



ORDER

OF THE

WEST BENGAL ELECTRICITY REGULATORY COMMISSION

IN

CASE NO: TP –56 / 13-14

**IN RE THE DETERMINATION OF WHEELING
CHARGES PAYABLE TO CESC LIMITED FOR THE USE OF ITS
DISTRIBUTION SYSTEM FOR CONVEYANCE OF ELECTRICITY BY OPEN
ACCESS CUSTOMERS INCLUDING CAPTIVE GENERATING PLANTS
DURING THE FINANCIAL YEAR 2015 – 2016 UNDER SECTION 62(1)(c) OF
THE ELECTRICITY ACT, 2003.**

DATED: 29.10.2015



CHAPTER – 1 INTRODUCTION

- 1.1 In terms of regulation 2.1.1(iv) of the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011, as amended, (hereinafter referred to as the “Tariff Regulations”), the West Bengal Electricity Regulatory Commission (hereinafter referred to as the “Commission”) is required to determine the wheeling charges payable to the distribution licensees for the use of their distribution system and associated facilities for conveyance of electricity by all open access customers including the captive generating plants. Accordingly, the Commission proceeds to determine such wheeling charges payable to CESC Limited by such customers / system users during the year 2015 – 2016.
- 1.2 On prudent analyses and viewing the tariff application made by CESC Limited, the Commission earlier determined the Aggregate Revenue Requirement (in short “ARR”) of CESC Limited separately for each year of the fourth control period comprising the financial years 2014 – 2015, 2015 – 2016 and 2016 – 2017 under the Multi Year Tariff (in short “MYT”) approach . The ARR for the year 2015 – 2016 as determined in the order dated 4th March, 2015 in Case No. TP-56/13-14 has been revised on the basis of subsequent revision of power purchase plan of CESC Limited in the tariff order for the year 2015-16 issued on 10.08.2015. The ARR for the year 2015-16 may be referred to at Annexure-2A to the tariff order dated 10.08.2015 for the year 2015-16 in respect of CESC Limited.
- 1.3 The Commission now takes up the matter relating to determination of the rate of distribution wheeling charges in accordance with the principles, terms and conditions laid down in Schedule – 4 to the Tariff Regulations.



CHAPTER – 2 DETERMINATION OF FIXED CHARGES RELATING TO DISTRIBUTION FUNCTION

- 2.1 CESC Limited is a distribution licensee having four generating stations at Budge Budge, Titagarh and Southern, with total target sent out generation of 7484 MU from these generating stations during the year 2015 - 2016. The admissible charges of CESC Limited under certain heads of accounts for distribution function are, therefore, required to be considered for determining the fixed charges related to its distribution function. Annexure – 2A to the Commission’s tariff order dated 10.08.2015 for the year 2015-16 in Case No. TP – 56 / 13 – 14, may be referred to in this regard. After prudent analysis of the amounts of ARR for the year 2015 – 2016 and making such allocations, the gross amount of total fixed charges attributable to the distribution function of CESC Limited to be considered for determining wheeling charges is found to be Rs. 200922.00 lakh. The amounts of provisions for bad and doubtful debts of Rs. 2674.00 lakh as well as an amount of Rs. 9322.00 lakh towards interest payable to consumers on their security deposits and an amount of Rs. 950.00 lakh on account of cost of out sourcing relating to call centres for complaint management mechanism have not been considered in the above computation. The detailed head-wise break-up of the referred amount is given in Annexure – 2A to this order.
- 2.2 The gross amount of total fixed charges, i.e., Rs. 200922 lakh, as shown in Annexure – 2A, is the gross aggregate revenue requirement for distribution function. Paragraph 2.1 of Schedule – 4 to the Tariff Regulations provides for deduction of expenses incidental to selling and distribution of energy, non-tariff income and income from other business from the gross aggregate revenue requirement attributable to distribution function for ascertaining the wheeling charges payable by the open access customers. The total of the deductible



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amounts of expenses incidental to selling of energy as per allocation made by CESC Limited in their MYT Application comes as under:

Rs. in Lakh

Sl. No.	Head of Charges	Amount (Rs. in Lakh)
1	Employee Cost (including Terminal Benefits)	13642.00
2	Operation & Maintenance Expenses	4002.00
3	Rates & Taxes	51.00
4	Insurance	26.00
5	Financing Charges	459.00
6	a) Interest on Capital Expenditure	1383.00
	b) Interest on Temporary Accommodation	1341.00
7	Lease Rental	48.00
8	Depreciation	2136.00
9	Advance against Depreciation	914.00
10	Intangible Assets written off	4.00
11	Reserve for Unforeseen Exigencies	0.00
12	Tax on Income and Profit	466.00
13	Returns on equity	2334.00
	Amount of deductible Fixed Charges relating to sale [Sum (1) to (13)]	26806.00

- 2.3 The amount of gross fixed charges attributable to distribution function also requires to be reduced by the non-tariff income and other income. Such deductible amount is found to be Rs. 8103.00 lakh.



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- 2.4 Based on the foregoing analyses, the amount of fixed charges attributable to the distribution function of CESC Limited for the year 2015 - 2016 for determination of rate of wheeling charges payable by the open access customers including the captive generating plants comes as under:

		Rs. in Lakh
(a)	Gross amount of fixed charges relating to distribution function	200922.00
(b)	Less:	
i)	Expenses relating to and incidental to retail sales	26806.00
ii)	Non-tariff Income	8103.00
(c)	Net admissible amount of fixed charges relating to distribution wheeling	34909.00
		166013.00

- 2.5 With the estimated sales of 9457 MU to own consumers and West Bengal State Electricity Distribution Company Limited admitted in para 4.7 of the Tariff Order dated 04.03.2015 the average rate of recoverable wheeling charges comes to **175.55 paise per unit (kWh)**.

- 2.6 The avoided cost as computed in terms of the formula provided in regulation 14.3.10 of the West Bengal Electricity Regulatory Commission (Open Access) Regulations, 2007 in case of CESC Limited works out as under:

(a)	Total Fuel and Power Purchase Cost (vide Annexure-2A, paragraph 2.8 of Tariff Order dated 10.08.2015 in Case No. TP-56/13-14).	Rs. 367809.00 Lakh
(b)	Quanta of energy pooled in the distribution system	
(i)	Sent-out energy from own generation	7484.00 MU



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|--|------------|--------------------|
| (ii) Purchase of Energy (Outside) | 3574.00 MU | 11058.00 MU |
| (vide table under paragraph 2.5 of the order dated 10.08.2015 in case no. TP-56/13-14) | | |
| (c) Weighted average unit cost of pooled energy [(a) / (b)] | | 332.62 paise / kWh |
| (d) Distribution Loss allowed for the year | | 14.30% |
| (e) Avoided cost will be - | | |

$$\frac{332.62 \text{ paise / kWh}}{(100-14.30) \times 0.01} + \text{Wheeling charges per unit applicable to the relevant open access case.}$$

$$= 388.12 \text{ paise / kWh} + \text{Wheeling charges per unit as applicable}$$



ANNEXURE – 2A
HEAD WISE BREAKUP OF THE AMOUNT OF
NET FIXED CHARGES ATTRIBUTABLE TO
DISTRIBUTION FUNCTION

Sl. No.	Head of Charges	Amount (Rs. in Lakh)
1	Employee Cost (including Terminal Benefits)	58752.00
2	Operation & Maintenance Expenses	31434.00
3	Rates & Taxes (including Service Tax and Entry Tax)	1370.00
4	Insurance	304.00
5	Financing Charges	683.00
6	Interest on Capital Expenditure	26098.00
7	Foreign Exchange Rate Variation	0.00
8	Interest on Temporary Accommodation	1994.00
9	Lease Rental	841.00
10	Depreciation	25386.00
11	Advance against Depreciation	10863.00
12	Intangible Assets written off	51.00
13	Reserve for Unforeseen Exigencies	0.00
14	Tax on Income and Profit	7192.00
15	Returns on equity	35954.00
16	Gross Amount of Fixed Charges	200922.00



CHAPTER – 3 ORDER

- 3.1 The average rate of distribution wheeling charges of CESC Limited for the year 2015 – 2016 comes to 175.55 paise per unit (kWh) as shown in the preceding chapter and the same is recoverable from the long term open access customers. In terms of the provisions contained in regulation 14.3.2 of the West Bengal Electricity Regulatory Commission (Open Access) Regulations, 2007, as amended (hereinafter referred to as the “Open Access Regulations”), the Commission is fixing the above rate of wheeling charges and the same is to be recovered by CESC Limited during the year 2015 – 2016 onwards from the different categories of open access customers as mentioned in the said regulation including captive generators for conveyance of electricity through its distribution system for long term open access. For short term open access, the wheeling charge shall be realized as per Open Access Regulations. However, for conveyance of electricity from cogeneration and renewable energy sources, the wheeling charge shall be realized by CESC Limited from such open access customer as per regulation framed by the Commission on Cogeneration and Generation of Electricity from Renewable Sources of Energy.
- 3.2 In terms of the provisions contained in regulation 14.3.10 of the Open Access Regulations, the open access customers, other than those carrying the electricity generated in captive generating plant to the destination and for the extent of their own use, are to pay cross-subsidy surcharge in addition to the charges for using the distribution system of the licensees. Such cross-subsidy surcharge will be the difference between the tariff applicable for the category of the consumers being allowed open access and the cost avoided (per unit) by the licensee in this regard.
- 3.3 The avoided cost for the concerned open access customers will be at the rate of 388.12 paise per kWh plus wheeling charges per unit as applicable to the



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relevant open access case as shown in chapter 2 of this order. CESC Limited will recover cross-subsidy surcharge from the open access customer with reference to the tariff applicable for similar category of consumer.

- 3.4 The effective date of the rate of wheeling charge and cross subsidy surcharge as per this order is 1 April, 2015 and will continue till further order in this regard. The adjustments, if any, for over-recovery / under-recovery for the period from 01.04.2015 to 31.10.2015 shall be made in 6 (six) equal monthly instalments starting from the billing month of November, 2015.
- 3.5 The Open Access Customer shall pay to the concerned licensee for drawal of reactive energy at the drawal point if the voltage at the point of drawal is below 97% of normal voltage and for injection of reactive energy at injection point if the voltage is higher than 103% of normal voltage. The charge for VARh shall continue at the existing rate of 11.00 paise per KVARh.
- 3.6 CESC Limited shall submit to the Commission a gist of this order within three working days from the date of receipt of this order for approval of the Commission and shall publish the approved gist within 5 (five) working days from the date of receipt of approval of the Commission, in those newspapers in which the gist of the tariff order for 2015 – 2016 was published.

Sd/-
(AMITAVA BISWAS)
MEMBER

Sd/-
(SUJIT DASGUPTA)
MEMBER

Sd/-
(RABINDRANATH SEN)
CHAIRPERSON

DATE: 29.10.2015