



**ORDER
OF THE
WEST BENGAL ELECTRICITY REGULATORY COMMISSION**

IN CASE NO: APR – 36 / 13 – 14

**IN RE THE APPLICATION OF CESC LIMITED FOR
ANNUAL PERFORMANCE REVIEW FOR THE
FINANCIAL YEAR 2012-13.**

DATE: 21.05.2014



CHAPTER – 1 INTRODUCTION

- 1.1 In terms of the provisions contained in regulation 2.6 of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended (hereinafter referred to as the 'Tariff Regulations'), the generating companies or the licensees, as the case may be, are subject to an Annual Performance Review (in short 'APR'). The West Bengal Electricity Regulatory Commission (hereinafter referred to as the 'Commission') introduced Multi Year Tariff (in short 'MYT') procedure and as such, APR aims at carrying out adjustments arising out of difference between the actual performances and projected performances under different factors / heads of accounts. Such adjustments are now to be done in the manner as specified in the Tariff Regulations. CESC Limited submitted their application of APR for the year 2012 – 2013 on 29th November, 2013. It provided the requisite data / information in the specified proforma. A copy of its annual report and audited annual accounts for the concerned year was also submitted by CESC Limited along with the application. The application was admitted by the Commission for processing and the same was numbered as APR-36/13-14.
- 1.2 The instant application of CESC Limited is their second application for the APR of the third control period. The adjustments, as may arise out of the review of the instant application for 2012 – 2013 will be considered for giving effect while determining the amount of revenue recoverable through tariff order of any ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.
- 1.3 CESC Limited has submitted their application for Annual Performance Review for 2012 – 2013 in terms of the provisions contained in the Tariff Regulations. The instant application needs to be dealt with as per provisions of the Tariff Regulations.



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- 1.4 The Commission has taken careful note of the representations made by CESC Limited. The relevant issues will be addressed and views will be taken accordingly while examining the admissibility of expenses under different heads of accounts. The APR is to cover the annual fixed charges allowed to the licensee, incentives and the effect of gain sharing as per Schedule – 10 and Schedule – 9B to the Tariff Regulations. APR for the year 2012 – 2013 is the review of the different factor elements of fixed charges, categorised as controllable and uncontrollable, allowed to CESC Limited through the ARR for the year 2012 – 2013, vis-à-vis the actuals as per the audited accounts. The analyses of the Commission and taking views thereon will be with reference to the audited data. The instant application of CESC Limited for the year 2012 – 2013 is being viewed in the subsequent parts of this order.
- 1.5 In terms of regulation 2.6.12 of the Tariff Regulations, the gist of the application of APR of CESC Limited for the year 2012 – 2013 was published simultaneously in Bartaman, Hindustan Times, Sanmarg and Sangbad Pratidin on 18th January, 2014. The application of APR for 2012 – 2013 was also posted in the website of CESC Limited. The publication invited the attention of all interested parties, stakeholders and the members of the public to the application for APR for the year 2012 – 2013 of CESC Limited and requested for submission of suggestions and objections, if any, on the application to the Commission. The last date of submission of suggestions and objections was 14th February, 2014. Opportunities were also afforded to all to inspect the application and take copies thereof.
- 1.6 No comment, suggestion, objection on application for APR for the year 2012 – 2013 of CESC Limited has been received during the stipulated time i.e., 14.02.2014.



CHAPTER – 2 FIXED CHARGES

2.1 The uncontrollable elements of fixed charges are those elements where variations of actual expenditure with the expenditure allowed by the Commission in the tariff order for the concerned year are caused by the factors beyond the control of the generating company or the licensee. The amounts of actual expenses / charges under such different heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be. On the contrary, in case of controllable head of expenses, the applicant is supposed to contain the expenditure within the total amount so allowed and any savings located under controllable head will go to their account. The review of each of such controllable and uncontrollable heads of fixed charges with reference to the amounts allowed through tariff and the actuals based on the audited accounts of CESC Limited is being taken up hereunder one by one.

2.2 **Employee Cost:**

2.2.1 CESC Limited, in the Tariff Order for 2012-13, was allowed a total amount of Rs. 55625 lakh towards employees cost of own employees which includes salaries, wages, other allowances, bonus, contribution to PF and other funds as well as staff welfare expenses. This amount is exclusive of the amount of Rs. 3218 lakh allowed in the tariff in respect of contracted manpower in regular establishment in its generating stations.

2.2.2 The present paragraph is exclusively dealt with the employees cost of own employees. As regards employees cost of contracted manpower in regular establishment, it is observed that the amount of expenditure on this score has been booked under repairs & maintenance head of account. Under such circumstances, the same will be dealt with in subsequent paragraph under



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relevant head of operation and maintenance (O&M) although the expenses have been categorized as uncontrollable in terms of Tariff Regulations.

2.2.3 An expenditure of Rs. 55644 lakh was incurred towards employees cost of own employees during the year 2012-2013 and the same has been claimed by CESC Limited in APR 2012-13. As per note 26 of the audited statement of Profit and Loss account for the year ended 31st March 2013, the employees benefit expenses were found as Rs. 55852 lakh after capitalization of Rs. 7274 lakh. CESC Limited stated that the lower claim has been due to allocation of employees expenses to business elsewhere other than generation and distribution functions. CESC Limited confirmed that the company does not pay any production incentive or performance incentive which is linked with operational performance of any generating station / distribution / trading activity. Certain portion of remuneration due to wage revision impact for Rs. 4500 lakh is embedded in the employees cost. It is found that the amount of Rs. 4500 lakh in lumpsum has been claimed in Form 1.17(h) of Annexure I without any break-up viz., basic pay, dearness allowance, etc. In Note 2 below of the above Form, CESC Limited has submitted that the impact of wage revision effective from April 2012 has been accounted for and shown based on sum allowed in the tariff order, since the full impact thereof could not be assessed as the revision was not finalized within 2012-13. CESC also stated that the same will be dealt with in the next APR / MYT petition based on final ascertainment of the position. Understandably, wage revision was not effected by CESC Limited in 2012 – 2013 and no actual expenditure had been incurred. The impact of wage revision for a lumpsum amount has only been accounted for in the Profit & Loss Account for the year ended 31st March 2013. In terms of regulation 5.9.4 of Tariff Regulations, the licensee or generating company shall also provide the breakup of arrear payment in Form 1.17(i) in Annexure I arising out of any wage revision and the period of such arrear is to be mentioned clearly. Also, in terms of the



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above regulation the licensee shall submit the concerned agreement and official order alongwith the approval of the Board on such wage revision. No detail of such wage revision was found in the Form 1.17(i) submitted by them excepting a note below it that there has been no separate claim on this account during the year. The agreement and other documents were also not available. In view of what has been observed above, the Commission is not agreeable to admit the claim of Rs. 4500 lakh in its present form and the same will be addressed in subsequent APR(s) after fulfilling all the conditions of the Tariff Regulations.

- 2.2.4 The admitted amount is thus determined at Rs.51144 lakh (Rs. 55644 lakh – Rs. 4500 lakh) towards employees cost of own employees in the APR 2012-2013 with following cost center-wise breakup:

Rs. in Lakh

Particulars	Amount admitted in APR 2012 – 2013
(A) Generation Function	
Budge Budge	2890
Titagarh	3641
Southern	2447
New Cossipore	2351
Total (A)	11329
(B) Distribution Function	39815
Total (A+B)	51144

2.3 Coal and Ash Handling Charges:

- 2.3.1 Although the coal and ash handling charges are categorized as uncontrollable but mostly variable with the quantum of generation, the Commission decides to view the amount claimed with reference to the targets set for generation and actual generation. The position in this regard comes as under:



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Rs. in Lakh

Generating Station	Target Generation (MU)	Exp. as per tariff order	Actual Generation (MU)	Expenses Proportionate to Actual Generation	Actual Expenses	Expenses admitted in APR for 2012-13
Budge Budge	5600	465	5806	482	610	482
Titagarh	1805	840	1650	768	865	768
Southern	1025	205	1060	212	8	8
New Cossipore	438	68	199	31	68	31
Total	8868	1578	8715	1493	1551	1289

2.3.2 It may be seen from the above table that proportionate expenditures in reference to target generation vis-à-vis actual generation is less in all generating stations except Southern generating station when compared with actual coal and ash handling charges. The Commission decides to admit the proportionate expenditure with reference to actual quantum of generation, but restricted to the actual expenditure where actual expenditure is less as in all such generating stations referred to above. For Budge Budge, Titagarh and New Cossipore generating stations, the Commission admits the expenses proportionate to actual generation rather than actual expenses irrespective of that in the tariff order on the ground that the actual generation is much less than the target generation and actual expenses are much higher in respect of the above generating stations. The amount of admitted expenditure in APR for the year 2012 – 2013 comes to Rs. 1289 lakh.

2.4 **Water Charges:**

2.4.1 The expenditure towards water cess is uncontrollable and is related to the quantum of water to be used in the generating stations.



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2.4.2 The actual amount of total expenditure incurred by CESC Limited under this uncontrollable head of accounts was found Rs. 201 lakh as against Rs. 315 lakh allowed in the tariff for the concerned year.

2.4.3 It is seen from the station wise break-up of the expenditure submitted by CESC Limited that in case of Southern generation station, the actual expenditure on this score exceeded the expenditure allowed in the ARR for 2012 – 2013. The Commission has, however, viewed the claim of CESC Limited with reference to the target set for generation and actual generation of each generating station. The position in this regard is as follows:

Rs. in Lakh

Generating Station	Target Generation (MU)	Exp. as per tariff order	Actual Generation (MU)	Expenses Proportionate to Actual Generation	Actual Expenses	Expenses admitted in APR for 2012-13
Budge Budge	5600	11	5806	11	10	10
Titagarh	1805	190	1650	174	109	109
Southern	1025	81	1060	84	67	67
New Cossipore	438	33	199	15	15	15
Total	8868	315	8715	284	201	201

2.4.4 The Commission decides to admit this actual expenditure for all generating stations. The amount of admitted expenditure in APR for 2012 – 2013 is thus Rs. 201 lakh.

2.5 Lease Rental:

2.5.1 CESC Limited used to procure certain assets in the past under leasing for various tenures generally extending upto 8 years or so on competitive basis. The Commission admitted an amount of Rs. 1200 lakh out of which Rs. 89 lakh was for Titagarh generating station and Rs. 1111 lakh was for distribution function in the tariff order for 2012 – 2013 under the head 'Lease Rental' towards rental on



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certain equipments taken on lease. Actual amount of such rental as per the audited accounts came to Rs. 1111 lakh. The function-wise break-up of the actual amount was found as under:

Particulars	Actual amount (Rs. in lakh)
Generation Function	
Southern	208
Titagarh	62
Total	270
Distribution Function	841
Total	1111

2.5.2 The total amount of actual expenditure of Rs. 1111 lakh towards lease rental charges with above function wise segregation is admitted under this head in the APR for 2012 - 2013.

2.6 Rent:

2.6.1 An amount of Rs. 4 lakh was allowed in tariff order under the head rent for Southern generating station under generation function. The expenditure on rent for assets under distribution function was however considered under the operation and maintenance head. As per submission of CESC Limited and as per audited annual accounts, actual expenditure on rent is Rs. 695 lakh out of which, Rs. 18 lakh is for Southern generating station.

2.6.2 The Commission in terms of regulation 5.7.1 of the Tariff Regulations considers to admit the actual expenditure of Rs. 18 lakh on rent for Southern generating station under generation function. The expenditure on rent for distribution and selling function are dealt separately under operation and maintenance head.

2.7 Rates & Taxes (Other than on Income & Profit):

2.7.1 An amount of Rs. 446 lakh and Rs. 222 lakh aggregating to Rs. 668 lakh was considered towards Rates & Taxes (Other than on Income & Profit) in the tariff



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order for the year 2012 – 2013 for generation function and distribution function respectively. In the Tariff Regulations, the Commission recognized such expenditures as separate item and categorized the same as uncontrollable.

2.7.2 The actual amount of Rs. 661 lakh as claimed by CESC Limited in the APR application for the year 2012 – 2013 under the head 'Rates & Taxes' is being admitted in the APR for 2012 – 2013.

2.7.3 Further, CESC Limited in their submission has claimed an amount of Rs. 628 lakh and Rs. 100 lakh aggregating to Rs. 728 lakh towards service tax for cable laying services and entry tax for procurement of goods respectively. The service tax payable to the contractors for laying of cables is a statutory component of repairs and maintenance job and the same is admitted by the Commission. The entry tax of Rs. 100 lakh for procurement of goods is also a statutory expenditure levied by the Government w.e.f. 01.04.2012 and the same is also admitted by the Commission under this head.

2.7.4 Summing up the above, the total amount of Rs. 1389 lakh (Rs. 661 lakh + Rs. 628 lakh + Rs. 100 lakh) is admitted by the Commission in the APR for 2012 – 2013 under the head rates and taxes with the following cost centre-wise allocation:

Particulars	Amount (Rs. in Lakh)
(A) Generation Function	
Budge Budge	246
Titagarh	147
Southern	51
New Cossipore	11
Total (A)	455
(B) Distribution Function	934
Total (A+B)	1389



2.8 Insurance Premium:

2.8.1 An amount of Rs. 480 lakh for generation function and Rs. 270 lakh for distribution function aggregating to Rs. 750 lakh was considered towards insurance premium in the tariff order for the year 2012 – 2013.

2.8.2 In terms of regulation 5.23.1 of the Tariff Regulations, the insurance premium paid after selection of insurance company through a transparent process shall be considered subject to prudent check and as per table 2.5.5-1, it is categorized as uncontrollable and, therefore, the actual expenditure totaling to Rs. 750 lakh has been admitted with the following cost centre-wise allocation:

Particulars	Amount (Rs. in Lakh)
(A) Generation Function	
Budge Budge	376
Titagarh	80
Southern	47
New Cossipore	12
Total (A)	515
(B) Distribution Function	235
Total (A+B)	750

2.9 Operation & Maintenance Expenses:

2.9.1 Operation & Maintenance (O&M) expenses viz. Repairs and Maintenance including cost of consumables, legal and professional charges, audit fees, rent for distribution system, administrative and general expenses are categorized as controllable in terms of the Tariff Regulations.

2.9.2 O&M expenses for generating stations, which are the same as was considered in the tariff order as per norm specified in Schedule 9A of the Tariff Regulations, being controllable are admitted in APR 2012 – 2013 as follows:

Generating station	Amount (Rs. in Lakh)
Budge Budge	8025
Titagarh	2986
Southern	1705
New Cossipore	1638
Total	14354



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- 2.9.3 The repairs and maintenance cost of generation function also includes employees cost of contractual manpower in regular establishment which has been categorized as uncontrollable in terms of Tariff Regulations. This allowable cost hitherto included under employees cost is now dealt in the following paragraph being a part of O & M expenses as already discussed in paragraph 2.2.2.
- 2.9.4 CESC Limited claimed Rs. 4071 lakh towards employees cost of contractors employees as against Rs. 3218 lakh allowed in the tariff order for 2012-13. The Commission in its order dated 05.09.2013 of the APR 2011-12, admitted an amount of Rs. 3039 lakh on account of employees cost of contractors employees in regular establishment for the year 2011 – 2012. The claim of the same in APR 2012 – 2013 is Rs. 4071 lakh, i.e., higher by 34% over that of the earlier year. No reason for such exorbitant increase within one year has been suitably advanced by CESC Limited. Any wage settlement agreement with the contractor for such increase in wages has neither been established. CESC Limited also has not submitted Form 1.17(h) & 1.17(i) of Annexure I duly filled up for contracted manpower as per regulation 5.9.3 & regulation 5.9.4 of Tariff Regulations. Number of contracted employees engaged station wise along with their average rate of salary to justify the claim has also not been found in their APR application. In the tariff order for 2011 – 2012, CESC Limited was directed to submit employee cost for contracted manpower in regular establishment in application of APR with audited figures. In the last Auditor's certificate of the head 'other expenses', the cost of contractor's personnel has not been shown separately. CESC Limited was also directed to submit such figures for the contracted manpower in distribution system separately. CESC Limited has not complied with the above directions of the Commission.
- 2.9.5 As per note 1 below of the Form 1.12, it has been stated by CESC Limited that employees cost for contractors has been derived considering the allowable



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- number of employees as per norm and actual cost for relevant station employees. Actual number of contractors employees has not been stated by CESC Limited. As per the Regulations, total number of employees allowable comes to 3259 against which actual number of own employees as on 31.03.2013 was 2094. As per CESC's submission, the employee cost of own employees are as per actual and the same for contractor's man power have been derived considering the allowable number of employees as per norms and actual cost for relevant station employees. However, it is also submitted that since the New Cossipore generating station is being primarily used as a peaking station, claim on employee cost in respect of the contractor's employee in regular establishments have been restricted to a lower number of 25% of the allowable number therefor. In the absence of actual number of contractor's employees engaged during 2012 – 2013, the total number of personnel engaged in the generating stations could not be derived.
- 2.9.6 In view of above, the Commission is of the opinion that the claim of Rs. 4071 lakh lacks enough justification for a prudent analysis and assessment of the allowable amount, although such kind of expenditure is uncontrollable in terms of Tariff Regulations and as such restricts the same to the amount admitted in the tariff order for 2012 – 2013, i.e., Rs. 3218 lakh in the APR 2012 – 2013.
- 2.9.7 O&M expenses for distribution function as considered in the APR order are presented below.
- 2.9.8 It is evident from note 29 of the notes to accounts of CESC Limited's audited accounts that actual aggregate expenditure under repairs and consumption of stores and spares of CESC Limited as a whole comes to Rs. 50228 lakh against Rs. 39168 lakh allowed as O&M expenses in the tariff order for 2012 – 2013. As per certificate of cost auditor at Annexure 6 submitted by CESC Limited, the amount of actual expenditure towards repair and maintenance including consumables for distribution function has been found as Rs. 16674 lakh. The



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Commission, therefore, decides to admit the expenses of repairs and maintenance including consumable stores for its distribution function as was allowed in the tariff order as a controllable item, i.e., Rs. 14064 lakh.

2.9.9 Expenses on other heads viz. legal and professional charges, audit fees, other administrative and general expenses, and rent as admitted for distribution functions in the tariff order are also admitted in the APR for 2012 – 2013 under the head operation and maintenance expenses for distribution function as a controllable item.

2.9.10 Based on the above analysis, and O&M expenditure being controllable in nature, the amount admitted in APR for 2012 – 2013 for distribution function is as below:

Rs. in Lakh

Sl. No.	Particulars	Amount admitted in APR under O&M Head
1	Repairs & Maintenance	14064
2	Legal & Professional Charges	600
3	Audit Fees	60
4	Administrative & General expenses	9400
5	Rent for distribution function	690
6	Total	24814

2.9.11 Summing up above, the allowable expenses under the head operation and maintenance (O&M) is summarized below:

Particulars	Amount admitted in APR 2012 – 2013 (Rs. in Lakh)		
	O&M Expenses	Employees cost of contractual employees in regular establishment.	Total
(A) Generation Function			
Budge Budge	8025	1850	9875
Titagarh	2986	538	3524
Southern	1705	0	1705
New Cossipore	1638	830	2468
Total (A)	14354	3218	17572
(B) Distribution Function	24814	0	24814
Total (A+B)	39168	3218	42386



2.10 Interest:

The Commission allowed Rs 26473 lakh towards interest on borrowed capital in the tariff order for 2012 – 2013. The amount was exclusive of the portion of such interest and charges required to be capitalized on completion of routine capital works-in-progress. This amount also excludes an amount of Rs 40 lakh towards interest disallowed by the Commission on account of capital cost-over-run for the first two units of Budge Budge generating station. CESC Limited claimed an amount of Rs. 40150 lakh on account of interest in Form E(b) of their application for APR for 2012 – 2013. However, as per data furnished by CESC Limited in different forms, total interest claimed comes as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
A. Interest on Capital Borrowings:		
1	Gross amount of interest on capital borrowings (vide detailed computations submitted in Form – C)	28609
2	Less: Amount capitalized (Form – C)	2645
3	Less: Amount disallowed due to capital cost-over-run of Budge Budge Plant (Form 1.17 – Other expenses – Centrally maintained)	40
	Total amount of interest claimed towards capital borrowings (1-2-3)	25924
	B. Interest claimed on normative borrowings in terms of Tariff Regulations [Form 1.20(b)]	258
	C. Interest on Working Capital [Form 1.17(b)]	6142
	D. Interest on temporary accommodation [Form 1.17(a)]	7827
	Total (A+B+C+D)	40151

2.10.1 Interest on Capital Borrowings:

2.10.1.1 It has been observed from note 27 of the notes to accounts of the audited annual accounts that actual amount of interest chargeable to revenue accounts for the year 2012 – 2013 came to Rs. 33486 lakh and after due adjustment for capitalization of Rs. 2645 lakh the net amount of interest charges arrived at Rs. 30841 lakh (Rs. 33486 lakh – Rs. 2645 lakh). Now, after reducing Rs. 40 lakh being portion of interest on disallowed capital cost over-run of first two units of Budge Budge generating station the total amount of interest paid comes to Rs. 30801 lakh. This amount of Rs. 30801 lakh includes actual interest of Rs. 4877 lakh paid by CESC Limited on short term loan to meet the immediate



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requirement arising out of substantial amount of unrealized arrears and claimed under the head 'Temporary Accommodation'. The amount of interest on capital borrowing charged on revenue accounts are as under:

	Rs. in Lakh
Total amount of interest allowable as above	30801
Less: Total amount of actual interest on short term loan paid on revenue account under temporary accommodation.	4877
Total amount of interest towards capital borrowing	25924

2.10.1.2 The above amount of Rs. 4877 lakh together with Rs. 28609 lakh towards interest on capital borrowing as per Form C submitted and aggregating to Rs. 33486 lakh has been reflected as interest expenses in note 27 of the notes to accounts for 2012 – 2013.

2.10.1.3 Since the interest on short term loan under temporary accommodation is taken up separately in the following paragraph, the Commission now admits the amount of interest on capital borrowings i.e., Rs. 25924 lakh on actual basis, as arrived in the preceding paragraph.

2.10.2 Interest on Normative Debt:

2.10.2.1 In addition to interest on actual amounts of capital borrowings, CESC Limited claimed for interest on normative debt amounting to Rs. 258 lakh as per Form 1.20(b). On scrutiny it is found that CESC Limited raised more debt during the year than it was required to draw as per normative debt equity ratio pertaining to that year and on cumulative basis.

2.10.2.2 As per submission in form 1.18 of APR application along with note 4, note 11 and note 12 on audited financial statement for the year 2012-13 of CESC Limited, net addition to fixed assets during the year 2012 – 2013 works out at Rs. 74803 lakh as under:



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	Rs. in Lakh
Addition to fixed assets	86933
Less: Normal retirement of assets	5744
Less: Addition to capital contribution	6386
Net addition to fixed asset	74803

2.10.2.3 According to Form 1.20(b) and Form C submitted by CESC Limited, repayment of normative debt during 2012 – 2013 is Rs. 2089 lakh and actual addition to debt during 2012 – 2013 is Rs. 60500 lakh. Considering the above along with weighted average rate of interest @ 10.66% derived from the particulars in Form C, the amount allowable towards interest on normative loan is determined as under:

Particulars	Derivative	Amount (Rs. in Lakh)
Opening normative debt	a	2826
Actual addition to debt for the year	b	60500
Addition to the fixed assets during the year	c	74803
Normative addition to debt @ 70% of the addition to fixed asset during the year	$d = c \times 0.7$	52362
Addition to debt for the year to be considered to APR	$e = \text{higher of } b \text{ and } d$	60500
Additional normative debt during the year	$f = e - b$	0.00
Repayment of normative debt during the year	g	2089
Closing balance of additional normative debt	$h = a + f - g$	737
Average normative debt	$i = (a + h)/2$	1782
Weighted average rate of interest paid on term loan during the year	$j = 10.66\%$	
Interest on normative debt allowed in APR for 2012 – 2013	$k = i \times j$	190

2.10.2.4 Considering the above, the Commission now admits the interest in aggregate allowable in APR for 2012 – 2013 for Rs. 26114 lakh [Rs. 25924 lakh (as admitted in paragraph 2.10.1.3) + Rs. 190 lakh]. The cost center wise allocation of the total amount so admitted and as considered in the tariff order for the concerned year is as follows:



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Rs. in Lakh	
Particulars	As admitted in APR for 2012 – 2013
Generation Function	
Budge Budge	8278
Titagarh	434
Southern	299
New Cossipore	16
Distribution Function	
Total	17087
	26114

2.10.3 Interest on working capital:

2.10.3.1 No amount on this head was considered in the tariff order for 2012 – 2013. As per their submission in Form 1.17(b), CESC Limited claimed separately an amount of Rs 6142 lakh as interest on normative basis on working capital considering rate of interest as 13% as applicable SBI Short Term Prime Lending Rate (PLR) as on 01.04.2011.

2.10.3.2 It has been observed that CESC Limited did not make any payment towards interest on working capital vide their submission in Form 1.17(b) and Form C of Annexure – I. As such, no amount is allowable in APR 2012 – 2013 towards interest on working capital in terms of regulation 5.6.5.2 of the Tariff Regulations.

2.10.4 Interest on Temporary Accommodation:

2.10.4.1 No amount on this head was considered in the tariff order for 2012 – 2013. As per their submission in Form 1.17(a), CESC Limited claimed separately an amount of Rs. 7827 lakh as interest on temporary accommodation. CESC Limited in their submission highlighted the necessity for availing the funds by way of temporary accommodation, as the revised tariff for the year 2012 – 2013 was implemented towards the end of the financial year, giving rise to a substantial amount of Rs. 49454 lakh unrealized in the hands of the company. To recover such deficit due to unrealized arrears, the amount of temporary financial accommodation taken by CESC Limited is Rs. 49219 lakh. Accordingly, interest



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on such temporary accommodation has been incurred and prayed for considering the mid-year SBI PLR of 14.50% as on 30.09.2012 on average balance.

2.10.4.2 In terms of regulation 5.6.5.4 of the Tariff Regulations, the Commission may allow, if considered necessary, interest on temporary financial accommodation taken by a generating company / licensee from any source to a reasonable extent due to unrealized arrears from the consumers / beneficiaries.

2.10.4.3 As per Form – C submitted with the APR application, it has been observed that an amount of Rs. 4885 lakh was paid towards interest on short term loan for Rs. 49219 lakh on revenue accounts during the year 2012 – 2013. CESC Limited did not specify the source of the loan, date of drawal, the rate of interest, amount of repayment during the year, if any, and other details in this respect, as required under Form-C in order to ascertain the amount of interest allowable. CESC Limited is once more directed to comply and clearly indicate the above details along with their claim in future for APR 2013 – 2014 onwards. However, as has been found under note 27 of the notes to accounts of the audited annual accounts for 2012 – 2013, the interest expenses of Rs. 33486 lakh includes an amount of Rs. 4877 lakh. The Commission, thus, considers the actual interest paid by CESC Limited and admits an amount of Rs. 4877 lakh towards interest on short term loan in temporary accommodation in APR for 2012 – 2013. The amount is allocated in the following cost-centre wise allocation as proposed by CESC Limited.

Rs. in Lakh		
Sl. No.	Generating Station	Amount admitted in APR under Temporary Accommodation Head
1	Budge Budge	1603
2	Titagarh	580
3	Southern	355
4	New Cossipore	217
5	Distribution	2122
	Total	4877



2.10.5 Interest on Consumers' Security Deposits:

2.10.5.1 The total amount of interest paid to the consumers on their security deposits was found to be Rs. 7081 lakh as against an amount of Rs. 7079 lakh allowed in the tariff order for the concerned year. The total amount of such security deposit at the beginning of the year was Rs. 105090 lakh and at the end of the year was Rs. 113906 lakh as per balance sheet ended 31st March, 2013.

2.10.5.2 It had been confirmed by CESC Limited that the entire amount of interest payment had appropriately been settled in terms of the Commission's concerned Regulations. CESC Limited submitted a certificate from their auditors in this regard that an amount of Rs. 7081 lakh has been settled during the year 2012 - 2013.

2.10.5.3 However, the Commission admits an amount of Rs. 7081 lakh in the APR 2012 – 2013 under this head of expense with allocation to distribution function only.

2.10.6 Other Finance Charges:

2.10.6.1 As per Form 1.17(c) submitted in the petition, the amount of other finance charges claimed by CESC Limited during the year came to Rs. 1157 lakh as against Rs. 877 lakh allowed in the tariff for the year 2012 – 2013 with the following breakup:

Sl. No.	Particulars	Amount as claimed by CESC Ltd (Rs. in Lakh)
1	Net borrowing cost	422
2	Bank Charges for financial service	267
3	Bank Charges for cash management service	167
4	Other miscellaneous finance charges	21
5	Shortfall of claim admitted in APR order for 2011 – 2012	280
	Total	1157



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2.10.6.2 In terms of regulation 5.6.4.2 of the Tariff Regulations, financing charges being uncontrollable in nature consist of front-end fees, bank charges, commitment charges, guarantee fees etc. As per note 27 of the notes to accounts of the audited annual accounts for 2012 – 2013 read with the cost auditor’s certificate submitted in Annexure 7, the chargeable amount under the head ‘other borrowing cost’ is Rs. 422 lakh after capitalization. Also, as per above certificate of the cost auditor, a further amount was incurred towards bank charges etc. for Rs. 455 lakh. As regards CESC Limited’s claim for Rs. 280 lakh being the amount disallowed by the Commission under the head during 2011 – 2012 in the order dated 05.09.2013 of the Commission in the case no. APR-30/12-13 relating to APR for the year 2011 – 2012, the Commission admits the claim of the petitioner. Thus, the allowable amount of bank charges arrives at Rs. 1157 lakh (Rs. 422 lakh + Rs. 455 lakh + Rs. 280 lakh).

2.10.6.3 The Commission thus admits Rs. 1157 lakh under the head in the APR 2012 – 2013. The cost centre wise allocation of the amount are as follows:

Rs. in Lakh

Particulars	As admitted in APR for 2012 - 2013
Generation Function	
Budge Budge	240
Titagarh	118
Southern	60
New Cossipore	59
Distribution Function	680
Total	1157

2.11 Foreign Exchange Rate Variation (FERV):

2.11.1 In accordance with regulation 5.12 of the Tariff Regulations, an amount of Rs. 1270 lakh was allowed in the tariff for the year 2012 – 2013 towards estimated



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extra rupee liability in regard to projected foreign loan repayments. The actual expenditures against such provision came to Rs. 2481 lakh. The concerned loan in foreign exchange was for distribution only.

2.11.2 The Commission, therefore, admits Rs. 2481 lakh under the head in the APR 2012 – 2013 and the same is allocated to distribution function only.

2.12 Bad Debts:

2.12.1 In terms of regulation 5.10.1 of the Tariff Regulations, the Commission is to allow such amount of bad debts as actually had been written off in the latest available audited accounts, subject to a ceiling of 0.5% of the annual gross sale revenue during the year. An amount of Rs. 2805 lakh was allowed in the tariff order for 2012 – 2013 under the head. The amount of earnings from sale of electricity for the year was Rs. 532071 lakh as per Form 1.25 submitted in the petition. The actual amount written off in the books of accounts towards bad debt was Rs. 2674 lakh as against the ceiling of Rs. 2660 lakh which is being 0.5% of the sales revenue earned. The amount of Rs. 2660 lakh is admitted in APR for 2012 – 2013 and this exclusively relates to distribution function.

2.12.2 CESC Limited is directed to henceforth submit the details of approval of its Board of Directors for the amounts actually written off as bad debt in APR petition for 2013 – 2014 and onwards.

2.13 Depreciation:

2.13.1 The total amount of depreciation as charged in the books of accounts was Rs. 30621 lakh including an amount of Rs. 750 lakh being the depreciation against trademark which is to be excluded. An amount of Rs. 170 lakh out of the total depreciation is on assets created by utilizing the proceeds from sale of old assets. The chargeable amount of depreciation for determination of tariff, therefore, comes to Rs. 29701 lakh (Rs. 30621 lakh – Rs. 750 lakh – Rs. 170 lakh) as against an amount of Rs. 29725 lakh allowed in the tariff.



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2.13.2 In view of high growth of peak power requirement and to improve network reliability, CESC Limited incurred considerable capital expenditure towards strengthening of distribution network. In order to supply quality power to the consumers as well as to provide safety to the working personnel and faster restoration of supply in case of outages, CESC Limited is making all efforts, including making large investments, specially for installation of transformers, switchgears and associated network reorganization jobs. At the same time, the expenditures under certain heads were lower than the estimate to contain the overall capital expenditure within the reasonable limit. It was also submitted that in a few cases due to non-availability of suitable plots of land, clearances, etc. and also to meet exigencies, there has been some modification in the implementation plan including phasing thereof.

2.13.3 As the capitalization programme vis-à-vis amount of depreciation cannot be precisely determined at tariff order stage, the Commission, thus, stipulated in the tariff order that the amount of depreciation found chargeable as per audited books of accounts, shall be considered for carrying out necessary adjustment in APR for the concerned year.

2.13.4 Thus, in terms of the Tariff Regulations, the Commission admits the amount of Rs. 29701 lakh towards depreciation in the APR for the year 2012 – 2013. The cost center-wise breakups of the amount admitted are as follows:

Rs. in Lakh

Particulars	As admitted in APR for 2012 - 2013
Generation Function	
Budge Budge	12287
Titagarh	405
Southern	197
New Cossipore	110
Distribution Function	16702
Total	29701



2.14 Advance against Depreciation:

2.14.1 To facilitate the repayment of loans, an amount of Rs. 16560 lakh was allowed to CESC Limited in the tariff order for 2012 – 2013 in terms of regulation 5.6.3.1 read with regulation 5.5.2 of the Tariff Regulations. As is seen from the submission, CESC Limited's entitlement for having such advance against depreciation based on the actual amount of loan repayments made and the actual amount of depreciation admitted during the year is as under:

Rs. in Lakh

Sl. No.	Particulars	Amount
(a)	Repayment of Loan	45817
	Less: Principal amount attributable to disallowed loans for Budge Budge Power Plant	842
	Total allowable repayment of loan during the year	44975
(b)	1/10 th of original loan amount netting of disallowed loans of Budge Budge Unit	54966
(c)	Maximum permissible amount of loan repayment restricted to 1/10 th of original loan amount	44975
(d)	Depreciation admitted in APR for 2012 – 2013	29701
(e)	Allowable advance against depreciation (c - d)	15274

2.14.2 The cost center-wise break-up of the amounts of advance against depreciation now admitted in the APR for 2012 – 2013 is found as under:

Rs. in Lakh

Particulars	As admitted in APR for 2012 – 2013
Generation Function	
Budge Budge	6318
Titagarh	208
Southern	102
New Cossipore	57
Distribution Function	8589
Total	15274



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2.14.3 In terms of proviso to the regulation 5.5.2 of the Tariff Regulations, it is reiterated that upon repayment of the entire loan amount, the original cost of fixed assets shall be reduced by the aggregate accumulated depreciation and advance against depreciation availed by CESC Limited and the resulting depreciable value shall be spread over the balance useful life of the fixed asset.

2.15 Return on Equity:

2.15.1 Based on the inputs below, the actual average equity base for the year 2012 – 2013 is to be computed:

2.15.1.1 Actual addition to the equity base during 2012 – 2013 arrived at as below:

	Rs. in Lakh
Profit for the year	61850
Write off of Misc. expenditure	72
One time sale amount of assets invested in creation of new asset in terms of regulation 5.15.1(iv)	821
Total	62743
Less:	
Dividend including tax paid	10232
Unforeseen Exigencies Reserve	3188
Total	13420
Actual Addition to equity base during 2012 – 2013	49323

2.15.1.2 As already explained in paragraph 2.10.2.2, net addition to fixed asset during the year 2012 – 2013 was Rs. 74803 lakh.



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2.15.1.3 In terms of regulation 5.15.1(iv) of the Tariff Regulations, CESC Limited invested proceeds of one time sale of asset to the tune of Rs. 821 lakh in creation of new assets in the electricity business of the company for which no depreciation has been claimed. This amount of Rs. 821 lakh is included in actual addition to equity base of Rs. 49323 lakh for 2012 – 2013 and addition to fixed assets of Rs. 74803 lakh. Return on such equity shall be admissible to the CESC Limited.

2.15.2 Equity base for allowing returns to the licensees at the specified rate is an uncontrollable factor in terms of the Tariff Regulations. CESC Limited was allowed return on the projected average equity base of Rs. 269921 lakh comprising generation function (amounting to Rs. 117282 lakh) and distribution function (amounting to Rs. 152639 lakh) @ 15.5% and 16.5% respectively on generation and distribution functions and that came to Rs. 18179 lakh for generation function and Rs. 25184 lakh for distribution function aggregating to Rs. 43363 lakh. The average equity base for the purpose of computation of return on equity during the year 2012 – 2013 came to Rs. 269333 lakh as per the computation shown hereunder:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Actual equity base at the beginning of the year	353280
2	Admissible equity base at the beginning of the year 2012 – 2013	257825
3	Actual addition to equity base during the year (refer para 3.15.1.1)	49323
4	Actual equity base at the end of the year (1+3)	402603
5	Net Addition to the original cost of fixed assets during the year (refer para 2.15.1.2)	74803
6	Less: Asset created in terms of regulation 5.15.1(iv) of the Tariff Regulations	821
7	Net addition to the original cost of fixed assets during the year other than assets created in terms of regulation 5.15.1 (iv) of the Tariff Regulations (5-6)	73982
8	Normative addition to equity base (30% of 7)	22195
9	Addition to equity base considered for the year (lower of 3 and 8)	22195
10	Add: Asset created in terms of regulation 5.15.1 (iv) of the Tariff Regulations	821
11	Addition in equity base during the year for the purpose of computation of return as per the Tariff Regulations. (9+10)	23016
12	Admissible equity base at the closing of the year 2012 – 2013 (2+11)	280841
13	Average admissible equity base for allowing returns (2+12)/2	269333



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2.15.3 In terms of regulation 5.6.1.1 return on equity for generating company and transmission licensee shall be computed on the equity capital at the applicable rate provided by Central Electricity Regulatory Commission and in terms of regulation 5.6.1.2, the said rate will be one percent higher and will be related to distribution assets only. In terms of Central Electricity Regulatory Commission (Term and Conditions of Tariff) Regulations, 2009, the rate of return on equity for generation and transmission activity is 15.5%.

2.15.4 Allocation of equity base between generation function and distribution function based on ratio of the gross cost of fixed assets at the beginning of the year and addition during the year and the amount admitted is shown below:

Rs. in Lakh

Particulars	Opening equity base of 2012-13	Addition to equity base during 2012-13	Closing equity base of 2012-13	Average equity base of 2012-13	Return on equity (in percent)	Return admitted in APR for 2012-13
Generation	116717	1581	118298	117508	15.5	18214
Distribution	141108	21435	162543	151826	16.5	25051
Total	257825	23016	280841	269333		43265

2.15.5 The cost center-wise breakups of the amount of return now admitted in APR for 2012 – 2013 are as under:

Rs. in Lakh

Particulars	As admitted in APR for 2012 – 2013
Generation Function	
Budge Budge	15565
Titagarh	1267
Southern	1160
New Cossipore	222
Distribution Function	25051
Total	43265



2.16 Write-off of Intangible Assets:

2.16.1 The amount of Rs. 72 lakh was allowed towards write-off of intangible assets in the tariff for 2012 – 2013. The actual expenditure during the year 2012 – 2013 on the same score being Rs. 72 lakh is admitted in APR for 2012 - 2013. The cost center-wise allocation is stated below:

(Rs. in Lakh)

Particulars	Amount Admitted in APR for 2012-13
Generation Function	
Budge Budge	29
Titagarh	1
Southern	1
Distribution Function	41
Total	72

2.17 Reserve for Unforeseen Exigencies:

2.17.1 In terms of regulation 5.11 of the Tariff Regulations, an amount of Rs. 2308 lakh was allowed to CESC Limited in the tariff order for 2012 – 2013 towards reserve for unforeseen exigencies computing @ 0.25% on the projected gross value of fixed assets at the beginning of the year 2012 - 2013. The actual amount of such reserve created by CESC Limited at the same rate on the actual gross block of fixed assets as on 1 April, 2012 was Rs. 10967 lakh and amount appropriated out of profit during 2012 – 2013 is Rs. 3188 lakh. The amount of such reserve had separately been invested along with the amount of Rs. 896 lakh of interest accrued to such investments in accordance with the relevant regulation of the Tariff Regulations of this Commission. As per audited accounts of 2012 – 2013, CESC Limited has a closing balance of Rs. 14155 lakh (Rs. 10967 lakh + Rs. 3188 lakh) in this fund. CESC Limited submitted the necessary audit certificates in this regard.



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2.17.2 The actual gross value of fixed assets at the beginning of the year 2012 – 2013 is Rs. 916732 lakh. The admitted amount in APR for 2012 – 2013 is computed @ 0.25% on the gross value of opening fixed assets and the amount comes to Rs. 2292 lakh. CESC Limited has already made investment of Rs. 2292 lakh in this fund during 2012 – 2013 and there is need for further investment in the fund.

2.17.3 The Cost centre-wise break-up of the amounts of such reserve now admitted in the APR for 2012 – 2013 are as under:

Rs. in Lakh	
Particulars	As admitted in APR for 2012 – 2013
Generation Function	
Budge Budge	865
Titagarh	66
Southern	63
New Cossipore	13
Distribution Function	
Total	2292

2.18 Taxes as per Income Tax Act:

2.18.1 A total amount of Rs. 14069 lakh was provided in the tariff for the year 2012 – 2013 towards taxes payable under the provisions of Income Tax Act. The actual amount of taxes paid by CESC Limited for the assessment year 2012 – 2013 (previous year 2011 – 2012) came to Rs. 13902 lakh as certified by the statutory audit according to income tax revised return submitted on 22.07.2013 for the financial year 2011 – 2012.

2.18.2 The Commission, thus, admits the amount actually paid. The cost centre-wise allocation of the amounts of income tax admitted in APR 2012 – 2013 is as under:



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Rs. in Lakh

Particulars	As admitted in APR for 2012 – 2013
Generation Function	
Budge Budge	4975
Titagarh	411
Southern	372
New Cossipore	71
Distribution Function	8073
Total	13902

2.18.3 CESC Limited has not furnished income tax assessment order for the assessment year 2013 – 2014 relating to previous year 2012 – 2013 to the Commission and hence actual amount of income tax payment has been considered in APR for 2012 – 2013. However, CESC Limited is directed to submit the relevant assessment order(s) of income tax department to the Commission.

2.19 **Performance Incentive:**

2.19.1 Schedule 10 to the Tariff Regulations provides for allowing incentives to generating companies and the licensees, as the case may be, for their improved performances. Since ARR for the concerned year was determined on prospective basis, no amounts towards such incentives were provided therein. Now that the actual performances of CESC Limited on different criteria came out from submissions, it is found eligible for incentives on following three factors:

- (i) For generation higher than annual norms;
- (ii) For Oil consumption less than the norms;
- (iii) For gross station heat rate better than the norms;



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2.19.2 CESC Limited provided detailed computations separately for each of the above three factors, following the methodologies and rates as specified in paragraphs 1, 3 and 4 of the schedule 10 to the Tariff Regulations in respect of above three factors. The calculations in this regard are presented in following table:

- (i) Incentive for generation higher than annual norms:

CESC Limited has achieved generation at Budge Budge and Southern generating stations higher than the generation as per annual norms of PLF for the year 2012 – 2013. The computation of incentive is given below:

Sl. No.	Factors	Unit	Budge Budge	Southern
1	Sent out generation	MU	5321.49	966.170
2	Normative sent out generation	MU	4782.96	860.933
3	Additional Units (1-2)	MU	538.53	105.237
4	Units sold along with permissible losses to persons other than consumers and WBSEDCL	MU	26.267	0
5	Additional Units net off above (3-4)	MU	512.263	105.237
6	PLF achieved	%	88.37	89.63
7	Normative PLF	%	80.00	80.00
8	Additional PLF (6-7)	%	8.4	9.6
9	Applicable category		B	C
10	Applicable rate	Paise/kWh	28	34
11	Amount eligible (5x10/10)	Rs. in Lakh	1434.34	357.81

- (ii) Incentive for less oil consumption than the norms:

CESC Limited has consumed less oil than the normative value at Budge Budge, Titagarh and Southern generating stations during the year 2012 – 2013. Paragraph 3.2.1 of the order dated 04.03.2014 of the Commission in case no. FPPCA-65/13-14 may be referred to. The computation of incentive for less oil consumption than the norms are given below:



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Sl. No.	Factors	Unit	Budge Budge	Titagarh	Southern
1	Gross generation for sales to consumers & WBSEDCL (As per Annexure – 2A of FPPCA order dated 04.03.2014)	MU	5818.926	1663.593	1061.725
2	Applicable rate of incentive	Paise/Unit	0.40	0.40	0.40
3	Amount eligible (1)x(2)/10)	Rs. in Lakh	232.76	66.54	42.47

(iii) Incentive for better gross station heat rate than norms:

CESC Limited has achieved better gross station heat rate to attain incentive at Budge Budge, Titagarh and Southern generating stations during the year 2012 – 2013. Paragraph 1.4 of the Order dated 04.03.2014 of the Commission in case no. FPPCA-65/13-14 may be referred to. The computation of incentive for better station heat rate than the norms are given below:

Sl. No.	Factors	Unit	Budge Budge	Titagarh	Southern
1	Applicable rate of incentive	Paise/Unit	0.50	1.00	0.75
2	Actual gross generation (As per Annexure – 2A of FPPCA order dated 04.03.2014)	MU	5818.926	1663.593	1061.725
3	Amount eligible (1)x(2)/10)	Rs. in Lakh	290.95	166.36	79.63

2.19.3 The total amount of incentives thus arrive as under:

Sl. No.	Factors	Budge Budge	Titagarh	Southern	Total
1	Incentive for higher generation than norms	1434.34	0.00	357.81	1792.15
2	Savings in oil consumption	232.76	66.54	42.47	341.77
3	Better station heat rate	290.95	166.36	79.63	536.94
	Total	1958.05	232.90	479.91	2670.86



2.20 Cost of Outsourcing:

2.20.1 In terms of regulation 5.22 of the Tariff Regulations, as amended, the licensee or generating company shall furnish activity wise separately in Form 1.17(k) the outsourcing expenditure. They shall also have to specifically state the head of accounts under which such expenditure was previously booked. If any outsourcing is introduced as new activity then they shall have to mention it clearly. Cost of outsourcing shall be considered for ARR determination prospectively subject to prudent check by the Commission. CESC Limited had been allowed Rs. 855 lakh in the tariff order for 2012 – 2013. CESC Limited in their application for APR 2012 – 2013 has claimed Rs. 775 lakh as actual audited expenditure submitted in form 1.17(k) duly filled in and explained that the amount was incurred towards consumers' call handling mainly with regard to faults/pilferage reporting. It is also stated that this state-of-the-art call centre has been established and apart from dealing with consumers' complaints on supply interruptions, it is also equipped to handle pilferage complaints as well. The Commission is of the view that the steps were taken in the right direction and decides to admit the entire actual expenditure of Rs. 775 lakh on this score in the APR for 2012 – 2013 and the same is allocated to distribution function.

2.21 Other expenses:

2.21.1 CESC Limited in the APR application has claimed an amount of 811 lakh on account of delayed payment surcharge. It is seen from the submission of CESC Limited and from the audited accounts for 2012 – 2013 the expense of Rs. 811 lakh is due to delay in settlement of electricity duty collected and the same is not considered by the Commission in this APR order for 2012 – 2013.

2.22 Income from Non-Tariff Sources:

2.22.1 A total amount of Rs. 7589 lakh was considered towards the estimated earnings of CESC Limited from other non-tariff sources. In actual, such total income related to the core business came to Rs. 7798 lakh as per audited annual report



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and accounts 2012 – 2013 read with submissions in Form 1.26 to Annex – 1 of the application with the following accounts head-wise breakup:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Rental of meters and other apparatus hired out	4234
2	Sale and repair of lamp and other apparatus	175
3	Transfer / service connection fees	0
4	Income from investments and bank balances	861
5	Surcharge for late payments	1403
6	Other general receipts arising from and ancillary or incidental to the business of electricity	1125
7	Net income from non-tariff sources	7798

2.22.2 The Commission admits Rs. 7798 lakh as income from non-tariff sources in APR for 2012 – 2013. The function and cost center-wise allocation of such incomes from non-tariff sources are as under:

Rs. in Lakh

Particulars	As considered in the Tariff Order	As admitted in APR for 2012 – 2013
Generation Function		
Budge Budge	794	816
Titagarh	66	68
Southern	59	61
New Cossipore	11	11
Distribution Function	6659	6842
Total	7589	7798

2.23 Income from Unscheduled Interchange (UI) of Power:

2.23.1 CESC Limited earned an amount of Rs. 587 lakh during the year from the unscheduled interchange charges. In terms of regulation 5.17.3 of the Tariff Regulations, CESC Limited being a distribution licensee is to share the amount of net income from U.I. charges with its consumers. The extent of such sharing shall be as decided by the Commission. The Commission decides that CESC



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Limited share the entire amount of UI charge with its consumers, including WBSEDCL.

2.24 Benefits to be passed on to Consumers & West Bengal State Electricity Distribution Company Limited (WBSEDCL):

2.24.1 The admissible gross amount of fixed charges are also to be reduced by the amount of gains derived by CESC Limited from the sale of power to the persons other than the consumers and WBSEDCL, from other business and by providing auxiliary services. The details of such benefits provided by CESC Limited in its application for APR for 2012 – 2013 are as under:

Rs. in Lakh

Sl. No.	Sources	Revenue Received	Related Cost	Gains derived	Share to Consumers & WBSEDCL
1	2	3	4	5 (3-4)	6
1	Sale of power to persons other than to consumers and WBSEDCL	824.79	590.47	234.32	140.59 (60%)
2	Auxiliary services	331.00	81.00	250.00	100.00 (40%)
3	Other business	640.00	541.00	99.00	40.00 (40%)
4	User Fee	1100.00	0.00	1100.00	440.00 (40%)
5	Carbon Trading	29.00	2.00	27.00	8.00 (30%)

2.24.2 The cost related to auxiliary services and other business has not been claimed by CESC Limited in their gross fixed charge and thus no further deduction from gross fixed charge is necessary. However, the cost attributable to carbon trading towards Clean Development Mechanism (CDM) projects for Budge Budge generating station for an amount of Rs. 2 lakh is included in the gross fixed charge and the same is to be deducted under generation function.

2.24.3 The cost related to sale of electricity to persons other than consumers and WBSEDCL is the fuel cost only. In the order of Fuel and Power Purchase Cost Adjustment (in short 'FPPCA') of CESC Limited for 2012 – 2013 as per Annexure – 2A, the admissible fuel cost to the extent of sale to consumer and WBSEDCL



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was allowed. Therefore, the related fuel cost of sale of electricity to persons other than consumer and WBSEDCL need not be considered here. However, income from sale of power to person/s other than consumer and WBSEDCL and benefit to be passed on to the consumers and WBSEDCL in this regard is ascertained as per following table:

Sl. No.	Factors	Amount (Rs. in Lakh)
		Budge Budge
1	Revenue earning from sale of power to persons other than consumer and WBSEDCL (as per audited certificate)	824.79
2	Less: Fuel cost related to matching sent out energy of 26.267 MU at an applicable rate of admissible fuel cost for energy sent out in respect of Budge Budge generating station as per Annexure – 2A of FPPCA order for CESC Limited for the year 2012 – 2013 [Rs. 119034.32 lakh x 26.267 MU/5295.223 MU]	590.47
3	Net Income (1-2)	234.32
4	Benefits to be passed on to consumers in terms of regulation 5.15.2(iv) – 60% of net income (3)	140.59

2.24.4 In terms of regulation 5.15.2 (iv) of the Tariff Regulations, the Commission decides to pass 60% of such benefits from sale of power to the persons other than consumers of CESC Limited and licensees to those consumers and licensees for the year 2012 – 2013.

2.24.5 Summing up the analysis and findings in preceding sub-paragraphs, the benefits passed on to the consumers and other licensees allocated to the generating stations and distribution system are as below:

Rs. in Lakh

Particulars	Other Aux. Service	Other Business	User fee	Carbon Trading	Sale to persons other than Consumers & Licensee	Total
Generation Function						
Budge Budge	-			8.00	140.59	148.59
Distribution Function	100.00	40.00	440.00			580.00
Total	100.00	40.00	440.00	8.00	140.59	728.59



2.25 Admissibility of recovery of full Capacity Charges as per provisions of regulation 6.4.2 of the Tariff Regulations:

2.25.1 In terms of regulation 6.4.2 of the Tariff Regulations, from the third control period, the recovery of capacity charge for all the generating station of the licensee and generating company shall be against the normative availability. However, since all the generating stations of CESC Limited have achieved availability more than the targeted availability, CESC Limited is entitled to recover full capacity charges during 2012 – 2013.

2.26 Fixed Charges as admitted:

2.26.1 Based on the foregoing analyses, the total amount of fixed charges allowable separately for each of the generating stations and distribution functions of CESC Limited have been shown in Annexure 2A. As may be seen there-from, the allowable fixed charges come as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
		As admitted on APR for 2012 - 2013
1	Generation Function	
	Budge Budge	65030.46
	Titagarh	11985.90
	Southern	7578.91
	New Cossipore	5642.00
2	Distribution Function	151257.00
	Total	241494.27



Annexure – 2A

Sl. No.	Head of Accounts	As admitted in APR (Amount in Rs. in lakh)					
		Budge Budge	Titagarh	Southern	New Cossipore	Distribution & Selling Activity	Total
1	Employee Cost	2890.00	3641.00	2447.00	2351.00	39815.00	51144.00
2	Water Charges/Cess	10.00	109.00	67.00	15.00	0.00	201.00
3	Coal & Ash Handling Charges	482.00	768.00	8.00	31.00	0.00	1289.00
4	Operation & Maintenance Expenses including employee cost on contract in regular establishment	9875.00	3524.00	1705.00	2468.00	24814.00	42386.00
5	Rent	0.00	0.00	18.00	0.00	0.00	18.00
6	Rates & Taxes (other than Income Tax)	246.00	147.00	51.00	11.00	934.00	1389.00
7	Insurance	376.00	80.00	47.00	12.00	235.00	750.00
8	Lease Rental	0.00	62.00	208.00	0.00	841.00	1111.00
9	Cost of Outsourcing	0.00	0.00	0.00	0.00	775.00	775.00
10	Interest on Capital Borrowings	8278.00	434.00	299.00	16.00	17087.00	26114.00
11	Interest on Working Capital	0.00	0.00	0.00	0.00	0.00	0.00
12	Interest on Temporary Accommodation	1603.00	580.00	355.00	217.00	2122.00	4877.00
13	Interest on Consumer's Security Deposit	0.00	0.00	0.00	0.00	7081.00	7081.00
14	Foreign Exchange Rate Variations (FERV)	0.00	0.00	0.00	0.00	2481.00	2481.00
15	Other Finance Charges	240.00	118.00	60.00	59.00	680.00	1157.00
16	Bad Debt	0.00	0.00	0.00	0.00	2660.00	2660.00
17	Depreciation	12287.00	405.00	197.00	110.00	16702.00	29701.00
18	Advance against Depreciation	6318.00	208.00	102.00	57.00	8589.00	15274.00
19	Written off Intangible Assets	29.00	1.00	1.00	0.00	41.00	72.00
20	Returns on Equity	15565.00	1267.00	1160.00	222.00	25051.00	43265.00
21	Reserve for Unforeseen Exigencies	865.00	66.00	63.00	13.00	1285.00	2292.00
22	Income Tax	4975.00	411.00	372.00	71.00	8073.00	13902.00
23	Performance Incentive	1958.05	232.90	479.91	0.00	0.00	2670.86
24	Gross Fixed Charges (1 to 23)	65997.05	12053.90	7639.91	5653.00	159266.00	250609.86
	Less: Adjustment						
25	Income from Non-Tariff Sources	816.00	68.00	61.00	11.00	6842.00	7798.00
26	Income from UI Charge	0.00	0.00	0.00	0.00	587.00	587.00
27	Expenses attributable to licensee for Carbon trading	2.00	0.00	0.00	0.00	0.00	2.00
28	Benefit passed on for Carbon Trading	8.00	0.00	0.00	0.00	0.00	8.00
29	Benefit passed on for other Business	0.00	0.00	0.00	0.00	40.00	40.00
30	Benefit passed on for User fee	0.00	0.00	0.00	0.00	440.00	440.00
31	Benefit passed on for sale to persons other than consumers & licensee	140.59	0.00	0.00	0.00	0.00	140.59
32	Benefits passed on for Auxiliary Service	0.00	0.00	0.00	0.00	100.00	100.00
33	Total (25 to 32)	966.59	68.00	61.00	11.00	8009.00	9115.59
34	Net Fixed Charge for 2012 - 13 (24-33)	65030.46	11985.90	7578.91	5642.00	151257.00	241494.27



CHAPTER – 3 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 3.1 As shown at the concluding paragraph of the previous chapter, the allowable fixed charges separately for each of the generating stations of CESC Limited as well as for its distribution functions including retail selling activities come as under:

Particulars	Amount (Rs. in Lakh)
Generation Function	
Budge Budge	65030.46
Titagarh	11985.90
Southern	7578.91
New Cossipore	5642.00
Distribution Function	
	151257.00
Total	241494.27

- 3.2 In its order dated 04.03.2014 in case No. FPPCA-65/13-14, the Commission also determined the fuel and power purchase cost allowable to CESC Limited totaling to Rs. 302886.71 lakh, after meeting the amounts relating to shares of various gains attributable to its consumers and WBSEDCL in terms of the Tariff Regulations vide paragraph 4.4 and paragraph 4.5 of the aforesaid order. The cost centre wise breakup of this total amount of Rs. 302886.71 lakh is as follows:

Rs. in Lakh

Particulars	Generating Stations				Distribution
	Budge Budge	Titagarh	Southern	New Cossipore	
Admitted Fuel Cost excluding gain on improved distribution loss as per Order dated 31.07.2013 in Case No. FPPCA-59/12-13.	118377.31	44244.03	27602.49	15633.25	0.00
Admitted Power Purchase Cost including gain on improved distribution loss	0.00	0.00	0.00	0.00	97029.63
Total Fuel and Power Purchase Cost including gain on improved distribution loss	118377.31	44244.03	27602.49	15633.25	97029.63



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- 3.3 It comes out from the enumerations as shown above, CESC Limited's total realizable sales revenue from its consumers and WBSEDCL during the year 2012 – 2013 comes as follows:

	Rs. in Lakh
Fuel & Power Purchase Cost	302886.71
Fixed Charges	241494.27
Total:	544380.98

- 3.4 **Gains through Better Performance in Distribution Loss than the Norms:**
- 3.4.1 In terms of paragraph D of Schedule 9B of the Tariff Regulations, gains accruing to a distribution licensee due to its performance in distribution loss being better than the norms of distribution loss in any year may be retained by that distribution licensee in that year subject to gain sharing applicable separately for fuel cost of own generation as specified in paragraph A of Schedule 7A of the Tariff Regulations during Fuel and Power Purchase Cost (FPPC) determination. In terms of paragraph 3.5 of the Fuel and Power Purchase Cost Adjustment (FPPCA) order of CESC Limited for the year 2012 – 2013 vide order dated 04.03.2014 in Case No. FPPCA-65/13-14, CESC Limited saved 296.149 MU for better performance in distribution loss than the norms and they have been allowed to retain the benefit for such savings amounting to Rs. 9071.34 lakh during FPPC determination for 2012 – 2013.
- 3.4.2 In terms of paragraph 3.3 above, the total admitted variable and fixed cost excluding gain in improved distribution loss in APR for 2012 – 2013 of CESC Limited for sale of energy to consumers and WBSEDCL comes to Rs. 544380.98 lakh for 8625.610 MU of energy @ 631.122 paise / kWh. Units saved through reduction of distribution loss in 2012 – 2013 is 296.149 MU and therefore CESC Limited is allowed to retain the revenue earned i.e., Rs. 18690.61 lakh subject to adjustment of gain sharing accruing to them amounting to Rs. 9071.34 lakh through the FPPCA order referred above. The net adjustment with the actual



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revenue realized from such savings in sale of energy to own consumers and WBSEDCL comes to Rs. 9619.27 lakh (Rs. 18690.61 lakh – Rs. 9071.34 lakh).

- 3.5 The Commission is now to see how much sales revenue had been earned by CESC Limited by way of sale of power to the consumers and WBSEDCL with reference to its audited accounts. The figure comes as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Earnings from sale of electricity (Net of the amount of Advance Depreciation) as per Note 23(a) of Notes on audited accounts of CESC Limited	524179.00
2	Add: Advance against depreciation (As per note 23(c) of Notes on Accounts under Note 13)	14820.00
3	Add: Adjustment effects of previous orders	4253.00
4	Gross earnings from sale of energy	543252.00
5	Less: Earnings from sale of energy to persons other than own consumers and WBSEDCL	825.00
	Actual revenue realized from sale of Energy to own consumers and WBSEDCL	542427.00

- 3.6 In terms of paragraph 3.4.2 above, Rs. 9619.27 lakh is to be adjusted against actual revenue realized from sale of energy for 2012 – 2013 amounting to Rs. 542427.00 lakh. Accordingly, the actual revenue realized by CESC Limited from sale of energy to own consumers and WBSEDCL comes to Rs. 532807.73 lakh (Rs. 542427.00 lakh – Rs. 9619.27 lakh) and the same is allocated to different generating stations and distribution function as below:

Rs. in Lakh	
Particulars	Amount
Generation Function	
Budge Budge	180295.72
Titagarh	55215.27
Southern	34558.95
New Cossipore	20892.67
Distribution Function	
Total	532807.73



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3.7 As it comes out from the findings in paragraph 3.1, 3.2 and 3.6 above, CESC Limited is to realize an amount of Rs. 11573.25 lakh (Rs. 544380.98 Lakh – Rs. 532807.73 Lakh) with cost centre-wise breakup as given below:

Rs. in Lakh

Particulars	Amount Recovered from sale of power	Fuel & Power Purchase Cost	Fixed Charges	Total Recoverable	Balance recoverable
1	2	3	4	5 (3)+(4)	6 [(5)-(2)]
Generation Function					
Budge Budge	180295.72	118377.31	65030.46	183407.77	3112.05
Titagarh	55215.27	44244.03	11985.90	56229.93	1014.66
Southern	34558.95	27602.49	7578.91	35181.40	622.45
New Cossipore	20892.67	15633.25	5642.00	21275.25	382.58
Distribution Function	241845.12	97029.63	151257.00	248286.63	6441.51
Total	532807.73	302886.71	241494.27	544380.98	11573.25

3.8 In terms of regulation 2.6.6 of the Tariff Regulations, the entire recoverable amount of Rs. 11573.25 lakh or a part thereof shall be adjusted with the amount of Aggregate Revenue Requirement for the year 2014 – 2015 or that for any other ensuing year or through a separate order, as may be decided by the Commission. The decision of the Commission in this regard will be given in the tariff order of CESC Limited for the year 2014 – 2015 or any ensuing year or in a separate order

3.9 CESC Limited is directed to provide actual audited figure for each head of expenditure whether controllable or uncontrollable properly allocating between



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generation and distribution functions in their APR petition for the ensuing years and to comply with the directions given in different chapters in this order. CESC Limited may, however, submit reconciliation statement for each head of expenses necessitating any adjustment separately.

3.10 CESC Limited is to take a note of this order.

**Sd/-
(SUJIT DASGUPTA)
MEMBER**

DATED: 21.05.2014