ORDER

OF THE

WEST BENGAL ELECTRICITY REGULATORY COMMISSION

IN CASE NO:

FPPCA – 22 / 07 – 08

IN RE APPLICATION OF THE DURGAPUR PROJECTS LTD FOR INTERIM INCREASE IN THE FUEL AND POWER PURCHASE COST INBUILT IN THE EXISTING POWER TARIFF FOR THE YEAR 2007- 08 IN ACCORDANCE WITH THE REGULATION NO: 2.8.7.3 OF THE WEST BENGAL ELECTRICITY REGULATROY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2007, AS AMENDED ON 31.12.2007.

PRESENT:
SHRI PRITITOSH RAY, MEMBER
SHRI R. P. SAMADDAR, MEMBER

DATE: 25.02.2008

CHAPTER – 1
INTRODUCTION

1.1 The Durgapur Projects Ltd (hereinafter referred as the applicant) submitted an application to the West Bengal Electricity Regulatory Commission (referred as the Commission hereinafter) on 4th February, 2008, praying for determination of *ad-hoc* Fuel and Power Purchase Cost Adjustment (FPPCA) provisionally for the year 2007-08 quoting the provisions of the regulation no. 2.8.7.3 of the Commission's (Terms and conditions of Tariff) Regulations, 2007. It has been stated that the petitioner will submit the final FPPCA claim for the year 2007-08 after the completion of its accounts for the said year with necessary audited annual accounts. The interim FPPCA, as asked for now, will be subject to adjustment on finalization of the same. The rate of interim increase in the fuel and power cost, as asked for, has been shown as 34.64 *paise* per unit (kWh).

1.2 The Commission has taken up the aforesaid application for viewing and it has been observed that the administered prices of coal across all the grade had been hiked by the supplying coal fields with effect from the midnight of 12th December, 2007. The average rate of such hike is around 10% and the same was not envisaged, due to obvious reasons when the average cost of supply of the applicant was determined by the Commission for the year 2007-08 on 26th July, 2007, in case No. TP-29/07-08. Besides having direct effect on the applicant's cost of generation, the hike in the coal price will have an impact on the purchase price of energy as will be payable by the applicant. After careful consideration of all the related aspect, the Commission feels that such a sharp rise in the administered price of coal will result in a significant upward adjustment of the current tariff through the FPPCA route. The accumulation of the resultant effect till the time FPPCA falls normally due would be against the interest of the consumers as well as of the distribution licensee. The Commission, therefore, considers it a fit case for allowing some interim adjustments provisionally subject to final adjustment of the same in FPPCA for concerned year.

1.3 The rate of aforesaid interim adjustment should be based on a rational estimate without diluting any of the fuel consumption norms and other parameters of the operational efficiencies considered for the applicant in the tariff orders of the

Commission for the concerned year. It needs to be pointed out here that the interpretation as made by the applicant of the regulation No. 2.8.7.3 of the Commission's (Terms and Conditions of Tariff) Regulations, 2007, is not proper. The referred regulations No. 2.8.7.3 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2007 needs to be read along with the regulation No. 2.8.7.4 wherein it has been made clear that the interim adjustment of fuel and power purchase cost shall be subject to efficiency norms considered for the concerned year. The paragraph no. 5.8 and 5.9 in the Commission's Tariff Order dated 26.07.2007 in case No. TP-29/07-08 relating to fuel consumption norms and the operational efficiencies respectively may be referred to in this regard. The interim adjustment in the fuel and power purchase cost that can be considered under the referred regulations of the Commission is being examined in the next Chapter.

CHAPTER – 2
ESTIMATION OF THE RATE OF INTERIM RECOVERY OF ADDITIONAL FUEL COST

2.1 The hike in the pit head prices of all grades of coal with effect from mid night of 12th December, 2007, i.e., Zero Hours of 13th December, 2007, had been notified by the Coal India Limited on 12.12.2007. Considering the normal lead time between the procurement and consumption of coal at generating stations and also of the fact that the month of January, 2008 is already over, the Commission decides to allow the interim recovery of additional fuel and power purchase cost with effect from the billing month of February, 2008. Hence, the estimation of the rate of such additional recovery has been based on the proportionate data for the last two months of the financial year 2007-08, *i.e.,* February and March, 2008. The estimation is shown hereunder:

2.2 ESTIMATION OF THE IMPACT OF HIKE IN COAL PRICE

Sl No	Item	Unit	**Reference to the Commission's Tariff Order for 2007-08 / explanatory notes**
1.	Total fuel cost allowed	Rs. 22555.40 Lakh	Statement of Revenue Requirement in Chapter 7 of the Tariff Order dated 26-07-2007 in case No: TP-29/ 07-08
2.	Of which cost of coal	Rs. 20230.18 Lakh	Statement showing computation of fuel cost in paragraph 5.9 of the aforesaid tariff order.
3.	Freight charges of coal included therein 1489704.11 MT @ Rs. 156.88	Rs. 2337.05 Lakh	As derived from submission at page 26 of the Vol-II of the tariff application.
4.	Cost of coal excluding freight (2 – 3)	Rs. 17893.13 Lakh	
5.	Proportionate cost of 39 MU inter unit transfer $\frac{17893.13 \times 39}{2327.15}$	Rs. 299.87 Lakh	Cost of the quantity of inter-unit transfer of energy in recoverable from the sister units
6.	Net Cost of Coal recoverable from consumers / supply recipients (4-5)	Rs. 17593.26 Lakh	
7.	Proportionate Net Cost of Coal for two months.	Rs. 2932.21 Lakh	
8.	Hike in Coal price (10% of 7)	Rs. 293.22 Lakh	
9.	Proportionate purchase for two months (184/6)	30.67 MU	Statement of energy balance at paragraph 5.8 of the concerned tariff order
10.	Increase in purchase price (@ Rs.0.09 per kWh) considered provisionally	Rs. 27.60 lakh	
11.	Total additional amount recoverable from the consumers / energy recipients during February & March 2008 (8+10)	Rs. 320.82 Lakh	
12.	Proportionate supply to consumers & other energy recipients during 2 months	381.36 MU	

CHAPTER – 3

ORDERS

3.1 In consideration of the facts brought out in the foregoing Chapters, the Commission decides to allow the applicant an interim recovery of additional fuel cost at the rate of 8.41 (eight point four one) paise per unit (kWh) from its consumers and other energy recipients subject to adjustment at the time of allowing FPPCA for the year 2007 – 08 and orders as under:

(i) Such additional recovery at the rate as stated above will be given effect from the billing month of February, 2008.

(ii) The additional recovery at this specified rate will continue till the time power tariff is determined by the Commission for the financial year 2008 – 09.

3.2 In its FPPCA application for the financial year 2007 – 08, the applicant will submit a certificate from its auditors in regard to the actual quantum of sale during billing months of February and March 2008 and the total amount of additional recovery under this order for the above stated period. This will be in addition to other audit certificates and compliance as will be required under the Regulations of the Commission.

Sd/-

(R. P. Samaddar)
Member

Sd/-

(Prititosh Roy)
Member

Dated: 25.02.2008