



ORDER

OF THE

**WEST BENGAL ELECTRICITY REGULATORY
COMMISSION**

IN CASE NO.: APR – 18 / 10 – 11

**IN RE THE APPLICATION OF THE DURGAPUR PROJECTS
LIMITED FOR ANNUAL PERFORMANCE REVIEW FOR THE
FINANCIAL YEAR 2009 – 2010 IN TERMS OF REGULATION 2.6
OF THE WEST BENGAL ELECTRICITY REGULATORY
COMMISSION (TERMS AND CONDITIONS OF TARIFF)
REGULATIONS, 2011.**

DATE: 24.08.2012



CHAPTER – 1 INTRODUCTION

- 1.1 The West Bengal Electricity Regulatory Commission (hereinafter referred to as the 'Commission') introduced Multi Year Tariff procedure and as such, Annual Performance Report (in short 'APR') aims at carrying out adjustments arising out of difference between the actual performances and projected performances under different factors/heads of accounts. Such adjustments were to be done in the manner as specified in the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2007, as amended (in short 'Tariff Regulations, 2007'). Accordingly, the Durgapur Projects Limited (in short 'DPL') submitted its application for the same on 29 November, 2010 for the financial year 2009 – 2010. It provided the requisite data / information in the specified proforma along with the copy of its audited annual accounts for the concerned year. The application was admitted by the Commission for processing and the same was numbered as APR-18/10-11.
- 1.2 Subsequent to submission of above referred application by DPL, the Commission issued the West Bengal Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2011 (hereinafter referred to as the 'Tariff Regulations, 2011') in supersession of Tariff Regulations, 2007 with effect from 29.04.2011. The APR application of DPL for the year 2009 – 2010 is required to be dealt with in terms of the provisions of the Tariff Regulations, 2011. In terms of regulation 2.6.12 of the Tariff Regulations, 2011, the gist of the application of DPL was published in the Ananda Bazar Patrika on 29.05.2011 and other news papers, viz., Sanmarg, Business Standard and Bartaman on 28.05.2011 inviting suggestions / objections on the aforesaid application. No response to that press notification was, however, received from the stake holders.
- 1.3 The instant application of DPL is its fourth application for the APR, the first, second and the third ones were for the financial years 2006 – 2007, 2007 – 2008 and 2008 – 2009 respectively. The adjustments, as were found necessary on



review of the performances of those 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 2009 – 2010 will be considered for giving effect while determining the amount of revenue recoverable through tariff during any ensuing year as per provisions of the Tariff Regulations, 2011.

- 1.4 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. It is, however, to clarify, at the out set, that the APR aims at examining the admissibility of fixed charges on different accounts and ascertaining the amounts of appropriate adjustments in terms of the Commission's Tariff Regulations.
- 1.5 The APR is to cover the annual fixed charges allowed to the distribution licensee, incentives and the effect of gain sharing as per Schedule – 10 and Schedule – 9B to the Tariff Regulations, 2007 respectively. Element of gain sharing on account of achieving better operational norms, however, was not considered for DPL while determining its Aggregate Revenue Requirement (in short 'ARR') for the year 2009 – 2010. Moreover, the incentives and the sharing of gains in terms of the referred schedules to the Tariff Regulations, 2007 are made allowable for the year 2008 – 2009 onwards.
- 1.6 The APR for the year 2009 – 2010 is, therefore, the review of the different factor elements of fixed charges, categorized as controllable and uncontrollable, allowed to DPL through the ARR for the year 2009 – 2010, vis-à-vis the actuals as per the audited accounts. The instant application of DPL for the year 2009 – 2010 is being viewed in the subsequent parts of this order.
- 1.7 The Commission has already ascertained the total amount of variable cost that could be allowed to DPL in the year 2009 – 2010 vide Commission's order dated



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02.08.2012 in Case no. FPPCA – 46 / 10 – 11. The instant order is, therefore, exclusively for ascertaining the allowable total amount of fixed charges for the year 2009 – 2010. The matter is being taken up in the next chapters.



CHAPTER – 2 FIXED CHARGES

2.1 The uncontrollable elements of fixed charges are those elements where variations of actual expenditure with the expenditure allowed by the Commission in the tariff order for the concerned year are caused by the factors beyond the control of the generating company or the licensee. The amounts of actual expenses / charges under such different heads of accounts are, therefore, to be considered on prudent check for carrying out positive or negative adjustments, as the case may be. On the contrary, in case of controllable head of expenses, the applicant is supposed to contain the expenditure within the total amount so allowed and any savings 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:

2.2 Employee Cost:

2.2.1 DPL, in its tariff order for 2009 - 2010 was allowed a total amount of Rs. 3326.77 lakh towards employee cost which includes salaries, wages, bonus, contribution to PF etc. as well as staff welfare expenses. As against this amount, the actual expenditure claimed by DPL was for a total amount of Rs. 7954.79 lakh. The detailed head wise break-up is as under:

Rs. In Lakh		
Sl. No.	Detailed heads of Accounts	Amount
1	Salary & Wages	3425.72
2	Bonus & Ex-Gratia	67.30
3	Gratuity	955.69
4	P. F. Contribution	271.10
5	Leave Salary	232.31
6	LTC & Leave encashment	25.41
7	Pension Scheme	78.09



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8	Other Welfare Expenses	19.38
	Total amount directly chargeable to Power Business	5075.00
9	Allocation of Central Overhead	
	(a) Service Department 2838.09	2879.79
	(b) Central Workshop 41.70	
	Total	7954.79

- 2.2.2 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 ratio.
- 2.2.3 The pay structure of DPL was revised with effect from 1 January, 2006, vide notification no. 71-PO/O/C-IV/IE-06/09 dated 17 February, 2009. Such pay revision also necessitated higher provisions towards employees' fringe benefits on account of gratuity and leave salary in compliance with provision of Accounting Standard (AS) – 15. The considerable increase in the employees cost over the amounts considered in tariff order was due to such pay revision.
- 2.2.4 DPL has submitted a claim of Rs. 4.64 lakh at Form 1.15 towards production incentive under employee cost. As already indicated under paragraph 6.3(e)(1) of the Commission's order dated 26.09.2008 in case no. TP-38/-8-09, production incentive shall not be allowed in the employee cost. Thus, Rs. 4.64 lakh, as above, is to be excluded from the submitted employee cost based on above order. The Commission decides to admit the actual employee cost of DPL being uncontrollable in nature in the APR for 2009 – 2010 amounting to Rs. 7950.15 lakh (Rs. 7954.79 lakh – Rs. 4.64 lakh) and function wise allocation of the total amount so admitted based on the ratio suggested by DPL is as under:

Sl. No.	Particulars	Amount Rs. in Lakh
1	Generation Function	6178.55
2	Distribution Function	1771.60
	Total	7950.15



2.3 **Water Charges:**

2.3.1 DPL meets its processed water supply requirements for its generating stations taking supply from its sister water plant unit. The inter plant transfer rate for such processed water during the year was fixed to Rs. 5.00 per kilolitre (KL). The actual amount of Rs. 1275.92 lakh was charged to power plant unit as against Rs. 2185.70 lakh considered in the tariff order for the concerned year. The Commission admits the actual expenditure booked amounting to Rs. 1275.92 lakh on this score in APR for 2009 – 2010. The amount is considered chargeable to generation function and distribution function as proposed by DPL.

2.4 **Coal and Ash Handling Charges:**

2.4.1 An amount of Rs. 1208.30 lakh was allowed in the tariff order for 2009 – 2010 towards coal and ash handling expenses. DPL claimed an amount of Rs. 806.48 lakh on this account. As shown in schedule – K to the audited accounts of generating station, the amount of actual expenditure came to Rs. 488.05 lakh and the same is admitted in APR for 2009 - 2010. The admitted amount of Rs. 488.05 lakh is chargeable to generation function.

2.5 **Interest on Capital Borrowings:**

2.5.1 As it reveals from the data submitted in Form – C of the instant application for APR, 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:



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Rs. in Lakh

Sl. No.	Sources	Opening balance	Repayment	Fresh drawal	Closing balance	Interest charges
1	PFCL					
	i) No. 50401001	81735.45	6992.33	1143.23	75886.35	8832.82
	ii) No. 50404007	9.06	9.06	0.00	0.00	0.07
	iii) No. 50404008	9500.61	2714.46	0.00	6786.15	677.11
2	Bonds allocated	249.78	14.00	0.00	235.78	27.58
3	Government of West Bengal	7873.57	0.00	0.00	7873.57	602.15
	Total	99368.47	9729.85	1143.23	90781.85	10139.73

2.5.2 The amount of interest charged in Profit & Loss Account of the power business is also found to be Rs. 10139.73 lakh (vide page 100 in volume II of the submission). The Commission admits the interest of Rs. 10139.73 lakh in the APR for the year 2009 – 2010. Allocation of this amount to generation and distribution function is as under as proposed by DPL.

Sl. No.	Particulars	Amount Rs. in Lakh
1	Generation Function	8618.78
2	Distribution Function	1520.95
	Total	10139.73

2.6 **Interest on Working Capital:**

2.6.1 DPL mentioned that it obtained no short term specific loan to meet up the working capital needs although requirement of the loan could not be ignored. The fund required for that purpose was managed from the cash available with its other operating units and by way of the encashment of short term deposits with banks. DPL, however, claimed an amount of Rs. 993.58 lakh towards interest on working capital computed @ 7.00% of the working capital of Rs. 14193.92 lakh in terms of regulation 4.6.5 of the Tariff Regulations, 2007. DPL considered the short term deposit interest rate as 7% per annum for calculation of the interest on



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working capital. This rate is lower than the Prime Lending Rate (PLR) of State Bank of India as on 01.04.2008, i.e., 12.25% per annum. The Commission considers to allow the rate of interest as claimed by DPL i.e., 7% per annum.

2.6.2 In terms of regulations 5.6.5.1 and 5.6.5.2 of the Tariff Regulations, 2011 working capital requirement shall be assessed on normative basis @ 18% on the summation of annual fixed charges and FPPC reduced by the amounts of depreciation etc. The following are the calculation in this regard.

Sl. No.	Particulars	Amount in Rs. in lakh	Amount in Rs. in lakh
1	Annual Fixed charges excluding interest on working capital		52763.04
2	Fuel and Power Purchase Cost now arrived		41642.89
	Sub Total (1+2)		94405.93
	Less:		
3	Depreciation	6607.72	
4	Advance against depreciation	3122.13	
5	Return on Equity	12296.19	
6	Provision for Bad Debt	367.63	
7	Reserve for Unforeseen Exigencies	1226.01	
	Sub Total (3 to 7)		23619.68
8	Allowable Fixed Charges for working capital		70786.25
9	Normative requirement of Working Capital (18% of 8)		12741.53
10	Interest allowable @ 7% on 9		891.91
11	Interest on working capital allowed		891.91

2.6.3 The Commission admits the amount of Rs. 891.91 lakh as interest on working capital and allocated the same between generation and distribution functions as follows:

Sl. No.	Particulars	Amount Rs. in Lakh
1	Generation Function	753.48
2	Distribution Function	138.43
	Total	891.91



2.6.4 DPL is directed to furnish henceforth the details of working capital loan drawn from the banks, period of loan vis-à-vis rate and amount of interest paid, etc. in order to take a reasonable/justified view by the Commission so far as the weighted average rate of actual interest is concerned.

2.7 Interest on Consumers' Security Deposit:

2.7.1 An amount of Rs. 24.72 lakh was allowed to DPL towards interest payable to consumers on their security deposits. The actual amount of interest charges on such deposits came to, as per the schedule – K to the audited accounts, Rs. 21.80 lakh. The same amount is admitted on APR for 2009 – 2010 and that pertains to distribution function.

2.8 Finance Charges:

2.8.1 The actual amount of finance charges incurred by DPL during 2009 – 2010 are found as under:

Sl. No.	Particulars	Amount Rs. in Lakh
1	Guarantee Fees	844.78
2	Bank charges	3.71
	Total	848.49

2.8.2 This is as against Rs. 927.77 lakh allowed in the tariff order for 2009 – 2010. The amount of guarantee fee is in regard to capital loans from PFC for the construction of power plant and the same amounting to Rs. 844.78 lakh is, therefore, charged to generation function. Bank charges of Rs. 3.71 lakh are in regard to distribution function. The total of Rs. 848.49 lakh is admitted by the Commission in APR for 2009 – 2010.



2.9 **Depreciation:**

2.9.1 The amounts of depreciation considered in the tariff and actually become chargeable to accounts for the year 2009 – 2010 are as under:

Rs. In Lakh

Particulars	Amount as per Tariff Order	Actual
Generation	5861.02	6093.95
Distribution	947.41	513.77
Total	6808.43	6607.72

2.9.2 The amount of Rs. 6607.72 lakh actually charged to accounts is admitted in APR for 2009 – 2010.

2.10 **Advance Against Depreciation:**

2.10.1 DPL claimed an amount of Rs. 3122.13 lakh towards advance against depreciation as against Rs. 3820.94 lakh allowed in the ARR for the year 2009 – 2010. Advance against depreciation is allowable, in terms of regulation 5.6.3.1 read with regulation 5.5.2 of the Tariff Regulations, 2011 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 2.5.1 above, the total amount of loans repaid by DPL during 2009 – 2010 was Rs. 9729.85 lakh and that is much more than the amount of depreciation of Rs. 6607.72 lakh charged in the accounts and admitted by the Commission in APR 2009 – 2010. As such, an amount of Rs. 3122.13 lakh (Rs. 9729.85 lakh – Rs. 6607.72 lakh) towards advance against depreciation is found allowable and relates to generation function.



2.11 Intangible Assets Written Off:

2.11.1 An amount of Rs. 4.19 lakh was allowed in the ARR for 2009 – 2010 towards writing off of intangible assets. No amount was found charged in the audited accounts. Thus, no fund is admitted in APR for 2009 - 2010.

2.12 Bad Debts:

2.12.1 DPL made a provision for Rs. 929.61 lakh in its audited accounts for the year 2009 – 2010 for power business towards doubtful debts (vide schedule K at page 113 of Volume II of its application). It has been stated that the provision is against the dues from the sick industrial units which are under liquidation or closure or dispute. DPL requested for considering the entire amount of Rs. 929.61 lakh as provided in the accounts as bad debts. In terms of regulation 5.10.1 of the Tariff Regulations, 2011, the maximum amount that can be allowed in this regard is 0.5% of the annual gross sales revenue which is Rs. 73525.42 lakh. The amount of bad debt @ 0.5% on that amount comes to Rs. 367.63 lakh and the Commission admits the same amount. It is chargeable to distribution function.

2.13 Income Tax:

2.13.1 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 2009 – 2010. DPL, therefore, did not claim for any amount in this regard.

2.14 Reserve for Unforeseen Exigencies:

2.14.1 An amount of Rs. 511.20 lakh was allowed in the ARR of DPL for the year 2009 – 2010 towards reserve for unforeseen exigencies. In terms of regulation 5.11.1 of the Tariff Regulations, 2011, such reserve is allowable @ 0.25% of the gross block of the fixed assets at the beginning of the year. In the year 2009 – 2010, original cost of fixed assets in operation stood at Rs. 192361.25 lakh at the beginning of the year and amount to be provided towards reserve for unforeseen



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exigencies reckons to Rs. 480.90 lakh in APR for 2009 – 2010. The aforesaid amount of Rs. 480.90 lakh is allocated between generation function and distribution function as Rs. 447.82 lakh and Rs. 33.08 lakh respectively based on proportion of opening gross value of fixed assets.

2.14.2 While finalizing APR for the earlier year, the Commission observed that DPL was not making proper provision for unforeseen exigencies in its books of accounts. The amounts of reserves in this regard were also not being invested outside the business. The Commission directed DPL to do the needful as required under the provisions of the Tariff Regulations. DPL confirmed the compliance of those directives. The Commission thus, decides to refund the amount of unforeseen exigencies reserve of Rs. 745.11 lakh deducted earlier, vide paragraph 2.21.1 of Commission's order dated 26th July, 2010 in case no. APR-15/09-10. With admission of such refund of Rs. 745.11 lakh, the chargeable amounts towards reserve for unforeseen exigencies in the APR for the year 2009 – 2010 come as under :

Sl. No.	Particulars	Amount Rs. in Lakh
1	Generation	1039.68
2	Distribution	186.33
	Total	1226.01

2.15 Returns on Equity:

2.15.1 In terms of regulation 5.6.1.1 and 5.6.1.2 of the Tariff Regulations, 2011, DPL is entitled to have returns on equity base deployed in its generation and distribution functions @ 15.5% and 16.5% respectively. 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:



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Sl. No.	Particulars	Amount (Rs. in Lakh)		
		Generation	Distribution	Total
1	Actual equity base at the beginning of the year	70732.23	16567.77	87300.00
2	Admissible equity base at the beginning of the year	63549.61	13986.92	77536.53
3	Actual addition to / withdrawal of equity base during the year	0.00	1950.00	1950.00
4	Actual equity base at the end of the year (1+3)	70732.23	18517.77	89250.00
5	Net Addition to the original cost of fixed assets during the year	(977.10)	8186.85	7209.75
6	Normative addition to equity base (30% of 5)	(293.13)	2456.06	2162.93
7	Addition to equity base considered for the year (lower of 3 and 6)	(293.13)	1950.00	1656.87
8	Admissible equity base considered at the closing of the year (2+7)	63256.48	15936.92	79193.40
9	Average equity base for allowing returns (2+8)/2	63403.05	14961.92	78364.97
10	Rate of Return	15.50%	16.50%	
11	Return on Equity in APR for the year 2009 – 2010	9827.47	2468.72	12296.19

2.15.2 It is observed from the Balance Sheet of the power plant unit of DPL, as submitted with the APR application for the year 2009 – 2010 that the shareholders' fund under the head 'source of fund' in liability side has not been shown separately. DPL is directed to submit duly audited balance sheet and profit and loss account year-wise for the years 2007 – 2008 to 2010 – 2011 in respect to the power plant units separately incorporating therein shareholders' funds viz., (i) authorized capital and paid up capital and (ii) capital reserve, reserves & surplus, reserve for unforeseen exigencies along with respective schedules under the major head 'sources of fund' instead of present practice of reflecting inter-unit current accounts under sources of 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. 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.

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

2.16.1 No amount was separately considered towards Rates & Taxes (Other than tax on Income & Profit) in the tariff order for the year 2009 – 2010. The projected amount on such accounts was considered as the part of overall operation and



maintenance expenses in the ARR for 2009 – 2010. But, in terms of Tariff Regulations, 2011, the Commission recognized such expenditures as separate item and categorized the same as uncontrollable.

2.16.2 As per schedule 'K' of audited accounts of DPL for 2009 – 2010, the expenditure on rates and taxes was Rs. 0.47 lakh and the same is admitted by the Commission. The expenditure is allocated to the generation function.

2.17 Insurance Premium:

2.17.1 Similar to rates & taxes, as stated above, the provision towards insurance expenses was clubbed with the overall allowable amount of operation and maintenance expenses. Since in the Tariff Regulations the expenditures towards taking appropriate insurance coverage have been categorized as uncontrollable, the actual expenditures on this account as per schedule 'K' to the audited accounts of DPL for the year 2009 – 2010 totaling to Rs. 81.37 lakh has been admitted by the Commission. The expenditure is allocated to the generation function.

2.17.2 DPL is to confirm whether the insurance premium was paid after selection of insurance company through a transparent process as required under regulation 5.23.1 of the Tariff Regulations.

2.18 Operation & Maintenance Expenses:

2.18.1 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. 8264.78 lakh was allowed to DPL in ARR in this regard for the year 2009 – 2010.



2.18.2 The actual total expenditure incurred under different heads of operation and maintenance came to Rs. 7122.68 lakh. Such expenses have been categorised as controllable and, as such, the savings in total expenses are to be in the account of the licensee. While determining the ARR of all the three ensuing years of second control period i.e., for 2008 – 2009, 2009 – 2010 and 2010 – 2011 in the tariff order for 2008 – 2009, the Commission directed that in case the actual expenses under repair and maintenance head of 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. 576.05 lakh under the head of R & M including consumables in distribution for the year 2009 – 2010. It is found from the submission that the actual R&M expenses in distribution comes at Rs. 1138.63 lakh which is higher than the expenses as allowed in the tariff order. The Commission, therefore, admits Rs. 8264.78 lakh as operation and maintenance expenses allowed in the tariff order. However, since the amounts of rates and taxes and insurance premium previously included under operation and maintenance expenses have been categorized as uncontrollable under Tariff Regulations, 2011 and have been considered separately under preceding paragraphs 2.16 and 2.17, the same are adjusted in the allowable operation and maintenance expenses to arrive at Rs. 8182.94 lakh [Rs. 8264.78 lakh – (Rs. 0.47 lakh + Rs. 81.37 lakh)] in the APR for the year 2009 - 2010. The function wise break up is as follows:

Sl. No.	Particulars	Amount (Rs. in Lakh)	
		Amount allowed in ARR 2009-2010	Amount admitted in APR 2009 - 2010
1	Generation	7387.33	7305.49
2	Distribution	877.45	877.45
	Total	8264.78	8182.94



2.19 Demurrage Charges:

2.19.1 DPL was allowed an amount of Rs. 268.80 lakh on estimation basis to take care of demurrage charges payable on unavoidable cases while unloading coal from rail wagons. Such estimated provision was not taken into accounts for working out the cost of coal. Actual amount of expenditure incurred by DPL in this regard as per audited accounts was for a total amount of Rs. 154.44 lakh. The Commission considers to allow the amount of actual expenditure as a charge to generation function.

2.20 Income from Non-Tariff Sources:

2.20.1 The incomes from other non-tariff sources, as considered in the tariff order for the year 2009 – 2010 and as actually came as per audited accounts are found as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)	
		As considered in Tariff Order	Actual
1	Rental of meters etc.	87.96	66.78
2	Sale and repair of meters & apparatus	2.51	0.35
3	Income from investments and bank balances	5.84	0.00
4	Surcharge for late payments	21.11	92.08
5	Income from consumers job	39.10	21.70
6	Sale of Steam	175.90	165.15
7	Others	62.91	209.42
	Total	395.33	555.48

2.20.2 The income from sale of steam amounting to Rs. 165.15 lakh is considered under generation function and the rest of the income of Rs. 390.33 lakh is attributed to distribution function. The Commission admits total income from non-tariff sources as Rs. 555.48 lakh, the actual income submitted by DPL.



2.21 Income from Unscheduled Interchange (UI) of Power:

2.21.1 DPL earned an amount of Rs. 550.26 lakh during the year from the unscheduled interchange charges. In terms of regulation 5.17.3 of the Tariff Regulations, 2011, DPL being a distribution licensee is to share the amount of net income from U.I. charges with its consumers. The extent of such sharing shall be as decided by the Commission. The Commission decides that DPL share the entire amount of UI charge with its consumers, including WBSEDCL.

2.22 Amount withheld for non-submission of Performance Guarantee (PG) Test Report:

2.22.1 An amount of Rs. 4624.85 lakh out of its ARR for 2009 - 2010 was withheld due to non-submission of Performance Guarantee (PG) test report for Unit VII of its generating station. DPL submitted an application as in case no. OA-150/12-13 praying for waiver of submission of PG test report of the Unit VII for the reasons stated therein. The Commission in its order dated 16th August, 2012 in case no. OA-150/12-13 decides to waive submission of PG test report for Unit VII by DPL and not to withhold any amount from ARR of DPL for any ensuing year on this score. So, no amount has been withheld in the APR of DPL for 2009 – 2010 on this score.

2.23 Admissibility of Capacity Charges based on Availability:

2.23.1 In terms of regulation 5.4.2 of the Tariff Regulations, from the second control period, the recovery of capacity charge for all the generating stations of the licensee and generating company 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 under which the target PAF of DPL has been recommended as overall 75%.

2.23.2 From the data submitted in Form 1.1(a), the actual weighted average PAF in respect of DPL during 2009 – 2010 is arrived at 69%. The Commission now



decides to deduct capacity charges to the extent of shortfall in PAF achieved by DPL during 2009 – 2010 as under:

Sl. No.	Particulars	Unit	Amount
1	Allowable Gross Fixed Charges for generating stations at normative PAF level after adjustment of Non-tariff income etc. (as per Annexure – 2A)	Rs. in Lakh	45593.93
2	Normative PAF	%	75
3	PAF Achieved	%	69
4	Proportionate amount realizable as capacity charges	Rs. in Lakh	41946.42
5	Amount of Capacity Charges deductible for shortfall in PAF	Rs. in Lakh	3647.51

2.23.3 The entire deduction of Rs. 3647.51 lakh is to be made for generation function.

2.24 Fixed Charges as Admitted:

2.24.1 Based on the foregoing analyses, the amounts of net fixed charges allowable under different heads in respect of DPL have been shown in Annexure 2A. As shown in the referred annexure, the gross amount of fixed charges (less other income) for DPL for the year 2009 – 2010 come to Rs. 52549.21 lakh as against Rs. 51679.94 lakh allowed in ARR for 2009 – 2010.

2.24.2 The net amount of fixed charges for DPL for the year 2009 – 2010 has been derived after deducting items specified in paragraph 2.23 and the same comes to Rs. 48901.70 lakh. This has been shown in annexure – 2A with allocation to generating and distribution functions as Rs. 41946.42 lakh and Rs, 6955.28 lakh respectively.

2.25 Re-determined Fixed Charges:

2.25.1 The amount of admitted fixed charge in APR for 2009 – 2010 for DPL, as shown in Annexure – 2A, requires to be adjusted with the amounts determined on APR



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in regard to fixed charges for the year 2007 – 2008. Such recoverable amount, vide paragraph 3.8 of Commission's order dated 28.05.2009 in Case No. APR-8/08-09 is Rs. 6771.34 lakh and the same is allocated to generation and distribution functions as Rs. 6293.36 lakh and Rs. 477.98 lakh respectively.

2.25.2 The amount of re-determined fixed charges for DPL for the year 2009 – 2010, after carrying out the adjustments in regard to fixed charges for 2007 – 2008 come as under:

Particulars	Amount in Rs. in Lakh		
	Generation	Distribution	Total
Net Fixed charges of 2009 – 2010 admitted for recovery in APR for 2009 – 2010	41946.42	6955.28	48901.70
Add: Fixed charges relating to 2007 – 2008 as appeared in the Tariff Order for 2009 - 2010	6293.36	477.98	6771.34
Re-determined fixed charges	48239.78	7433.26	55673.04



Annexure – 2A

Figures in Rs. in Lakh

Sl. No.	HEAD OF FIXED CHARGES	AS PER TARIFF ORDER			AS ADMITTED IN APR		
		GENERATION	DISTRIBUTION	TOTAL	GENERATION	DISTRIBUTION	TOTAL
1	Employee Cost (including centrally maintained employee expenses)	2615.93	710.84	3326.77	6178.55	1771.6	7950.15
2	Water Charges	2160.22	25.48	2185.70	1250.44	25.48	1275.92
3	Coal & Ash Handling Expenses	1208.30	0.00	1208.30	488.05	0.00	488.05
4	Operation & Maintenance Expenses:	7387.33	877.45	8264.78	7305.49	877.45	8182.94
5	Rates & Taxes	0.00	0.00	0.00	0.47	0.00	0.47
6	Insurance Premium	0.00	0.00	0.00	81.37	0.00	81.37
7	Interest on Capital Borrowings	10365.30	1840.04	12205.34	8618.78	1520.95	10139.73
8	Finance Charges	788.60	139.17	927.77	844.78	3.71	848.49
9	Interest on Consumers' Security Deposit	0.00	24.72	24.72	0.00	21.80	21.80
10	Interest on Working Capital	0.00	0.00	0.00	753.48	138.43	891.91
11	Bad Debts	0.00	521.00	521.00	0.00	367.63	367.63
12	Depreciation	5861.02	947.41	6808.43	6093.95	513.77	6607.72
13	Advance Against Depreciation	3820.94	0.00	3820.94	3122.13	0.00	3122.13
14	Reserve for unforeseen Exigencies	451.48	59.72	511.20	1039.68	186.33	1226.01
15	Intangible Assets Written Off	3.18	1.01	4.19	0.00	0.00	0.00
16	Demurrage	268.80	0.00	268.80	154.44	0.00	154.44
17	Income Tax	0.00	0.00	0.00	0.00	0.00	0.00
18	Returns	9944.49	2052.84	11997.33	9827.47	2468.72	12296.19
19	Gross Fixed Charges relating to 2009 - 2010 (1 to 18)	44875.59	7199.68	52075.27	45759.08	7895.87	53654.95
	Less: Adjustments on account of other Income:						
20	Other Non-Tariff Income	239.78	155.55	395.33	165.15	390.33	555.48
	Net receipt of UI Charges	0.00	0.00	0.00	0.00	550.26	550.26
	Total (20)	239.78	155.55	395.33	165.15	940.59	1105.74
21	Gross Fixed Charge after adjustment of Other Income for 2009 - 2010 (19-20)	44635.81	7044.13	51679.94	45593.93	6955.28	52549.21
	Less: Deduction as per Regulations						
22	Amount withheld for non-submission of P.G. Test Report	4624.85	0.00	4624.85	0.00	0.00	0.00
	Disallowance of fixed charges for non-achievement of target PAF	0.00	0.00	0.00	3647.51	0.00	3647.51
	Total (22)	4624.85	0.00	4624.85	3647.51	0.00	3647.51
23	Net Fixed Charges admitted 21-22	40010.96	7044.13	47055.09	41946.42	6955.28	48901.70



CHAPTER – 3 AMOUNT ADJUSTABLE ON ANNUAL PERFORMANCE REVIEW

- 3.1 Based on the forgoing analyses and admissions of the adjustments under different uncontrollable factors / elements of fixed charges, the re-determined allowable fixed charges during 2009 – 2010 for generation and distribution functions of DPL came as under:

Particulars	Amount (Rs. in Lakh)
Generation	48239.78
Distribution	7433.26
Total	55673.04

- 3.2 In its order dated 02.08.2012 in case no. FPPCA – 46 / 10 – 11, the Commission also re-determined the fuel and power purchase cost allowable to DPL totaling to Rs. 41642.89 lakh. The cost centre wise break-up of this total amount of Rs. 41642.89 lakh is as follows:

Particulars	Generation	Distribution	Total
Admitted fuel cost for own generation station	38484.83	0.00	38484.83
Admitted Power Purchase Cost	0.00	3158.06	3158.06
Total Fuel and Power Purchase cost	38484.83	3158.06	41642.89

- 3.3 As it comes out from above, DPL's total realizable sales revenue from its consumers and WBSEDCL during the year 2009 – 2010 comes as follows:

	Amount (Rs. in Lakh)
Fuel and Power Purchase Cost	41642.89
Fixed Charges	55673.04
Total	97315.93



Order on APR of DPL for the year 2009-10

- 3.4 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 and submission made in the APR application. The amount of total sales revenue comes as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Sale of power as per Schedule 'I' of Profit & Loss Account	73465.48
2	Add: Inter-plant transfer of Energy as per Profit & Loss Account	830.36
	Total	74295.84
3	Less: Amount recoverable by DPL on account of APR for 2008 – 2009 included in the tariff order for 2010 – 2011 but treated as revenue during 2009 – 2010 (Refer para 21 of Schedule 'N' – Notes on Accounts)	6729.72
4	Add: Amount recoverable by DPL on account of APR for 2007 – 2008 included in the tariff of 2009 – 2010 but treated as revenue in the accounts of 2008 – 2009 (Refer para 21 of Schedule 'N' – Notes on Accounts)	6771.34
5	Less: Proportionate amount recovered from the consumers in 12/60 monthly instalments of Rs. 4060.09 lakh towards FPPCA for the financial years 2004 – 2005 and 2005 – 2006.	812.04
6	Sales revenue realized during 2009 – 2010 pertaining to this year	73525.42

- 3.5 Based on the analyses as done in the foregoing paragraphs, the amount adjustable on the instant case of APR for the year 2009 – 2010 works out as under:

Sl. No.	Particulars	Amount (Rs. in Lakh)
1	Variable cost admitted in FPPCA for 2009 - 2010	41642.89
2	Fixed cost in APR for 2009 – 2010	55673.04
3	Total sales revenue realizable in 2009 - 2010	97315.93
4	Actual Sales Revenue recovered for 2009 - 2010	73525.42
5	Net amount (+) recoverable / (-) refundable [5 = (3-4)]	23790.51



Order on APR of DPL for the year 2009-10

- 3.6 In terms of regulation 2.6.6 of the Tariff Regulations, 2011 the entire recoverable amount of Rs. 23790.51 lakh or a part thereof shall be adjusted with the amount of Aggregate Revenue Requirement for the year 2011 – 2012 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 2011 – 2012 or any ensuing year or in a separate order.
- 3.7 DPL is to take a note of this order.

Sd/-
(SUJIT DASGUPTA)
MEMBER

Sd/-
(PRASADRANJAN RAY)
CHAIRPERSON

DATED: 24.08.2012