

BUDGETING PROCESS

Procedures in Tamil Nadu Generation and Distribution Corporation Ltd

Budget of the TANGEDCO comprises the following major heads/Accounts.

1. Revenue Receipts
2. Revenue Expenditures
3. Capital Receipts
4. Capital Expenditures
5. Debt and Deposits

I. REVENUE RECEIPTS:

It consists of Revenue from Sale of power, Miscellaneous Revenue Subsidy from Government in the form of Tariff compensation for free / concessional rate of supply of power to various category of consumers. The Revenue from sale of power is arrived at by multiplying the power/energy available for sale with the average rate of realization expected to be realized during the projected period.

While estimating the rate of realization for the budgeted period the proposed revision of tariff, if any, will also be taken into account. The category wise sale of power is worked out according to the power consumed by various categories of consumer and the increase in number of services estimated.

2. MISCELLANEOUS REVENUE:

The miscellaneous revenue includes

- Interest on Loans and advances to Staff
- Interest on advance payment to contractors/suppliers,
- Interest on Investments
- Belated payment of surcharge collected from the consumers

Income from trading i.e., sale of scrap etc,

It is estimated based on the actuals of the previous year, receipts during the part of the current year. One of the major element is Rebate on prompt payment of power purchase bills, as per Power Purchase Agreement (PPA)

3. Tariff Subsidy From Government Of Tamil Nadu:

The Government of Tamil Nadu provides tariff Subsidy for free supply of electricity to HUT, Agriculture, concessional rate of supply to domestic, public worships, power looms, handlooms, etc for the year in their Budget estimates. The amount so provided by the Government of Tamil Nadu will be taken as Subsidy receipts for the year in the TANGEDCO .

II. REVENUE EXPENSES:

It consists of the following broad heads of accounts.

1. Fuel cost
2. Power purchase
3. Repairs and maintenance
4. Establishment and Admn. Expenses
5. Depreciation
6. Interest on Loans from Institutions
7. Other Debits

A. The Fuel cost is worked out, based on the Gross Thermal / Gas Generation of the Power stations. The Gross Thermal / Gas Generation for the budget periods will be estimated by the SE/L.D.G.O based on the Generation programme. While finalising the Generation programme of Thermal Stations the capital overhaul, normal overhaul to be taken up in the thermal stations, the Power load Factor to be maintained at the Thermal stations during the budget period will also be taken into consideration.

The total quantity of coal required will be arrived by multiplying the specific consumption of coal i.e the quantity of coal to be consumed for generation one unit (Kwhr) of power with the total forecast generation of

thermal station. The specific consumption of coal may vary between the thermal stations depending upon the quality of coal to be consumed. Total quantity of coal in lakhs of tones so arrived will be multiplied by the rate of coal including shipping, railway freight, handling charges as furnished by Director of coal and the cost of fuel charge is arrived at.

The increase in the rate, in respect of Railway Freight, Shipping Freight and Handling charges are also to be taken into account. The oil and gas cost for the generation of power is also worked out based on the above method. Certain reasonable percentage of increase is adopted for cost escalation in the coal, oil and gas rate to determine the for next year.

B. As the TANGEDCO is not able to met its demand with its own generation, it is purchasing power from central Generating Stations like N.L.C., N.T.P.C., MAPS., N.P.C., from other States, Private wind mills, co-generators, captive generators and also from independent power producers like GMR, Madurai power, PPN Power, LANCO, etc., The Transmission charges for transmitting power purchased from CGSs, traders, exchanges will also be form part of power purchase expenses.

The quantity of power to be purchased will be forecasted by the L.D. Centre / Planning wing is taken into account and the rate of power purchase as per power purchase agreement (PPA) is adopted for arriving at the cost of power purchase. The revision of rate of power purchase based on agreement rate, if any, is also taken into account.

C. The proposals that are furnished by the circles and head-quarters offices for repairs and maintenance, establishment charges and administrative and general expenses will be scrutinized with reference to actual and increase / decrease in expenditure wherever necessary restriction & control are imposed according to the nature of transactions. The half yearly increase in the rate of D.A. bonus and salary are made according to orders in force.

D. Interest on Institutional creditors are worked out according to the interest payment schedules prepared for each loan and necessary provisions made. Since there are many financial institutions rendering loans to

TANGEDCO, the interest commitments are varying based on the tenure, nature of loan – short term / long term, interest rate, etc.

Provisions are also made for interest on consumer security Deposit, interest on G.P.F., etc. on the closing balance at the end of the previous year.

e. The provision for depreciation is made based on the previous years with due addition in respect of addition in the assets account.

f. In respect of other debits, the proposals received from circles are scrutinized, the reasonableness and reality lies are analysed and provision are made.

III. CAPITAL EXPENDITURE:

It consists of the following category of expenditure

- 1.Generation: Hydel
 Thermal
 Gas
2. Renovation and Modernization : Hydro & Thermal
3. Transmission and Distribution
4. Rural Electrification (plan)
 - a. Rural Electrification
 - b. Contribution by Agriculturists
 - c. Street Light(state fund)
 - d. Hut electrification
5. Survey, Investigation, Training and Research.

TOTAL PLAN OUTLAY

TOTAL CAPITAL EXPENDITURE

The Capital outlays are finalized after the discussion with concerned unit heads and Capital Investment Plan is prepared for follow up. The physical targets for Distribution works are finalized by the Superintending Engineer /

Rural Electrification and improvement (distribution) and for Transmission works by Chief Engineer/Transmission.

The provision approved for transmission and distribution works allocated to Distribution circles based on the physical targets fixed like Pump sets Electrification, H.T., L.T., Service connections. Hut electrifications, Street Light connections etc., and for Transmission circles based on the targets fixed by the CE/Transmission. The scheme wise budget proposals on each major category shall be discussed in detail along with justification. The investments in capital expenditure have to be meticulously made in view of its huge quantum and long term contribution to the organization. The schemes that yield more revenue and which are inevitable either for efficiency improvement or for optimizing the cost.

IV. CAPITAL RECEIPTS:

The financial resources required for the implementation of the policy/achievement of the plan schemes are mobilized through the following resources:

1. Equity share capital assistance from Government of Tamil Nadu
2. Subvention and Grant from Government
3. Borrowing :
 - Open market Loan
 - Life Insurance Corporation
 - R.E.C./ R.E.C. Bank
 - POWER FINANCE CORPORATION (P.F.C.)
 - T.N.P.F.C.,
 - Commercial Banks., etc.,
- 4 Debt and Deposits received from Consumers., G.P.F., contributions received from consumers, Staff loan recovery, etc.,

The Debt and Deposits includes Funds, Loans and Advances, Deposits, Development charges contribution by the Agriculturists, etc., The

proposals received from the circles were scrutinized and finalized. The net receipts under this head is taken as Internal resources of the Board and utilized for implementation of its plan expenditure.

V. OVERALL SURPLUS / GAP

The overall resources surplus / gap is arrived at as follows:

- 1 Revenue Receipts
- 2 Revenue Expenses
- 3 Revenue Gap / surplus (1-2)
- 4 Capital receipts
- 5 Capital Expenditures
- 6 Capital gap / surplus (4-5)
- 7 Resources Gap / surplus (3 + 6). .



Powering Tamil Nadu's Progress...

From

To

Rajeev Ranjan, I.A.S.,
Chairman cum Managing Director,
144, Anna Salai,
Chennai-600 002.

The Superintending Engineer,

Lr.No.CFC/FC/DFC/Bud/AO/F.cost control/D.941 /2012 dt 12.05.2012

Sub:TANGEDCO – Persisting financial crisis in 2012-13 –
Budgetary control Exercise - Guidelines issued – Reg :

The TANGEDCO is facing enormous difficulty in managing financial operations with the huge accumulated losses and also with unmanageable debts outstanding at the previous year end. The TANGEDCO has filed a comprehensive Tariff Revision Petition with Hon'ble TNERC, due to higher negative internal generation of funds from operations. The Commission issued the revised Tariff Order No.1 dated 30.03.2012 and the same was implemented from 1.4.2012.

However, the estimated budget deficit for the current year 2012-13 is Rs.4312.04 crores, even after taking into account the revised Tariff effected and expected commissioning of new capacity addition projects. In this juncture, it is completely necessary for strict adherence of budgetary control measures without affecting the normal functioning of the Board.

Budgetary Control :

The budget proposals for the year 2012-13 submitted by all the budgetary heads have been critically reviewed and many non-prioritized schemes were deleted while allotting the provision. The budgetary units were advised to exercise strict budgetary control through out their functional action. Periodically budgetary guidelines were issued for strict follow up and adherence at the circle level.



In order to effectively implement budgetary control measures in the current financial year, the following instructions are reiterated:

1. The availability of budget provision needs to be strictly ensured at all the stages of procurement of materials / taking up of works. The activities viz., initiating estimates / indents, sanctioning of schemes, invitation of tenders, admission of claims/making payment, etc shall be supported by adequate budget provision.
2. The need for the procurement of materials / execution of the work should be re-examined and availability of budget provision alone is not the authorization for the procurement of materials / execution of works. It shall be the absolute requirement for carrying on regular operations of the entity. Procurement / works which can be deferred should not be taken up now, which leading to accumulation of inventory. Excess inventory leads to loss of interest to the Board on the borrowed capital, besides carrying cost.
3. The financial crisis prevailing in TANGEDCO has to be sensitized to all level officers, so as to prioritize the schemes, based on the essentiality and to avoid engaging in redundant schemes.
4. The schemes taken up without adequate budget provision shall not be permitted and no schemes could be taken without budget provision. If any such deviation is found, responsibility will be fixed on the budgetary unit head only.
5. The budget provision for TANGEDCO has been approved by the Board and any variation from that approval has to be permitted by the Board of TANGEDCO only. Thus, interchanging of budget provision / deviation from approved schemes and also interchanging of budget between the circles will not be permitted.



6. Budget provision is only for the approved schemes and not for circle/office and the unit head has no discretionary powers to interchange the budget provision among various schemes. The works that has not been contemplated / envisaged during the budget approval should again be sent with due justification for approval by the competent authority. In other words, prior approval shall be obtained for new schemes which have not been approved in budget.
7. There shall be proper internal control mechanism to closely monitor the expenses at every level of execution. The register indented for watching the pattern of expenditure in line with approved budget provisions shall be maintained and reviewed periodically by the budgetary unit heads.
8. The schemes have to be clearly segregated into Repairs & Maintenance and Capital expenditure, which has vital impact in seeking tariff revision with Hon'ble TNERC. While reviewing the statement of accounts, Audit slips, budget proposals, Fund indent, MIS returns, etc, furnished by the circles, it is learnt that there is lack of application of accounting procedures. Suitable arrangements may have to be made to account the capital expenditure and Repairs & maintenance from the initial stage of proposals.
9. In the Tariff Order No.1 dated 30.03.2012, the Hon'ble TNERC has directed as

Direction No. 11.14 : "The amount approved for
R&M expenses should not be diverted for any other purpose."

While submitting the fund requirements, this aspect of proper demarcation between CAPEX and R&M expenses shall be meticulously considered.



10. The fund allotment will be made only for the approved schemes, as the borrowing programme and resource mobilization are being carried out purely based on the approved schemes. Any deviation in outflow of funds than programmed will severely jeopardize the financial management.

In order to have proper internal control on the flow of expenditure in line with approved schemes / works, the officers concerned may be advised to maintain appropriate records to apprise review of expenses on monthly basis. It is also instructed to ensure that the quarterly review report is furnished to the Headquarters within the due date. This will facilitate adequate systematic review at the circle itself.

Rangan
CMD / TANGEDCO 15/5/2012

Copy to the Director / Finance / TANGEDCO

Copy to the Director / Generation / TANGEDCO

Copy to the Director / Distribution / TANGEDCO

Copy to all the Chief Engineers / TANGEDCO.

BUDGET PROPOSALS ON REVENUE EXPENSES - FORMATS

Sl.No.	Details	Account Code	Actuals 2011-2012	Budget Estimate 2012-2013	Actuals 4/12 to 9/12	Probables 10/12 to 3/13	Revised Estimate 2012-2013	Budget Estimate 2013-2014	Remarks
1	POWER PURCHASE	70.000							
	Generation Expenses.								
1	Cost of Coal Consumed	71.110							
2	Cost of oil Consumed	71.120							
3	Cost of Gas	71.130							
4	Fuel related cost	71.200							
5	Coal handling	71.211							
6	Demurrage on coal wagon	71.212							
7	Siding charges	71.213							
8	Payment to Rly. Staff	71.216							
9	Other coal related cost	71.219							
10	Coal shortage	71.410							
11	Cost of water	71.500							
12	Lubricant & Consumables	71.600							
13	Chemicals	71.601							
14	Steel Ball	71.602							
15	Dredging of soils	71.610							
16	Station supplies	71.700							
17	Loss on settlement -fuel	72.200							
	Total								

Sl.No.	Details	Account Group Code	Actuals 2011-2012	Budget Estimate 2012-2013	Actuals 4/12 to 9/12	Probables 10/12 to 3/13	Revised Estimate 2012-2013	Budget Estimate 2013-2014	Remarks
	REPAIRS AND MAINTENANCE								
1	Plant & Machineries	74.100							
2	Buildings	74.200							
3	Civil Works	74.300							
4	Hydraulic works	74.400							
5	Lines, Cables and other works	74.500							
6	Vehicles	74.600							
7	Furniture & Fittings	74.700							
8	Office Equipments	74.800							
	TOTAL								

Sl.No.	Details	Account Group Code	Actuals 2011-2012	Budget Estimate 2012-2013	Actuals 4/12 to 9/12	Probables 10/12 to 3/13	Revised Estimate 2012-2013	Budget Estimate 2013-2014	Remarks.
	EMPLOYEES COST								
1	Salaries-Provincial	75.110							
2	Dearness Pay Pro.	75.110							
3	Salaries-R.W.E.	75.120							
4	Dearness Pay RWE	75.120							
5	Salaries-Apprentices	75.170							
6	Overtime Provincial	75.210							
7	Overtime R.W.E.	75.220							
8	Overtime-Apprentices	75.270							
9	Dearness Allowances Provincial	75.310							
10	Dearness Allowances R.W.E.	75.320							
11	Other Allowances	75.400							
12	Interim Relief	75.404							
13	Bonus	75.501							
14	Ex-Gratia	75.502							
15	Golden Jubilee Ex-Gratia	75.510							
16	Medical Reimbursement	75.611							
17	Leave Travel Assistance	75.612							
18	Earned Leave Encashment	75.617							
19	Payment Under Workmen Comp. Ad	75.629							
20	Honorarium	75.709							
	STAFF WELFARE EXPENSES								
21	Medical Expenses	75.710							
22	Contribution to P&T dept.	75.711							
23	Board's Contribution to Employees Health Fund	75.713							
24	Board's contribution to TNEB								
24	Pensioner's Health Fund	75.714							
25	Funeral Expenses	75.715							
26	Pensioners Medical Expenses	75.717							
27	Canteen Expenses	75.720							
28	Educational Expenses	75.730							
29	Uniform	75.740							
30	Recreation expenses	75.750							
31	Other Welfare Expenses	75.760							
32	Mortgage Charges	75.761							
33	Awards of Medals	75.762							

Sl.No.	Details	Account Group Code	Actuals 2011-2012	Budget Estimate 2012-2013	Actuals 4/12 to 9/12	Probables 10/12 to 3/13	Revised Estimate 2012-2013	Budget Estimate 2013-2014	Remarks
34	Board's Contribution to C.P.F.	75.810							
35	Terminal Benefits (FBF Board's Contribution)	75.825							
36	Terminal Benefits (Superannuation)								
36	(Board's Contribution) (Pension)	75.830							
37	Terminal Benefits (F.B.)								
37	Subsidiary Scheme	75.835							
38	Terminal Benefits (Gratuity)	75.840							
39	Special P.F. cum Gratuity Scheme	75.845							
40	Provident Fund Inspection and Audit Charges	75.850							
41	H.B.A. for Spl.F.B.F. Scheme Loans Written off	75.855							
42	Ex-gratia Payment to families of deceased C.P.F. non-Pensionable Establishment	75.860							
43	Contributory Pension Scheme	75.870							
	Total								

Sl No	Details	Account Group Code	Actuals 2011-2012	Budget Estimate 2012-2013	Actuals 4/12 to 9/12	Probables 10/12 to 3/13	Revised Estimate 2012-2013	Budget Estimate 2013-2014	Remarks
Sl No	Details	Account Group Code	Actuals 2011-2012	Budget Estimate 2012-2013	Actuals 4/12 to 9/12	Probables 10/12 to 3/13	Revised Estimate 2012-2013	Budget Estimate 2013-2014	Remarks
	Admin. & Gl Expenses-76.000								
1	Rent (Including Lease Rental)	76.101							
2	Rates & Taxes	76.102							
3	Banking Cash Transaction Tax	76.103							
4	Insurances	76.104							
5	Fidelity Insurance	76.107							
6	Fuel Operating Machines	76.108							
7	1% Insurance on boards Assets.	76.109							
8	Telephone and Trunk calls	76.111							
9	Postage and Telegrams	76.112							
10	Telex	76.113							
11	Licence	76.115							
12	Royalty	76.116							
13	Internet Charges	76.117							
14	Legal Charges	76.121							
15	Audit Fees	76.122							
16	Consultancy Charges	76.123							
17	Technical Fees	76.124							
18	Other Professional Charges	76.125							
19	Revenue Stamps	76.126							
20	Salary to Ombudsman	76.129							
21	Conveyance Expenses	76.131							
22	Travelling Expenses	76.132							
	Vehicle Running Expenses								
23	(Other than Trucks & Delivery Van)	76.136							
24	Vehicle Licence & registration fee	76.138							
25	Hire charges of Vehicle	76.140							
26	Fees and Subscription	76.151							
27	Books and Periodicals	76.152							
28	Printing and Stationery	76.153							
29	Training Expenses & Exam Fee refu	76.154							
30	Advertisement Expenses	76.155							
31	Sports & Games	76.156							

Sl.No	Details	Account Group Code	Actuals 2011-2012	Budget Estimate 2012-2013	Actuals 4/12 to 9/12	Probables 10/12 to 3/13	Revised Estimate 2012-2013	Budget Estimate 2013-2014	Remarks
32	Contribution to Cauvery Mettur Project	76.157							
33	Electricity Charges	76.158							
34	Royalty for Periyar Water	76.160							
35	Entertainment	76.162							
36	Watch ward Expenses	76.163							
37	Petty Office Maintenance Expenses	76.164							
38	Misc. Expenses	76.190							
39	Salary to Fire Service Staff	76.191							
40	Fringe Benefit Tax	76.193							
41	Honorarium to Rtd., Staff	76.194							
42	Freight on Capital Equipment	76.210							
43	Other Freight	76.220							
44	Demurrage & Wharfage Charges	76.221							
45	Transit Insurance	76.230							
	Vehicle Running Expenses								
46	(Trucks&Delevry Van)	76.240							
47	Octroi	76.250							
	Advertisement of tenders and other								
48	notices	76.260							
49	Incidental Stores Expenses	76.270							
50	Clearing Charges on Imported Materials	76.271							
	Misc Expenses connected with								
51	Import of Materials	76.272							
52	Fabrication Charges	76.281							
53	Fabrication Charges	76.282							
54	Golden Jubilee Expenses	76.301							
	TOTAL								

Sl.No.	Details	Account Group Code	Actuals 2011-2012	Budget Estimate 2012-2013	Actuals 4/12 to 9/12	Probables 10/12 to 3/13	Revised Estimate 2012-2013	Budget Estimate 2013-2014	Remarks.
Sl.No.	Details	Account Group Code	Actuals 2011-2012	Budget Estimate 2012-2013	Actuals 4/12 to 9/12	Probables 10/12 to 3/13	Revised Estimate 2012-2013	Budget Estimate 2013-2014	Remarks.
DEPRECIATION AND OTHER COSTS									
RELATING TO FIXED ASSETS (77)									
1	Depreciation	77 100&							
2	Assets Decommissioning Cost	77 200							
3	Small & Low value items Written off	77 500							
		77 610							
4	Write off of Deficits on Fixed Assets	77 720							
5	Loss on sale of Fixed Assets	77 730							
TOTAL									

Sl.No	Details	Account Group Code	Actuals 2011-2012	Budget Estimate 2012-2013	Actuals 4/12 to 9/12	Probables 10/12 to 3/13	Revised Estimate 2012-2013	Budget Estimate 2013-2014	Remarks
Sl.No	Details	Account Code	Actuals 2011-2012	Budget Estimate 2012-2013	Actuals 4/12 to 9/12	Probables 10/12 to 3/13	Revised Estimate 2012-2013	Budget Estimate 2013-2014	Remarks
	OTHER DEBITS TO REVENUE ACCOUNTS (79)								
1	Material cost Variance Capital	79.110							
2	Material cost Variance O&M	79.120							
3	Research and Development Charge	79.210							
4	Bad Debts Written off (Due from Consumers)	79.410							
5	Bad and Doubtful Debts Provided for	79.480							
6	Miscellaneous losses Write off	79.500							
7	Short on Phy. Verification	79.510							
8	Loss on Mat. By Pilferage	79.511							
9	Comp. for Injuries/Death Staff	79.530							
10	Comp. for Injuries/Death Outsiders	79.531							
11	Loss on Sale of Stores	79.573							
12	Sundry Expenses	79.700							
13	Loss Due to Cyclone	79.800							
	TOTAL								