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). .

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