
- The Truing up for the FY 2017-18 has been considered, based on the GERC (MYT) Regulations, 2016.

Mid-Term Review for FY 2019-20 and FY 2020-21 and Determination of Tariff for FY 2019-20 have been considered as per the GERC (Multi-Year Tariff) Regulations, 2016.



2 Summary of SLDC Tariff Petition

2.1 Introduction

This Chapter highlights the summary of the Petition for Truing up of FY 2017-18, Mid-Term Review for Aggregate Revenue Requirement for FY 2019-20 and FY 2020-21 and Determination of SLDC Fee and Charges for FY 2019-20.

2.2 True up for FY 2017-18

SLDC has worked out its Aggregate Revenue Requirement (ARR) for FY 2017-18 as a part of the True-up for FY 2017-18. SLDC has presented the actual cost components based on audited annual accounts for FY 2017-18. A summary of the proposed ARR for Truing-up of FY 2017-18 compared with the approved ARR for FY 2017-18 in “Multi Year ARR Order dated 31st March, 2017” is presented in the Table given below.

Table 2.1: Summary of True-up of FY 2017-18

(Rs. Lakh)

| Sr. No. | Particulars | Approved as per the MYT Order | Actual Claimed | Deviation |
|----------|---|-------------------------------|-----------------|-------------------|
| 1 | Operation & Maintenance Expenses | 1,574.68 | 2,172.59 | (597.91) |
| 1.1 | Employees Cost | 1,251.23 | 1,522.58 | (271.35) |
| 1.2 | Repairs & Maintenance Expenses | 71.71 | 144.91 | (73.20) |
| 1.3 | Administration & General Expenses | 251.74 | 505.10 | (253.36) |
| 2 | Interest on Working Capital | 23.79 | 32.68 | (8.89) |
| 3 | RLDC Fees and Charges | 11.83 | 0.00 | 11.83 |
| 4 | Charges for ULDC & Other related Projects | 486.05 | 523.60 | (37.55) |
| 5 | Less: Non – Tariff Income | 1,166.50 | 705.82 | 460.68 |
| 6 | Operating cost Budget (a) | 929.85 | 2,023.05 | (1,093.20) |
| 7 | Depreciation | 171.60 | 278.72 | (107.12) |
| 8 | Interest and Finance Charges | 58.36 | 41.52 | 16.84 |
| 9 | Return on Equity | 98.20 | 100.03 | (1.83) |



| Sr. No. | Particulars | Approved as per the MYT Order | Actual Claimed | Deviation |
|---------|---------------------------------------|-------------------------------|-----------------|-------------------|
| 10 | Total Fixed Cost | 328.16 | 420.27 | (92.11) |
| 11 | Less: Expenses Capitalized | 0.00 | 0.00 | - |
| 12 | Add: Provision for Tax | 0.00 | 198.53 | (198.53) |
| 13 | Capital Cost Budget (b) | 328.16 | 618.80 | (290.64) |
| 14 | Total Revenue Budget (a) + (b) | 1,258.01 | 2,641.85 | (1,383.84) |

2.3 Revenue (Gap)/Surplus for FY 2017-18

The Revenue (Gap)/Surplus of SLDC for FY 2017-18 has been computed taking into account actual ARR incurred for FY 2017-18 and revenue from SLDC Fees & Charges as per accounts as shown in the Table below:

Table 2.2: Revenue (Gap)/Surplus for FY 2017-18

(Rs. Lakh)

| Sr. No. | Particulars | 2017-18 |
|---------|--|-------------------|
| 1 | ARR approved in MYT order dated 31 st March, 2017 for FY 2017-18 | 1,258.01 |
| 2 | Gain / (Loss) on account of Uncontrollable factors to be passed on to Beneficiaries for FY 2017-18 | (128.58) |
| 3 | Gain / (Loss) on account of Controllable factors to be passed on to Beneficiaries (1/3 rd of Total Gain / (Loss) for FY 2017-18 | (998.09) |
| 4 | Revenue (Gap) / Surplus approved in truing up for 2015-16 after adjustment of past period Gap (MYT Order dated 31 st March, 2017) | (1,978.00) |
| 5 | Total ARR for FY 2017-18 (1 - 2 - 3 - 4) | 4,362.68 |
| 6 | Revenue from SLDC charges | 3236.01 |
| 7 | Revenue (Gap)/Surplus for FY 2017-18 (6 - 5) | (1,126.67) |

The above revenue gap arising based on the true up for FY 2017-18 mentioned above shall be added in the ARR for the FY 2019-20.

2.4 Mid-Term Review for FY 2019-20 and FY 2020-21

The comparison of revised projections for FY 2019-20 and FY 2020-21 in the Mid-Term Review vis-a-vis the costs approved by the Commission in the MYT Order dated 31st March, 2017 are given as below:



Table 2.3: Mid-Term Review for FY 2019-20 and FY 2020-21

(Rs. Lakh)

| Sr. No. | Particulars | FY 2019-20 | | FY 2020-21 | |
|-----------|---|---------------------------|------------------------------|---------------------------|------------------------------|
| | | Approved in the MYT Order | Projected in Mid-Term Review | Approved in the MYT Order | Projected in Mid-Term Review |
| 1 | Operation & Maintenance Expenses | 1,759.97 | 2,487.34 | 1,860.64 | 2,663.20 |
| 1.1 | Employees Cost | 1,398.46 | 1,760.84 | 1,478.45 | 1,895.14 |
| 1.2 | Repairs & Maintenance Expenses | 80.15 | 161.96 | 84.73 | 171.23 |
| 1.3 | Administration & General Expenses | 281.36 | 564.54 | 297.46 | 596.83 |
| 2 | Interest on Working Capital | 28.52 | 37.84 | 29.27 | 42.22 |
| 3 | RLDC Fees & Charges | 14.32 | - | 15.75 | - |
| 4 | Charges for ULDC & other related projects | 486.05 | 241.00 | 486.05 | 245.00 |
| 5 | Less: Non-Tariff Income | 1,166.50 | 705.82 | 1,166.50 | 705.82 |
| 6 | Operating Cost Budget (a) | 1,122.36 | 2,060.37 | 1,225.21 | 2,244.60 |
| 7 | Depreciation | 321.70 | 423.97 | 134.80 | 548.08 |
| 8 | Interest & Finance Charges | 55.75 | 53.22 | 44.08 | 71.45 |
| 9 | Return on Equity | 132.87 | 150.68 | 139.51 | 193.96 |
| 10 | Less: Expenses Capitalised | - | - | - | - |
| 11 | Add: Provision for Tax | - | 198.53 | - | 198.53 |
| 12 | Capital Cost Budget (b) | 510.32 | 826.40 | 318.39 | 1,012.02 |
| 13 | Total Revenue Budget | 1,632.68 | 2,886.77 | 1,543.60 | 3,256.62 |

2.5 SLDC Charges for FY 2019-20

Based on the above Revised ARR for FY 2019-20, the SLDC has revised the SLDC charges for FY 2019-20 as indicated below:

Table 2.4: SLDC Charges for FY 2019-20

(Rs. Lakh)

| Sr. No. | Particulars | 2019-20 |
|---------|-----------------|----------|
| 1 | ARR for 2019-20 | 2,886.77 |



| Sr. No. | Particulars | 2019-20 |
|----------------|---|-----------------|
| 2 | (Gap) / Surplus apportioned for FY 2019-20 by Commission in Order in Case No. 1693 of 2017 dated 31 st March, 2018 | 632.24 |
| 3 | Revenue (gap) / surplus approved in Truing up for FY 2017-18 | (1,126.67) |
| 4 | Total SLDC charges (1 - 2 - 3) | 3,381.20 |

2.6 Request of SLDC

1. To admit this petition for True Up of FY 2017-18, Mid-Term Review of Aggregate Revenue Requirement for FY 2019-20 to FY 2020-21 and Determination of SLDC Fees & Charges for FY 2019-20.
2. To approve True up for FY 2017-18 as per the GERC (Multi-Year Tariff) Regulations, 2016 and subsequent amendments thereto.
3. To approve Mid-Term Review of Aggregate Revenue Requirement for FY 2019-20 to FY 2020-21.
4. To approve SLDC Fees and Charges for FY 2019-20.
5. To accept the figures in Rupees Lakhs, as the figures of SLDC are comparatively smaller than other entities.
6. To grant any other relief as the Commission may consider appropriate.
7. To allow further submissions, addition and alteration to this Petition as may be necessary from time to time.
8. Pass any other Order as the Commission may deem fit and appropriate under the circumstances of the case and in the interest of justice.



3 Brief outline of objections raised, response from SLDC and Commission's view

3.1 Public Response to the Petition:

In response to the public notice inviting objections / suggestions from stakeholders on the petition filed by SLDC for True-up of FY 2017-18, Mid-Term Review of Aggregate Revenue Requirement for FY 2019-20 and FY 2020-21 and Determination of SLDC Fees & Charges for FY 2019-20 under the GERC (MYT) Regulations, 2016, a number of stakeholders filed their objections/suggestions in writing. Some of these stakeholders participated in the public hearing also.

The Commission has considered the objections/ suggestions relevant to the present petition and the response of SLDC on the same.

These objections/ suggestions, the response of the Petitioner and the views of the Commission are dealt with hereunder:

3.2 Issue wise submissions and replies

Issue No. 1 : Non-Tariff Income

Regulation 79(f) of GERC (MYT) Regulations, 2016 provides for credit of Non-Tariff Income in ARR.

Response of SLDC:

SLDC does pass on the Non-Tariff Income to the parties by deducting the same from SLDC ARR and the same is also evident in SLDC Tariff petition wherein SLDC has proposed a reduction of Rs.705.82 Lakh in the true-up of FY 2017-18 and of Rs. 705.82 Lakh in the ARR of FY 2019-20 & FY 2020-21.

Commission's view:

The Commission has confirmed the above treatment of Non-Tariff Income in the ARR of SLDC.



Issue No. 2 : Mismatch in Non-Tariff Income

The revenue from operations in financial account is Rs. 3915.49 Lakh. The other non-operating income is Rs.43.84 Lakh and thus, the net revenue is 3959.33 Lakh which tallies with Profit & Loss statement. However, the Total income taken in the ARR is Rs. 3941.83 Lakh (Table 2 - Revenue from SLDC Charges: 3236.01 Lakh + Non-Tariff Income as per Table 1 : 705.82 Lakh). There is a difference of (Rs. 3959.33 - 3941.83 = 17.5) Rs. 17.5 Lakh, shown less as income in ARR.

Response of SLDC:

It is submitted that the difference of Rs.17.50 Lakh is the Interest on Staff Loans and Advances which is not considered in the category of Income from Other Sources as per the GERC (MYT) Regulations, 2016.

Commission's view:

The explanation of the Petitioner is in line with Regulation 80 of the GERC (MYT) Regulations, 2016.

Issue No. 3 : Mismatch in Employee Cost

The Employee Cost as per the schedule No. 32 of the accounts is Rs. 1405.39 Lakh whereas the Employee Cost in the ARR (Table 5) is Rs. 1522.58 Lakh. There is a difference of (1522.58 -1405.39 = 117.19), Rs. 117.19 Lakh, shown more in ARR.

Response of SLDC:

It is submitted that the Employee cost as per P&L statement is Rs. 1450.39 Lakh and not Rs. 1405.39 Lakh as mentioned by Objector.

Commission's view:

The difference pointed out by the Objector is on account of inclusion of Re-measurement of the Defined Benefit Plans and deduction of the Provision for Wage Revision from the employee cost by the Petitioner. Hence, there is no mismatch.



Issue No. 4 : Mismatch in R & M Charges and Finance Charges

There is mismatch in Repairs & Maintenance Charges and Interest and Finance Charges between the ARR application and audited accounts.

Response of SLDC:

Differences in Repairs & Maintenance Charges and Interest & Finance Charges between Financial Statement and ARR are explained below :

Repairs & Maintenance Charges:

Total Repairs & Maintenance Charges in the Financial Statement : Rs. 668.51 Lakh

Repairs & Maintenance Charges mentioned in ARR : Rs. 144.91 Lakh

Difference : Rs. 523.60 Lakh

Charges for ULDC & Other related projects : Rs. 523.60 Lakh

Charges for ULDC & Other related projects are shown separately in the ARR whereas same are shown under Repairs & Maintenance Charges in the Financial Statement of SLDC. It can also be referred to point 3.3.2 in SLDC Tariff Petition.

Interest & Finance Charges:

In the calculation of Interest & Finance Charges, Opening loans have been considered as approved by the Commission in the Tariff Order dated 31.03.2018 in Petition No. 1691 of 2017. The addition in loans for FY 2017-18 is considered at 70% of CAPEX with debt equity ratio of 70:30 The interest rate for SLDC has been considered at 7.97 % in line with GETCO.

Commission's view:

The response of the Petitioner is self-explanatory.

Issue No. 5 : SLDC Fees and Charges increasing under MYT

The SLDC Fees and Charges are being enhanced by applying MYT Regulations where no tariff rules persist.



Response of SLDC:

It is submitted that the very essence of the Multi Year Tariff (MYT) Regulation is to determine tariff for the licensees and the tariff petitions are being filed every year according to the guidelines provided in the Regulations.

Commission's view:

The Commission has carried out truing up of FY 2017-18, Mid-Term Review of ARR for FY 2019-20 and FY 2020-21 and Determination of SLDC Fees and Charges for FY 2019-20 in accordance with the provisions of the GERC (MYT) Regulations, 2016. Accordingly, SLDC collects such charges as per Regulation 82 of the GERC (MYT) Regulations, 2016.

Issue No. 6 : Vague replies regarding SLDC Tariff

Please refer past tariff orders of SLDC in which vague replies pertaining to SLDC tariff are given by SLDC. The Commission is requested to direct SLDC to submit proper details and not haphazard details.

Response of SLDC:

The objection raised in this point is unclear and the Objector does not mention any particular incident where SLDC seems to have given any vague/unclear reply to queries raised by the Objector. In the absence of any particular reference, SLDC cannot address such objection.

Commission's view:

The response of the Petitioner is self-explanatory.

Issue No. 7 : Income of SLDC in detail

Direct SLDC to show its income in detail, with details of receipts DISCOM wise

Response of SLDC:

It is submitted that the total income of SLDC from SLDC Charges for FY 2017-18 amounts to Rs. 3236.01 Lakh as mentioned in the Tariff Petition. SLDC Charges billed to DISCOMs (DGVCL, MGVCL, PGVCL and UGVCL) for FY 2017-18 are as below:



(i) DGVCL – Rs. 425.49 Lakh, (ii) MGVCL – Rs. 179.48 Lakh, (iii) PGVCL – Rs. 476.78 Lakh, (iv) UGVCL – Rs. 349.09 Lakh

Commission’s view:

The response of the Petitioner is noted.

Issue No. 8 : No Scheduling of TPL’s Ahmedabad Power Plant.

SLDC is allowing some generators like TPL (Ahmedabad Power Plant) to supply power to the Distribution licensee without routing through SLDC, which is in gross violation of provisions of Electricity Act, 2003. SLDC is losing the revenue and generator is availing the undue advantage of fudging their generating data and metering data which is possible as it seems that SLDC is in collusion with TPL.

Also, SLDC should make it clear under which provision of Regulations and the Act, TPL (APP) is exempted from such device. It is understood that embedded plants of Distribution Licensee are exempted from routing their power from SLDC. UUWA have gone through all the Regulations, Govt. Gazette and the provision of the Act, but nowhere such provision is found. SLDC must make it clear the provision under which exemption is provided.

Response of SLDC:

As per the directive of the Commission in the Tariff Order dated 31.03.2017 in Petition No. 1621 of 2016, scheduling and energy accounting is being carried out of TPL-G (APP) from April, 2017. Further, there is no loss of revenue as SLDC is already collecting SLDC Charges from the entity.

Commission’s view:

The Commission has noted the objection of the Objector and the response of the Petitioner. Pursuant to the directive given to SLDC in Tariff Order dated 31.03.2017 to obtain schedule of station wise generation from TPL- G (APP) from 1st April, 2017, SLDC has already started scheduling and energy accounting of TPL – G (APP) from April, 2017.

Issue No. 9 : Adherence to the Merit Order

SLDC should not allow the power which does not qualify under Merit Order Principle



Response of SLDC:

SLDC follows the merit order principle irrespective of the ownership - State owned, IPP, Central Sector. However, cases of exigency, accident, unforeseen outages and must run power are exceptional circumstances.

Commission's view:

The Commission has noted the objection of the Objector and the response of the Petitioner.

Issue No. 10 : Certificates of Plant Availability for the purpose of recovery of Fixed Cost.

SLDC is required to submit certificates of Plant Availability in context of fuel availability with generators for verification of claim of generators for recovery of Fixed Cost.

Response of SLDC:

Any generator under the control of SLDC Gujarat declares its available capacity. SLDC, if required, instructs respective generator to come 'on bar' and generate power in accordance with demand and Merit Order Despatch.

Commission's view:

The Commission noted the objection of the Objector and the response of the Petitioner.

Issue No. 11 : Scheduling of power

GETCO is allowing the transmission of energy to the generators whose PPA is not approved nor the generator is approved by the Commission to supply energy to distribution licensee in the tariff order. It is also found that SLDC is also allowing such generators to schedule the power whose PPA is not approved by the Commission. Also, in Gujarat coal based generating stations especially State owned remain closed under the guise of Merit Order Principle.

Response of SLDC:

For scheduling of power, all the Guidelines/Orders/Regulations issued by the Commission from time to time are duly followed. SLDC also keeps a record of the agreements and/or



PPA between buyer/seller. Generator/Beneficiary ensures the start date, end date and quantum of power to be transacted between the two.

Commission's view:

The Commission noted the response of the Petitioner which is self-explanatory.

Issue No. 12 : Allowing scheduling of power without approved PPA

Adani Wind power without approval of PPA, GETCO has allowed the transmission, SLDC has allowed the scheduling of power and GUVNL/DISCOMs have also made the payment of such power purchase.

Response of SLDC:

SLDC's role is to certify wind energy of one or more windmill together with owner-wise entities, based on certified data received from GEDA (State Nodal Agency for Renewables) and use of this certification is at the sole discretion of purchaser of the power, which may be DISCOM/Third Party Buyer/Industrial Captive, as the case may be.

As regards scheduling of power, SLDC does scheduling for pooling station wise total integrated scheduled energy of the pooling station. This is based on schedule submitted by their authorized agency. This is purely for the purpose of fair idea of anticipated presence of wind generation into the grid.

Commission's view:

The Commission has noted the response of the Petitioner, which is self-explanatory.

Issue No.13 : Allowing to schedule power beyond the approved in MYT

SLDC is not following the MYT approved quantum for Power Purchase and allowing scheduling of power more than the terms of PPA.

Response of SLDC:

SLDC MYT is not based on quantum of power but on Projected expenses for the year and the same is approved by the Commission in the form of total amount to be recovered for the year which is recovered from the LTOA/MTOA entities based on their installed/approved capacities.



Commission's view:

The Commission has noted the response of the Petitioner.

Issue No.14 : Non-availability of UI details.

It is also found that the UI details and other information is not available to the stakeholders from the website of SLDC.

Response of SLDC:

The said issue is not related to tariff petition of SLDC. However, the details pertaining to UI/DSM are already available on the website of SLDC and can be accessed by logging through the commercial menu of SLDC website.

Commission's view:

The Commission noted the response of the Petitioner which is self-explanatory.

Issue No.15 : Direction to act as per the provisions of Act, Rules & Regulations.

SLDC should be directed to act as per the provisions of the Electricity Act, 2003 and should be taken to task for violation of the Act and Rules and Regulations made thereunder.

Response of SLDC:

SLDC carries out all the functions as mentioned under Section 32 of the Electricity Act 2003.

Commission's view:

The response of the Petitioner is self-explanatory.

Issue No.16 : No details are available on SLDC website.

There is no data available on website of SLDC, which is breach of Section 86 of the Electricity Act, 2003.

Response of SLDC:

SLDC ensures and believes in transparency and the data related to Merit Order (Current), Technical Minimum, Gujarat Power Network, Installed Capacity, Annual report, Tender



Updates, OCC Meetings - Agenda & Minutes, Important Regulations, Tariff Petition & Annual Account Statement, Open Access user details Wind Energy Certificates, REC Injection Report, Monthly losses, Energy Account, Wind Forecasting, Shutdown Planning/Outage Planning etc. are available on SLDC website in public domain for everyone.

Commissions' view:

The response of the Petitioner is self-explanatory.

Issue No.17 : Very high Capital Expenditure.

Capital expenditure incurred in 2017-18 is very high and the proposed Capital expenditure for FY 2019-20 is also very high. SLDC has not stated any consumers benefit analysis.

Response of SLDC:

Capital Expenditure incurred by SLDC in the FY 2017-18 is less than what is approved by the Commission for the same period. Further, SLDC has projected Capital expenditure of Rs. 1095.00 Lakh for FY 2019-20, which is required to strengthen its IT Security System and upgrade the Network System. Current applications require up-gradation or replacement to allow for continued functioning with new hardware and to allow for continued support from vendors. Therefore, a Capital Expenditure of Rs.1095.00 Lakh as planned by SLDC in the Tariff petition is justified.

Commission's view:

The Commission has dealt with this issue in this Order.

4 True-up for FY 2017-18

4.1 Introduction

This Chapter deals with the 'Truing up' for FY 2017-18.

The Commission has analyzed each of the components of ARR for FY 2017-18 in the following sections.

4.2 Capital Expenditure

SLDC has furnished the capital expenditure of Rs. 272.88 Lakh in the Truing up for FY 2017-18 against Rs. 457.30 Lakh approved for the year by the Commission in the MYT Order dated 31st March, 2017 as given in the Table below:

Table 4.1: Capital Expenditure claimed for FY 2017-18

(Rs. Lakh)

| Particulars | Approved in the MYT Order | Actual Claimed |
|--|------------------------------|----------------|
| Land Acquisition Cost | - | - |
| Augmentation/Upgradation of existing Systems | - | - |
| Strengthening of communication channels | - | - |
| Additional System/Software planning | 250.00 | 225.67 |
| IT Infrastructure | 54.00 | 38.52 |
| SLDC Building development | | - |
| Office Equipments | 73.30 | 8.69 |
| Staff Recreation facilities | - | - |
| Additional Expenditure | 80.00 | - |
| Total | 457.30 | 272.88 |

Petitioner's Submission

The Petitioner has submitted that Rs. 272.88 Lakh have been incurred as CAPEX as against Rs. 457.30 Lakh approved for the year 2017-18.



Commission's Analysis

The Commission had approved capital expenditure of Rs. 457.30 Lakh for FY 2017-18 in the MYT Order dated 31st March, 2017. SLDC has incurred net capital expenditure of Rs. 272.88 Lakh which is less than the CAPEX approved by the Commission for FY 2017-18.

On perusal of the Annual Accounts of SLDC, the Commission observed that the addition in Gross Fixed Asset during FY 2017-18 is Rs. 309.41 Lakh and deduction/adjustment during the year is Rs. 36.53 Lakh. Thus, there is a net addition of Rs. 272.88 Lakh during FY 2017-18 as per audited account.

However, the Petitioner subsequently informed that an amount of Rs. 34.04 Lakh reflected in the above CAPEX, has been incurred by SLDC from the fund/reserve created by retaining income earned out of Scheduling and System Operation Charges as per the Commission's Orders dated 03.01.2016 and 31.03.2017 and allowed to be utilised vide Commission's letter dated 01.09.2017. Hence, the amount of Rs 34.04 Lakh has been reduced from the CAPEX addition of Rs 272.88 Lakh to arrive at net addition of Rs. 238.84 Lakh during FY 2017-18.

With regard to funding of capitalization, Regulation 33 of the GERC (MYT) Regulations, 2016 provides that where the actual equity employed is more than 30% of the capital cost approved by the Commission, the amount of equity for the purpose of tariff shall be restricted to 30% and the balance amount shall be considered as loan. It is observed from the Note No. 18 and 19 of the Audited Annual Accounts of FY 2017-18 that there is equity addition of Rs. 828.16 Lakh during the year. However, considering the capitalization of Rs. 238.84 Lakh and the funding pattern of 30:70 Equity & Debt, the equity requirement works out to Rs. 71.65 Lakhs (30% of Rs. 238.84 Lakh). The Commission, therefore, decides to restrict equity at Rs. 71.65 Lakh and considers the balance Rs. 167.19 Lakh as debt for funding the capitalization as given in the Table below:

Table 4.2: Approved capitalisation and funding in the Truing up for FY 2017-18

(Rs. Lakh)

| Particulars | Approved in the MYT Order | Approved in the Truing up |
|----------------------|---------------------------|---------------------------|
| Capital Expenditure | 457.30 | 238.84 |
| Capitalisation (net) | 457.30 | 238.84 |
| Equity (30%) | 137.19 | 71.65 |
| Debt (70%) | 320.11 | 167.19 |



4.3 Operation and Maintenance (O&M) Expenses for FY 2017-18

Petitioner's Submission

The Petitioner has claimed Rs. 2,172.59 Lakh towards actual O&M expenses in the Truing up for FY 2017-18 against Rs. 1,574.68 Lakh approved for the year in the MYT Order as detailed in the Table below:

Table 4.3: Operation & Maintenance Expenses for FY 2017-18

(Rs. Lakh)

| Particulars | Approved in the MYT Order | Actual Claimed | Deviation |
|---|---------------------------|-----------------|-----------------|
| Employees Cost | 1,251.23 | 1,522.58 | (271.35) |
| Repairs & Maintenance Expenses | 71.71 | 144.91 | (73.20) |
| Administrative & General Expenses | 251.74 | 505.10 | (253.36) |
| Operation & Maintenance Expenses | 1,574.68 | 2,172.59 | (597.91) |

Employees Cost

The Petitioner has claimed Rs 1522.58 Lakh towards actual employee cost as against Rs. 1251.23 Lakh approved for FY 2017-18 in the MYT Order. The Petitioner submitted that the employee expenses are broadly categorized into (1) Salaries and Wages (2) Contribution to Provident Fund & other funds (3) Staff Welfare expenses and (4) Other terminal benefits and that the variation between the approved and actual employee expenses is on account of the actual impact of 7th Pay Commission.

R&M Expenses

The Petitioner has claimed Rs. 144.91 Lakh in the truing up for FY 2017-18 against Rs. 71.71 Lakh approved for the year in the MYT Order dated 31st March, 2017.

The Petitioner submitted that Repairs & Maintenance (R&M) expenses have been incurred on account of maintaining the asset quality given the ageing of equipment.

The Petitioner further submitted that the ULDC charges which are part of R&M expenses in the P&L Account have been negated to arrive at the R&M expenses for FY 2017-18 as the expenses related to ULDC have been considered under a separate head.



The Petitioner submitted that the main reason for deviation between the approved and actual R&M expenses is the procurement of RTU spares of Rs. 28.64 Lakh and AMC to Infosys (EASS) of Rs. 40.08 Lakh and GE (SCADA) to the tune of Rs. 17.93 Lakh.

A&G Expenses

The Petitioner has claimed Rs. 505.10 Lakh towards actual A&G Expenses in the truing up for FY 2017-18 against Rs. 251.74 Lakh approved for the year in the MYT Order dated 31st March, 2017.

The Petitioner further submitted that these expenses mainly comprise of conveyance, travel, legal charges, telephone charges, electricity charges, leased line charges, etc. The actual A&G expenses are higher than the value approved by the Commission mainly on account of higher leased line expenses of Rs. 242.12 Lakh.

Commission's Analysis

The Commission has examined the submission made by SLDC. The Commission has obtained the details of O&M expenses for FY 2017-18. The O&M expenses comprise of Employees Cost, Repairs & Maintenance Expenses and Administrative & General Expenses.

The employee expenses as per audited annual accounts is Rs.1450.39 Lakh. The Petitioner has added Remeasurement of Defined Benefit Plan of Rs.185.89 Lakh as appearing in the Statement of Profit & Loss for the year and subtracted Rs.113.70 Lakh towards provision of 7th Pay Commission. Accordingly, the Commission approves the employee expenses of Rs.1522.58 Lakh in this true up. The Petitioner has submitted that the actual payment on account of wage revision is Rs. 212.15 Lakh. The Commission has considered the pay out of Rs. 212.15 Lakh on account of 7th Pay Commission as uncontrollable as decided in the previous tariff order.

It is observed that the R&M expenses in audited accounts is Rs. 668.51 Lakh which includes ULDC charges of Rs. 523.60 Lakh. Since the ULDC charges are claimed separately in the Petition, these are reduced from the R&M expenses and accordingly, R&M expenses of Rs. 144.91 Lakh is approved in this true up.

The A&G expenses of Rs. 505.10 Lakh claimed by the Petitioner are as per the audited accounts and accordingly, the Commission approves the same in truing up for FY 2017-18.



The O&M expenses approved in the MYT Order, claimed in the Truing up and approved by the Commission in this Order for FY 2017-18 are detailed in the Table below:

Table 4.4: Operation & Maintenance expenses approved for FY 2017-18

| (Rs. Lakh) | | | |
|---|---------------------------|-----------------|---------------------------|
| Particulars | Approved in the MYT Order | Actual Claimed | Approved in the Truing up |
| Employees Cost | 1,251.23 | 1,522.58 | 1,522.58 |
| Repairs & Maintenance Expenses | 71.71 | 144.91 | 144.91 |
| Administrative & General Expenses | 251.74 | 505.10 | 505.10 |
| Total Operation & Maintenance Expenses | 1,574.68 | 2,172.59 | 2,172.59 |

The Commission approves the O&M expenses at Rs. 2172.59 Lakh in the Truing up for FY 2017-18.

Under Regulation 22 of the GERC (MYT) Regulations, 2016, the O & M expenses are controllable in nature except the expenses on account of actual pay out towards wage revision. Accordingly, the Commission has worked out the gains/(losses) as given in the Table below:

Table 4.5: Operation & Maintenance expenses approved for FY 2017-18

| (Rs. Lakh) | | | | | |
|----------------|---------------------------|---------------------------|---------------|---|---|
| Particular | Approved in the MYT Order | Approved in the Truing up | Deviation +/- | Gain/(Loss) due to Controllable Factors | Gain/(Loss) due to Uncontrollable Factors |
| O & M Expenses | 1,574.68 | 2,172.59 | (597.91) | (385.75) | (212.15) |

4.4 Depreciation for FY 2017-18

The Petitioner has claimed Rs. 278.72 Lakh towards depreciation for FY 2017-18, against Rs. 171.60 Lakh approved by the Commission for year in the MYT Order dated 31.03.2017 as given in the Table below:



Table 4.6: Depreciation claimed in Truing up for FY 2017-18

(Rs. Lakh)

| Particulars | Approved in the MYT Order | Actual Claimed | Deviation +/- |
|--------------|---------------------------|----------------|---------------|
| Depreciation | 171.60 | 278.72 | (107.12) |

Commission's Analysis

The actual depreciation, as per the audited accounts is Rs. 278.72 Lakh.

Since, the Commission has reduced the amount of Rs 34.04 Lakh from the Capex, the Commission accordingly works out the depreciation of Rs. 276.67 Lakh in the truing up for FY 2017-18 considering such reduction in CAPEX and the loss of Rs. 105.07 Lakh as uncontrollable as detailed in the Table below:

Table 4.7: Gross Fixed Assets and Depreciation approved for FY 2017-18

(Rs. Lakh)

| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Approved in the Truing up | Deviation +/- |
|---------|--------------------------------------|---------------------------|----------------|---------------------------|-----------------|
| 1 | Gross Block at Beginning of the year | 2,041.78 | 2,177.70 | 2,177.70 | |
| 2 | Additions during the year (Net) | 457.30 | 272.88 | 238.84 | |
| 3 | Closing Block | 2,499.08 | 2,450.58 | 2,416.54 | |
| 4 | Depreciation for the year | 171.60 | 278.72 | 276.67 | (105.07) |
| 5 | Average Rate of Depreciation | 7.56% | 12.04% | 12.04% | |

4.5 Interest and Finance Charges for FY 2017-18

Petitioner's Submission

The Petitioner has claimed Rs. 41.52 Lakh towards interest and finance charges in the Truing up for FY 2017-18, as against Rs. 58.36 Lakh approved for the year in the MYT Order dated 31.03.2017. SLDC has submitted that the addition in loans for FY 2017-18 is derived based on the Opening and Closing Balance of Loans as per accounts. The interest is considered as the weighted average interest rate of GETCO of 7.97%.



The details of interest and finance charges approved for FY 2017-18 in the MYT Order and actuals now claimed by SLDC are given in the Table below:

Table 4.8: Interest and Finance Charges claimed for FY 2017-18

(Rs. Lakh)

| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Deviation +/- |
|----------|---|---------------------------|----------------|---------------|
| 1 | Opening Loans | 514.06 | 564.93 | (50.87) |
| 2 | Addition During Year | 320.11 | 191.02 | 129.09 |
| 3 | Repayment During the year | 171.60 | 278.72 | (107.12) |
| 4 | Closing Loans | 662.57 | 477.23 | 185.34 |
| 5 | Average Loans | 588.31 | 521.08 | 67.23 |
| 6 | Interest on Loans | 58.36 | 41.52 | 16.84 |
| 7 | Other Finance Charges | 0.00 | 0.00 | 0.00 |
| 8 | Total Interest & Finance Charges | 58.36 | 41.52 | 16.84 |
| 9 | Weighted Average Rate of Interest on Loan | 9.92% | 7.97% | |

Commission's Analysis

The Commission has examined the details of opening loans, additions and repayment during FY 2017-18.

The Commission has taken the Closing Balance of Loans of FY 2016-17 true up order as the Opening Balance of Loans for FY 2017-18 and considered the loan addition of Rs. 167.19 Lakh as approved in Table 4.2 of the Order. The Commission has considered the repayment of loan as equivalent to the depreciation of Rs 276.67 Lakh approved (Table 4.7) in line with the GERC (MYT) Regulations, 2016.

SLDC has submitted the weighted average rate of interest as 7.97% based on GETCO's actual loan portfolio. Interest on loans worked out by the Commission has been considered at 7.84% for SLDC in line with GETCO. The Commission has worked out the interest and finance charges as detailed in the Table below:



Table 4.9: Approved Interest and Finance Charges for FY 2017-18

(Rs. Lakh)

| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Approved in the Truing up | Deviation +/- |
|----------|---|---------------------------|----------------|---------------------------|---------------|
| 1 | Opening Loans | 514.06 | 564.93 | 564.93 | |
| 2 | Addition During Year | 320.11 | 191.02 | 167.19 | |
| 3 | Repayment During the year | 171.60 | 278.72 | 276.67 | |
| 4 | Closing Loans | 662.57 | 477.23 | 455.45 | |
| 5 | Average Loans | 588.31 | 521.08 | 510.19 | |
| 6 | Interest on Loans | 58.36 | 41.52 | 40.00 | |
| 7 | Other Finance Charges | 0.00 | 0.00 | 0.00 | |
| 8 | Total Interest & Finance Charges | 58.36 | 41.52 | 40.00 | 18.36 |
| 9 | Weighted Average Rate of Interest on Loan | 9.92% | 7.97% | 7.84% | |

The Commission accordingly approves the interest and finance charges at Rs. 40.00 Lakh and gain of Rs. 18.36 Lakh as uncontrollable in the Truing up for FY 2017-18.

4.6 Return on Equity for FY 2017-18

The Petitioner has claimed Rs. 100.03 Lakh towards return on equity in the Truing up for FY 2017-18, as against Rs. 98.20 Lakh approved in the MYT Order dated 31.03.2017 as given in the Table below:

Table 4.10: Return on Equity claimed by SLDC for FY 2017-18

(Rs. Lakh)

| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Deviation +/- |
|---------|--------------------------|---------------------------|----------------|---------------|
| 1 | Opening Equity | 632.81 | 673.58 | (40.77) |
| 2 | Addition During the Year | 137.19 | 81.86 | 55.33 |
| 3 | Closing Equity | 770.00 | 755.44 | 14.56 |
| 4 | Average Equity | 701.41 | 714.51 | (13.10) |



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| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Deviation +/-(-) |
|---------|--------------------------|---------------------------|----------------|------------------|
| 5 | Rate of Return on Equity | 14% | 14% | |
| 6 | Return on Equity | 98.20 | 100.03 | (1.83) |

Petitioner's Submission

The Petitioner has submitted that the actual equity addition as per accounts has been considered for FY 2017-18 for calculation of return on equity. The rate of return on equity is considered as 14% as per the Regulations.

Commission's Analysis

The Commission has taken the closing equity of FY 2016-17 true up order as the opening equity for FY 2017-18 and allowed equity addition of Rs. 71.65 Lakh as approved in Table 4.2 of this Order. The return on Equity has been calculated @ 14% as per the GERC (MYT) Regulations, 2016 on the average equity deployed during the year as given in the Table below:

Table 4.11: Approved Return on Equity for FY 2017-18

(Rs. Lakh)

| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Approved in the Truing up | Deviation +/-(-) |
|---------|------------------------------|---------------------------|----------------|---------------------------|------------------|
| 1 | Opening Equity | 632.81 | 673.58 | 673.58 | |
| 2 | Addition During the Year | 137.19 | 81.86 | 71.65 | |
| 3 | Closing Equity | 770.00 | 755.44 | 745.23 | |
| 4 | Average Equity | 701.41 | 714.51 | 709.41 | |
| 5 | Rate of Return on the Equity | 14% | 14% | 14% | |
| 6 | Return on Equity | 98.20 | 100.03 | 99.32 | (1.12) |

The Commission accordingly approves the Return on Equity at Rs. 99.32 Lakh and deviation of Rs. 1.12 Lakh as loss on account of uncontrollable factors in the Truing up for FY 2017-18.



4.7 Interest on Working Capital for FY 2017-18

Petitioner's Submission

The Petitioner has submitted that interest on working capital for FY 2017-18 is computed at Rs. 32.68 Lakh, as against Rs. 23.79 Lakh approved for the year in the MYT dated 31st March, 2017. SLDC has submitted that interest on working capital has been worked out on normative basis as per the norms specified under the GERC (MYT) Regulation, 2016. The interest on working capital is claimed @10.50%, being the 1 year SBI MCLR, as on 1st April, 2017 plus 250 basis points in line with the regulations:

Table 4.12: Interest on Working Capital claimed for FY 2017-18

(Rs. Lakh)

| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Deviation + (-) |
|----------|------------------------------------|---------------------------|----------------|-----------------|
| 1 | O & M Expenses | 131.22 | 181.05 | (49.83) |
| 2 | Maintenance and Spares | 20.42 | 21.78 | (1.36) |
| 3 | Receivables | 51.69 | 108.57 | (56.88) |
| 4 | Total Working Capital | 203.33 | 311.40 | (108.07) |
| 5 | Rate of Interest | 11.70% | 10.50% | |
| 6 | Interest on Working Capital | 23.79 | 32.68 | (8.89) |

Commission's Analysis

The Commission has examined the submissions made by the Petitioner. Interest on working capital is to be allowed on normative basis, as per Regulation 40.3 of the GERC (MYT) Regulations, 2016. The working capital comprises of one month's O&M expenses, maintenance spares at 1% of opening GFA and receivables equivalent to 15 days of expected revenue from SLDC charges.

SLDC has submitted that it has considered the interest rate as per the First Amendment to the MYT Regulations, 2016 dated 2nd December 2016. The Commission has considered the weighted average of 1-year State Bank of India (SBI) Marginal Cost of Funds Based Lending Rate (MCLR) of 8.00% prevailing during the FY 2017-18 plus 250 basis points, which works out to be 10.50%.



Based on the O&M expenses, Opening GFA now approved in the Truing up, the working capital and interest thereon are calculated at 10.50%, as detailed in the Table below:

Table 4.13: Approved Interest on Working Capital for FY 2017-18

(Rs. Lakh)

| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Approved in the Truing up | Deviation +/- |
|---------|-----------------------------|---------------------------|----------------|---------------------------|---------------|
| 1 | O & M Expenses | 131.22 | 181.05 | 181.05 | |
| 2 | Maintenance and Spares | 20.42 | 21.78 | 21.78 | |
| 3 | Receivables | 51.69 | 108.57 | 100.60 | |
| 4 | Total Working Capital | 203.33 | 311.40 | 303.43 | |
| 5 | Rate of Interest | 11.70% | 10.50% | 10.50% | |
| 6 | Interest on Working Capital | 23.79 | 32.68 | 31.85 | (8.06) |

The Commission accordingly approves the Interest on Working Capital at Rs. 31.85 Lakh and deviation of Rs. 8.06 Lakh as loss on account of uncontrollable factors for the Truing up for FY 2017-18.

4.8 RLDC Fees for FY 2017-18

Petitioner's Submission

The Petitioner has claimed the RLDC Fees of Rs. Nil in the truing up for FY 2017-18, as detailed in Table below:

Table 4.14: RLDC Charges claimed in Truing up for FY 2017-18

(Rs. Lakh)

| Particulars | Approved in the MYT Order | Actual Claimed | Deviation +/- |
|-----------------------|---------------------------|----------------|---------------|
| RLDC Fees and Charges | 11.83 | 0.00 | 11.83 |

Commission's Analysis

The Commission has examined the annual accounts of SLDC. It is observed that the RLDC fees paid during the year is NIL. Therefore, the RLDC fees for truing up for FY 2017-18 is



considered as Nil against Rs. 11.83 Lakh approved in the MYT Order dated 31st March, 2017 as given in the Table below:

Table 4.15: Approved RLDC Charges for FY 2017-18

(Rs. Lakh)

| Particulars | Approved in the MYT Order | Actual Claimed | Approved in the Truing up | Deviation +/- |
|-----------------------|---------------------------|----------------|---------------------------|---------------|
| RLDC Fees and Charges | 11.83 | 0.00 | 0.00 | 11.83 |

The Commission approves the RLDC charges at NIL and deviation of Rs. 11.83 Lakh as gain on account of uncontrollable factors in the truing up for FY 2017-18.

4.9 ULDC & SCADA charges for FY 2017-18

The Petitioner has claimed Rs. 523.60 Lakh towards ULDC & SCADA charges in the truing up for FY 2017-18 against Rs. 486.05 Lakh approved in the MYT Order dated 31st March, 2017 as detailed in the Table below:

Table 4.16: ULDC & SCADA Charges claimed for FY 2017-18

(Rs. Lakh)

| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Deviation +/- |
|----------|--|---------------------------|----------------|----------------|
| 1 | New SCADA | | | |
| 1.1 | Supply of New SCADA | 144.91 | 343.24 | |
| 1.2 | Service Charges for supply of new SCADA | 7.95 | - | |
| 2 | Annual Maintenance | | | |
| 2.1 | Maintenance Charges | 41.61 | - | |
| 3 | Communication | | | |
| 3.1 | Communication Charges | 291.58 | 180.36 | |
| 4 | Charges for ULDC and Other related Projects | 486.05 | 523.60 | (37.55) |

Petitioner's Submission

The Petitioner submitted that Power Grid Corporation of India Limited (POWERGRID) conceptualized a Unified Load Dispatch and Communication (ULDC) scheme for strengthening the load dispatch infrastructure and augmenting communication system for



efficient discharge of load dispatch functions. The scheme covered investment in RLDCs at the Central level and SLDCs at the State level.

It is further submitted that, CERC issued an order in this regard for approval of charges for Unified Load Dispatch & Communication Scheme in Western Region for the period from 01.02.2006. Accordingly, the Central portion charges as per the preceding para shall be shared by the beneficiaries/constituents in Western Region in the ratio of central generating capacity allocation, including the allocation from unallocated capacity from the Central Generating stations. Inter-regional export/import of power, whether bilateral or multilateral, would not affect the sharing of charges for Unified Scheme. The State portion charges shall be shared by the States in proportion to respective capital cost as on 31.03.2006.

The Petitioner further submitted that in the 8th meeting of the WRPC held on 12th September, 2008, WRLDC had intimated that ULDC project was under extended AMC period up to 31.05.2009 and stressed the need for going in for a comprehensive Long-Term Service Agreement (LTSA). In this connection, it was informed to the Committee that M/s. GE had submitted offer to take up AMC which broadly covered the scope of SCADA/EMS/DTS software as well as hardware of SLDC/Sub-LDCs. Subsequently, negotiation committee was formed which deliberated various options & aspects. It was also agreed by all the committee members of WR including SLDC-Gujarat in 10th meeting that WRLDC/PGCIL would go ahead with awarding the maintenance of SCADA/EMS system in Western Region to M/s GE and LTSA arrangements with them. Accordingly, the aforesaid annual maintenance contract is commenced from 14th August, 2009. Percentage sharing of GETCO is also decided as 17.36% as per agreement executed with POWERGRID.

The Petitioner stated that the existing SCADA/EMS software has been installed and commissioned since 2004 and now it is necessary to upgrade/expansion of the existing SCADA system software with advanced technology. As the hardware are at end of life cycle and needs up-gradation/replacement, it was decided in 16th WRPC meeting to phase out the existing ULDC system at the end of 5 year LTSA (i.e. by 14th October, 2014). Also, the new and old ULDC would operate in parallel for a year so as to evaluate the new system for its stability and reliability. A paradigm shift is expected in the SCADA/EMS system methodology as new regulations like Wind Generation forecasting, REC mechanism, POC charges, incorporation of Wind/Solar generation, increase in Open Access Users are SLDC's forthcoming challenges. Hence, this may require expansion/up-gradation SCADA/EMS system with high standard in terms of latest technology, handling large volume of data storage, its processing for various reports, high speed data retrieval, high accuracy and



elevated security, etc. Keeping the ULDC philosophy, on the request of the constituents of Western Region, WRLDC has proposed the up-gradation/replacement of existing SCADA/EMS system. With the increased complexity of grid and advancement of IT system it is utmost necessary to adopt the latest available software/hardware for the SCADA system. As on Oct'15, the contract for old SCADA system (GE) has concluded. The ULDC charges have been accounted as per the actual bills received.

Commission's Analysis

The Commission has examined the submission made by the Petitioner for payment of ULDC and other project related charges. The Commission is of the view that ULDC charges are required to be paid by SLDC as a member of the Western Regional System as per the directives of PGCIL, WRLDC and WRPC. The Commission has also observed that with the increased complexity of grid and advancement of IT system, it is utmost necessary to adopt the latest available software/hardware for the SCADA system.

The Commission accordingly approves the ULDC and SCADA Upgradation Charges at Rs. 523.60 Lakh as per the Audited Accounts and deviation of Rs. 37.55 Lakh as loss on account of uncontrollable factors in the truing up for FY 2017-18, as shown in the Table below:

Table 4.17: Approved Charges of ULDC & Other Projects for FY 2017-18

(Rs. Lakh)

| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Approved in the Truing up | Deviation +/- |
|----------|--|---------------------------|----------------|---------------------------|----------------|
| 1 | New SCADA | | | | |
| 1.1 | Supply of New SCADA | 144.91 | 343.24 | 343.24 | |
| 1.2 | Service Charges for supply of new SCADA | 7.95 | - | - | |
| 2 | Annual Maintenance | | | | |
| 2.1 | Maintenance Charges | 41.61 | - | - | |
| 3 | Communication | | | | |
| 3.1 | Communication Charges | 291.58 | 180.36 | 180.36 | |
| 4 | Charges for ULDC and Other related Projects | 486.05 | 523.60 | 523.60 | (37.55) |



4.10 Non-Tariff Income FY 2017-18

SLDC has furnished the actual Non-Tariff Income at Rs.705.82 Lakh in the Truing up for FY 2017-18 against Rs.1166.50 Lakh approved for the year in the MYT Order dated 31.03.2017 as detailed in the Table below:

Table 4.18: Non-Tariff Income for FY 2017-18

| (Rs. Lakh) | | | | |
|------------|--|---------------------------|----------------|---------------|
| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Deviation +/- |
| 1 | Supervision Income from execution of Deposit works | | 3.93 | |
| 2 | Scheduling & System operation charges | | 675.54 | |
| 3 | Miscellaneous Receipts | | 26.19 | |
| 4 | Penalties received from Suppliers & Contractors | | 0.15 | |
| 5 | Total | 1,166.50 | 705.82 | 460.68 |

Petitioner's Submission

The Petitioner submitted that SLDC is earning revenue from sources other than the core business activities and hence, income from "Other Business" is deducted from the ARR to arrive at the net ARR of the SLDC.

The Petitioner also stated that as per the GERC (MYT) Regulations, 2016, the scheduling & system operation charges are required to be considered as part of the true-up of each financial year and hence, the same is included in the Non-Tariff income of SLDC.

Commission's Analysis

The Commission, after detailed examination of the audited annual accounts for FY 2017-18, found that the Non-Tariff Income of SLDC is Rs. 705.82 Lakh, which includes Rs. 3.93 Lakh towards Supervision Income from execution of deposit works, Rs. 26.19 Lakh towards miscellaneous receipts and Rs. 675.54 Lakh towards scheduling charges.

Further, the Commission has allowed SLDC to retain income earned out of Scheduling and System Operation Charges as shown below:



Table 4.19: Fund arising pursuant to APTEL Judgments as regards Scheduling and System Operation Charges

| Sr. No. | Amount (in Rs. Lakh) | Order No. |
|----------------|-----------------------------|--|
| 1 | 896.54 | Consequential Order dated 01.03.2016 on APTEL Judgment in Appeal No. 33/2015 |
| 2 | 1,853.57 | Order dated 31.03.2017 on APTEL Judgement in Appeal No. 146/2015 |
| Total | 2,750.41 | |

The Commission directed SLDC to create a reserve out of this income and make corresponding investments in the securities as recognised under the Indian Trust Act, 1882. Interest earned on such securities will be passed on to the beneficiaries through ARR. Withdrawal from the reserve will be for capex only with prior approval of the Commission and such withdrawal from this reserve towards financing capex will not be held eligible for Return on Equity.

SLDC, vide letter no. SLDC/ARR/17-18/2980 dated 09.08.2017, sought permission of the Commission to incur capital expenditure of Rs. 1537.20 Lakh for various projects. SLDC further requested the Commission to allow them to retain fund and exempt from investing this fund in securities recognised under the Indian Trust Act, 1882.

The Commission, vide letter No. GERC/Tariff/5717/4283/1565 dated 01.09.2017, granted permission to SLDC to incur expenditure of Rs. 1537.20 Lakh out of the total fund of Rs. 2750.41 Lakh thereby leaving a balance of Rs. 1213.21 Lakh. The Commission advised SLDC to file a proper petition to have exemption from investing the fund in securities recognised under the Indian Trust Act, 1882.

Subsequently, SLDC vide letter No. SLDC/ARR/17-18/039 dated 09.01.2018 had sought permission of the Commission to incur expenditure of Rs. 426.82 Lakh for various works out of the funds lying with them as per the Commission's Order dated 31.03.2017. The Commission, in the Order dated 31.03.2018, accorded approval to SLDC for utilization of Rs. 426.82 Lakh out of balance amount of Rs. 1213.21 Lakh thereby leaving a balance of Rs. 786.39 Lakh with SLDC as on 01.04.2018.

The Petitioner informed that only an amount of Rs. 107.12 Lakh out of Rs. 1537.20 Lakh was spent during FY 2017-18 and the total expenditure (inclusive of Rs. 107.12 Lakh) of Rs. 547.46 Lakh was incurred till the date of filing of the petition.



Thus, it is apparent that though the Commission had approved an expenditure of Rs. 1537.20 Lakh, the Petitioner could incur an expenditure of Rs. 547.46 Lakh. Accordingly, the Petitioner has unspent balance of Rs. 2202.95 Lakh (2750.41 - 547.46).

As the Commission had worked out the notional interest on the balance amount assuming that the entire approved amount of Rs. 1537.20 Lakh is spent by the Petitioner, but in view of the above position, the Petitioner is having unspent balance of Rs. 2202.95 Lakh, the Commission has revisited the interest calculation and worked out the notional interest afresh considering the rate of interest as Wt. Avg. 1 year SBI MCLR as under:

Table 4.20: Computation of Notional Interest on Fund arising pursuant to APTEL
Judgments as regards Scheduling and System Operation Charges

| Sr. No. | Amount (Rs. Lakh) | Rate of Interest per annum | Period | Amount of Interest (Rs. Lakh) |
|---------|--|----------------------------|--|-------------------------------|
| 1 | 896.84 | 8.81% | 01.04.2016 to 31.03.2017 (Average of Opening & Closing) | 39.51 |
| 2 | 2750.41 | 8.00% | 01.04.2018 to 31.08.2017 | 92.19 |
| 3 | 2643.29 | 8.00% | 01.09.2018 to 31.03.2018 (Average of Opening & Closing) | 125.25 |
| 4 | Less: Amount of Interest considered in Tariff Order dated 31.03.2018 | | | (202.82) |
| 5 | 2202.95 | 8.31% | 01.04.2018 to 30.11.2018 (Average of Opening & Closing) | 134.64 |
| 6 | Total | | | 188.78 |

The said notional interest of Rs. 188.78 Lakh is included in the Non-Tariff Income of Rs. 705.82 Lakh to arrive at the total Non-Tariff Income of Rs. 894.60 Lakh as under:

Table 4.21: Approved Non-Tariff Income for FY 2017-18

(Rs. Lakh)

| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Approved in the Truing up | Deviation +/- |
|---------|--|---------------------------|----------------|---------------------------|---------------|
| 1 | Supervision Income from execution of Deposit works | | 3.93 | 3.93 | |
| 2 | Scheduling & System operation Charges | | 675.54 | 675.55 | |
| 3 | Miscellaneous Receipts | | 26.19 | 26.19 | |
| 4 | Penalties received from Suppliers & Contractors | | 0.15 | 0.15 | |
| 5 | Normative Income on Retained Fund | | | 188.78 | |



| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Approved in the Truing up | Deviation +/- |
|---------|-------------------------|---------------------------|----------------|---------------------------|---------------|
| 6 | Total Non-Tariff Income | 1,166.50 | 705.82 | 894.60 | 271.90 |

The Commission approves the Non-Tariff Income at Rs. 894.60 Lakh and deviation of Rs. 271.90 Lakh as gain on account of uncontrollable factors in the Truing up for FY 2017-18.

4.11 Income Tax for FY 2017-18

The Petitioner has claimed Rs. 198.53 Lakh as income tax in the Truing up for FY 2017-18, as detailed in the Table below:

Table 4.22: Provision for Taxation claimed for FY 2017-18

| (Rs. Lakh) | | | |
|-------------|---------------------------|----------------|---------------|
| Particulars | Approved in the MYT Order | Actual Claimed | Deviation +/- |
| Income Tax | 0.00 | 198.53 | (198.53) |

Petitioner's Submission

The Petitioner has submitted that tax on the income streams is computed as an expense and is to be recovered from the beneficiaries. GETCO makes a consolidated tax payment including SLDC.

Commission's Analysis

The Commission has verified the tax as claimed by SLDC from the audited annual accounts and found that the income tax of Rs. 198.53 Lakh is accounted by SLDC as an expense in their books of account.

The Commission approves the income tax Rs. 198.53 Lakh and deviation of Rs. 198.53 Lakh as loss on account of uncontrollable factors in the truing up for the FY 2017-18, as given in the Table below:



Table 4.23: Approved Income Tax for FY 2017-18

(Rs. Lakh)

| Particulars | Approved in the MYT Order | Actual Claimed | Approved in the Trueing up | Deviation +/-) |
|-------------|---------------------------|----------------|----------------------------|----------------|
| Income Tax | 0.00 | 198.53 | 198.53 | (198.53) |

4.12 Claimed and approved Fixed Costs for FY 2017-18

The Fixed Charges approved in the MYT Order for FY 2017-18, claimed by SLDC in truing up and approved by the Commission are summarized in the Table below:

Table 4.24: Approved Fixed Costs in Truing up for FY 2017-18

(Rs. Lakh)

| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Approved for the True up | Deviation +/-) | Gain/ (Loss) due to Controllable Factors | Gain/ (Loss) due to Uncontrollable Factors |
|---------|---|---------------------------|----------------|--------------------------|----------------|--|--|
| 1 | 2 | 3 | 4 | 5 | 6=3-5 | 7 | 8 |
| 1 | Employees Cost | 1,251.23 | 1,522.58 | 1,522.58 | (271.35) | (59.19) | (212.15) |
| 2 | Repairs & Maintenance Expenses | 71.71 | 144.91 | 144.91 | (73.20) | (73.20) | |
| 3 | Administration & General Expenses | 251.74 | 505.10 | 505.10 | (253.36) | (253.36) | |
| 4 | Interest on Working Capital | 23.79 | 32.68 | 31.85 | (8.06) | | (8.06) |
| 5 | RLDC Fees and Charges | 11.83 | 0.00 | 0.00 | 11.83 | | 11.83 |
| 6 | Charges for ULDC & Other related Projects | 486.05 | 523.60 | 523.60 | (37.55) | | (37.55) |
| 7 | Depreciation | 171.60 | 278.72 | 276.67 | (105.07) | | (105.07) |
| 8 | Interest and Finance Charges | 58.36 | 41.52 | 40.00 | 18.36 | | 18.36 |
| 9 | Return on Equity | 98.20 | 100.03 | 99.32 | (1.12) | | (1.12) |
| 10 | Provision for Tax | 0.00 | 198.53 | 198.53 | (198.53) | | (198.53) |
| 11 | Less: Non-Tariff Income | 1,166.50 | 705.82 | 894.60 | 271.90 | | 271.90 |
| 12 | Less: Expenses Capitalized | 0.00 | 0.00 | 0.00 | - | | - |



| Sr. No. | Particulars | Approved in the MYT Order | Actual Claimed | Approved for the True up | Deviation +/- | Gain/ (Loss) due to Controllable Factors | Gain/ (Loss) due to Uncontrollable Factors |
|---------|------------------|---------------------------|-----------------|--------------------------|-------------------|--|--|
| 13 | Total ARR | 1,258.01 | 2,641.85 | 2,447.94 | (1,189.94) | (385.75) | (804.18) |

4.13 Revenue Gap for FY 2017-18

The Petitioner has claimed a revenue gap of Rs.1126.67 Lakh during FY 2017-18 as given in the Table below:

Table 4.25: Revenue (Gap) /Surplus claimed for FY 2017-18

| | | (Rs. Lakh) |
|----------|--|-------------------|
| Sr. No. | Particulars | 2017-18 |
| 1 | Approved ARR as per MYT Order dated 31 st March, 2017 | 1,258.01 |
| 2 | Gain/(Loss) on account of Controllable Factors to be passed on to Beneficiaries (1/3rd of Total Gain / (Loss) for FY 2017-18 | (128.58) |
| 3 | Gain / (Loss) on account of Uncontrollable Factors to be passed on to Beneficiaries for FY 2017-18 | (998.09) |
| 4 | Revenue (Gap)/Surplus approved in truing up for 2015-16 after adjustment of past period Gap (MYT Order dated 31 st March, 2017) | (1,978.00) |
| 5 | Total ARR for FY 2017-18 (1-2-3-4) | 4,362.68 |
| 6 | Revenue from SLDC Charges | 3,236.01 |
| 7 | Revenue (Gap) /Surplus for FY 2017-18 (6-5) | (1,126.67) |

The Petitioner has requested the Commission to consider the Revenue Gap of Rs. 1126.67 Lakh for FY 2017-18 while deciding the Tariff for the FY 2019-20.

Commission's Analysis

The Regulation 23 and 24 of GERC MYT Regulations, 2016 provide for sharing of gains or losses on account of uncontrollable and controllable factors. Accordingly, the Revenue (Gap)/Surplus approved by the Commission for FY 2017-18 is summarized in the Table below.



Table 4.26: Approved Revenue (Gap)/Surplus for FY 2017-18

| | | (Rs. Lakh) |
|---------|--|-----------------|
| Sr. No. | Particulars | 2017-18 |
| 1 | Approved ARR as per MYT Order dated 31 st March, 2017 | 1,258.01 |
| 2 | Revenue (Gap)/Surplus approved in truing up for FY 2015-16 (to derive net recovery for FY 2017-18 as per Order in Petition No. 1621 of 2016) | (1,978.00) |
| 3 | Gain / (Loss) on account of Controllable factors to be passed on to Beneficiaries (1/3rd of Total Gain / (Loss) for FY 2017-18 | (128.58) |
| 4 | Gain / (Loss) on account of Uncontrollable factors to be passed on to Beneficiaries for FY 2017-18 | (804.18) |
| 5 | Total ARR for FY 2017-18 (1-2-3-4) | 4,168.77 |
| 6 | Revenue from SLDC Charges | 3,236.01 |
| 7 | Revenue (Gap) /Surplus for FY 2017-18 (6-5) | (932.76) |

Accordingly, the Commission approves the Revenue Gap of Rs. 932.76 Lakh in the truing up for FY 2017-18 after adjustment of past period gap. This gap is carried forward to ARR of FY 2019-20 for determination of Fees and Charges.



5 Mid Term Review of ARR for FY 2019-20 and FY 2020-21

5.1 Capital Expenditure

SLDC has proposed the revised Capital Expenditure at Rs. 1095 Lakh for FY 2019-20 and Rs. 966 Lakh for FY 2020-21 in the Mid-Term Review Petition. The Capital Expenditure approved for these years in the MYT Order dated 31st March, 2017 and revised projection submitted by SLDC in the Mid-Term Review are given in the Table below:

Table 5.1: Revised Capital Expenditure for FY 2019-20 to FY 2020-21.

| Sr. No. | Particulars | 2019-20 | | 2020-21 | |
|-----------|--|---------------------------|----------------------|---------------------------|----------------------|
| | | Approved in the MYT Order | Projected in the MTR | Approved in the MYT Order | Projected in the MTR |
| 1 | Land Acquisition Cost | - | - | - | - |
| 2 | Augmentation/ Upgradation of existing system | 16.00 | 316.00 | 32.00 | 682.00 |
| 3 | Strengthening of communication channels | - | - | - | - |
| 4 | Additional System/ Software planning | - | 450.00 | - | 150.00 |
| 5 | IT Infrastructure | 54.00 | 249.00 | 54.00 | 54.00 |
| 6 | SLDC Building Development | - | - | - | - |
| 7 | Office Equipments | - | - | - | - |
| 8 | Staff Recreation facilities | - | - | - | - |
| 9 | Additional Expenditure/Software Planning | 80.00 | 80.00 | 80.00 | 80.00 |
| 10 | Total | 150.00 | 1,095.00 | 166.00 | 966.00 |

Petitioner's Submission

The Petitioner has submitted that SLDC has revised its capital expenditure plan for FY 2019-20 and FY 2020-21. SLDCs play a vital role as grid operator for the States and are involved in round-the-clock operations. With the increasing scale of operation on year to year basis and also to support various new challenges envisaged in the forthcoming years, it is required to strengthen & upgrade the existing system to cater to the system demands. Hence, it is imperative for SLDCs to use State of the Art equipment with adequate redundancy provided to safeguard against failures. SLDC has explained various project as under:



Expenditure related with separation of SLDC

The transition to independent SLDC, requires separation of assets and liabilities from PGCIL (for ULD&C project) and from GETCO (existing infrastructure and communication equipments). The payment or fund required for funding such assets by making one-time payment to parent organization covered into capital plan and such payment is planned for next years as separation is to be done by SLDC as per time line set by GOI. The expenditure related with separation of assets will be determined as per transfer scheme determined. Task Force is created by Ministry of Power to look into the capital expenditure separation and financial aspects of SLDC. Capital expenditure related with past CAPEX will be determined based on report of Task Force.

System Improvement

System improvements represent both functional improvement to existing systems (e.g. Energy Management System) and upgrades to systems/software. Large portions of the existing systems are planned for upgrade or replacement over the planning period. Current applications require up-gradation or replacement to allow for continued functioning with new hardware and to allow for continued support from vendors. This mainly includes up-gradation of Energy Reporting System, Outage Management System, Data Pooling System, Commercial & Accounting System, Energy Accounting Software, Strengthening of Commerce and Billing Centre and Website Improvement & Up-gradation.

Additional System / Software Planning

Additional System/Software Planning represents requirement of softwares for existing system running with old version of software. The large portion of existing software is planned to be upgraded with additional procurement for evolving need of SLDC. The main areas for system / software additions are Centralized database storage system, Simulator for offline study system tools, Remote access system, e-Bidding & electronic Cash Transfer system, Reporting tools, procurement of new application softwares.

IT Applications & Infrastructure

IT Infrastructure represents capital initiatives directed at maintaining and, as necessary, enhancing the overall technology backbone of SLDC. The most systems within the SLDC, most of the IT infrastructure has been in service for a number of years, in many instances



dating back to 2003 or earlier which was shifted from LD Jambuva to SLDC Gotri. Therefore, investment in the SLDCs infrastructure in the area of IT applications & infrastructure is necessary to reasonably ensure the information backbone of SLDC remains effective, reliable, and efficient. In this regard SLDC is looking forward to strengthen its IT Security System, upgrading the current Network System and establishing a Video Conferencing System between SLDC and RLDC.

Other Capital Projects

Other capital projects represent physical infrastructure activities, such as corporate office, staff quarters and infrastructure and facilities to be developed for SLDC staff. It also covers new additions in the office equipments to keep SLDC updated and efficient.

Commission's Analysis

The Commission had approved the Capital Expenditure at Rs. 150 Lakh and Rs. 166 Lakh in the MYT Order dated 31st March, 2017 for the Control Period FY 2019-20 and FY 2020-21. SLDC has projected a Capital Expenditure of Rs. 1095 Lakh in FY 2019-20 and Rs. 966 Lakh in FY 2020-21.

The Commission notes the justification given by SLDC for higher CAPEX and approves the projected Capital Expenditure of Rs. 1095 Lakh and Rs. 966 Lakh for FY 2019-20 and FY 2020-21 respectively as proposed by SLDC in the Mid-Term Review for augmentation, upgradation of IT Infrastructure including additional Systems/Softwares etc. to discharge its function effectively as an independent system operator.

5.2 Capitalisation & Funding of CAPEX

Petitioner's Submission

SLDC has submitted it would capitalize the projected CAPEX in the same year and accordingly claimed the capitalization and funding thereof as given in the Table below:

Table 5.2: Funding of Capex for FY 2019-20 and FY 2020-21

| Sr. No. | Particulars | 2019-20 | | 2020-21 | |
|---------|-------------|---------------------------|----------------------|---------------------------|----------------------|
| | | Approved in the MYT Order | Projected in the MTR | Approved in the MYT Order | Projected in the MTR |
| | | | | | |



| Sr. No. | Particulars | 2019-20 | | 2020-21 | |
|---------|-----------------------------|---------------------------|----------------------|---------------------------|----------------------|
| | | Approved in the MYT Order | Projected in the MTR | Approved in the MYT Order | Projected in the MTR |
| 1 | Capital Expenditure (CAPEX) | 150.00 | 1095.00 | 166.00 | 966.00 |
| 2 | Capitalisation | 150.00 | 1095.00 | 166.00 | 966.00 |
| 3 | Funding through Debt | 105.00 | 766.50 | 116.20 | 676.20 |
| 4 | Funding through Equity | 45.00 | 328.50 | 49.80 | 289.80 |

Commission's Analysis

The Commission accepts the submission of the Petitioner and approves the capitalisation and funding in the Mid-Term Review as given in the Table below:

Table 5.3: Approved Capitalisation in Mid-Term Review

(Rs. Lakh)

| Sr. No. | Particulars | 2019-20 | | 2020-21 | |
|---------|-----------------------------|---------------------------|---------------------|---------------------------|---------------------|
| | | Approved in the MYT Order | Approved in the MTR | Approved in the MYT Order | Approved in the MTR |
| 1 | Capital Expenditure (CAPEX) | 150.00 | 1095.00 | 166.00 | 966.00 |
| 2 | Capitalisation | 150.00 | 1095.00 | 166.00 | 966.00 |
| 3 | Debt (70%) | 105.00 | 766.50 | 116.20 | 676.20 |
| 4 | Equity (30%) | 45.00 | 328.50 | 49.80 | 289.80 |

5.3 Operation and Maintenance (O&M) Expenses

SLDC has projected the O&M expenses at Rs. 2487.34 Lakh for FY 2019-20 and Rs. 2663.20 Lakh for FY 2020-21 in the Mid-Term Review Petition. The O&M expenses approved for these years in the MYT Order dated 31st March 2017 and the revised projection in the Mid-Term Review submitted by SLDC are given in the Table below:

Table 5.4: O&M Expenses projected for the Control Period FY 2019-20 to FY 2020-21

(Rs. Lakh)

| Sr. No. | Particulars | 2019-20 | | 2020-21 | |
|---------|-------------|---------------------------|----------------------|---------------------------|----------------------|
| | | Approved in the MYT Order | Projected in the MTR | Approved in the MYT Order | Projected in the MTR |



| Sr. No. | Particulars | 2019-20 | | 2020-21 | |
|----------|---|---------------------------|----------------------|---------------------------|----------------------|
| | | Approved in the MYT Order | Projected in the MTR | Approved in the MYT Order | Projected in the MTR |
| 1 | Employees Cost | 1,398.46 | 1,760.84 | 1,478.45 | 1,895.14 |
| 2 | Administrative & General Expenses | 281.36 | 564.54 | 297.46 | 596.83 |
| 3 | Repairs & Maintenance Expenses | 80.15 | 161.96 | 84.73 | 171.23 |
| 4 | Total Operation & Maintenance Expenses | 1,759.97 | 2,487.34 | 1,860.64 | 2,663.20 |

Petitioner's Submission

The Petitioner has submitted that the Salary and Wages component of FY 2017-18 is escalated at a 3-year CAGR of 7.63% y-o-y to derive the Salary component for FY 2019-20 and FY 2020-21. The impact of 7th Pay Commission for the respective years is computed at 20% of the salary component so as to derive the expenses for the respective years FY 2019-20 and FY 2020-21. Other components of employee expense are also escalated at the 3-year CAGR of 7.63% y-o-y to derive the cost for FY 2019-20 to FY 2020-21. The A&G and R&M expenses for FY 2017-18 are escalated at 5.72% y-o-y to derive the cost for FY 2019-20 to FY 2020-21.

Commission's Analysis

The Commission has examined the O&M expenses projected by SLDC during FY 2019-20 and FY 2020-21. The GERC (MYT) Regulations, 2016, specifies the escalation of O&M Expenses viz, Employees Cost, Repairs and Maintenance Expenses and Administration & General Expenses at 5.72% p.a. for FY 2017-18 onwards.

The Commission noted that there is revision in the Pay Scale of employees of the Petitioner on account of 7th Pay Commission Order. It is also noted by the Commission that only a part of the employees availed the revised salary and that too for a part of the year during FY 2017-18.

In view of the above, the Commission has considered eight months actual paid out amount due to revision in salary annualised for twelve months plus the pre-revised annual salary for FY 2017-18 to escalate @ 5.72% Y-o-Y to arrive at employee expenses for FY 2019-20 and FY 2020-21. The Commission shall consider actual employee expenses as uncontrollable to the extent of actual impact on account of revision in salaries and allowances while truing up of FY 2019-20 and FY 2020-21.



The Commission, accordingly, approves the Employees Cost, R&M Expenses and A&G Expenses with 5.72% escalation p.a. for FY 2019-20 and FY 2020-21 over the actuals incurred under these heads during FY 2017-18 as per audited accounts:

Table 5.5: O&M Expenses approved in Mid-Term Review for FY 2019-20 to FY 2020-21
(Rs. Lakh)

| Sr. No. | Particulars | 2019-20 | 2020-21 |
|----------|---|-----------------|-----------------|
| 1 | Employees Cost | 1,820.30 | 1,924.42 |
| 2 | Repairs & Maintenance Expenses | 161.96 | 171.23 |
| 3 | Administrative & General Expenses | 564.54 | 596.83 |
| 4 | Total Operation & Maintenance Expenses | 2,546.80 | 2,692.48 |

5.4 Depreciation

SLDC has projected depreciation at Rs. 423.97 Lakh for FY 2019-20 and Rs. 548.08 Lakh for FY 2020-21 in the Mid-Term Review Petition. The depreciation approved for these years in the MYT Order dated 31st March, 2017 and now submitted by SLDC in the Mid-term Review are given in the Table below:

Table 5.6: Proposed Depreciation for FY 2019-20 to FY 2020-21
(Rs Lakh)

| Sr. No. | Particulars | 2019-20 | | 2020-21 | |
|---------|--------------------------------------|---------------------------|----------------------|---------------------------|----------------------|
| | | Approved in the MYT Order | Projected in the MTR | Approved in the MYT Order | Projected in the MTR |
| 1 | Gross Block at beginning of the year | 3,021.08 | 2,972.58 | 3,171.08 | 4,067.58 |
| 2 | Additions during the year (Net) | 150.00 | 1,095.00 | 166.00 | 966.00 |
| 3 | Closing GFA | 3,171.08 | 4,067.58 | 3,337.08 | 5,033.58 |
| 4 | Average GFA | 3,096.08 | 3,520.08 | 3,254.08 | 4,550.58 |
| 5 | Depreciation | 321.70 | 423.97 | 134.80 | 548.08 |
| 6 | Wt. Avg. rate of Depreciation | 10.39% | 12.04% | 4.14% | 12.04% |



Petitioner's Submission

SLDC has submitted that the Depreciation for FY 2019-20 and FY 2020-21 has been computed on the basis of average depreciation rate for FY 2017-18 as per the audited account and the addition to the GFA is considered as per the capital expenditure and capitalization for the respective years.

Commission's Analysis

The Commission considered the Closing Block of Fixed Assets of FY 2017-18 as approved at Table 4.7 of this Order as the Opening Block of Fixed Assets for FY 2018-19. The additions during FY 2018-19 are considered as approved for the year in the MYT Order dated 31st March, 2017, while the additions during FY 2019-20 and FY 2020-21 are considered as approved in Table 5.3 of this Order. The rate of depreciation is considered the actual rate of depreciation for FY 2017-18 approved at Table 4.7 of this Order. Taking into consideration all these elements, the Commission has worked out the depreciation for FY 2019-20 and FY 2020-21 as given in the Table below:

Table 5.7: Approved Depreciation in the Mid-Term Review

| (Rs. Lakh) | | | | |
|------------|--|----------|---------------|---------------|
| Sr. No. | Particulars | 2018-19 | 2019-20 | 2020-21 |
| 1 | Gross Block at the beginning of the year | 2,416.54 | 2,938.54 | 4,033.54 |
| 2 | Additions during the year | 522.00 | 1,095.00 | 966.00 |
| 3 | Gross Block at the end of the year | 2,938.54 | 4,033.54 | 4,999.54 |
| 4 | Average of GFA | 2,677.54 | 3,486.04 | 4,516.54 |
| 5 | Average rate of depreciation | | 12.04% | 12.04% |
| 6 | Depreciation for the year | | 419.87 | 543.98 |

The Commission accordingly approves the depreciation of Rs 419.87 Lakh and Rs 543.98 Lakh for FY 2019-20 and FY 2020-21 respectively.

5.5 Interest and Finance Charges

SLDC has projected the Interest and Finance Charges at Rs. 53.22 Lakh for FY 2019-20 and Rs. 71.45 Lakh for FY 2020-21 in the Mid-Term Review Petition. The Interest and



Finance Charges approved for these years in the MYT Order dated 31st March, 2017 and now submitted by SLDC in the Mid-Term Review are given in the Table below:

Table 5.8: Proposed Interest and Finance Charges for FY 2019-20 to FY 2020-21

(Rs. Lakh)

| Sr. No. | Particulars | 2019-20 | | 2020-21 | |
|----------|---|---------------------------|----------------------|---------------------------|----------------------|
| | | Approved in the MYT Order | Projected in the MTR | Approved in the MYT Order | Projected in the MTR |
| 1 | Opening Loans | 677.14 | 516.04 | 460.44 | 858.57 |
| 2 | Additions during the Year | 105.00 | 766.50 | 116.20 | 676.20 |
| 3 | Repayment during the Year | 321.70 | 423.97 | 134.80 | 548.08 |
| 4 | Closing Loans | 460.44 | 858.57 | 441.84 | 986.69 |
| 5 | Average Loans | 568.79 | 687.31 | 451.14 | 922.63 |
| 6 | Interest on Loan | 55.75 | 53.22 | 44.08 | 71.45 |
| 7 | Other Financial Charges | - | - | - | - |
| 8 | Total Interest & Finance Charges | 55.75 | 53.22 | 44.08 | 71.45 |
| 9 | Weighted Average Rate of Loans | 9.80% | 7.74% | 9.77% | 7.74% |

Petitioner's Submission

The Petitioner submitted that the funding for new capital expenditure has been assumed to be undertaken at a normative debt: equity ratio of 70:30 in accordance with the GERC (Multi-Year Tariff) Regulations, 2016 and accordingly the new loan additions during the year has been estimated. Weighted average rate of interest on the actual loan portfolio as on 1st April, 2018 considered for GETCO is also considered for SLDC. This rate works out to be 7.74%. As stated in the GERC (Multi-Year Tariff) Regulations, 2016, repayment is considered equivalent to depreciation for the year.

Commission's Analysis

The Commission has examined the interest and finance charges projected by SLDC in the Mid-Term Review. The Commission has analyzed the capitalisation of capital expenditure proposed by SLDC in the Mid-Term Review and approved the capitalisation and the funding of the CAPEX at Table 5.3 of this Order. The loan for SLDC is being considered from the loan portfolio of GETCO and hence the weighted average rate of interest of 7.84%



applicable for GETCO loan portfolio is considered as interest rate for SLDC. The opening loan for FY 2018-19 is taken as the closing loan as of FY 2017-18 as approved in Table 4.9 of this Order. The addition of loans is approved at Table 5.3 of this Order. Repayment is considered equivalent to depreciation as approved in Table 5.7 of this Order in accordance with the GERC (MYT) Regulations, 2016. The details of Interest & Finance Charges approved for FY 2019-20 and FY 2020-21 are given in the Table below:

Table 5.9: Approved Interest and Finance Charges in the Mid-Term Review

(Rs. Lakh)

| Sr. No. | Particulars | 2018-19 | 2019-20 | 2020-21 |
|---------|---|---------|--------------|--------------|
| 1 | Opening Loans | 455.45 | 498.36 | 844.99 |
| 2 | Additions during the Year | 365.40 | 766.50 | 676.20 |
| 3 | Repayment during the Year | 322.49 | 419.87 | 543.98 |
| 4 | Closing Loans | 498.36 | 844.99 | 977.21 |
| 5 | Average Loans | 476.90 | 671.68 | 911.10 |
| 6 | Interest on Loans | | 52.66 | 71.43 |
| 7 | Other Financial Charges | | - | - |
| 8 | Total Interest & Finance Charges | | 52.66 | 71.43 |
| 9 | Weighted Average Rate of Loans | | 7.84% | 7.84% |

The Commission approves the Interest and Finance Charges at Rs. 52.66 Lakh for FY 2019-20 and Rs. 71.43 Lakh for FY 2020-21 in the Mid-Term Review.

5.6 Return on Equity

The Petitioner submitted that the funding for new capital expenditure in the control period has been assumed to be undertaken at a normative debt: equity ratio of 70:30 in accordance with the GERC (Multi-Year Tariff) Regulations, 2016 and accordingly the new equity additions during the year has been estimated for FY 2019-20 and FY 2020-21. The return on equity approved for these years in the MYT Order dated 31st March, 2017 and now submitted by SLDC in the Mid-Term Review are given in the Table below:



Table 5.10: Proposed Return on Equity for FY 2019-20 to FY 2020-21

(Rs. Lakh)

| Sr. No. | Particulars | FY 2019-20 | | FY 2020-21 | |
|----------|---------------------------|---------------------------|----------------------|---------------------------|----------------------|
| | | Approved in the MYT Order | Projected in the MTR | Approved in the MYT Order | Projected in the MTR |
| 1 | Opening Equity | 926.60 | 912.04 | 971.60 | 1,240.54 |
| 2 | Additions during the year | 45.00 | 328.50 | 49.80 | 289.80 |
| 3 | Closing Equity | 971.60 | 1,240.54 | 1,021.40 | 1,530.34 |
| 4 | Average Equity | 949.10 | 1,076.29 | 996.50 | 1,385.44 |
| 5 | Rate of Return on Equity | 14% | 14% | 14% | 14% |
| 6 | Return on Equity | 132.87 | 150.68 | 139.51 | 193.96 |

Petitioner's Submission

SLDC has submitted that the return on equity for the remaining control period under MYT has been worked out based on actual equity at the closing of FY 2017-18, subsequent additions to equity during the remaining control period and applying the rate of return of 14%.

Commission's Analysis

The return on equity is to be considered on normative basis on the opening balance of equity and approved equity addition during the respective years. The rate of return on equity as per the GERC (MYT) Regulations, 2016 is 14% and SLDC has claimed the same rate. The Commission has approved the capitalisation, debt and equity portions of its funding the approved CAPEX. The closing equity for FY 2017-18 has been considered as the opening equity for FY 2018-19. The equity additions are considered as approved in Table 5.3. The Commission has computed the return on equity as detailed in the Table below:

Table 5.11: Approved Return on Equity in the Mid-Term Review

(Rs. Lakh)

| Sr. No. | Particulars | 2018-19 | 2019-20 | 2020-21 |
|---------|---------------------------|---------|----------|----------|
| 1 | Opening Equity | 745.23 | 901.83 | 1,230.33 |
| 2 | Additions during the year | 156.60 | 328.50 | 289.80 |
| 3 | Closing Equity | 901.83 | 1,230.33 | 1,520.13 |



| Sr. No. | Particulars | 2018-19 | 2019-20 | 2020-21 |
|---------|------------------------------|---------|---------------|---------------|
| 4 | Average Equity | 823.53 | 1,066.08 | 1,375.23 |
| 5 | Rate of Return on the Equity | | 14% | 14% |
| 6 | Return on Equity | | 149.25 | 192.53 |

The Commission approves to Return on Equity at Rs. 149.25 Lakh for FY 2019-20 and Rs. 192.53 Lakh for FY 2020-21 in the Mid-Term Review.

5.7 Interest on Working Capital

SLDC has projected the interest on working capital at Rs. 37.84 Lakh for FY 2019-20 and Rs. 42.22 Lakh for FY 2020-21 in the Mid-Term Review Petition. The interest on working capital approved for these years in MYT Order dated 31st March, 2017 and now submitted by SLDC in the Mid-Term Review are given in the Table below:

Table 5.12: Proposed Interest on Working Capital for FY 2019-20 to FY 2020-21

(Rs. Lakh)

| Sr. No. | Particulars | 2019-20 | | 2020-21 | |
|---------|-------------------------------------|---------------------------|----------------------|---------------------------|----------------------|
| | | Approved in the MYT Order | Projected in the MTR | Approved in the MYT Order | Projected in the MTR |
| 1 | O&M Expenses (1 Month) | 146.66 | 207.28 | 155.05 | 221.93 |
| 2 | Maintenance Spares (1% of GFA) | 30.21 | 29.73 | 31.71 | 40.68 |
| 3 | Receivables (15 days) | 66.93 | 118.31 | 63.45 | 133.83 |
| 4 | Total Working Capital | 243.78 | 355.31 | 250.19 | 396.44 |
| 5 | Rate of Interest on Working Capital | 11.70% | 10.65% | 11.70% | 10.65% |
| 6 | Interest on Working Capital | 28.52 | 37.84 | 29.27 | 42.22 |

Petitioner's Submission

SLDC has submitted that interest on working capital has been worked out based on the norms specified in the GERC (MYT) Regulations, 2016.

Interest rate for computation of working capital has been considered in line with the First Amendment to the GERC (MYT) Regulations, 2016 dated 2nd December, 2016 which is the 1-year SBI MCLR as on 1st April, 2018 plus 250 basis points which works out to 10.65%.



Commission's Analysis

The interest on working capital has been worked out based on norms specified in the GERC(MYT) Regulations, 2016.

The Commission has computed the working capital and interest there on as detailed in the Table below.

Table 5.13: Interest on Working Capital approved in the Mid-Term Review

(Rs. Lakh)

| Sr. No. | Particulars | 2019-20 | 2020-21 |
|----------|-------------------------------------|---------------|---------------|
| 1 | O&M Expenses (1 Month) | 212.23 | 224.37 |
| 2 | Maintenance Spares (1% of GFA) | 29.39 | 40.34 |
| 3 | Receivables (15 Days) | 120.85 | 134.82 |
| 4 | Total Working Capital | 362.47 | 399.52 |
| 5 | Rate of Interest on Working Capital | 10.65% | 10.65% |
| 6 | Interest on Working Capital | 38.60 | 42.55 |

The Commission approves the Interest on Working Capital as Rs. 38.60 Lakh for FY 2019-20 and Rs. 42.55 Lakh for FY 2020-21 respectively.

5.8 Income Tax

SLDC has projected the Income Tax at Rs. 198.53 Lakh for FY 2019-20 and Rs. 198.53 Lakh for FY 2020-21 in the Mid-Term Review. The Income Tax approved for these years in the MYT Order dated 31st March, 2017 and now submitted by SLDC in the Mid-Term Review are given in the Table below:

Table 5.14: Income Tax projected in the Mid-Term Review

(Rs. Lakh)

| Particulars | 2019-20 | | 2020-21 | |
|-------------|---------------------------|----------------------|---------------------------|----------------------|
| | Approved in the MYT Order | Projected in the MTR | Approved in the MYT Order | Projected in the MTR |
| Income Tax | - | 198.53 | - | 198.53 |



Petitioner's Submission

SLDC has submitted that the actual tax paid for FY 2017-18 is considered as income tax for FY 2019-20 and FY 2020-21.

Commission's Analysis

Regulation 41.1 of the GERC (MYT) Regulations, 2016, specifies that the Commission in the MYT Order shall provisionally approve income tax payable for each year of the control period, if any, based on the actual income tax paid as per the latest audited accounts available for the applicant, subject to prudence check. The latest audited accounts available for SLDC is for FY 2017-18 and the Income Tax as per audited accounts for FY 2017-18 is Rs. 198.53 Lakh.

The Commission, accordingly approves the Income Tax as per audited accounts for FY 2017-18 for these years in the Mid-Term Review as given in the Table below:

Table 5.15: Income Tax approved in the Mid-Term Review

(Rs. Lakh)

| Particulars | 2019-20 | 2020-21 |
|-------------|---------|---------|
| Income Tax | 198.53 | 198.53 |

5.9 ULDC & Other Related Charges

SLDC has projected the ULDC and other related charges in the Mid-Term Review for FY 2019-20 and FY 2020-21 as detailed in the Table below:

Table 5.16: Proposed ULDC & other Related Charges for FY 2019-20 to FY 2020-21

Rs. Lakh)

| Sr. No. | Particulars | 2019-20 | | 2020-21 | |
|---------|---------------------|---------------------------|----------------------|---------------------------|----------------------|
| | | Approved in the MYT Order | Projected in the MTR | Approved in the MYT Order | Projected in the MTR |
| 1 | ULDC Charges | 486.05 | 241.00 | 486.05 | 245.00 |
| 2 | RLDC Fees & Charges | 14.32 | - | 15.75 | - |
| | Total | 500.37 | 241.00 | 501.80 | 245.00 |



Petitioner's Submission

SLDC has submitted that the ULDC Charges for FY 2019-20 to FY 2020-21 are considered as per the maintenance contract agreement No.CC-CS/320-WR1/SCADA-1755/3/G5/CA-III/4643(I). The actual RLDC/WPRC Charges for FY 2017-18 are nil. Accordingly, SLDC has not projected any RLDC/WRPC Charges for FY 2019-21 and FY 2020-21.

Commission's Analysis

The Commission has observed that the RLDC/WRPC charges are projected as nil in the Mid-Term Review for FY 2019-20 and FY 2020-21. SLDC has projected Rs. 241 Lakh per annum towards ULDC for FY 2019-20 and Rs 245 Lakh for FY 2020-21 in the Mid-Term Review. The Commission approves these charges in the Mid-Term Review given in the Table below:

Table 5.17: Approved ULDC & Other Related Charges for FY 2019-20 to FY 2020-21

(Rs. Lakh)

| Sr. No. | Particulars | 2019-20 | 2020-21 |
|---------|---------------------|---------------|---------------|
| 1 | ULDC Charges | 241.00 | 245.00 |
| 2 | RLDC Fees & Charges | - | - |
| | Total | 241.00 | 245.00 |

5.10 Non-Tariff Income

SLDC has estimated the Non-Tariff Income at Rs. 705.82 Lakh for FY 2019-20 and for FY 2020-21 in the Mid-Term Review. The Non-Tariff Income approved for these years in the MYT Order dated 31st March, 2017 and now projected by SLDC in the Mid-Term Review are given in the Table below:

Table 5.18: Proposed Revenue from Non-Tariff Income for FY 2019-20 to FY 2020-21

(Rs. Lakh)

| Sr. No. | Particulars | 2019-20 | | 2020-21 | |
|---------|--|---------------------------|----------------------|---------------------------|----------------------|
| | | Approved in the MYT Order | Projected in the MTR | Approved in the MYT Order | Projected in the MTR |
| 1 | Miscellaneous Charges from Consumers (Scheduling and application charges for STOA) | | 675.54 | | 675.54 |



| Sr. No. | Particulars | 2019-20 | | 2020-21 | |
|---------|--|---------------------------|----------------------|---------------------------|----------------------|
| | | Approved in the MYT Order | Projected in the MTR | Approved in the MYT Order | Projected in the MTR |
| 2 | Supervision Income from execution of Deposit work | | 3.93 | | 3.93 |
| 3 | Penalties received from Suppliers & Contractors | | 0.15 | | 0.15 |
| 4 | Miscellaneous receipts such as application fees, etc.; | | 26.19 | | 26.19 |
| | Non-Tariff Income | 1,166.50 | 705.82 | 1,166.50 | 705.82 |

Petitioner's Submission

SLDC has submitted that it has estimated Non-Tariff Income for FY 2019-20 and FY 2020-21 same as actual of FY 2017-18 as per audited accounts.

Commission's Analysis

The Commission observed that the Non-Tariff Income of Rs. 705.82 Lakh as submitted by the Petitioner for FY 2019-20 and FY 2020-21 is actuals for FY 2017-18 as per audited accounts.

The Commission accordingly approves the Non-Tariff Income at Rs. 705.82 Lakh for FY 2019-20 and FY 2020-21 in the Mid-Term Review as detailed below:

Table 5.19: Approved Revenue from Non-Tariff Income in the Mid-Term Review

(Rs. Lakh)

| Particulars | 2019-20 | 2020-21 |
|-------------------|---------|---------|
| Non-Tariff Income | 705.82 | 705.82 |

5.11 Approved ARR for SLDC

The ARR projected and approved in the in the Mid-Term Review for FY 2019-20 and FY 2020-21 are summarised in the Table below:



Table 5.20: Approved ARR for SLDC

(Rs. Lakh)

| Sr. No. | Particulars | Projected in the Mid-Term Review | | Approved in the Mid-Term Review | |
|-----------|---|----------------------------------|-----------------|---------------------------------|-----------------|
| | | 2019-20 | 2020-21 | 2019-20 | 2020-21 |
| 1 | Operation & Maintenance Expenses | 2,487.34 | 2,663.20 | 2,546.80 | 2,692.48 |
| 1.1 | Employees Cost | 1,760.84 | 1,895.14 | 1,820.30 | 1,924.42 |
| 1.2 | Repairs & Maintenance Expenses | 161.96 | 171.23 | 161.96 | 171.23 |
| 1.3 | Administration & General Expenses | 564.54 | 596.83 | 564.54 | 596.83 |
| 2 | Interest on Working Capital | 37.84 | 42.22 | 38.60 | 42.55 |
| 3 | RLDC Fees & Charges | - | - | - | - |
| 4 | Charges for ULDC & other related projects | 241.00 | 245.00 | 241.00 | 245.00 |
| 5 | Less: Non-Tariff Income | 705.82 | 705.82 | 705.82 | 705.82 |
| 6 | Operating Cost Budget (a) | 2,060.37 | 2,244.60 | 2,120.58 | 2,274.21 |
| 7 | Depreciation | 423.97 | 548.08 | 419.87 | 543.98 |
| 8 | Interest & Finance Charges | 53.22 | 71.45 | 52.66 | 71.43 |
| 9 | Return on Equity | 150.68 | 193.96 | 149.25 | 192.53 |
| 10 | Less: Expenses Capitalised | - | - | - | - |
| 11 | Add: Provision for Tax | 198.53 | 198.53 | 198.53 | 198.53 |
| 12 | Capital Cost Budget (b) | 826.40 | 1,012.02 | 820.31 | 1,006.47 |
| 13 | Total Revenue Budget (a+b) | 2,886.77 | 3,256.62 | 2,940.89 | 3,280.68 |



6 Determination of Fees and Charges for FY 2019-20

This Chapter deals with the determination Fees and Charges for FY 2019-20.

The Commission has determined the SLDC Fees and Charges for FY 2019-20 as given in the Table below:

Table 6.1: ARR approved for FY 2019-20

(Rs. Lakh)

| Sr. No. | Particulars | Projected in the Mid-Term Review | Approved in the Mid-Term Review |
|-----------|---|----------------------------------|---------------------------------|
| 1 | Operation & Maintenance Expenses | 2,487.34 | 2,546.80 |
| 1.1 | Employees Cost | 1,760.84 | 1,820.30 |
| 1.2 | Repairs & Maintenance Expenses | 161.96 | 161.96 |
| 1.3 | Administration & General Expenses | 564.54 | 564.54 |
| 2 | Interest on Working Capital | 37.84 | 38.60 |
| 3 | RLDC Fees & Charges | - | - |
| 4 | Charges for ULDC & other related projects | 241.00 | 241.00 |
| 5 | Less: Non-Tariff Income | 705.82 | 705.82 |
| 6 | Operating Cost Budget (a) | 2,060.37 | 2,120.58 |
| 7 | Depreciation | 423.97 | 419.87 |
| 8 | Interest & Finance Charges | 53.22 | 52.66 |
| 9 | Return on Equity | 150.68 | 149.25 |
| 10 | Less: Expenses Capitalised | - | - |
| 11 | Add: Provision for Tax | 198.53 | 198.53 |
| 12 | Capital Cost Budget (b) | 826.40 | 820.31 |
| 13 | Total Revenue Budget (a+b) | 2,886.77 | 2,940.89 |



The approved ARR of Rs. 2,940.89 Lakh for FY 2019-20 shall be adjusted with surplus/(gap) approved in the truing up for FY 2017-18 as given in the table below:

Table 6.2: Approved SLDC Fees & Charges for the FY 2019-20

| (Rs. Lakh) | | | |
|-------------------|---|-------------|-----------------|
| Sr. No. | Particulars | Unit | Amount |
| 1 | ARR approved for FY 2019-20 | Rs. Lakh | 2,940.89 |
| 2 | Surplus/(Gap) apportioned for FY 2019-20 by Commission in Order dated 31 st March, 2018 in Case No. 1691 of 2017 | Rs. Lakh | 632.24 |
| 3 | Revenue (Gap)/ Surplus approved in truing up for FY 2017-18 | Rs Lakh | (932.76) |
| 4 | Total SLDC Charges (1-2-3) | Rs. Lakh | 3,241.41 |

The Commission, accordingly, approves the annual charges of SLDC at Rs 3,241.41 Lakh for the FY 2019-20, and the grid connection fees at Rs. 10,000/- (Rupees Ten thousand only). The total annual SLDC Charges, as approved above, shall be recoverable as per the formula specified in Regulation 82 of the GERC (Multi-Year Tariff) Regulations, 2016.



7 Compliance of Directives and New Directives

7.1 Compliance of Directive issued by the Commission

In the Tariff Orders issued by the Commission on 31st March, 2017 and 31st March 2018, the Commission had given certain directives to SLDC. SLDC has submitted a report on compliance of the Directives issued by the Commission. The comments of the Commission on the submission / compliance of the SLDC are given below:

7.2 Compliance of Directives issued vide Tariff Order dated 31st March, 2017

Directive 1: Cost-benefit analysis and status of benefits of approved capital Expenditure Schemes.

Compliance by SLDC:

SLDC was directed to submit the progress report of Capital expenditure on half-yearly basis on or before 30th September, 2018.

Commission's comments:

The Commission has noted the compliance of the above directive.

Directive 2: Status report on compliance of recommendations of Girish Pradhan Committee on Manpower, Certification and Incentives for system operation and ring fencing the load dispatch centres.

Compliance by SLDC:

SLDC was directed to adhere to the said recommendation and send their personnel for specified training and submit the report on compliance of the said recommendation on half-yearly basis on or before 30th September, 2018.

Commission's comments:

The Commission has noted the compliance of the above directive.



7.3 Compliance of Directives issued vide Tariff Order dated 31st March, 2018

Directive 1: Submission of report on Renewable Energy Forecasting:

Compliance by SLDC:

SLDC was directed to submit a detailed report for the period FY 2016-17 on Scheduling and Forecasting of Renewable Energy comprising of energy forecasted and actual energy available from respective renewable energy source, percentage error observed in forecasting and lessons learnt from such exercise on or before 30th September, 2018. The same is as below:

REPORT ON RENEWABLE ENERGY FORECASTING
ACCURACY EVALUATION FOR WIND GENERATION FORECASTING AWAILED (SINCE 3RD MAY 16) THROUGH FSP FOR THE YEAR 2016-17

| MONTHS | APR-16 | MAY-16 | JUN-16 | JUL-16 | AUG-16 | SEP-16 | OCT-16 | NOV-16 | DEC-16 | JAN-17 | FEB-17 | MAR-17 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| TOTAL NOS. OF BLOCK | | 2784 | 2880 | 2976 | 2976 | 2880 | 2976 | 2880 | 2976 | 2976 | 2688 | 2976 |
| TOTAL NOS. OF BLOCKS ACHIEVED WITHIN ± 30% | | 1958 | 2153 | 2419 | 2160 | 2293 | 1499 | 1320 | 1673 | 1960 | 1799 | 1905 |
| PERCENTAGE (%) | | 70 | 75 | 81 | 73 | 80 | 50 | 46 | 56 | 66 | 67 | 64 |

ACCURACY EVALUATION FOR WIND GENERATION FORECASTING AWAILED THROUGH FSP FOR THE YEAR 2017-18

| MONTHS | APR-17 | MAY-17 | JUN-17 | JUL-17 | AUG-17 | SEP-17 | OCT-17 | NOV-17 | DEC-17 | JAN-18 | FEB-18 | MAR-18 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| TOTAL NOS. OF BLOCK | 2880 | 2976 | 2880 | 2976 | 2976 | 2880 | 2976 | 2880 | 2976 | 2976 | 2688 | 2976 |
| TOTAL NOS. OF BLOCKS ACHIEVED WITHIN ± 30% | 2354 | 2506 | 1965 | 2409 | 2546 | 2044 | 1835 | 1699 | 2157 | 1845 | 1719 | 2401 |
| PERCENTAGE (%) | 81.74 | 84 | 68 | 81 | 86 | 71 | 62 | 59 | 72 | 62 | 64 | 81 |

ERROR = (FORECAST - ACTUAL) / FORECAST x 100

Commission's comments:

The Commission has noted the compliance of SLDC. SLDC has submitted the data pertaining to accuracy evaluation for wind generation based on the forecasting exercise under taken through FSP for the year 2017-18. Moreover, the Commission has also notified the GERC (Forecasting, Scheduling, Deviation Settlement and Related Matters of Solar and Wind Generation Source) Regulations, 2019 w.e.f. 19.01.2019 and the commercial impact specified therein is to be effective from 01.08.2019.



7.4 New Directives:

Directive No. 1: The fourth amendment to CERC (Deviation Settlement Mechanism and Related Matters) Regulations, 2014 has come into force from 1st January, 2019, and the State entities carrying out the activities which affect the grid frequency are responsible for compliance of the said Regulations and in the event of any violations are levied penalties provided therein. Since SLDC is carrying out the grid operation and preparing the energy accounting of Intra-State entities, it is directed to submit the details of the aforesaid penalties, if any, which need to be paid by the State of Gujarat in terms of aforesaid Regulations of CERC. The details for the period from 1st January, 2019 to 30th June, 2019 may be submitted by 15th July, 2019 to the Commission.

Directive No. 2: The SLDC shall submit half yearly report on status of Capex allowed to it for strengthening the Load Despatch Centre to discharge its functions effectively as an Independent System Operator. This report shall cover scheme-wise details of cost including target date and actual date of commissioning and the same to be submitted within one month after end of each quarter.

COMMISSION'S ORDER

The Commission approves SLDC Charges for FY 2019-20 as shown in the Table below:

| Sr. No. | Particulars | Unit | Amount |
|---------|---|-----------------|------------------|
| 1 | ARR approved for FY 2019-20 | Rs. Lakh | 2,940.89 |
| 2 | Surplus/(Gap) apportioned for FY 2019-20 by Commission in Order dated 31 st March, 2018 in Case No. 1691 of 2017 | Rs. Lakh | 632.24 |
| 3 | Revenue (Gap)/Surplus approved in Truing up for FY 2017-18 | Rs. Lakh | (932.76) |
| 4 | Total SLDC Charges (1-2-3) | Rs. Lakh | 3,241.41 |
| 5 | Grid Connection Fees | Rupees | 10,000.00 |

This Order shall come into force with effect from 1st May, 2019.

Sd/-

Sd/-

Sd/-

P. J. THAKKAR
Member

K. M. SHRINGARPURE
Member

ANAND KUMAR
Chairman

Date: 24.04.2019

Gandhinagar

