ORDER

OF

WEST BENGAL ELECTRICITY REGULATORY COMMISSION

IN CASES NO:

FPPCA – 72 / 14 – 15 AND
APR – 43 / 14 - 15

IN RE APPLICATIONS OF THE DURGAPUR PROJECTS LIMITED FOR FUEL & POWER PURCHASE COST ADJUSTMENT (FPPCA) AND ANNUAL PERFORMANCE REVIEW (APR) FOR THE FINANCIAL YEAR 2013- 2014

SRI R. N. SEN, CHAIRPERSON

SRI AMITAVA BISWAS, MEMBER

DATE: 16.02.2017

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 performance and projected performance under different factors / heads of accounts. Such adjustments are to be done in the manner as specified in the Tariff Regulations. Accordingly, the Durgapur Projects Limited (in short 'DPL') has submitted their application of APR to the Commission on 27th November, 2014 for the financial year 2013 – 2014. Prior to submission of APR 2013-14 DPL has also submitted Fuel and Power Purchase Cost Adjustment (in short 'FPPCA') application for 2013-14 on 15.09.2014 in pursuance to regulations 2.8.7 and 5.8 of the Tariff Regulations.

1.2 The instant application of DPL is their third application for the APR of the third control period. The adjustments, as were found necessary on review of the performance of the previous years, were effected while determining the amount recoverable through tariff during the years following the years of such review. Similarly, the adjustments, as may arise out of the review of the instant application for 2013 – 2014 will be considered for giving effect while determining the amount of revenue recoverable through tariff of any ensuing year or through separate order as specified in regulation 2.6.6 of the Tariff Regulations.

1.3 DPL has submitted their application for Annual Performance Review for 2013 – 2014 in terms of the provision contained in the Tariff Regulations.

1.4 APR is to cover the annual fixed costs and fixed charges that is to be allowed to the licensee as per the Tariff Regulations. The Commission has taken careful note of the representations made by DPL and the relevant issues will be addressed to and the views will be taken accordingly while examining the admissibility of expenses under different heads of accounts in the subsequent chapter.

1.5 The APR for the year 2013 – 2014 is, therefore, the review of the different factor elements of fixed charges, categorized as controllable and uncontrollable allowed to DPL through the ARR of the tariff order for the year 2013 – 2014 vis-à-vis the actuals as per the audited accounts. The instant application of DPL for the year 2013 – 2014 is being viewed in the subsequent chapters of this order.

1.6 After receiving the APR application for 2013-14 as submitted by DPL on 27th November, 2014 Commission has sought lot of clarification, justification and information vide letters no. WBERC/FPPCA-72/14-15/1124 dated 11.03.02015 and WBERC/FPPCA-72/14-15/0117 dated 5th May 2015. Subsequently the Commission has further issued a letter vide dated 14th July, 2015 to DPL to furnish some other information / data as per format prescribed in the Tariff Regulations for the purpose. DPL, accordingly, has provided the requisite data / information on 24.07.2015 in the specified proforma. The APR application submitted on 27.11.2014 and the information / data furnished on 24.07.2015 along with the FPPCA application submitted on 15.09.2014 (collectively called as 'application') have subsequently been admitted by the Commission.

1.7 After admission of the application, the Commission vide letter No. WBERC/FPPCA/14-15/0655 dated 17.08.2015 directed DPL to publish the gist of the application in the news papers and also in their website in accordance with the regulation 2.6 of the Tariff Regulations. Accordingly the gist of the application was published simultaneously on 22.08.2015 in the newspapers viz., 'Bartaman', 'The Economic Times', 'Ei Samay' and 'Sanmarg' and also in the website of DPL inviting objections and suggestions from all interested parties and members of the public. The extended due date for submission of objections and suggestions by the interested parties at the office of the Commission was 09.09.2015.

1.8 Only one objector viz. Bamunara Industries Welfare Association (in short 'BIWA') has submitted their suggestions and objections on the application of DPL within the stipulated time i.e. 09.09.2015. The said objections and suggestions submitted by BIWA are dealt with in Chapter 2 of this order.

CHAPTER – 2
OBJECTIONS

Objections and suggestions against the application of APR and FPPCA for 2013-14 submitted by DPL

2.0 The stake holders from whom objections and suggestions on the application of APR and FPPCA for 2013 – 2014 of DPL have been received within the stipulated time are mentioned in Paragraph 1.8 of Chapter-1. The points of objections and suggestions are summarized in subsequent paragraphs of this Chapter along with views of the Commission.

2.1. Initially the objector has differed with the claim of DPL in various heads in APR for the year 2013 – 2014. In fact, the consumer has prayed for natural justice before the Commission in determination of tariff so that neither licensee nor the consumer would suffer in the event of tariff determination for the year 2013-2014. The Commission has viewed the performance of DPL in respect of normative plant availability vis-à-vis actual availability while admitting the fixed charges of the generating stations in next chapter.

2.2. Point wise objections:

2.3.1 Employee Cost:

Since DPL has not been able to provide apportionment of costs for Central Workshop and they have failed to justify / establish the basis of apportionment of cost of overall centralized services under the head employee cost, the objector urged that the Commission may allow employee cost of central services department to the tune of Rs. 3352.83 lakh and disallow the cost claimed from the central workshop towards power plant business. The amount of Rs. 3352.83

lakh is to be apportioned between the generation function and distribution function to the tune of Rs. 2643.53 lakh and Rs. 709.30 lakh respectively.

After careful consideration of the submission of DPL and reports of the Cost Accountant Firm, the Commission decides to allow employee cost of service department only to the extent admissible at the rate of apportionment claimed by DPL.

2.3.2 The objector proposed to allow coal and ash handling expenses as well as water charges prorated to the actual generation vis-à-vis target sent for generation. The objector prayed to allow expenses under these heads in proportion to actual generation.

The Commission will view the claim of DPL following the provisions of Tariff Regulations in this respect.

2.3.3 Operation and Maintenance Expenses:

The objector urged Commission to allow expenditure under this head to the tune of Rs. 1006.92 lakh for distribution function and Rs. 5132.45 lakh for generation function on actual basis.

The Commission will observe the provision of the Tariff Regulations at the time of considering the operation and maintenance expenses.

2.3.4 Rates & Taxes:

The objector prayed before the Commission to allow Rs. 5.29 lakh as claimed by DPL in APR for 2013 – 2014.

The Commission will view the claim of DPL following the provisions of Tariff Regulations in this respect.

2.3.5 Depreciation:

The objector urges to disallow depreciation of Rs. 421.46 lakh on account of 5% reduction of provisional project cost of Unit – VII. The total allowable depreciation as per objector's assessment comes to Rs. 8007.82 lakh for generation function and Rs. 1542.99 lakh aggregating to Rs. 9550.81 lakh for 2013 – 2014.

The Commission will view the claim of DPL following the provisions of Tariff Regulations in this respect.

2.3.6 Interest on Borrowed Capital:

2.3.6.1 CEA Loan – The objector prayed to the Commission to disallow amount of interest on CEA loan amounting to Rs. 175.58 lakh for DPL's failure to submit documents / information pertaining to backlog.

2.3.6.2 Interest on loan attributable to PFC – The objector submitted that the interest expenses of Rs. 1516.16 lakh attributable to PFC loan No. 50406001 be allowed only after thorough prudence check of the capital base. They cited that the opening loan balance in APR petition could not be traced from previous year's APR order.

2.3.6.3 Interest on Govt. of West Bengal Loan – The objector is of the opinion that interest on Government loan amounting to Rs. 2382.83 lakh towards financial year 2009 – 2010 to 2011 – 2012 and Rs. 814.80 lakh for 2013 – 2014 is not allowable since depreciation allowed should have reduced the normative loan and also the interest on borrowed capital.

The Commission will view the claim of DPL following the provisions of Tariff Regulations in this respect and also the earlier directives given in this respect to DPL.

2.3.7 Advance against Depreciation:

The objector viewed that the amounts towards interest on borrowed capital allowed in the past orders have direct implication on the allowable advance against depreciation. Thus, it was prayed that the Commission may seek the CAPEX wise identification of the loans, interest on borrowed capital, depreciation and advance against depreciation computations from DPL.

The Commission has taken a note of the comments of the objector.

2.3.8 Income Tax:

The objector treated the claim of DPL for Rs. 1517.92 lakh towards income tax as invalid since the audited account for the financial years 2013 – 2014 revealed that there was a loss of Rs. 22616.36 lakh entailing that there would have been no income tax liability.

The Commission will view the claim of DPL following the provisions of Tariff Regulations in this respect.

2.3.9 Violation of Regulations in computing Provisional Tariff of Unit No. VII:

Since DPL fails to submit requisite reports towards determination of project cost of Unit VII, the objector prayed to withheld 5% of advance against depreciation, interest on loan and reserve for unforeseen exigencies.

The Commission will follow the provisions of Tariff Regulations in this respect.

2.3.10 Consequential impact on Interest on Working Capital:

In opinion of the objector, the working capital and the interest thereon needed to be recomputed as per regulations 5.6.5.1 and 5.6.5.2 of the Tariff Regulations.

The Commission will view the claim of DPL following the provisions of Tariff Regulations in this respect.

2.3.11 Potential disallowances due to Poor Performance:

The objector viewed that a substantial portion of the capacity / fixed charges attributable to the generation function to the tune of Rs. 13022.53 lakh is to be disallowed considering the fact that achieved plant availability factor is significantly lower than normative level.

2.4 The Commission has taken note of the objections, suggestions and comments offered. Some of the objections, suggestions and comments have been dealt with in the respective paragraphs above. The objections, suggestions and comments which have not been dealt with in earlier paragraphs and are directly concerned with the instant APR petition, have been considered in the subsequent chapter of this APR order, in which various components of fixed costs have been analyzed and discussed. The objector has suggested to allow expenses under some head on the basis of actual generation. The Commission in the next chapter while admitting the fixed charges of the generation function on availability basis, these points will be taken care of.

CHAPTER – 3
COMPUTATIONS OF THE AMOUNT OF ALLOWABLE FUEL AND POWER PURCHASE COST

3.1 In this part of the order, the Commission takes up the determination of fuel and power purchase cost allowable to DPL on the quantum of power sold by it to the consumers and other licensees during the financial year 2013 – 2014.

3.2 The Fuel and Power Purchase Cost (FPPC) during the refrerred adjustment period, i.e., financial year 2013 – 2014, is to be admitted in terms of the following formula as specified by the Commission in schedule 7A to the Tariff Regulations.

"FPPC (In Rs.) = $\{FC + (PPC - C_D) + (\pm A)\}$

Where –

i) The adjustment period for fuel and power purchase cost will normally be on annual basis, if not otherwise decided by the Commission.

ii) FPPC: Re-determined Fuel and Power Purchase Cost against application of FPPCA.

iii) FC: Fuel cost of own generation as per normative parameters fixed by the Commission or on actual basis in absence of any norm and UHV range as may be allowed under regulation 5.8 commensurate with actual level of energy sales to own consumers and / or licensee during the adjustment period in accordance with the following methodology:

t = Norms of Transmission and Distribution loss in % considered for sale of power from licensee to licensee

d = Norms of distribution loss in %

E_O = Admitted Energy for own consumption by licensee,

E_{SL} = Energy sale to other licensee in MU

E_{SC} = Energy sale to consumer in MU

Fuel-Cost = Fuel cost at generation bus of own generating stations = Cost determined on the basis of normative parameters of SHR and oil consumption rate against actual level of energy sent out plus normative auxiliary energy consumption.

FC_{IUC} = Per unit of Fuel Cost at distribution input

= Fuel-Cost ÷ Actual overall energy available at input of the distribution system which includes power purchase from different services.

FC_{Adm_d} = Admitted Fuel Cost for sale to licensee

$$= \frac{E_{SL}}{(1 - t \times 0.01)} \times FC_{IUC}$$

FC_{Adm_C} = Admitted Fuel Cost for sale to consumer

$$= \frac{E_{SC} + E_O}{(1 - d \times 0.01)} \times FC_{IUC}$$

$FC = FC_{Adm\_d} + FC_{Adm\_C}$

iv) PPC (Rs.): Total cost incurred including the cost for fuel for power purchase from different sources commensurate with actual level of energy sales during the adjustment period.

v) C_D (Rs.): Cost disallowable by the Commission as per following methods:

Let d = Norms of distribution loss in %

t = Norms of Transmission and Distribution loss in % considered for sale of power from licensee to licensee

E_g = Actual energy sent out in MU from own generating station

E = Excess amount of auxiliary energy consumption in MU,

E_P = Total energy purchased in MU

E_O = Admitted Energy for own consumption by licensee

E_{SC} = Energy sale to consumer in MU

E_{SL} = Energy sale to other licensee in MU

E_{Adm} = Admitted amount of energy entitled for purchase

$$= \frac{E_{SC} + E_O}{(1 - d \times 0.01)} + \frac{E_{SL}}{(1 - t \times 0.01)} - E - E_g$$

E_E = Excess energy purchased = $E_P - E_{Adm}$

C_D = $E_E \times EP_{Avg}$

When EP_{Avg} = Average cost of power purchase.

vi) A: Adjustment, if any, to be made in the current period to account for any claim due to excess / shortfall in recovery of fuel and power purchase cost in the past adjustment period based on directions / orders of the Commission. (+A) shall be considered as the amount to be recovered from consumer and purchaser of electricity under the purview of the Commission when the licensee has already incurred such expenses. (-A) shall be considered as the amount to be refunded to the consumer and purchaser of electricity under the purview of the Commission because such amount of less expenses has been incurred by the licensee against any prior period adjustment.

vii) Such re-determined fuel and power purchase cost (FPPC) of the licensee will be further adjusted for gain sharing as per Schedule – 9B for the parameters related to fuel cost to the extent it has impact in the fuel cost.”

3.3 DPL is a multi unit company fully owned by the Government of West Bengal. Besides functioning as a distribution licensee, it runs a thermal generating station, a coke oven plant and water works. Part of the generation of electricity at the generating station is being utilized by other sister units. The energy balance as was considered at the time of fixing tariff for the year 2013 – 2014 and as it came in actual were as under:

Sl No	Particulars	As per Tariff Order	As per Actual
Sources		(Figure in MU)	(Figure in MU)
(a)	Gross Generation	4176.060	1695.750
	Less: Auxiliary consumption	386.070(9.24%)	194.500 (11.47%)
(b)	Ex-bus generation	3789.990	1501.250
(c)	Purchase of power during the year	109.405	372.500
(d)	Unscheduled Interchange (net)	0.000	89.800
(e)	Total energy available [(b)+(c)+(d)]	3899.395	1963.550
Utilization			
(f)	Sale of power to WBSEDCL and others at Bus	992.361	88.040
(g)	Own consumption	29.030	15.000
	Inter Plant transfer		31.120
(h)	Energy available for local sale [(e)-(f)-(g)]	2878.004	1829.390
(i)	Sale to consumers (including supply to WBSEDCL in 11 kV)	2728.348	1731.940
(j)	Distribution Loss (as a %age on quantum available for local sale)	149.656(5.20%)	97.450 (5.33%)

3.4 The schedule – 9B to the Tariff Regulations, contains provisions for sharing the gains derived by the licensee, if any, on account of its better performances over the operating and fuel consumption norms set by the Commission for the concerned year. The operational parameters which are to be considered for such sharing the gains accrued to the licensees are:

i) Oil consumption rate,

ii) Rate of Auxiliary Consumption,

iii) Gross Station Heat Rate.

3.5 The referred schedule 9B to the Tariff Regulations also provides that in case availability of a generating station of the licensee falls below the availability norm, then the total gains meant to be passed on to the consumers under the items (i) to (iii) above, is first to be used to compensate the deficit in the recovery of the fixed charges, if any, by the licensee.

3.6 Before ascertaining the amount of admissible fuel and power purchase cost as well as the amount of gains to be shared with the consumers and other licensees under the provisions of the Tariff Regulations explained in earlier paragraphs, it needs to view the actual performances of DPL in comparison to the operational and fuel efficiency norms set by the Commission in the Tariff Order for the concerned year. Such comparisons are made hereunder:

3.7 Actual quantum of oil consumption as per the audited accounts during the year 2013 – 2014 came to 9908.450 KL for generation of 1695.750 MU. The rate of oil consumption, thus, came to 5.84 ml/kWh which is much more than the norms set for different units of DPL and also more than the rate as allowed in the tariff order. The actual rate of auxiliary consumption came to 11.47% as against operating norm set for DPL at 9.30%. As per the computations shown in the Annexure 3A, actual station heat rate achieved during the year came to 3273.18 Kcal/kWh as against operating norm of 2747.00 Kcal/kWh. DPL, thus, did not succeed in making improvement in any of the operational parameters. No gain, therefore, accrued to it for sharing with the consumers and other licensees.

3.8 The norm for distribution loss of DPL for the year 2013 – 2014 was considered 5.20% in the tariff order. As it comes out from the energy balance drawn under paragraph 3.3 above, the actual rate of distribution loss experienced by it on the quanta of sales to consumers in 11 KV works out to 5.33%. Thus, there was no improvement in distribution loss. No gain, therefore, was derived from it.

3.9 FPPCA formula provides for adjustment of allowable fuel and power purchase cost for the gain sharing, if any, in accordance with Schedule – 9B to the Tariff Regulations.

3.10 The values of different factors in the FPPCA formula referred to are worked out and admitted as under:

3.10.1 **FC (FUEL COST):**

Fuel cost of own generation is to be allowed as per normative parameters fixed by the Commission, or on actual basis in absence of any norms, and heat value of coal as may be allowed under regulation 5.8.1 of the Tariff Regulations, commensurate with actual level of energy sales to own consumers and / or licensees during the adjustment period. The fuel costs allowed to DPL for the year 2013 – 2014 for its generating stations were based on the weighted average fuel consumption norms in respect of Units III to Unit VII as under:

Particulars	Unit	Norms
Station Heat Rate	Kcal/Kwh	2747.00
Specific Oil Consumption	Ml/Kwh	1.73
Auxiliary Consumption	%	9.30
Transit and handling loss of Coal	%	0.50

The weighted average calorific values of coal and oil are variable factors for assessing the quantity of coal and oil requirements and depend on the actual grade mix of their use in the power stations. Moreover, the declared Heat Value of each grade of coal varies between ranges. The weighted average heat value of coal for generating station consisting of five units of DPL, as considered in the tariff order for the year 2013 – 2014, was based on declared minimum heat value of the proposed grade mix of use. As per submission of DPL, the minimum average heat value of coal computed in terms of regulation 5.8.1 of the Tariff Regulations with actual grade mix of coal consumed as per audited data comes at 3662.81 Kcal/Kg. The Commission noted that DPL has determined weighted average UHV of different grades of coal consumed, certified by auditor, considering minimum UHV of the respective coal band with reference to specific 'GCV' of the respective grades of coal. The Commission goes by the provisions of the regulation 5.18.5 of the Tariff Regulations for determination of UHV by the process of interpolation. The weighted average useful heat value of the coal consumed, determined as per Regulation 5.8.15, is 4005.02 Kcal/Kg. The computations shown in Annexure – 3B in this regard may be referred to. The Gross Calorific Value (in short "GCV") of oil, as claimed by DPL based on actual consumption as per auditor's certificate, is 9000.00 Kcal/lit and the same is admitted.

The weighted average price of coal and oil, as per Note 13(i) of audited annual accounts 2013 – 2014 of DPL, came to Rs. 2685.71 per M.T. and Rs. 55778.55 per K.L. respectively. The above prices are inclusive of transportation charges.

The admissible amount of fuel cost for generation has been computed and shown in Annexure – 3C. The computations therein are based on normative rate of auxiliary consumption, station heat rate, oil consumption rate and transit loss of coal. The weighted average heat value of coal and GCV of oil are considered on the basis as stated above. The average price of Coal and that of Oil are considered on the basis of actuals. The computed fuel cost of generation of electricity for sales to own consumers, WBSEDCL and others including inter plant transfer works out to Rs. 32066.83 lakh.

3.10.2 **PPC (POWER PURCHASE COST):**

The actual quanta of power purchase and the cost incurred as per data submitted by DPL and as also seen from the audited accounts for the year 2013 – 2014 are 372.52 MU and Rs. 14105.70 Lakh respectively with an average rate of purchase of 378.66 paise / kWh. The power purchases were made from WBSEDCL, IEX, SIIPL, CIAL. The breakup of such purchase is given below:

Name of Agency	Quantity (in MU)	Amount (Rs. in lakh)
WBSEDCL	151.69	7542.74
SIIPL	5.76	895.15
IEX	214.58	5641.64
CIAL	0.49	26.17
Total	372.52	14105.70

Besides, DPL drew 89.80 MU of power under Unscheduled Interchange (UI) during the year. The payable amount against drawal under UI mode was

Rs. 1120.30 lakh. It is also seen from the audited accounts that no amount was receivable under UI. Thus an amount of Rs. 1120.30 lakh, being cost of power purchase in UI mode is admitted by the Commission. The total expenditure on account of purchase of power comes at Rs. 15226.00 lakh (Rs. 14105.70 lakh + Rs. 1120.30 lakh). The Average power purchase cost thus works out at 329.34 paise / kWh. Total quantum of power purchase including drawal in UI mode is 462.32 MU.

3.10.3 FUEL AND POWER PURCHASE COST:

In terms of the FPPCA formula as referred to in paragraph 1.3, the admissible fuel and power purchase cost of DPL works out as under. This admissible amount is subject to disallowance of a part of such cost on account of excess auxiliary consumption in the power plant and excess distribution loss.

Sl No	Factor Notation	Nomenclature	Unit	Value
1	t	Norms of Transmission and Distribution loss considered for sale of power to licensee and for interplant transfer	%	0.000
2	d	Norms of distribution loss for sale to consumers	%	5.200
3	E_O	Energy for own consumption	MU	15.000
4	E_{SL}	Energy sale to licensee and interplant transfer [refer table in paragraph 3.3]	MU	119.16
5	E_{SC}	Energy sale to consumer [vide (i) of table in paragraph 3.3]	MU	1731.940
6	Fuel Cost	Fuel cost for generation on normative parameters (Refer Annexure – 3C)	Rs. in Lakh	32066.83
7	FC_{IUC}	Per unit Fuel Cost at distribution input for sale to consumers (Refer A(v) below)	Paise/kWh	163.309
8	FC_{Adm_d}	Admissible Fuel Cost for sale to WBSEDCL and inter plant transfer (Refer B(ii) below)	Rs. in Lakh	1945.99
9	FC_{Adm_C}	Admissible Fuel Cost for sale to consumer and for own consumption [Refer B(i) below]	Rs. in Lakh	30093.99
10	FC	Admissible fuel cost [(8)+(9)]	Rs. in Lakh	32039.98
11	PPC	Power Purchase Cost including net UI charges (vide para 3.10.2)	Rs. in Lakh	15226.00
12	FC + PPC	Admissible Fuel and Power Purchase Cost [(10)+(11)]	Rs. in Lakh	47265.98

A. Fuel Cost per Unit (kWh) at Distribution Input		**Unit**	**Amount**
(i)	Fuel Cost for sale to consumers (As per Annexure – 3C)	Rs. in Lakh	32066.83
(ii)	Energy sent out from own generation for the consumers and licensee [(b) of table in paragraph 3.3]	MU	1501.250
(iii)	Power Purchase (vide paragraph 3.10.2)	MU	462.320
(iv)	Total energy available for sale [(ii)+(iii)]	MU	1963.570
(v)	FC_{IUC} [(i)/(iv)]	Paise/kWh	163.309

B. Admissible Fuel Cost for sale to Consumers and Licensee		**Unit**	**Amount**
(i)	$\frac{E_{SC} + E_O}{(1 - d \times 0.01)} \times FC_{IUC} = \frac{1731.940\ MU + 15.000\ MU}{0.948} \times$ 163.309 paise/kWh	Rs. in Lakh	30093.99
(ii)	$\frac{E_{SL}}{(1 - t \times 0.01)} \times FC_{IUC} = \frac{119.160\ MU}{1} \times$ 163.309 paise/kWh	Rs. in Lakh	1945.99

3.10.4 **C_D: Cost Disallowable**:

Factor C_D, as referred to in the FPPCA formula mentioned in paragraph 3.2 in the earlier chapter, stands for cost as to be found disallowable by the Commission as per methodology specified in the FPPCA formula.

In accordance with methodologies, as specified in FPPCA formula, the amount of cost disallowable works out as under:

Sl. No.	Factor Notation	Nomenclature	Unit	Value
1	E_{SC}	Quanta of energy sold to consumers	MU	1731.940
2	E_O	Energy allowable for own consumption	MU	15.000
3	d	Normative distribution loss	%	5.200
4	-	$\frac{E_{SC} + E_O}{(1 - d \times 0.01)}$ = $\frac{1731.940+15.000}{0.948}$	MU	1842.764
5	E_{SL}	Quanta of energy sold to licensee and interplant transfer	MU	119.160
6	t	Normative T&D loss for E_{SL}	%	0.00
7	-	$\frac{E_{SL}}{(1 - t \times 0.01)}$	MU	119.160
8	E	Auxiliary consumption in excess of norms (Refer A below)	MU	36.795
9	E_g	Energy sent out from own generating station [refer paragraph 3.3, Sl. No. (b)]	MU	1501.250
10	E_{Adm}	Purchase of energy admitted [(4)+(7)-(8)-(9)]	MU	423.879
11	E_P	Total energy purchased including UI	MU	462.320
12	E_E	Excess energy purchased ($E_P - E_{Adm}$)	MU	38.441
13	EP_{Avg}	Average power purchase cost (refer paragraph 3.10.2)	Paise/kWh	329.34
14	C_D	Cost disallowed ($E_E \times EP_{Avg}$)	Rs. in Lakh	1266.02

A. Excess Auxiliary Consumption:		Unit	Amount
(i)	Actual Gross Generation	MU	1695.750
(ii)	Actual Auxiliary Consumption	MU	194.500
(iii)	Normative rate of Auxiliary Consumption	%	9.300
(iv)	Auxiliary Consumption at normative rate	MU	157.705
(v)	Auxiliary Consumption in excess of norms	MU	36.795

3.10.5 **A (PRIOR PERIOD ADJUSTMENTS):**

Factor A in the referred FPPCA formula signifies the adjustment, if any, to be made in the current period to account for any excess / shortfall in the recovery of fuel and power purchase cost for the past period. As per Note 19 of the financial statements for the year ended 31st March, 2014, it is observed that an income of Rs. 16.32 lakh has accrued to DPL on account of purchase of power relating to prior period purchase. Such adjustment is, therefore, taken as Rs. 16.32 lakh being less expense incurred against earlier period(s).

3.11 **Computations of the aggregate allowable amount of fuel and power purchase cost**:

3.11.1 Based on the analyses done in the foregoing paragraphs, the amount of allowable fuel and power purchase cost for DPL for the year 2013 – 2014 works out as under

Rs in lakh

Sl No	Particulars/Factors	As admitted
1	FC: Fuel cost (10 of table in para 3.10.3)	32039.98
2	PPC: Power purchase cost (11 of table in para 3.10.3)	15226.00
3	C_D: Cost disallowable (para 3.10.4)	(-) 1266.02
4	±A :Adjustment relating to earlier period (para 3.10.5)	(-) 16.32
5	Allowable fuel and purchase cost = FC+(PPC - C_D)+(± A)	45983.64

3.12 **Benefits for savings in Distribution Loss**:

3.12.1 As referred in paragraph 3.8, DPL could not achieve any gains from distribution loss and the same is treated as nil.

3.13 Summing up the findings stated above, the amount of fuel and power purchase cost allowed to DPL for the year 2013 – 2014 is as under.

Particulars	Cost (Rs. in Lakh)
Fuel and Power Purchase cost as computed in para 3.11.1 above.	45983.64
Additional amount on account of savings in rate of distribution loss.	0.00
Re-determined Fuel and Power Purchase cost	**45983.64**

ANNEXURE - 3A
COMPUTATION OF ACTUAL AVERAGE STATION HEAT RATES ACHIEVED IN 2013 -2014

Sl No	Particulars	Unit	Value
1	Generation (Actual)	MU	1695.750
2	Consumption of Oil (As per audited accounts)	KL	9908.450
3	Consumption of Coal (As per audited accounts)	MT	1491021.003
4	GCV of Oil	Kcal/Lit	9000.000
5	Heat value of Coal (Actual as given)	Kcal/Kg	3662.81
6	Heat from Oil (2X4/1000)	M.Kcal	89176.050
7	Heat from Coal (3X5/1000)	M.Kcal	5461326.640
8	Total Heat used (6+7)	M.Kcal	5550502.690
9	Station Heat Rate achieved (8/1)	Kcal/kWh	3273.18

ANNEXURE – 3B
COMPUTATION OF HEAT VALUE OF COAL BASED ON MINIMUM OF DECLARED HEAT VALUE

Source	Grade of Coal	Quantity consumed	GCV of coal received (x)	Minimum UHV of coal grade	Max GCV of Band (X2)	Min GCV of Band (X1)	Max UHV of Band (Y2)	Min UHV of Band (Y1)	Mean UHV Interpolation	Qty X Mean UHV	Wt. Ave. UHV admitted by the Commission	UHV considered by DPL	Qty X Mean UHV as per DPL	Wt. Ave. UHV as considered by DPL
1	2	3	4	5	6	7	8	9	10	11=3 X 10	12= 11 / 3	13	14= 13 X 3	15 = 15 /3
ECL	G3	18550.333	6550	6201	6850	6455	6801	6201	6345.30	117707498.4		6200	115012064.6	
	G4	65106.104	6250	5600	6454	6049	6200	5600	5897.78	383981333.4		5600	364594182.4	
	G5	41599.486	5950	4940	6049	5597	5600	4940	5455.44	226943603		4940	205501460.8	
	G6	22365.315	5650	4940	6049	5597	5600	4940	5017.39	112215494		4940	110484656.1	
	G7	24154.54	5350	4200	5597	5089	4940	4200	4580.20	110632548		4200	101449068	
WBMDC	G7	72304.359	5590	4940	6049	5597	5600	4940	4929.78	356444493.3		4200	303678307.8	
BCCL	G3	3727.553	6550	6201	6850	6455	6801	6201	6345.30	23652456.21		6200	23110828.6	
	G5	8349.718	6250	5600	6454	6049	6200	5600	5897.78	49244781.27		4940	41247606.92	
	G6	3727.553	5950	4940	6049	5597	5600	4940	5455.44	20335450.97		4940	18414111.82	
	G7	8200.616	5650	4940	6049	5597	5600	4940	5017.39	41145683.63		4200	34442587.2	
	W-III	52036.633	5350	4200	5597	5089	4940	4200	4580.20	238338022.6		3360	174843086.9	
	W-IV	205760.898	5050	3360	5089	4324	4200	3360	4157.18	855384363.7		3360	691356617.3	
	LW-464	3727.553	4740	3360	5089	4324	4200	3360	3816.78	14227265.82		3360	12524578.08	
BECML	G6	415845.757	5050	3360	5089	4324	4200	3360	4157.18	1728744196		4940	2054278040	
MCL	G9	6858.697	4740	3360	5089	4324	4200	3360	3816.78	26178167.12		3360	23045221.92	
	Washed	442756.595	4300	2400	4324	3865	3360	2400	3309.80	1465437514		2400	1062615828	
	G12	33922.819	3850	1300	3865	3113	2400	1300	2378.06	80670448.43		1300	44099664.7	
	G13	62026.474	3550	1300	3865	3113	2400	1300	1939.23	120283520		1300	80634416.2	
	TOTAL	1491021.003								5971566841	4005.02		5461332327	3662.81

ANNEXURE – 3C
COMPUTATION OF FUEL COST OF GENERATING STATIONS

Sl No	Particulars	Unit	Overall
1	Ex-Bus Generation	MU	1501.250
2	Rate of Auxiliary Consumption	%	9.300
3	Auxiliary consumption on ex-bus generation [(1)/(1-.093)-(1)]	MU	153.932
4	Admissible Generation for sale [(1)+(3)]	MU	1655.182
5	Station Heat Rate	Kcal/kWh	2747.000
6	Total Heat Required (4×5)	M.Kcal	4546784.954
7	Heat value of Oil	Kcal/lit	9000.000
8	Specific Oil consumption	ml/kWh	1.730
9	Oil consumption (4×7)	KL	2863.465
10	Heat from oil (8×9)/1000	M.Kcal	25771.185
11	Heat from coal (6-10)	M.Kcal	4521013.769
12	Average UHV of coal	K.cal/Kg	4005.020
13	Coal consumption (11/12) ×1000	MT	1128836.752
14	Coal requirement at 0.50% transit loss	MT	1134509.298
15	Average price of oil	Rs/KL	55778.550
16	Average price of coal	Rs/MT	2685.710
17	Cost of oil (8×15)/100000	Rs in lakh	1597.199
18	Cost of coal (14×16)/100000	Rs in lakh	30469.630
19	Cost of Fuel (17+18)	Rs in lakh	32066.830

CHAPTER – 4
FIXED CHARGES

4.1. 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 made under the 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 DPL is being taken up hereunder one by one:

4.2. **Project Cost of Unit VII**:

4.2.1 The Project cost of unit VII could not be finalized by the Commission pending further clarification from DPL in pursuance of the directives given by the Commission in the tariff order for 2007-08 and also through subsequent letters. DPL submitted some documents and clarifications and some information are yet to be submitted. Pending such finalization, the Commission, during determination of Aggregate Revenue Requirements (ARR) for the years 2011 – 2012, 2012-2013 and 2013-2014 in the tariff order for 2011-12 and 2012-13, considered provisionally the project cost of Unit VII after deduction of 5% of the project cost, as indicated by DPL in its tariff application. Therefore, 5% of the provisional project cost amounting to Rs. 6750.00 lakh is being withheld for the time being in this order.

4.2.2 Withholding of 5% of the provisional project cost as mentioned in paragraph 4.2.1 above and thereby reduction in the provisional project cost would have effect on different fixed charge components *viz*. depreciation, interest, return on equity and reserve for unforeseen exigencies.

4.2.3 The total withheld amount as mentioned in paragraphs 4.2.1 and 4.2.2 above is Rs. 596.11 lakh (Rs. 219.87 lakh + Rs. 376.24 lakh) comprising depreciation (Rs. 219.87 lakh) and return on equity (Rs. 376.24 lakh) for the year 2013 – 2014 as mentioned in paragraph 4.2 (iv) in the tariff order dated 17.12.2012 in case no. TP-49/11-12. In case of any disallowance in the project cost of Unit VII by the Commission during finalization of the project cost, the withheld amounts as mentioned in paragraph 4.2.1 above will be adjusted with the reduction in project cost, if any, and corresponding impact will accordingly be adjusted in APR of future years.

4.3 **Employee Cost:**

4.3.1 In the Tariff order for 2013-14 DPL was allowed a total amount of Rs. 7904.90 lakh towards employee cost including proportionate expenses of centrally maintained expenses viz. expenses of Service Department and Central Work Shop in respect of salaries, wages, bonus, contribution to PF etc. as well as staff welfare expenses. As against this amount, DPL has claimed the actual expenditure as per audited accounts for a total amount of Rs. 15718.14 lakh including withheld employee cost for 2011 – 2012 and 2012 – 2013. The detailed head wise break-up is as under:

Rs. In Lakh

Sl. No.	Detailed heads of Accounts	Amount
1	Salary & Wages	5517.08
2	Bonus & Ex-Gratia	92.21
3	Gratuity	557.58
4	P. F. Contribution	484.53
5	Leave Salary	376.69
6	LTC & Leave encashment	64.25
7	Contribution to Pension Scheme	72.73
8	Welfare Expenses	35.94
9	Other – Electricity allowance,	135.03
10	Total amount directly chargeable to Power Business	7336.04

11	Allocation of Centrally maintained expenses		
	(a) Service Department	3352.82	
	(b) Central Workshop	57.01	3409.83
12	Withheld employee cost of 11-12 & 12-13		
	(a) Service Department	4896.82	
	(b) Central Workshop	75.45	4972.27
		Total	15718.14

4.3.2 DPL being a multi product / functional organization, its power business gets an allocation of the net expenditures of its centralized service department and workshop on the basis of pre-determined allocation. The employee cost shown above is for the employees exclusively posted in O&M of Power plant business comprising of generating units and distribution area, proportionate cost of employees from the centralized service department i.e., Corporate Finance & Accounts , Personnel & Administration, Hospital, Township, Employees Welfare etc. and proportionate cost of employees in central workshop. The proportionate cost of employees from centralized service department and central workshop are considered by DPL in the computation of employee cost at the ratio of 56.18% and 17% of total employees cost of centralized service department and central workshop respectively.

4.3.3 The Commission, in the tariff order for 2012 – 2013, allowed 8.33% of the employee cost of power station of DPL for centrally maintained expenses in generation wing and 10% of employee cost for the same under distribution wing. In paragraph 4.3.4 of the aforesaid tariff order for 2011 – 2012 and 2012 – 2013, it was stated that if there is any variation in the admitted amount under centrally maintained expenses, DPL shall furnish relevant information and supporting documents in this respect along with the application of APR of the concerned year. Along with the information and documents as above, DPL was directed to furnish the information in the format 1.17(h) of Annexure – 1 to the Tariff Regulations in the application for APR for the concerned year. On receiving such information, the same would be considered for adjustment in APR to the extent it is found fit by the Commission. But DPL has not furnished such information in format 1.17(h)

4.3.4 DPL has submitted the details of the expenses for power plant and proportionate cost of centralized services as per format 1.17(h) of Annexure – 1. The Commission observed a difference between total employee cost of power business mentioned in form 1.17(h) of APR application and the employee cost claimed in form E (B). It is noted that in form 1.17(h) PF contribution has been mentioned as Rs. 3.00 lakh for power business whereas the same is Rs. 484.53 lakh as per audited accounts. DPL clarified through their subsequent submission in response to Commission's letter dated 19.01.2017 that amount of terminal benefit was mistakenly entered as Rs. 3.00 lakh instead of 484.53 lakh in form 1.17(h). DPL submitted a revised form 1.17(h). Considering the P.F. contribution for power business as Rs. 484.53 lakh, the total employee cost for power business works out at Rs. 7336.04 lakh, which corroborates the amount booked in audited accounts of power plant. .

4.3.5 In regard to allocation of 'centrally maintained expenses', the submission of DPL are as below:

i) Number of employees of the power station including that of 'centrally maintained department' is within the permissible limit of Man/MW norms.

ii) Unlike other generating company, DPL is continuing with a separate service department for being a 'multi business company' all located in one place.

iii) In compliance with the directives under paragraph 3.3.7 of the APR order for 2012 – 2013, DPL had taken action to recalculate the basis of apportionment in a fresh manner and engaged a Cost Accountant Firm in practice.

iv) Though as per the report of the Cost Accountant Firm M/s Dutta, Ghosh, Bhattacharjee & Associates, the cost of service department attributable to power business is to the extent of 63.04%, DPL has considered the allowable ratio of 56.18% as per their earlier practice.

4.3.6 The basis of allocation as put forward by Cost Accountant Firm in their report are as below:

i) The apportionment of expenses of the service department among production units are on the basis of 'Generally Accepted Cost Accounting Principles and Cost Accounting Standard (CAS-3).

ii) Some expenses which can be directly apportioned to different production units have been identified and common items have been apportioned on the basis of "Conversion Cost of Different Production Units".

4.3.7 The Commission, on being satisfied with the submission of DPL together with the report of the Cost Accountant Firm in practice, decides to allow the employee cost of service department in the ratio of 56.18% as claimed by DPL. The allocated expenses on employee cost to the extent disallowed in the APR order for 2011 – 2012 and 2012 – 2013 are also being allowed by the Commission for adjustment in APR for 2013 – 2014. Employee cost of central workshop is not considered by the Commission for the same has not been considered in the Cost Accountant's report. Allocated employee cost of service department, attributable to power business during the years 2011 – 2012, 2012 – 2013 and 2013 – 2014 is given in the table below:

Year	Employee cost of Service Department as per audited accounts	% allocable to Power Business	Amount allocable to Power Business	Actual admitted in APR	Balance to be allowed
2011 – 2012	5514.82	56.18	3098.23	1570.79	1527.44
2012 – 2013	5958.88	56.18	3347.70	616.42	2731.28
2013 – 2014	5968.00	56.18	3352.83	646.01	2706.82
				Total	6965.54

4.3.8 Summing up above, the Commission decides to admit the actual employee cost in power plant as per audited accounts together with directors' fees and expenses for Rs. 11.12 lakh i.e., for an overall amount of Rs. 7347.16 lakh (Rs. 7336.04 lakh + Rs. 11.12 lakh) being uncontrollable in nature in APR for 2013 – 2014. The Commission also admits an amount of Rs.6965.54 lakh towards allocation of service department's employee cost as determined on the basis explained in paragraph 4.3.5, 4.3.6 and 4.3.7 above. The function-wise allocation of the total amount so admitted i.e., Rs. 14312.70 lakh (Rs. 7347.16 lakh + Rs. 6965.54 lakh) based on the ratio suggested by DPL in their submission is as under:

Sl. No.	Particulars	Amount admitted by the Commission (Rs. in Lakh)		
		Power Business	Service Department Expenses	Total
1	Generation Function	5311.43	4770.57	10082.00
2	Distribution Function	2035.73	2194.97	4230.70
	Total	7347.16	6965.54	14312.70

4.4 **Water Charges**:

4.4.1 DPL meets its processed water supply requirements for its generating plants taking supply from its sister water plant unit. The inter plant transfer rate for such processed water during the year was fixed to Rs. 6.50 per kilolitre (KL). The actual amount of Rs. 2578.64 lakh was charged to power plant unit as per audited annual accounts for 2013 – 2014 as against Rs. 3175.32 lakh considered in the tariff order for the concerned year. Out of Rs. 2578.64 lakh charged in the annual accounts for 2013 – 2014, Rs. 2553.16 lakh is for generation function and Rs. 25.48 lakh for distribution function as mentioned by DPL in their APR application. The Commission considers the water charges for generation function only.

4.4.2 The water charges are categorized as uncontrollable. The Commission observed that during 2013 – 2014, the actual generation fell short of target generation projected by DPL. The Commission decides to view the amount claimed with reference to the targets set for generation and actual generation as highlighted hereunder:

Rs. in lakh

Generating Station	Target generation (MU)	Expenses as per tariff order	Actual generation (MU)	Expenses proportionate to actual generation	Actual expenses for generation function	Expenses admitted in APR 2013 – 2014
Units III to VII	4176.060	3175.32	1695.754	1289.39	2553.16	1289.39

4.4.3 The Commission decides to admit the expenses of Rs. 1289.39 lakh towards water charges in the APR for 2013 – 2014 under generation function only.

4.5 **Coal and Ash Handling Charges**:

4.5.1 An amount of Rs. 1457.34 lakh was allowed in the tariff order for 2013 – 2014 towards coal and ash handling expenses. DPL claimed an amount of Rs. 638.33 lakh on this account i.e., the actual expenses as per the audited annual accounts of generating station.

4.5.2 The coal and ash handling expenses are categorized as uncontrollable. However, as already explained in respect of water charges in foregoing paragraphs, the Commission decides to view the amount claimed with reference to the targets set for generation and actual generation as below:

Rs. in lakh

Generating Station	Target generation (MU)	Expenses as per tariff order	Actual generation (MU)	Expenses proportionate to actual generation	Actual expenses	Expenses admitted in APR 2013 – 2014
Units III to VII	4176.060	1457.34	1695.754	591.78	638.33	591.78

4.5.3 It may be seen from the above table that actual expenses under this head are higher than the expenses proportionate to actual generation. The Commission thus considers not to allow the actual expenses under this head and decides to restrict the amount of expenditure to the amount proportionate to the actual generation i.e., Rs. 591.78 lakh. The admitted amount of Rs. 591.78 lakh is chargeable to generation function.

4.6 **Demurrage**:

4.6.1 No amount of demurrage charge was admitted by the Commission in the tariff order for 2013 – 2014. In terms of regulation 5.8.1(vi), the expenditure on account of demurrage is a fuel related cost and to be considered while determining the FPPCA for the year 2013 – 2014. Hence, no demurrage charge is considered separately for APR for the year 2013 – 2014.

4.7 **Interest on Capital Borrowings**:

4.7.1 As it reveals from the data submitted in Form – C of the instant application for APR 2013 – 20114, borrowings of DPL for its power business are mainly from M/s Power Finance Corporation Limited (in short "PFCL"). In addition to those, part of the borrowings from the Government of West Bengal and through the issuance of Bonds was allocated to power. The position of outstanding balances, at the beginning of the year, repayments made during the year, fresh borrowings and interest charges for the year are found as under:

Rs. in Lakh

Sl. No.	Sources		Opening balance	Repayment	Fresh drawal	Closing balance	Interest charges
A.	**Long Term Borrowings:**						
1	PFCL						
	i)	No. 50401001	55285.77	7133.65	0.00	48152.12	5751.88
	ii)	No. 50403001	13499.36	999.95	0.00	12499.41	1516.16
2	Central Electricity Authority		1181.00	0.00	0.00	1181.00	175.58
3	Government of West Bengal		9402.58	0.00	300.00	9702.58	814.80
	Sub Total		**79368.71**	**8133.60**	**300.00**	**71535.11**	**8258.42**
B.	**Short Term Borrowings:**						
4.	STL from PFC		9610.50	10166.59	21000.00	20443.91	1669.31
5.	MTL from UBI		1840.00	460.00	0.00	1380.00	217.70
	Sub Total		**11450.50**	**10626.59**	**21000.00**	**21823.91**	**1887.01**
	Grand Total		**90819.21**	**18760.19**	**21300.00**	**93359.02**	**10145.43**

4.7.2 The amount of interest charged in Profit & Loss Account of the power business is found to be Rs. 10145.43 lakh (vide note 16 to the statement of Profit & Loss for 2013 – 2014). However, the above amount of Rs. 10145.43 lakh is inclusive of the following amounts of interest charges:

i)	Interest on loan of Rs. 1181.00 lakh from CEA under sl. No. A (2).	Rs. 175.58 lakh
ii)	Interest on STL from PFCL & UBI under sl. No. B(4), B(5) and B(6)	Rs.1887.01 lakh
	Total	Rs.2062.59 lakh

4.7.3 DPL, in their submission, has highlighted the reason for providing the interest liability for Rs. 3616.13 lakh of the loan from CEA for Rs. 1181.00 lakh upto 31.03.2014 which was obtained long back and yet to be repaid. This includes penal interest also. However, an amount of Rs. 175.58 lakh has been claimed by DPL in their APR application in Form C of Annexure I. In the APR order for 2011 – 2012 DPL was directed to submit a detailed deliberation underlying the background of backlog interest for Rs. 3440.55 lakh above followed by a statement of interest actually paid so far year wise, statement of interest payable, penal interest chargeable / paid year wise, year wise provision in audited annual accounts, approach to CEA for making the payment of the principal and interests and their response, highlighting the reasons for failing to make timely payment of interest inspite of allowing the same through APR orders issued by the Commission from time to time with fixing up of accountability in this regard in a specific manner and then prefer the claim having a valid support of the actions taken on the above points. The copies of all correspondences made with CEA, the loan agreement underlying the terms and conditions of payment and agenda notes with resolution of the Board of DPL may be annexed to such submission. The amount of interest admitted by the Commission in respective APR orders so far issued may also be mentioned. Such submission was to be made in the APR application for the year 2012 – 2013 for examination by the Commission before finalizing its fate. DPL have not complied with above direction of the Commission. Although, DPL stated to have enclosed year wise statement of the backlog amount of interest, no such enclosures were found in their petition of APR 2012 – 2013. Nevertheless, the Commission is of the opinion that the consumers at large cannot be burdened with the amount of backlog interest for failure on the part of DPL to repay the amount of loan in time thereby accruing huge amount of interest liability. Thus, the backlog interest of Rs. 3616.13 lakh on loan from CEA including Rs. 175.58 lakh for 2013 – 2014 as at paragraph 3.7.2 above is not considered by the Commission. It is directed that DPL should not come up with this interest burden on loan from CEA in future.

4.7.4 The interest on working capital loan from PFCL and UBI are being dealt with separately.

4.7.5 The Commission, thus, admits the interest of Rs. 8082.84 lakh (Rs. 10145.43 lakh – 2062.59 lakh) in the APR for the year 2013 – 2014. Allocation of this amount to generation and distribution function is as under as proposed by DPL in allocation statement submitted with the APR application.

Sl. No.	Particulars	Amount Rs. in Lakh
1	Generation Function	6627.92
2	Distribution Function	1454.92
	Total	**8082.84**

4.8 **Interest on Working Capital**:

4.8.1 An amount of Rs. 626.90 lakh on this head was considered in the tariff order for 2013 – 2014. DPL obtained short term specific loan from PFCL and UBI to meet up the working capital needs. As per their submission in Form 1.17(b) and in Form C of Annexure – I, they have indicated the rate of interest of such loan as 14.75%. The weighted average rate of actual interest comes to 10.94%.

4.8.2 In terms of regulations 5.6.5.1 of the Tariff Regulations, working capital requirement shall be assessed on normative basis @ 18% on the base amount derived by summation of annual fixed charges and fuel and power purchase cost reduced by the elements of the ARR determined, viz., depreciation etc. However, the above assessment of requirement of working capital would be 10% instead of 18% on the base amount since DPL has already introduced Monthly Variable Cost Adjustment and realized for the year 2013 – 2014. The requirement of working capital of DPL works out at Rs. 7583.79 lakh. Considering the Prime Lending Rate (PLR) of SBI as on 01.04.2012 of 14.75%, the normative interest on working capital comes to Rs. 1118.61 lakh.

Sl. No.	Particulars	Amount in Rs. in lakh
		2013 – 2014
1	Annual Fixed charges now arrived excluding interest on working capital for generation function	52787.59
2	Fuel and power purchase Cost as admitted	45983.64
3	Sub Total (1+2)	98771.23
	Less:	
4	Depreciation	6922.92
5	Advance against depreciation	990.81
6	Deferred revenue expenditure	0.00
7	Return on Equity	11942.46
8	Bad and doubtful Debt	0.00
9	Reserve for Unforeseen Exigencies	508.94
10	Sub Total (4 to 9)	20365.13
11	Allowable Fixed Charges for working capital (3-10)	78406.10
12	Normative requirement of Working Capital (10% of 11)	7840.61
13	Security deposit held as on 31.03.2013	256.82
14	Requirement of working capital after utilizing the security deposit (12-13)	7583.79
15	Interest allowable @ 14.75% on 14	1118.61
16	Interest on working capital allowed	1118.61

4.8.3 In the tariff order 2012 – 2013, it was mentioned that during APR of the concerned year, the interest on working capital as above will be reviewed so as to allow on the amount assessed on normative basis or the actual amount of interest paid, whichever is less, in respect of both generation and distribution function as per regulation 5.6.5.2 of the Tariff Regulations, as amended. It is now found that DPL has actually incurred an expenditure of Rs. 1887.01 lakh towards interest on working capital during the year 2013 – 2014 as already indicated in paragraphs 4.7.1 and 4.7.2 whereas the interest allowable on normative basis is derived at Rs. 1118.61 lakh. The Commission, thus, admits an amount of Rs. 1118.61 lakh in APR for 2013 – 2014 under the head.

4.8.4 The amount of Rs. 1118.61 Lakh is allocated between generation and distribution function on the basis of gross revenue requirement as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Generation Function	870.42
2	Distribution Function	248.19
	Total	1118.61

4.9 **Interest on Consumers' Security Deposit**:

4.9.1 An amount of Rs. 31.92 lakh was allowed to DPL towards interest payable to consumers on their security deposits in the tariff order for 2013 – 2014. The actual amount of interest charges on such deposits came to, as per the audited accounts, Rs. 53.13 lakh. As per worksheet I in notes to financial statements related to power for the year ended 31st March, 2014, the interest liability against consumers' security deposit during the year increased from Rs. 164.20 lakh to Rs. 217.38 lakh i.e., Rs. 53.18 lakh. It signifies that no payment has been made against consumers' security deposit.

4.9.2 In the APR order of DPL for 2012 – 2013, DPL was directed to furnish reconciliation of payment for interest on consumers' security deposit in line with the provision laid down under regulation 4.2.6 of the West Bengal Electricity Regulatory Commission (Miscellaneous Provisions) Regulations, 2013 along with actual booking of interest on consumers' security deposit in the annual accounts duly certified by the statutory auditors in the submission of petition for APR for 2013 – 2014, failing which no amount under this head will be allowed in APR for 2013 - 2014. But, DPL has not complied with the said direction of the Commission. Thus, the Commission does not admit any amount on account of interest on consumers' security deposit in the APR for 2013 – 2014.

4.9.3 DPL is again directed to come with reconciliation statement as specified in APR order for 2012 – 2013 mentioned above failing which, no amount under this head will be allowed in future APR orders.

4.10 **Finance Charges**:

4.10.1 The actual amount of finance charges incurred by DPL during 2013 – 2014 as per note 18 and work sheet thereunder of the audited annual accounts are found as under:

Sl. No.	Particulars	Amount Rs. in Lakh
1	Guarantee Fees	651.66
2	Bank charges	3.01
	Total	**654.67**

4.10.2 This is as against Rs. 783.28 lakh allowed in the tariff order for 2013 – 2014. The amount of guarantee fee is in regard to capital loans from PFC and on loan bond from Government of West Bengal for the construction of power plant and the same amounting to Rs. 654.67 lakh is, therefore, charged to generation function. Bank charges of Rs. 3.01 lakh are in regard to distribution function. The total of Rs. 654.67 lakh is admitted by the Commission in APR for 2013 – 2014.

4.11 **Depreciation**:

4.11.1 The amounts of depreciation admitted in the tariff by the Commission considering 5% reduction of provisional project cost of unit VII on the ground as explained in paragraph 4.2 and the amount actually become chargeable to accounts for the year 2013 – 2014 and claimed by DPL are as follows:

Rs. In Lakh

Particulars	Amount as per Tariff Order 2013 – 2014	Amount as claimed in APR for 2013 – 2014
Generation		
Units III – VI	1098.40	2232.23
Unit – VII	4494.04	6197.05
Sub-total Generation	5592.44	8429.28
Distribution	1645.62	1542.99
Total	**7238.06**	**9972.27**

4.11.2 DPL has charged Rs. 9972.27 lakh to accounts as depreciation for the year 2013 – 2014. On examination of details, it appeared that DPL has charged depreciation on application of such rates which are not approved by the Commission. The Commission admitted depreciation to the extent of Rs. 7116.04 lakh after adjustment of depreciation for the decommissioned unit no. I and II in APR order for 2012 – 2013. DPL did not consider any depreciation on the assets of the defunct units during 2013 – 2014 as noticed from the detail calculation of depreciation submitted through the APR application for 2013 – 2014. There was an addition to fixed assets to the extent of Rs. 939.99 lakh during 2013 – 2014. The Commission determined depreciation for the addition of fixed assets on application of rates approved by the Commission. On the basis of above, the allowable depreciation for 2013 – 2014 is given in the table below:

Particulars	Amounts Rs. in lakh	
	Asset value	Depreciation
As on 31.03.2014	211951.09	7116.04
Less: Adjustment with respect of Units I & II	2692.99	0.00
Opening balance of assets and depreciation for 2013 – 2014 on assets other than addition	209258.10	7116.04
Add: Addition during 2013 – 2014	939.99	26.75
Closing balance of assets and depreciation for 2013 – 2014	210198.09	7142.79

4.11.3 After considering the disallowance of depreciation of Rs. 219.87 lakh on account of 5% reduction of provisional project cost of Unit VII, total depreciation admitted by the Commission works out at Rs. 6922.92 lakh (Rs. 7142.79 lakh – Rs. 219.87 lakh). The unit wise segregation of the above admitted amount is given below as per proposal of DPL:

Rs. In Lakh

Particulars	**Amount admitted by the Commission for APR 2013 – 2014**
Generation	
Units III – VI	1599.35
Unit – VII	4218.05
Sub-total Generation	5817.40
Distribution	1105.52
Total	**6922.92**

4.12 **Advance Against Depreciation**:

4.12.1 DPL has claimed an amount of Rs. 802.17 lakh towards advance against depreciation as against Rs. 1263.67 lakh allowed in the ARR for the year 2013 – 2014. Advance against depreciation is allowable, in terms of regulation 5.6.3.1 read with regulation 5.5.2 of the Tariff Regulations, to facilitate the scheduled repayments of loans where the amount of chargeable depreciation falls short of the total amount so required for loan repayment. As shown in the paragraph 4.7.1 above, the total amount of loans on capital account repaid by DPL during 2013 – 2014 was Rs. 8133.60 lakh.

4.12.2 The above amount of Rs. 8133.60 lakh is higher than the amount of depreciation considered by the Commission before disallowance of depreciation of Rs. 219.87 lakh on account of 5% reduction of provisional project cost. The amount towards depreciation before disallowance is Rs. 7142.79 (Rs. 6922.92 lakh + 219.87 lakh) which is lesser than the amount of loan repayment i.e., Rs. 8133.60 lakh. Thus, an amount of Rs. 990.81 lakh (Rs. 8133.60 lakh – Rs. 7142.79 lakh) on account of advance against depreciation becomes allowable in the APR for the year 2013 – 2014. Hence, an amount of Rs. 990.81 lakh under this head is admitted by the Commission in the APR for 2013 – 2014 and the entire amount is related to generation function.

4.13 **Intangible Assets Written Off**:

4.13.1 Neither any amount was allowed in the ARR for 2013 – 2014 towards write off for intangible assets, nor was any amount found charged in the audited accounts. Thus, no amount is admitted in APR for 2013 – 2014 under the head.

4.14 **Bad Debts**:

4.14.1 No amount was considered by the Commission under the head in the tariff order for 2013 – 2014. In the audited annual accounts for the year 2013 – 2014, since no bad debt has been written off, no amount is admitted in the APR for 2013 – 2014 under this head.

4.15 **Income Tax**:

4.15.1 The power business of DPL is not a separate entity for assessment of income tax. The company as a whole was having an amount of negative profit (loss) for the year 2013 – 2014. DPL, therefore, did not provide for any amount in this regard in its audited annual accounts 2013 – 2014. DPL has, however, claimed an amount of Rs. 1517.92 lakh in their application under form E(B) which has not been considered by the Commission in the APR for 2013 – 2014.

4.15.2 In case, such tax payable is identified pertaining to power business of DPL and provision is made in the audited annual accounts, on submission of conclusive documentary evidences with the application of APR of subsequent year, the same will be taken care of as per relevant regulation of the Tariff Regulations.

4.16 **Reserve for Unforeseen Exigencies**:

4.16.1 In terms of regulation 5.11 of the Tariff Regulations, generating companies and the licensees may provide and maintain a reserve up to 0.25% of the value of the gross fixed assets at the beginning of the year annually for dealing with unforeseen exigencies subject to an overall ceiling of 5% of such gross value of fixed assets. Accordingly, DPL was allowed the following amounts under this head in the tariff since 2006 – 2007:

Year	Order Reference	Amount (Rs. in Lakh)
2006 – 2007	Order dated 15.09.2009 in Case No. APR-3/07-08	131.36
2007 – 2008	Order dated 28.05.2009 in Case No. APR-8/08-09	134.64
2008 – 2009	Order dated 26.07.2010 in Case No. APR-15/09-10	479.11
2009 – 2010	Order dated 24.08.2012 in Case No. APR-18/10-11	480.90
2010 – 2011	Order dated 24.08.2012 in Case No. APR-28/11-12	498.93
2011 – 2012	Order dated 09.09.2013 in Case No. APR-34/12-13	513.81
2012 – 2013	Order dated 21.05.2014 in Case No. APR-40/13-14	518.90
	Total	2757.65

4.16.2 As per tariff order for 2013 – 2014, DPL was allowed an amount of Rs. 525.13 lakh towards reserve for unforeseen exigencies. The actual gross value of fixed assets as on 1 April, 2013, as per the audited accounts 2013 – 2014, vide note – 5(a) thereto stood at Rs. 203574.05 lakh. The allowable reserve for unforeseen exigencies, thus, arrived at Rs. 508.94 lakh being 0.25% of above amount of Rs. 203574.05 lakh and the Commission admits the same. The amount is allocated in the ratio of gross fixed assets for generation and distribution function (vide form 1.18) respectively as under:

Sl. No.	Particulars	Amount admitted by the Commission (Rs. in Lakh)
1.	Generation	423.46
2.	Distribution	85.48
	Total	**508.94**

4.16.3 Thus, DPL should maintain an amount of Rs. 3266.59 lakh (Rs. 2757.65 lakh + Rs. 508.94 lakh) under the head reserve for unforeseen exigencies upto the year 2013 – 2014. The above amount excludes interest earned from investment of such fund from time to time.

4.16.4 According to note – 2 of the financial statement of DPL for the year ended 31.03.2014, an amount of Rs. 529.88 lakh had been transferred to reserve for unforeseen contingencies during the year 2013-14 from the Profit & Loss Account in line with the provision under regulation 5.11 of the Tariff Regulations. The closing balance of reserve for unforeseen exigencies as per note – 2 to annual accounts for 2013 – 2014 was Rs. 3431.03 lakh which is inclusive of an interest earning of Rs. 44.14 during the year. The total amount accumulated under this head excluding interest earned for Rs. 44.14 lakh during the year 2013-14 stands at Rs. 3386.89 lakh (Rs. 3431.03 lakh - 44.14). However, such amount under the fund also includes amount of interest of Rs. 68.58 lakh earned during the past years.

4.16.5 According to note - 10(a) of the financial statement of DPL for the year ended 31.03.2014, investment in Term Deposit for unforeseen exigencies was accumulated to Rs. 2813.43 lakh after further investment of Rs. 44.14 lakh and redemption of Rs. 71.03 lakh during the year 2013-14 against reserve for unforeseen exigencies. Thus, DPL is still required to invest Rs. 617.60 lakh (Rs. 3431.03 lakh – Rs. 2813.43 lakh) for the year 2013 – 2014.

4.16.6 In APR for 2011-12, DPL was directed to submit the following statements/clarifications along with the APR petition for 2012-13:

"(i) To maintain separate account for reserve for unforeseen exigencies and income from interest on investment in fixed deposit with proper disclosure in the annual accounts.

(ii) To submit a clarification for reduction in the value of investment during the year 2011-12 in comparison with that of 2010-11.

(iii) To submit an audited certificate to the effect that the entire amount admitted and accumulated under the head till date has been invested in the manner as per regulation 5.24.1 showing therein year wise details of such investments along with the investment of the interest accrued so far."

4.16.7 DPL, however, did not comply with any of the above directions of the Commission along with their APR petition for 2012 - 2013. In the APR order for 2012 – 2013, DPL was again directed to comply with the above directions and submit the same along with the APR petition for 2013-14.

4.16.8 DPL was also directed to submit a statement from the year 2006-07 duly certified by the statutory auditor showing therein (i) year wise amount accumulated under the head, (ii) year wise amount of interest earned and accumulated under this head (iii) year wise amount of investment under the head with details of instruments, (iv) year wise amount of interest earned and investment thereof under the head with details of instruments, with a view to ascertain whether there is any shortfall / investment of the amount under this head in terms of tariff regulations. Such statement was directed to be submitted along with APR petition for 2013-14 without fail.

4.16.9 DPL has failed to comply with the directions of the Commission as reproduced in paragraphs 4.16.6, 4.16.7 and 4.16.8 above except providing a summarized year wise accumulation, redemption and investment figures against the said reserve. The aggregate figures matched with accounts vide note 2 and note 10(a) to the Profit & Loss statement for the year ended 31.03.2014. DPL also redeemed an amount of Rs. 71.03 lakh without taking prior approval of the Commission as per regulation 5.24.6 of the Tariff Regulations. Thus, in terms of regulation 5.11.2 of the Tariff Regulations, the Commission withheld an amount of Rs. 1050.26 lakh (Rs. 525.13 lakh x 2), being double the amount allowed in the ARR for the year 2013 – 2014, from the redetermined ARR in APR 2013 – 2014.

4.17 **Returns on Equity**:

4.17.1 In terms of regulations 5.6.1.1 and 5.6.1.2 of the Tariff Regulations, DPL is entitled to have returns on equity base deployed in its generation and distribution functions @ 15.5% and 16.5% respectively.

4.17.2 As it transpired from the submission of APR application and the annual audited accounts of DPL there has been no fresh equity infusion for Units III to VII by the Government of West Bengal in power business during 2013 – 2014. DPL was not having any free reserves for deployment in power business either. It has been found from the audited balance sheet in regard to power plant unit under note 5(a) at page 122 of Volume – II that the net addition to the value of fixed assets in operation during 2013 – 2014 was Rs. 937.35 lakh comprising Rs. 726.39 lakh for generation function and Rs. 210.96 lakh for distribution function.

4.17.3 The computations of the amounts of such capital base, following the methods prescribed in data form 1.20(a) and the amount of total allowable return come as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)		
		Generation	Distribution	Total
1	Actual equity base at the beginning of the year	69986.15	18517.77	88503.92
2	Admissible equity base at the beginning of the year	62510.40	15936.92	78447.32
3	Actual addition (+) to / withdrawal (-) of equity base during the year vide paragraph 4.17.2	0.00	0.00	0.00
4	Actual equity base at the end of the year (1+3)	69986.15	18517.77	88503.92
5	Net Addition to the original cost of fixed assets during the year (as per paragraph 4.17.2)	726.39	210.96	937.35
6	Normative addition to equity base (30% of 5)	217.92	63.29	281.21
7	Addition to equity base considered for the year (lower of 3 and 6)	0.00	0.00	0.00
8	Admissible equity base considered at the closing of the year (2+7)	62510.40	15936.92	78447.32
9	Average equity base for allowing returns (2+8)/2	62510.40	15936.92	78447.32
10	Rate of Return	15.50%	16.50%	-
11	Return on Equity in APR for the year 2013 – 2014	9689.11	2629.59	12318.70
	Less: In pursuance of regulation 2.8.1.4.13 of the Tariff Regulations, as amended, as referred to in paragraph 4.2.2 of this order.	376.24	0.00	376.24
	Net Return on Equity in APR for the year 2013 – 2014	9312.87	2629.59	11942.46

4.17.4 The Commission thus admits Rs. 11942.46 lakh in the APR for 2013 – 2014 under the head return on equity out of which Rs. 9312.87 lakh is for generation function and Rs. 2629.59 lakh is for distribution function.

4.17.5 It is observed from the Balance Sheet of the power plant unit of DPL, as submitted with the APR application for the year 2013 – 2014 that the shareholders' fund in liability side has not been shown separately. In order to justify different element of fixed charge components including return on equity, DPL is directed to submit duly audited balance sheet and profit and loss account year-wise for the years 2007 – 2008 to 2011 – 2012 and 2012 – 2013 onwards in respect of the power plant unit as a whole separately incorporating therein shareholders' funds viz., (i) authorized capital, (ii) paid up capital, (iii) capital reserve, (iv) reserves & surplus and (v) reserve for the unforeseen exigencies along with respective schedules under the major head 'sources of fund' including the Auditor's comments instead of present practice of reflecting inter-unit current accounts under shareholder's fund. The amount under reserves & surplus schedule should include amounts of surplus separately brought forward from profit & loss account of the respective year / previous year besides capital reserves, etc. It is also directed to forward the respective Government orders issued from time to time towards equity infusion / participation by the Government in the power plant business of DPL unit-wise.

4.18 **Rates & Taxes (Other than on Income & Profit)**:

4.18.1 In the Tariff Regulations, the Commission has categorized Rates and Taxes as an uncontrollable item. DPL has claimed Rs. 5.29 lakh under the head Rates and Taxes only for generation function in their APR application for 2013 – 2014. No amount was allowed to DPL in the ARR for 2013 – 2014.

4.18.2 As per note – 18 of audited accounts of DPL power plant for 2013 – 2014, the expenditure on rates and taxes was Rs. 5.29 lakh including service tax and the same is admitted by the Commission in APR 2013 – 2014 with allocation of generation function only.

4.19 **Insurance Premium**:

4.19.1 In the tariff order for the year 2013 – 2014, an amount of Rs. 119.14 lakh was considered by the Commission under the head insurance. DPL in their APR application 2013 – 2014 under Form E(B) to Annexure – I has not claimed the amount under the head separately but has included the same in the overall head ‘other administrative and general charges’. In terms of the Tariff Regulations, the expenditure under the head ‘insurance premium’ is categorized as uncontrollable and is separately allowable. The actual expenditures of Rs. 70.41 lakh on this account as per Note – 18 to the audited accounts of DPL power plant for the year 2013 – 2014 is admitted by the Commission. The expenditure is allocated to the generation function. DPL is directed to follow the procedure for selection of insurance company through transparent process as laid down under regulation 5.23.1 of the Tariff Regulations.

4.20 **Operation & Maintenance Expenses**:

4.20.1 Operation & Maintenance (O&M) expenses comprise of repairs and maintenance including cost of consumables for that purpose and other administrative and general expenses. A total amount of Rs. 8769.05 lakh was allowed to DPL in ARR in this regard for the year 2013 – 2014. with following break up:

Sl. No.	Particulars	Amount allowed in ARR 2013-2014 (Rs. in Lakh)
1	Generation	6408.46
2	Distribution	2360.59
	Total	8769.05

4.20.2 As per DPL's submission in Form E(B) to Annexure – I and audited annual accounts, the actual total expenditure incurred under different heads of operation and maintenance consisting of repairs and maintenance including consumables, other administrative and general expenses, legal charge and auditing fees came to Rs. 6392.29 lakh during 2013 – 2014.

4.20.3 O&M expenses of generation for Rs. 6408.46 lakh was allowed in the tariff in accordance with the norms specified in Schedule 9A of the Tariff Regulations and the Commission admits the same amount of Rs. 6408.46 lakh in the APR for 2013-14.

4.20.4 While determining the ARR of all the three ensuing years of third control period i.e., for 2011 – 2012, 2012 – 2013 and 2013 – 2014 in the tariff order for 2011 – 2012 and 2012 – 2013, the Commission directed that in case the actual expenses under Repair and Maintenance including consumables (R&M) in distribution system is found to be less than the admitted amount of any of the three ensuing years, the Commission will allow actual expenditure under the said head in APR for the concerned year. The Commission admitted Rs. 1964.73 lakh under the head of R&M in distribution in the ARR for the year 2013 – 2014. It is found from the submission of DPL in Form 1.15 to Annexure – I that the actual R&M expenses in distribution come at Rs. 611.06 lakh which is lower than the expenses as allowed in the tariff order. The Commission, thus, considers Rs.

611.06 lakh under the head R&M for distribution. The Commission considers the expenditure on other heads viz. other administrative and general expenses, legal and professional charges and audit fees as allowed in the ARR for 2013 – 2014 being uncontrollable items. The Commission admits Rs. 1006.92 lakh on account of (O&M) expenses for distribution system in APR 2013 – 2014 as under:

Operation and Maintenance Expenses for Distribution System (Rs in Lakh)	
Particulars	Expenses admitted in APR 2013 – 2014
Other Administrative & General Expenses	354.12
Legal & Professional Charges	40.99
Audit Fees	0.75
R & M including Consumables	611.06
Total O&M Expenses	1006.92

4.20.5 The admitted amount in the APR for 2013 – 2014 under the head O&M expenses, thus, arrives at Rs. 7415.38 lakh as per table below:

Operation and Maintenance Expenses (Rs. in Lakh)	
Particulars	Expenses admitted in APR 2013 – 2014
Generation	6408.46
Distribution	1006.92
Total O&M Expenses	7415.38

4.21 **Income from other Sources / Non-Tariff income**:

4.21.1 The incomes from other non-tariff sources, as per Form 1.26 submitted by DPL are found as under:

Sl. No.	**Particulars**	**Actual amount (Rs. in Lakh)**
1	Rental of meters etc.	83.76
2	Sale and repair of meters & apparatus	0.00
3	Surcharge for late payments	272.20
4	Sale of Steam	185.95
5	Wheeling charges	48.98
6	Others	193.05
	Total	**783.94**

4.21.2 As per audited annual accounts, there is no income under the head 'income from investment and bank balance'. The same is accordingly not considered for determination of ARR in the APR order for 2013 – 2014. The income from sale of steam amounting to Rs. 185.95 lakh is considered under generation function and the rest income of Rs. 597.99 lakh is attributed to distribution function. The admitted income from other / non-tariff sources is Rs. 783.94 lakh (Rs. 185.95 lakh + Rs. 597.99 lakh).

4.21.3 The income from sale of steam amounting to Rs. 185.95 lakh is considered under generation function and the rest income of Rs. 597.99 lakh is attributed to distribution function.

4.22 **Admissibility of Capacity Charges based on Availability**:

4.22.1 In terms of regulation 6.4.2 of the Tariff Regulations, the recovery of capacity charge for the generating station of DPL shall be against the normative availability. Schedule 9A of the Tariff Regulations provides for target Plant Availability Factor (in short "PAF") for coal fired thermal generating stations.

4.22.2 Considering the facts that during the year 2013 – 2014 the units III to VII were in operation, the PAF during 2013 – 2014 would be 79% on normative basis as per schedule 9A to the Tariff Regulations. From the data submitted in Form 1.1(a), the actual weighted average PAF in respect of DPL during 2013 – 2014 was arrived at 56.18%. The Commission now decides to deduct capacity charges to the extent of shortfall in PAF achieved by DPL during 2013 – 2014.

4.22.3 The Commission has admitted the cost under the head of 'coal & ash handling charges' and 'Water charges' considering proportionate cost on actual generation vis-à-vis target generation. Thus the costs allowed under those heads are not considered for disallowances of capacity charges for not attaining the target PAF. The disallowance of capacity charge are computed as follows:

Sl. No.	Particulars	Unit	Amount
1	Allowable Fixed Charges for generating station at normative PAF level after adjustment of Non-tariff income etc. (as per Annexure – 4A)	Rs. in Lakh	**42955.92**
2	Less: Cost admitted under the head 'coal and ash handling' (Para 4.5.3)	Rs. in Lakh	591.78
3	Less: Cost admitted under the head 'Water charges' (para 4.4.3)	Rs. in Lakh	1289.39
4	Net fixed charges : (1)-(2)-(3)	Rs. in Lakh	41074.75
5	Normative PAF	%	79.00%
6	PAF Achieved	%	56.18%
7	Amount of Capacity Charges deductable for shortfall in PAF [(4)-{(4)x56.18/79}]	Rs. in Lakh	11864.88

4.22.4 The amount of deductable capacity charge of Rs. 11864.88 lakh for short fall in PAF as computed in table under paragraph 4.22.3 above is to be deducted from the fixed charges for generation function on account of short falls in PAF in the APR for 2013 – 2014.

4.23 **Income from Unscheduled Interchange (UI) of Power**:

4.23.1 DPL has not earned any amount on account of Unscheduled Interchange as shown in note 11(b) – Particulars of Other Operational Income – to the annual accounts 2013 - 2014. The Commission does not consider any amount under this head.

4.24 **Fixed Charges as Admitted**:

4.24.1 Based on the foregoing analyses, the amounts of fixed charges allowable under different heads in respect of DPL have been shown in Annexure 4A. As shown in the referred annexure, the allowable amount of fixed charges (gross amount of fixed charges less other income) for DPL for the year 2013 – 2014 comes to Rs. 53122.26 lakh.

4.24.2 The net amount of fixed charges for DPL for the year 2013 – 2014 has been derived after deducting Rs. 11864.88 lakh as specified in paragraphs 4.22.4 above, Rs. 1050.26 lakh as explained in paragraph 4.16.9 above from the gross fixed charges (after adjustment of other income) of Rs. 53122.26 lakh and the same comes to Rs. 40207.12 lakh. The computation has been shown in annexure – 4A with allocation to generating and distribution functions as Rs. 30245.48 lakh and Rs. 9961.64 lakh respectively.

ANNEXURE – 4A
COMPUTATION OF FIXED CHARGES

Sl. No.	HEAD OF FIXED CHARGES	AS ADMITTED IN APR FOR 2013 - 2014		
		GENERATION	DISTRIBUTION	TOTAL
1	Employee Cost (including expenses of Centrally maintained employees)	10082.00	4230.70	14312.70
2	Water Charges	1289.39	0.00	1289.39
3	Coal & Ash Handling Expenses	591.78	0.00	591.78
4	Operation & Maintenance Expenses	6408.46	1006.92	7415.38
5	Rates & Taxes	5.29	0.00	5.29
6	Insurance Premium	70.41	0.00	70.41
7	Interest on Capital Borrowings	6627.92	1454.92	8082.84
8	Finance Charges	651.66	3.01	654.67
9	Interest on Consumers' Security Deposit	0.00	0.00	0.00
10	Interest on Working Capital	870.42	248.19	1118.61
11	Bad Debts	0.00	0.00	0.00
12	Depreciation	5817.40	1105.52	6922.92
13	Advance Against Depreciation	990.81	0.00	990.81
14	Reserve for unforeseen Exigencies	423.46	85.48	508.94
15	Intangible Assets Written Off	0.00	0.00	0.00
16	Demurrage	0.00	0.00	0.00
17	Income Tax	0.00	0.00	0.00
18	Returns on Equity	9312.87	2629.59	11942.46
19	**Gross Fixed Charges relating to 2013 - 2014 (1 to 18)**	**43141.87**	**10764.33**	**53906.20**
20	Less: Adjustments on account of other Income:			
	Other Non-Tariff Income	185.95	597.99	783.94
21	**Gross Fixed Charge after adjustment of Other Income for 2013 - 2014 [(19)-(20)]**	**42955.92**	**10166.34**	**53122.26**
22	Less: Deduction due to shortfall in PAF	11864.88	0.00	11864.88
23	Less: Amount withheld against reserve for unforeseen exigencies (refer para 3.24.2)	845.56	204.70	1050.26
25	**Net Fixed Charges admitted [(21)-(22)-(23)]**	**30245.48**	**9961.64**	**40207.12**

CHAPTER – 5
AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

5.1 Based on the forgoing analyses and admissions of the adjustments under different uncontrollable factors / elements of fixed charges and fuel and power purchase cost, the re-determined allowable fixed charges for generation and distribution functions as well as fuel and power purchase cost of DPL during the year 2013 – 2014 came as under:

Particulars	Amount (Rs. in Lakh)		
	Generation	**Distribution**	**Total**
Admitted Fuel Cost	32039.98	0.00	32039.98
Admitted Power Purchase Cost	0.00	15226.00	15226.00
Cost disallowed as per paragraphs 3.10.4 and prior period adjustment as per paragraph 3.10.5)	0.00	1282.34	1282.34
Total fuel and power purchase cost	32039.98	13943.66	45983.64
Fixed charge	30245.48	9961.64	40207.12
Total	**62285.46**	**23905.30**	**86190.76**

5.2 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 3.8 in chapter 3 of this order, DPL could not achieve any gains and the same is treated as nil.

5.3 The Commission is now to see how much revenue had been earned by DPL from sale of power to its consumers and WBSEDCL including inter-plant transfer with reference to its audited accounts. The amount of total sales revenue comes as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Sales of power as per Note 11(a) to annual accounts 2013 – 2014	80761.23
2	Add: Inter-plant transfer of Energy as per Note 11(a) to annual accounts 2013 - 2014	1483.44
	Total	82244.67
3	Add: Amount recoverable by DPL on account of APR 2012 – 2013 and provided in the annual accounts for 2012-2013 (Refer note 11(a) to annual accounts of 2013 – 2014)	27500.00
4	Less: Adjustment on account of APR 2012 – 2013 provided in the annual accounts 2013 – 2014.	(-) 23468.00
	Sales revenue during 2013 – 2014	86276.67

As per submission of DPL vide their letter dated 24.07.2015, the revenue from sale of power as booked in annual accounts 2013 – 2014 includes the arrear amount of Rs. 2539.20 lakh recoverable by DPL as per tariff order for 2013 – 2014 issued by the Commission. The Commission, however, considers this arrear amount as the income during 2013 – 2014 as provided in the annual accounts for 2013 – 2014 and does not make any adjustment on this score.

5.4 Based on the analyses as done in the foregoing paragraphs, the amount adjustable on the instant case of APR for the year 2013 – 2014 works out as under:

Sl. No.	Particulars	Total (Rs. in Lakh)
1	Fuel and Power purchase cost for 2013 - 2014	45983.64
2	Fixed cost in APR for 2013 – 2014	40207.12
3	Total sales revenue realizable in 2013 – 2014 [(3)= (1)+(2)]	86190.76
4	Sales Revenue for 2013 – 2014 (refer para 5.3)	86276.67
5	**Net amount (+) recoverable / (-) refundable [(5) = (3)-(4)**	**-85.91**

5.5 In terms of regulation 2.6.6 of the Tariff Regulations, the entire excess recovery to the tune of Rs. 85.91 lakh or a part thereof shall be adjusted with the amount of Aggregate Revenue Requirement for the year 2017 – 2018 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 DPL for the year 2017 – 2018 or any ensuing year or in a separate order.

5.6 DPL is to take a note of this order.

CHAPTER – 6
DIRECTIVES

6.1 DPL is directed to comply with the directions given in paragraphs 4.3.7, 4.9.3, 4.16.6, 4.16.7, 4.16.8, 4.17.5 and 4.19.1 in the preceding chapter of this order. DPL is also directed to submit their application for APR for any year in future maintaining the provisions of the Tariff Regulations.

6.2 The Commission gave directions under chapter 8 of the tariff order for 2014-2015 and under chapter-4 of the tariff orders for the years 2015-16 and 2016 – 2017 in respect of DPL. The Commission also gave directions from time to time which are also to be complied with by DPL. Some of those directions which are yet to be complied with by DPL are given below. DPL shall comply with those directions within 31st March, 2017, failing which, non-compliance will attract a substantial penalty to be decided and adjusted in their ROE during Annual Performance Review (APR) for subsequent years.

6.2.1 DPL shall submit the followings:

a) Comprehensive plan for raising coal from allocated mines for reducing fuel cost further.

b) Plan for switching over to GCV for all purpose so that same can be incorporated in the next opportunity.

c) Plan to improve efficiency level within specific time line.

d) Source of the quantity over and above own mine e-linkage from the most cost effective way.

6.2.2 DPL shall submit the mining plan of the captive mine and its cost per metric tonne as calculated based on recent GOI guidelines and terms and conditions of reverse auction.

6.2.3 Monthly production from allocated mines should be submitted quarterly both planned and actual achieved.

6.2.4 'DPL is directed to take initiatives for energy conservation to flatten the load curve in the following ways:

a) by retrofitting conventional light with LED lamp, energy efficiency appliances like fan, A/C, etc.; and

b) by arranging load management awareness programme for the consumers.

DPL shall also take initiative in development of roof top solar PV and other renewable sources of energy.

Sd/-	Sd/-
(AMITAVA BISWAS)	**(R. N. SEN)**
MEMBER	**CHAIRPERSON**

DATED: 16.02.2017